

# Annual Report and Accounts

2017 to 2018

HC 1421



**Office of Qualifications and  
Examinations Regulation  
(Ofqual)  
Annual Report and Accounts 2017–18  
(For the year ended 31 March 2018)**

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

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

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

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“  
...we are using our assessment and regulatory expertise to play a leading role in securing the government’s vision for a new educational landscape.”

## Chair’s foreword

**Reform of general qualifications is now nearing completion. In contrast, reform of vocational and technical qualifications is just beginning. This report sets out how we have delivered against our goals and objectives in the year ending 31 March 2018 and shows how we have spent our income.**

As the qualifications regulator in England, we are using our assessment and regulatory expertise to play a leading role in securing the government’s vision for a new educational landscape.

A major milestone was passed in summer 2017, when students sat exams in the first new GCSEs and A levels. And our accreditation of new GCSEs and A levels was completed shortly after the end of this reporting period, meaning students will only study reformed qualifications from this September. The government set out clear aims for these qualifications, including better preparing students for work or further study, and providing better differentiation between their abilities. We took a range of decisions about how the new qualifications should be assessed and delivered. We have made good progress over the past year in raising awareness and understanding of the changes, and we have begun to evaluate if the decisions we took are delivering against ours and the government’s expectations. Early indications are positive. Alongside our focus on reform, our long-term programmes that address exam boards’ quality of marking and deterring malpractice continue to be important strands of work.

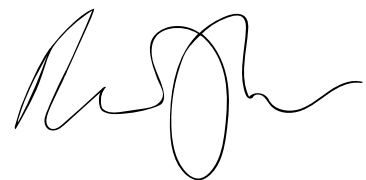
The recommendations from the Independent Panel on Technical Education and government’s subsequent Skills Plan, published in June 2016, set out a clear vision for the future of technical education in England. We have been working with the Department for Education and the Institute for Apprenticeships to deliver the associated reforms, including the introduction of technical qualifications within T level programmes and the continued introduction of new apprenticeship end-point assessments. Beyond the Skills Plan, we have also been supporting the reform of functional skills qualifications.

We recognise the importance to public confidence of an education system that provides opportunities for everyone. That means qualifications of any form must be trusted and valued by those who study and use them. Our commitment to reliable and accurate assessment is therefore just the same in vocational and technical qualifications as it is in general qualifications. Our focus over the reporting period has been on ensuring that all new qualifications are designed and developed well from the outset, and that standards can be maintained effectively over time. It is also important that those who purchase qualifications can easily find out how much they cost. This is the foundation of an efficient market, and price transparency is something we will be considering further over the coming year.

We have an important, but different, role to play in regulating National Assessments, but this has not always been well understood. Earlier this year we provided additional clarity through the introduction of a new regulatory framework. We will continue to focus on assessment validity in our monitoring, research and advice on National Assessments.

Much of our work over the past year will extend into the next financial year and beyond. We set out our planned activities for 2018 to 2021 in our Corporate Plan. I would like to thank my colleagues for all their hard work over the past year, and I look forward to working with them and others so that qualifications are developed and delivered that are reliable, valid and benefit society.

**Roger Taylor**  
Chair  
9 July 2018



# Performance report

## Overview

In this section, we outline Ofqual's role and provide a summary of our performance against our goals and objectives over the reporting period.

## Ofqual's role

Ofqual is the independent qualifications regulator for England. At end March 2018, we regulated 150 awarding organisations, and about 15,800 qualifications. These include GCSEs, AS and A levels, and a broad range of vocational and technical qualifications. We also provide external quality assurance to some apprenticeship end-point assessments.

## Statutory objectives and duties

Ofqual has five statutory objectives, which are set out in the Apprenticeships, Skills, Children and Learning Act (2009). In brief, they are:

1. To secure qualification standards.
2. To promote National Assessment standards.
3. To promote public confidence in regulated qualifications and National Assessment arrangement.
4. To promote awareness of the range and benefits of regulated qualification.
5. To secure that regulated qualifications are provided efficiently.

We have a wide range of other duties and publish separate documents addressing some of these, including those related to equality and diversity, and regulatory burden.

## Performance report highlights

- Reformed GCSEs in English language, English literature and maths, and 13 new A levels were safely delivered in summer 2017.
- All GCSE, AS and A level results were issued on time and standards were maintained.
- Our films explaining GCSE and A level reforms were watched around 11 million times, and awareness of the new GCSE 9 to 1 grading scale rose above 80%.
- The second National Reference Test was successfully conducted in spring 2018.
- We had agreed to be the external quality assurer for 50 new apprenticeship assessment standards by end March 2018.
- We confirmed our regulatory approach for new functional skills qualifications.
- We implemented a new regulatory framework for National Assessments.
- We took a range of regulatory action, including announcing a record fine of £125,000.
- Our Civil Service staff survey engagement score improved more than any other participating organisation.
- Net comprehensive expenditure, plus capital investment for the year was £18.3 million, giving an outturn of 0.25% under budget.



## Qualifications landscape

Education policy is devolved across the nations of the UK. Ofqual regulates qualifications within the context of government policy in England. Over the past few years, this has been characterised particularly by reform of GCSEs, AS and A levels. Now we are also engaged with the government's far reaching reforms of vocational and technical qualifications.

Those qualifications that we regulate must be listed in our register. Some of these qualifications have very large numbers of certifications each year. Several thousand of them have fewer than 10.

Some of the qualifications on our register are being replaced by reformed qualifications. The programme to reform GCSEs, AS and A levels in England is near completion. New qualifications are being introduced gradually, and examinations in the first new GCSEs and A levels took place in summer 2017. All such qualifications taught from September 2018 will have been reformed.

Other new qualifications are gradually being added to our register. These include new end-point assessments, which are being introduced as part of reformed apprenticeships.

Work is also under way to reform functional skills qualifications, for which there are around 740,000 certifications annually. The intention is that new qualifications will be available for first teaching from September 2019. The phased introduction of T levels, including new technical qualifications, is scheduled to begin in 2020. T levels are expected to replace some of the vocational and technical education qualifications currently offered at level 3. The government has also announced its intention to review a range of other qualifications.

## Regulatory approach

Qualifications and awarding organisations regulated by Ofqual are required to comply with our rules. We provide guidance on those rules to aid compliance, including examples of both good and poor practice. Where awarding organisations fail to meet our rules, we have a range of enforcement tools at our disposal to rectify issues, help protect learners and to deter future non-compliance.

Our register is an accessible way for stakeholders to find out if qualifications are regulated by us. It provides assurance that the awarding organisations offering listed qualifications are required to follow our rules in their design, development, delivery and awarding.

Our work is targeted at the greatest risks to our statutory objectives, with a particular focus on threats to qualification standards and their validity, which can impact public confidence. We define qualification validity to be the degree to which it is possible to measure what the qualification needs to measure by implementing its assessment procedure.

We gather intelligence, analyse evidence and evaluate risks to target our priorities. This means the nature of our activities will vary across the qualifications we regulate. Where we wish to assess how awarding organisations are meeting our requirements and delivering valid qualifications safely, we make use of monitoring programmes, audits of awarding organisations' processes and procedures, and technical evaluations of their qualifications and how they function.

Where appropriate, we use the reform of qualifications as an opportunity to ensure that qualifications are well designed, threats to validity are minimised and risks to their safe delivery are anticipated and mitigated.

We engage a diverse range of stakeholders across our work so that our decisions are properly informed by those on whom they have impact. In particular we pay close attention to the impact of our decisions on teaching and learning, and on the confidence of those who use and rely on qualifications. When qualifications are reformed, we use a range of engagement and communications channels to promote understanding of the changes and their impact on users.

Many of the qualifications that we regulate are also available for study outside England. We work with and, wherever appropriate, align our approach with other regulators to minimise burden on awarding organisations.



## Goals and objectives

Ofqual's work in the past financial year was informed by the goals and objectives set out in our Corporate Plan 2017 to 2020.

### Goal 1: Regulating and reforming general qualifications.

- **Objective 1:** Regulate for the validity of general qualifications.
- **Objective 2:** Oversee reform of general qualifications.

### Goal 2: Regulating and reforming vocational and technical qualifications.

- **Objective 3:** Regulate to support the reform of vocational and technical qualifications.
- **Objective 4:** Regulate for the validity of vocational and technical qualifications.

### Goal 3: Keeping the validity of National Assessments under review.

- **Objective 5:** Monitor and evaluate the validity of National Assessments.

### Goal 4: Develop and manage our people, resources and systems.

- **Objective 6:** Build our capability and manage our resources efficiently and effectively.



## Chief Regulator's review of the year

**Ofqual plays a fundamental role in the safe delivery of millions of qualifications certifications in England each year. This Annual Report and Accounts summarises how we have sought to achieve our statutory objectives over the reporting period.**

Reformed GCSEs, AS and A levels are being introduced gradually, and exams in the first new GCSEs and A levels took place in summer 2017. These were delivered safely and results were issued on time. There were several incidents during the summer 2017 series that required us to intervene in different ways and to varying extents. These included the impact on students of the terrorist attacks in Manchester and London, and the Grenfell Tower fire. Changes we had encouraged exam boards to make ensured students affected by these incidents could be treated more fairly than might otherwise have been the case.

The series was also affected by a serious error in a GCSE English literature question and the launch of a criminal investigation following allegations that the security of some AS and A level maths papers had been breached. After results had been issued, several national newspapers reported allegations that teachers who had been involved in writing exam papers had disclosed confidential information to their students, and evidence began to emerge that called into question the security of some non-exam assessment tasks for the new GCSE computer science qualification. We took swift and appropriate action in all cases to ensure the integrity of the qualification system and that any affected students were treated as fairly as possible.

Our accreditation of new GCSE, AS and A levels was completed in early June 2018, though much of the work occurred during the reporting period. This ends a programme of reform that began in 2011, and has seen a total of 423 specifications accredited across 112 GCSE and AS/A level subjects. We have conducted an extensive communications and public engagement campaign to help students, parents, teachers and employers understand the reforms, including the new 9 to 1 GCSE grades. Levels of awareness have risen sharply over the past year. And early analysis suggests new assessment arrangements in A level biology appear to be improving students' practical skills when they reach university. We will continue to evaluate these qualifications, making any adjustments that may be required and learning lessons for future policy development. Across all our work, we will continue to make sure the system is as fair as it can be for all students. The strong relationships we have forged with schools, teacher unions and other stakeholders will remain critical in achieving this.

We have welcomed the government's vision for T levels, and technical education more generally. We have provided advice to the Department for Education and Institute for Apprenticeships to help drive the effective design and development of reformed qualifications.

We confirmed our regulatory approach for new functional skills qualifications in March 2018, including how standards will be set and maintained. On apprenticeships, we have incorporated end-point assessments into our regulatory framework and we will regulate them in broadly the same way as other qualifications. We are already providing external quality assurance to some new apprenticeship end-point assessments, and anticipate the number to grow over time. We are also committed to working with government and the Institute to develop and deliver technical qualifications that meet the needs of learners and employers. We are considering all the options for how we might best support the development of a well-functioning and sustainable market in the time that is available.

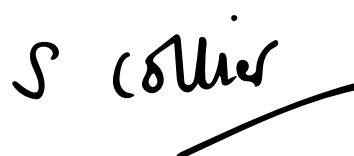
We take a risk-based approach to regulation to ensure that our resources are targeted effectively. We have a particular focus on threats to qualification standards and their validity, which are both essential for public confidence. We recognise the importance of providing clear guidance and support to the awarding organisations we regulate to ensure they understand how to meet our rules. We are becoming more explicitly preventative in our work, however, when awarding organisations fail to meet our requirements we take action. Over the past year this has included initiating an audit of the arrangements awarding organisations have with their centres, where we have evidence that controls may not be sufficient. We also issued two notices of intention to fine in relation to other events, one for a record sum.

A sound evidence base is essential to all areas of our work. We have in place a world class research function producing cutting edge research, and a professional audit team to review the organisations we regulate. In the year ahead we will use these capabilities to underpin the regulatory action we need to take, and to inform qualification reform.

Our regulation of National Curriculum assessments focuses on monitoring procedures that are critical to supporting valid test outcomes, including standards maintenance and marking processes. We published an annual report in December 2017 that provided a comprehensive summary of our regulation of national assessments over the 2017 assessment cycle. We said we were satisfied that the Standards Testing Agency had taken an appropriate approach to making sure that the new standards for key stage 1 and 2 assessments set in 2016 were effectively maintained for the 2017 tests.

We continued to invest in our staff and systems over the past year so that we have the skills and technology available to effectively deliver our objectives. Our effort was borne out by our staff engagement results, which showed a second successive year of improvement, and we recorded the largest upward movement of any participating organisation.

Looking forward, much of the work we have undertaken over this reporting period will continue into future years. I look forward to working with my colleagues, the awarding organisations we regulate and other stakeholders to achieve our collective goals.



**Sally Collier**  
Chief Regulator, Accounting Officer  
for Ofqual  
11 July 2018



In total, more than **1.4 million students** in England were entered for **GCSEs, AS and A levels** in summer 2017



## Performance analysis

In this section, we provide a detailed assessment of our performance against our goals and objectives over the reporting period, and long term expenditure trend analysis.

### Goal 1: Regulating and reforming general qualifications

#### Context

Ofqual regulates GCSEs, AS and A levels in England within the context of government policy. A programme to reform these qualifications is near completion. New qualifications are being introduced gradually, and examinations in the first new GCSEs and A levels took place in summer 2017. All qualifications taught from September 2018 will have been reformed.

#### Regulating general qualifications

Ofqual is responsible for maintaining standards in GCSEs, AS and A levels in England. Our aims are to:

- maintain standards year on year
- align standards across exam boards in a subject
- secure public confidence in the results being issued

#### Preparations for summer 2017

New GCSEs in English language, English literature and maths, which adopted the 9 to 1 grading scale, were awarded for the first time in summer 2017. Eleven reformed AS and 13 reformed A levels were also awarded for the first time.

Ofqual reviews exam board preparations ahead of each exam series. In early 2017, we conducted an in-depth review of the readiness of each of the four GCSE and A level exam boards for the 2017 summer exam series. We reviewed the extent to which they had identified and were managing the risks to the safe delivery of the series and looked in particular at their governance and structural arrangements, their ways of working, and their resources. We were reassured that they would be prepared for the summer series and, following the reviews, we presented our observations to each exam board for their consideration and action where necessary.

We conducted an extensive communications and public engagement campaign to help students, parents, teachers and employers understand the reforms to GCSEs, AS and A levels, including the new 9 to 1 GCSE grades. We produced a range of resources including films, which have been viewed around 11 million times, sets of postcards and posters, which were sent to every school in England, and regular blogs. We measured our impact over time, and achieved significant improvements in awareness and understanding of the new grading scale and other aspects of the reforms. The box on page 22 provides more detail.

We announced in April 2017 that we would adjust grade standards in A level French, German and Spanish. This was because our research led us to judge that the impact of an increased proportion of native language speakers taking these languages meant that a small adjustment was necessary to maintain grade standards.

Exam boards can adjust the marks a student has been given to compensate for their absence from an exam or to take account of the impact of their absence on their performance in an exam. Ahead of the summer, we encouraged the exam boards to consider the basis on which they would award an assessed/calculated grade to a student who was unable to take all of their exams, to reflect the fact that exams for GCSEs, AS and A levels are now all taken at the end of the course and there is less non-exam assessment. For summer 2017, the exam boards reduced the minimum requirement from 40% to 25%. They were also prepared, in the most exceptional cases, to reduce this to 20%. The change meant that some students, including some who were affected by terrorist incidents and the Grenfell Tower fire, which happened during the exam series, were able to receive a grade.

### **Box: Summer series 2017 key dates and significant incidents that may have affected some students**

15 May 2017 – GCSE, AS and A level exams begin  
22 May 2017 – Manchester terrorist attack  
26 May 2017 – unacceptable error in OCR GCSE English literature paper  
3 June 2017 – London Bridge terrorist attack  
14 June 2017 – Grenfell Tower fire  
19 June 2017 – Finsbury Park Mosque terrorist attack  
23 June 2017 – allegations of malpractice or wrongdoing in relation to Edexcel A level mathematics paper  
30 June 2017 – GCSE, AS and A level exams end  
17 August 2017 – AS and A level results day  
24 August 2017 – GCSE results day  
25 August 2017 – allegations of maladministration involving a teacher at Eton College made public

### **Entries**

In total, more than 1.4 million students in England were entered for GCSEs, AS and A levels in summer 2017, with over 6.6 million certificates issued. Exam boards issued results on time.

The number of GCSE certifications rose by 3.0%, to around 5.1 million. The largest increases were in English Baccalaureate (EBacc) subjects, particularly English language and English literature. The changes in English subject entries reflected two factors. First, the removal by the Department for Education of level 1/level 2 certificates (such as International GCSEs) from performance tables, which had encouraged centres to move students back to GCSE qualifications in these subjects. And second, the way in which the Department's Progress 8 measure is calculated, which counts the higher grade from English language and English literature, and double weights it provided a student has been entered for both subjects.

Total entries in reformed AS qualifications taken in summer 2017 fell by 39% compared with summer 2016, to 295,622. This continued the previous year's decline; total entries for 13 reformed AS qualifications that were awarded for the first time in summer 2016 fell by around 14% compared to their legacy equivalents in 2015. New AS qualifications are fully stand-alone qualifications in England, so students do not have to take an AS qualification as part of their A level, and this will have driven the decline in entries. A level entries remained stable compared to 2016.



### **Standard setting and results**

Ofqual monitors standard setting in GCSEs, AS and A levels closely. We expect very close comparability of grade standards between different exam boards and between different specifications in any one subject. Exam boards send us data from their GCSE, AS and A level awards, detailing the results against statistical predictions of the proportions of students likely to achieve the key grades. We expect exam boards' outcomes to be close to predictions, unless they can provide evidence we judge is sufficient to justify different outcomes.

We decided, following consultation, that exam boards would carry forward standards for the new qualifications from the legacy versions, primarily using statistics. In the new AS and A levels, this meant using predictions so that, in general, a student who would have achieved a grade A in the previous qualifications would achieve a grade A in summer 2017. In the new GCSEs graded 9 to 1, this meant using predictions so that the proportions of 16 year-olds achieving grades 7, 4 and 1 were anchored to the proportions achieving grades A, C and G in the previous qualifications. We expected exam boards to set grade boundaries in all the new qualifications to get as close as possible to predictions, unless they had strong evidence to support an alternative boundary mark.

We published a summary of our monitoring work in August 2017, which included details of the number of awards and those that were outside the reporting tolerances or, for reformed qualifications, did not get as close as possible to predictions. In each of these cases we were satisfied that standards had been maintained. We also published further information about the comparability of exam boards, within a subject. The grade outturns for the three new GCSEs can be seen on page 15.

We routinely perform and publish analyses on the variation in school and college GCSE and A level results. We know that some variation in year-on-year results for individual schools and colleges is normal. We had anticipated and forewarned schools that the degree of variation may have increased in reformed qualifications taken in summer 2017. As it happened, the level of variation was similar to previous years, suggesting that teachers and students had responded well to the changes.

### **Quality of marking**

The responsibility for marking GCSEs, AS and A levels lies with exam boards. We have demanding expectations and we monitor exam boards' delivery, including their recruitment of examiners and examiner training, and how they monitor the quality of the marking.

We conducted research over the reporting period to help identify how marking errors might be reduced. Our work over the past year has included surveying 14,000 examiners about their experiences of on-line standardisation, conducting audits of exam boards' marking processes, and monitoring confidence in qualifications through our annual perceptions survey.

We also explored the features of mark schemes that are associated with more consistent marking and continued to calculate metrics of marking consistency across exam boards. We expect exam boards to have regard to this work, which will help them to maximise marking quality, including through improvements to marker training, monitoring and intervention.

### **Reviews of marking and moderation, and appeals**

Exam boards allow schools and colleges (or individual students where they have been entered privately) to ask for GCSE, AS and A level results to be reviewed and, where requested, provide a subsequent means of appeal. Ofqual sets the broad rules and monitors exam boards' application of their systems. Schools, colleges and students can, if still unsatisfied, ultimately make a further appeal to us.



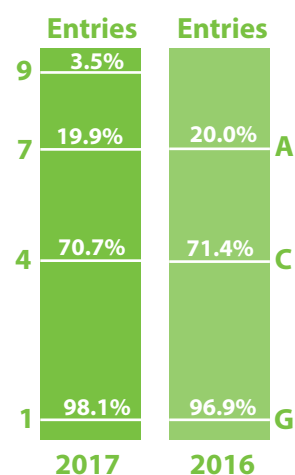
In August 2016, we put in place new rules for reviews of marking and moderation and for appeals, so that the focus is on correcting errors and on not changing marks for any other reason as our research showed had previously been the case. In June 2017, we announced that we would extend the grounds for challenge to GCSE, AS level, A level and Project Qualification results if there were still concerns about marking or moderation errors after they had been subject to an initial review. Previously schools and colleges had only been able to challenge review decisions on procedural grounds, not on the basis that a marking or moderation error had not been corrected at the earlier review stage. The change was implemented for AS and A levels and project qualifications in 2017, and will be extended to GCSEs in English language, English literature and maths in 2018, and to all remaining GCSE subjects in 2019.

Of the 6.6 million GCSE, AS and A level grades issued in summer 2017, 5.6% were the subject of a review, and 1.3% resulted in a grade change. Although the proportion of grades changed following review remained small, it was an increase from 2016 when 0.9% changed on review.

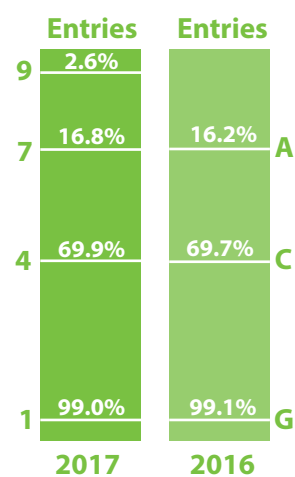
We looked carefully at the reasons behind this increase. The data indicated this rise in grades changed following review stemmed principally from a rise in the number of successful review requests in new and legacy versions of GCSE English language and English literature. This rise was partly explained by a significant increase in GCSE entries in these subjects in 2017, with fewer students taking alternative qualifications. However, the proportion of successful grade changes had also risen. We examined the evidence from a range of original marking and review of marking data. This pointed to variation in some exam boards' efforts to embed the revised rules for reviews, rather than issues with the original marking. Where we identified exam boards had not done enough to embed the new rules we expected them to improve their approach. In December 2017, we accepted an undertaking from AQA concerning the arrangements it would put in place to monitor reviews of marking in respect of GCSEs taken during the November 2017 assessment series. AQA had admitted that the arrangements it had in place following the 2017 summer series were not adequate. We examined all exam boards' plans to deliver reviews of marking and appeals ahead of summer 2018.

## The proportions of 16 - year olds achieving grades 7, 4 and 1 were anchored to the proportions achieving grades A, C and G in the previous qualifications

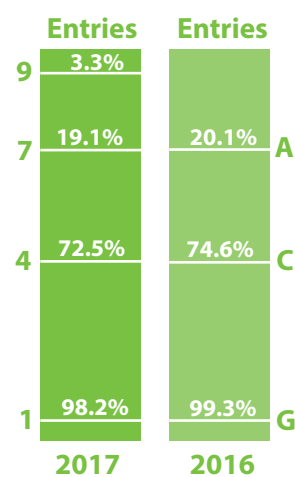
### GCSE maths



### GCSE English language



### GCSE English literature



# In 2017, 40 errors were identified in a total of 3,233 GCSE, AS and A level standard question papers/materials post-exam

## Question paper errors

Ofqual expects exam boards to produce assessment materials that are free from error. Where we are notified of an error, we monitor how the exam board handles it to make sure it considers and addresses, as far as possible, any disadvantage to students. In 2017, 40 errors were identified in a total of 3,233 GCSE, AS and A level standard question papers/materials post-exam. This error rate (1.1%) was similar to 2016 (1.0%).

The most significant error reported in 2017 was in OCR's GCSE English literature qualification. The error was in an optional question, based on Romeo and Juliet, worth 40 marks (25% of the qualification).

Given the seriousness of this error, we took a keen interest in the way the exam board sought to mitigate the impact on students' performance, the progress of marking in this subject and the communication with stakeholders. To assure ourselves that the right decisions were being made and followed through consistently, we attended examiner training, senior examiner discussions and the awarding meeting.

The effect of the error was significantly mitigated by the exam board amending the mark scheme and adjusting marks to estimate how the candidate might have performed had the error not been made. The mark given for the erroneous question was calculated from the student's performance on other questions where this was higher than the actual mark given by the examiner for the erroneous question. Further information regarding the mitigation of this error can be found in our report 'Monitoring GCSE, AS and A level exams: summer 2017'.



## Malpractice, maladministration and security breaches

Ofqual takes incidents that can adversely or unfairly affect the performance of learners very seriously. Exam boards must require schools and their own examiners to report all suspected incidents of malpractice and maladministration and to cooperate with any subsequent investigation.

We completed an audit of GCSE and A level exam boards' systems of control for preventing, investigating and dealing with security breaches in schools in early 2017. While the audits did not raise issues of non-compliance with our rules, for some exam boards they highlighted areas for potential improvement, which we encouraged them to consider.

We were notified of a total of 114 potential or actual security breaches during summer 2017. Two-thirds of these arose because of school or college staff actions. We are encouraging exam boards to take extra steps to reduce incidents where centres open (and sometimes distribute) the wrong papers.

In March 2018, we wrote to every secondary school and college in England to help raise awareness among teachers of examination rules and the important role examinations officers can play in avoiding centre errors.

During the summer 2017 exam series, Pearson launched an investigation into allegations that the security of some of its AS and A level maths papers had been breached. The police also began a criminal investigation. Pearson took mitigating actions and we monitored its investigation and shared information that we were given by students where we had permission to do so. We were satisfied that Pearson took appropriate steps to secure the delivery of the 2017 exams. When the police investigation has concluded, we will review whether it reveals any ways by which exam security could be improved.

In late August 2017, several national newspapers reported allegations that teachers who had been involved in writing exam papers had disclosed information to their students. The box on page 18 provides a summary of these incidents and our actions in response.

In March 2018, we gave notice that we intended to fine OCR £125,000 as a result of defects in its procedures concerning the delivery of GCSE computing qualifications in 2016. The defects had been identified by an Ofqual investigation which was commenced as a result of a series of incidents which had been reported to us by OCR. OCR admitted that it had breached the Conditions as outlined in the investigation report. At the same time, we accepted an undertaking from OCR which set out the steps it would take to prevent any recurrence of the incidents which had caused its non-compliance.



### **Box: Teacher involvement in the development of confidential assessment materials**

We began our review into the involvement of teachers in the development of confidential assessment materials following well-publicised incidents during summer 2017 when two teachers who were involved in writing examinations for Pre-U qualifications (an alternative to A levels) were found by the awarding organisations to have inappropriately disclosed or used information about the contents of forthcoming exams.

While the 2017 issues occurred in general qualifications, teachers develop assessments in some other regulated qualifications too. We considered the risks associated with the important part teachers play in developing assessment materials for all types of regulated qualifications. We consulted on our proposals to improve the safeguards around teacher involvement in the development of confidential assessment materials between 14 March and 25 April 2018. In line with our consultation proposals, we announced in May 2018 that we would:

- revise our rules to make it an explicit requirement that awarding organisations must establish and maintain up-to-date registers of all conflicts of interest which relate to them
- allow awarding organisations to decide whether to publish information about the people who are involved in developing and delivering their confidential assessment materials
- make it explicit in our rules that awarding organisations need to manage the risks of teachers disclosing information about confidential assessment materials
- create a new section of statutory guidance relevant to the risks around the involvement of teachers in the development of assessments. When introduced, it will outline some of the factors that will be relevant in an awarding organisations' analysis of the strength of the safeguards it should use, and include examples to illustrate the different safeguards that an awarding organisation may choose to put in place for qualifications with different risk profiles.

### **Preparations for summer 2018**

Ofqual works with stakeholders and exam boards throughout the year to identify potential risks to the validity and safe delivery of GCSEs, AS/A levels and other large-entry qualifications (including Applied Generals), and take any necessary action.

During autumn 2017, evidence began to emerge that some non-exam assessment tasks for GCSE computer science had been posted to online forums and collaborative programming sites, contrary to exam board rules. Detailed solutions to the tasks had been provided in many cases, and some of these posts had been viewed thousands of times. The apparent extent of malpractice led us to judge that it was no longer possible for exam boards to ensure that grades awarded in summer 2018 would fairly reflect the ability of all students.

Our public consultation on proposed changes to the assessment arrangements attracted a high number of responses (over 2,500). More than two thirds of respondents (70%) agreed that the qualification's non-exam assessment had shortcomings and we reluctantly decided that it would not count to students' final 9 to 1 grades in 2018 or 2019. We announced in April 2018 that these interim assessment arrangements would be extended to 2020. We intend to consult on longer-term changes to the qualification in autumn 2018.

Disabled students are legally entitled to reasonable adjustments to assessment arrangements to remove or reduce the disadvantage they would otherwise experience when taking their exams. The most frequently used form of adjustment for GCSEs, AS and A levels is the provision of an extra 25% of the time allocated to students to complete the exam. The use of this form of adjustment has been increasing, a trend which we have been closely monitoring. In late 2017 we reviewed the number of approvals by individual schools and colleges in England and found a broad range. Some had relatively high numbers of approvals compared with the national average, and some had very few. We passed this information to the Joint Council for Qualifications, which wrote to schools at the extremes of the distribution in early 2018 to ask them to review their arrangements ahead of the summer 2018 exam series.

Exam boards can adjust the marks a student has been given to compensate for temporary illness, or who were otherwise disadvantaged at the time of an exam, through a process known as special consideration. In summer 2017, the number of applications for special consideration increased by 19% on summer 2016, although this was in the context of more assessments being taken. Nevertheless, this continued the trend seen in recent years. We asked the exam boards to review how the arrangements for special consideration work ahead of the summer 2018 exam series (see also page 13).

We considered the accessibility of some exam papers to students, including to those with a hearing impairment or who are colour blind.

We conducted readiness reviews on the four GCSE, AS and A level exam boards during February and March 2018. We also conducted reviews of those awarding organisations with the largest Applied General and Tech level entries. We were reassured that exam boards were prepared for the summer series and, following the reviews, we presented our observations to each exam board for their consideration and action where necessary.

As in 2017, our aim is to ensure exam boards maintain standards in all GCSE, AS and A levels. In the first award of new reformed qualification we require exam boards to prioritise the use of statistics in setting standards to ensure that students who are first to sit new qualifications are not unfairly disadvantaged. This means that, all other things being equal, broadly the same proportion of 16-year old GCSE students will receive grades 1, 4 or 7 or above as we would have expected to receive grades G, C or A or above in each subject previously. Awarding at AS and A level will be based primarily on statistical predictions from the cohort's attainment at GCSE.

### **Reforming general qualifications**

The programme to reform GCSEs, AS and A levels in England is near completion. Only reformed qualifications will be taught in schools and colleges from September 2018.

Those reformed qualifications that will be taught for the first time in September 2018 are all in modern foreign languages with small cohorts. Our accreditation of these was completed in early June 2018.

### **Communicating change**

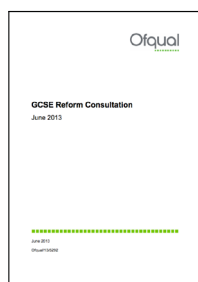
It is essential that the reforms to GCSEs, AS and A levels are widely known and understood. Ofqual is working with the Department for Education and exam boards to achieve this. We also work with Qualifications Wales and the Council for Curriculum Examinations and Assessment in Northern Ireland to explain the similarities and differences between the approaches being taken to similar qualifications in each jurisdiction.

Our focus during 2017 was on raising awareness and understanding of the new GCSE 9 to 1 grading scale. We promoted films and a range of other resources aimed at teachers, parents, pupils and employers on social media platforms, via stands at conferences, and through blogs, speeches and meetings.



# Reform chronology

This timeline provides a sample of the communications and engagement undertaken by Ofqual over the period since March 2012



**Public consultation** launched into AS & A level reforms

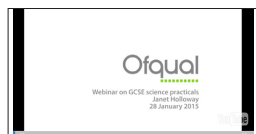
**2** blogs published (Feb & Mar)

**Public consultation** launched into GCSE reforms

**Further public consultation** launched into AS & A level reforms

**2** blogs published

**Webinar on GCSE science practicals** held



**11** blogs published (Mar to Sep)

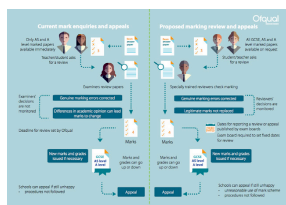
**Chief Regulator speech** @ Association of School and College Leaders

**Announcement** on decisions for completing GCSE, AS and A level reform

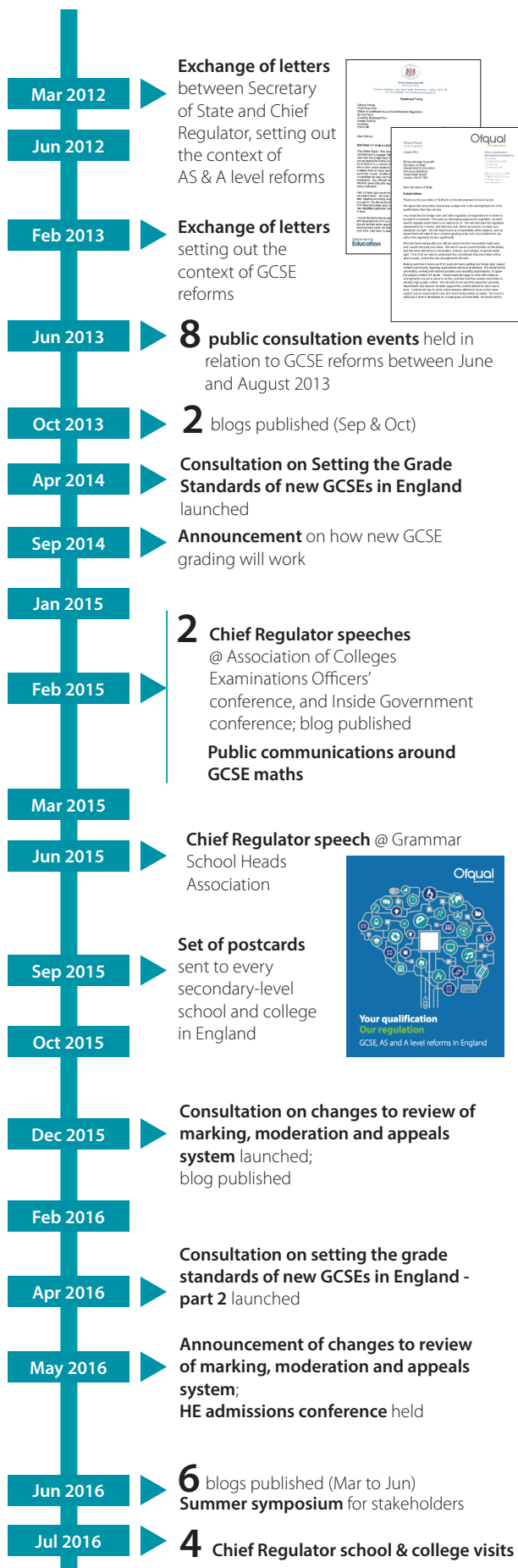
**2** **Chief Regulator speeches** @ Westminster Education Forum, and HMC conference;

**HE admissions conference** held

**Student campaign and competition** soliciting views on changes to review of marking, moderation and appeals system



**2** **Chief Regulator school & college visits**; **Slide pack** from Ofqual and the Department for Education for schools; GCSE grade descriptors published



**2** Chief Regulator school & college visits;  
**Publication** of research into sawtooth effects

**2** Chief Regulator speeches @ Grammar School Heads Association and North East Schools conference

'9 to 1 news' newsletter sent to 1,200 subscribers



Stands at Exams Officer conferences

**2** blogs published;  
 Stand at AoC Examinations Officers' Conference  
**Online student Q&A**

'9 to 1 news' newsletter sent to 2,300 subscribers

**8** blogs published (Mar to May)

**3** Chief Regulator school & college visits (Jun & Jul)

**Letter to headteachers** of schools and colleges regarding summer 2017;  
**Summer symposium** for stakeholders; blog published

**Article in National Governors Association magazine**

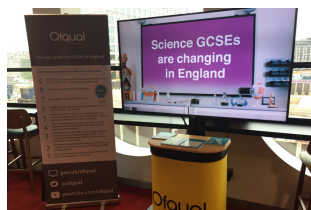
**Social media advertising** conducted  
**First new GCSEs and A levels awarded**

**5** Chief Regulator school & college visits (Sep & Oct)

**Call for evidence: teacher involvement in developing exam papers** published

**2** blogs published

**Summer Report 2017** and associated analysis published



**GCSE science films and postcard** launched;  
**Teacher resources/postcards** updated;  
**Letter to headteachers** of schools & colleges

Sep 2016

**Announcement** on how the top grade will be awarded in new GCSEs

Oct 2016

**Letter to headteachers** of schools & colleges about GCSE grade changes;  
**Updated postcards** issued  
**Autumn stakeholder symposium** held;  
**Three-country statement** regarding differences in new GCSEs and A levels;  
 Stands at AoC conference & ASCL regional conferences (also Dec)  
 Chief Regulator school visit

**2** webinars held

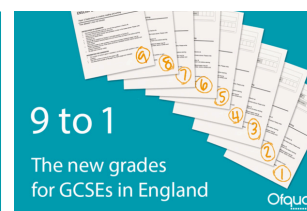
Dec 2016

**2** webinars held;  
 blog published



Jan 2017

Feb 2017



Mar 2017

**Films** launched;  
**Teacher resources/postcards** updated;  
**Facebook & LinkedIn** channels launched;  
**GOV.UK** homepage refreshed;  
**Social media advertising** conducted;  
**Letter to headteachers** of schools & colleges;  
**Slide pack** from Ofqual and the Department for Education for schools;

**2** webinars held;

Apr 2017

Jun 2017

Jul 2017

Aug 2017

Sep 2017

**Chief Regulator interview** (with TES) published;  
**Chief Regulator speech** @ Sixth Form College Association Leaders' Conference;  
**Chief Regulator school visit**  
 Stands at Federation of Small Businesses Conference and ASCL national conference;

Nov 2017

**GCSE computer science consultation** published

Dec 2017

**Interim report: teacher involvement in developing exam papers** published

Jan 2018

**Revised GCSE computer science assessment arrangements** announced  
**8** blogs published (Jan to Mar)

Feb 2018

**Chief Regulator school visit**

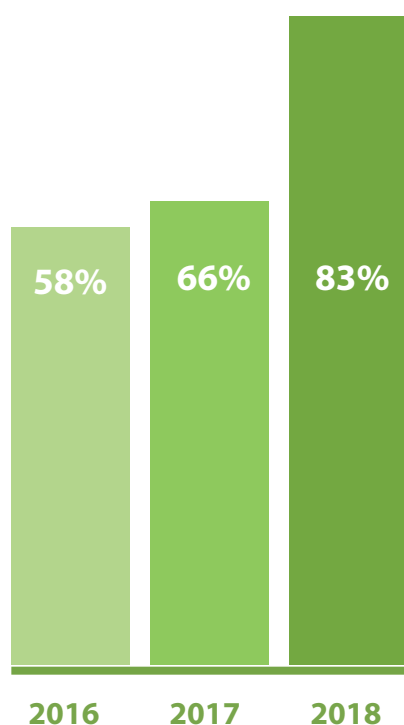
Mar 2018

**Consultation into strengthening teacher-examiner safeguards** published

## Awareness of new 9 to 1 grading scale

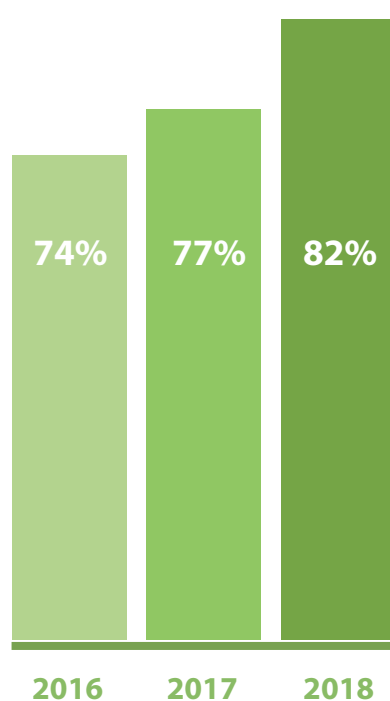
Are you aware of the new GCSE grading scale?

Proportion saying 'yes'



What is the best grade a student can get?

Proportion saying 'grade 9'



Source: Perceptions of A levels, GCSEs, and other qualifications in England: wave16

### Box: GCSE 9 to 1 grade scale social media campaign

We devised a social media campaign to promote several films and other information resources about the new GCSE 9 to 1 grade scale. These were directed to pupils, parents, SME owners and HR directors from the end of March 2017 to the end of August 2017. We promoted these resources to varying degrees on Facebook, Instagram, YouTube, LinkedIn, Twitter and on television catch-up services. In total, we generated nearly 24 million channel impressions and our films were viewed around 11 million times. About half of these views were from Facebook users, with around another 2 million each from catch-up television and Instagram. We compared our impact to other, similar, government campaigns and found ours to be several times more effective, both in terms of the proportion of people viewing our films in entirety and the rates at which they clicked through to more information from our posts.

Evidence from our most recent perceptions survey, conducted in November 2017, showed that more than eight in ten respondents (83%) were aware of the new grading scale, and of those, 82% correctly identified that 9 is the best grade that students can get. These outcomes compare to 66% and 77% respectively a year earlier.

We launched a new phase in our campaign in March 2018, focused on the changes to qualifications and grading of GCSE science subjects (see box). This was informed by our 9 to 1 campaign. New animated films were produced, which were subject to user testing before being released and promoted on Facebook, Instagram and Twitter. We wrote to every secondary school and college in England in March 2018 to ask them to promote the films, along with a new postcard and poster, to their students and their parents. The social media campaign ran for seven weeks, from 2 April 2018 to 13 May 2018 and generated around 15 million impressions and about 4.7 million views of the films. We are monitoring levels of awareness through regular stakeholder research.

### **Box: GCSE combined science**

Students taking separate science GCSEs will get a grade from 9 to 1 for each subject, with 9 being the highest grade.

Students studying combined science will receive an award worth two GCSEs, consisting of two equal or adjacent grades from 9 to 1 (9-9, 9-8, 8-8, 8-7, 7-7...to 1-1). If the numbers are different, the highest number will always be reported on the left.

The new grades have been brought in to signal that GCSEs have been reformed and to better differentiate between students of different abilities.

### **Evaluating reformed qualifications**

It is essential that reformed GCSEs, AS and A levels are functioning as anticipated, that the level of difficulty of qualifications is similar to the sample materials considered when the qualification was accredited and between exam boards, and that other subject-specific intentions are achieved.

In autumn 2016 we started to research the impact of the changes to the way practical science is assessed at A level on the practical skills of students moving into higher education. The intention of the reforms to A level sciences was to support an increase in the amount of practical work students undertook. Their practical skills are reported as a separate grade. We published qualitative research into teachers' perspectives of the changes in July 2017,

followed by research in May 2018 that suggested some evidence of improvement in biology students' practical skills once they reached university; no change in ability was observed in physics or chemistry students' skills. We will continue to monitor the impact of reform over time.

During autumn 2017 we held workshops with teachers and representatives from higher education and subject associations to hear their perspectives on the assessment of reformed GCSEs, AS and A levels for the subjects examined for the first time in 2017. Teachers felt that the grades their students achieved generally reflected their expectations and were, in the main, satisfied with the reforms. They expressed concerns about the volume of content to be covered in many subjects, and the pressures they had experienced in providing predicted grades for this first year of examinations. Teachers expected both these issues to become less of a challenge over time. We plan to engage with more teachers, with events planned for autumn 2018, to gather feedback in relation to the new qualifications for which results will be issued for the first time in summer 2018.

### **National Reference Test**

Ofqual introduced the National Reference Test to provide additional information to support the awarding of GCSEs. The tests in English language and maths use questions similar in style and content to those used in new GCSEs in the subjects and are taken by a sample of students. The test questions will remain largely the same over time, so the overall performance of each school-year cohort can be compared to others that have sat the test previously.

The second National Reference Test was conducted in spring 2018. Most schools that had been asked to take part (313) completed the test as planned despite it being conducted during the period of extreme winter weather; 27 schools were unable to take part. We continue to prepare with exam boards for the potential use of information from the test during GCSE awarding in 2019.



## Goal 2: Regulating and reforming vocational and technical qualifications

### Context

The recommendations from the Independent Panel on Technical Education and government's subsequent Skills Plan, published in June 2016, set out a clear vision for the future of technical education in England. Ofqual is working with other government bodies and stakeholders to deliver the associated reforms, including the introduction of technical qualifications within T level programmes and the continued introduction of new apprenticeship end-point assessments. We are also playing our part in the reform of functional skills qualifications.

### Regulating to support the reform of vocational and technical qualifications

Ofqual is engaged fully in the government's reform programme. Over the reporting period we have focused on ensuring that reformed qualifications are designed and developed well.

### Functional skills qualifications

Functional skills qualifications are taken by adults (including jobseekers and offender learners), apprentices and young people who have not secured a grade 3 or above in GCSE English or maths. The government announced in 2015 that functional skills qualifications in English and maths were to be reformed so they better meet employers' needs and provide assurance of the knowledge and skills that learners achieve.

We confirmed our regulatory approach for these new qualifications in March 2018, following public consultation. This included how greater comparability between qualifications offered by different awarding organisations, and over time, would be achieved, and how standards would be set and maintained. At the same time, we launched a technical consultation that set out how we intend to evaluate new qualifications before they are made available to learners to ensure they are consistent with our rules. We will confirm our approach in good time for planned first teaching from September 2019.

We have stated that there can be a transition period when both current and new qualifications can be taught, but this should be limited to 12 months.

### Apprenticeships

The new apprenticeship standards are being developed by 'trailblazer' groups, mainly consisting of employers. The government established the Institute for Apprenticeships to assure these new apprenticeship standards.

The new standards are being assessed through end-point assessments, which must be delivered through an Education and Skills Funding Agency approved End-Point Assessment Organisation. The assessment is intended to make sure the apprentice meets the standard set by employers and is fully competent in the occupation. Ofqual is one of four options for providing external quality assurance of standards for these new assessments, along with professional bodies, selected groups of employers or the Institute for Apprenticeships.

Over the reporting period we incorporated end-point assessments into our regulatory framework and we will regulate them in the same way as other qualifications. There are, however, some unique features to end-point assessments, and we launched a public consultation in late February 2018 that proposed to disapply some rules that we judged unnecessary and to tailor others.

We had agreed to be the external quality assurer for 50 assessment standards by end March 2018. By the same date, there were 10 end-point assessments on our register. These are all being provided by awarding organisations already regulated by us. Others will, in due course, be provided by dedicated End-Point Assessment Organisations, that must apply to us for recognition. During the year, we worked with the Institute for Apprenticeships to better align our processes for reviewing assessment plans.

There will be no new starts for the older framework apprenticeships from 2020, but it will take some years before those on these frameworks finish their apprenticeships. We will continue to regulate so that quality is maintained in this market until it closes.



## T levels

The government set out the implementation timetable for T levels in its T level Action Plan in October 2017. It confirmed that the first teaching of three T levels would start from September 2020.

In February 2018, we welcomed the government's vision for T levels, and technical education more generally, in a response to its consultation on the implementation of T level programmes. That consultation recognised Ofqual's broad responsibility for regulating national qualifications, including those that will form part of these programmes. We said in our response, and continue to consider, that the T level development timeline remains very taut given the 2020 timeline for first teaching of the first of these qualifications.

We worked closely with the Institute for Apprenticeships and Department for Education to identify how we could meet our statutory objectives in the context of the Institute's leading role in developing this new market, and specifically those technical qualifications that are included so that they meet the needs of learners and employers. We established a Memorandum of Understanding and associated agreements with the Institute of Apprenticeships to capture how we will work together to deliver policy intentions shortly after the end of the reporting period. We signed a Memorandum with the Education and Skills Funding Agency in November 2017.

We had agreed to be the external quality assurer for **50 assessment standards by the end of March 2018**

# We will play our part in the government's reviews and reforms as they evolve

## **Other reforms**

The government confirmed in October 2017 that there would be a review of level 4/5 education and proposed in its T level consultation launched in November 2017 that it would carry out a review of the funding of qualifications at level 3 and below. We will play our part in these reviews and reforms as they evolve. We said in our response to the consultation that the totality of this reform is likely to bring additional resource challenges to schools and colleges, and the sequencing and loading of those programmes need to be very carefully planned.

## **Employer perceptions**

We published results of a pilot survey of employers' perceptions of vocational and technical qualifications and assessments in July 2017. The survey was designed to increase our understanding of what employers think about these qualifications when making decisions about recruitment, training, and what business impact they expect to see from staff who achieve them.

## **Regulating for the validity of vocational and technical qualifications**

### **Recognition**

We began a review of our recognition processes during the reporting period to ensure they support potential new awarding organisations to become recognised by us. While the recognition bar is an established and necessarily high bar, we seek to support those organisations seeking recognition by us, so that they apply for recognition when they are best placed to do so, and are fully informed about our expectations and their responsibilities.

We also reviewed the guidance we offer awarding organisations to support compliance with our rules. This led us to develop more guidance, including learning from research and audit to exemplify good and poor practice.

And we have invested further in our 'AO portal' over the past year to support our ability to communicate with awarding organisations. This has been complemented by a new internal system that allows all Ofqual staff to inform our understanding of sector and organisation-specific risks.



## Risk-based approach

Ofqual regulates vocational and technical qualifications so that they are sufficiently valid and worthy of public confidence. We take a risk-based approach to ensure that our resources are targeted effectively. We monitor the delivery of regulated qualifications drawing on stakeholder intelligence, complaints we receive, the findings from our regulatory activity and enforcement, and notifications awarding organisations are required to make to us. We collate this information to provide a comprehensive view of risk across individual, or groups of, qualifications, awarding organisations or the system more widely.

One requirement is for awarding organisations to provide us annually with a self-assessment of compliance with our rules, and that its qualifications are sufficiently valid. Each awarding organisation is required to declare current and future compliance or non-compliance as part of its return. If an awarding organisation declares any non-compliance, it is required to provide details of how it intends to address these issues, and the associated timeline. To minimise regulatory burden, we used the same submission window as the Council for the Curriculum, Examinations and Assessment in Northern Ireland and Qualifications Wales.

Between June and September 2017, all 152 awarding organisations that we regulated at the time submitted a Statement of Compliance. The vast majority (130, 86%) declared current compliance and future compliance, higher than in 2016 (77%). Two awarding organisations declared current compliance and future non-compliance, 14 declared current non-compliance and future compliance and six declared current non-compliance and future non-compliance.

The improved picture of self-declared compliance appears to be linked to our introduction of rules (Conditions E7, E8 and E10) in 2016 around Total Qualification Time, and our expectation for awarding organisations to assign it to most existing qualifications by 31 December 2017. In 2016, 13 declarations of non-compliance were made against Conditions associated with Total Qualification Time. Only two declarations were made against the same Conditions in 2017.

Where stated, declarations of non-compliance were spread over a narrower range of rules in 2017 than in previous years. Condition A8, which covers malpractice and maladministration, had the most declarations (6). These included references to the need for development of systems of planning and internal control for preventing malpractice. This appears to be linked to our malpractice and maladministration audits which took place in 2017. Three awarding organisations that declared non-compliance against Condition A8 were found to have low levels of assurance in this audit. Two of these explicitly referred to the findings of our malpractice and maladministration audit in their Statement of Compliance declaration. Other declarations of non-compliance also appear to be related to these audit findings.

We give each statement of compliance a red, amber or green rating based on the return and other intelligence we hold, including audit results. A higher percentage of awarding organisations were given a green rating in 2017 than 2016 or 2015. These ratings inform our regulatory response. Those awarding organisations in receipt of a red rating are the subject of immediate follow-up action. Only one awarding organisation was given this rating in 2017.



## Systemic risks

Many awarding organisations delegate some parts of the development, delivery and award of their qualifications to centres.

The arrangements awarding organisations must have with their centres are set out in our rules. We reviewed aspects of these arrangements over the past year, and considered some of the circumstances in which awarding organisations delegate the setting and marking of assessments to centres.

We found evidence that although the arrangements that many awarding organisations had with their centres were robust, this was not universally the case, and there was intelligence to indicate that the level of control exercised by awarding organisations had reduced in recent years. This can call into question the integrity of assessments. We wrote to awarding organisations in February 2018 to say we would be auditing their centre controls to test compliance with our rules.

At the same time we requested informal feedback, and subsequently (after the end of the reporting period) initiated a formal call for evidence, in relation to the processes awarding organisations have in place for moderating vocational or technical qualifications. We will reflect on the appropriateness of awarding organisation processes and consider next steps.

## Interventions

Our increasingly sophisticated use of intelligence is enabling us to make some timely and targeted interventions.

In October 2017, we gave a direction requiring ETCAL awards temporarily to suspend all activity relating to the issue of results or certificates and registration of new learners because an Ofqual investigation identified significant defects in ETCAL's resources and systems of control.

ETCAL responded constructively to the direction and we monitored it closely as it put in place arrangements to return to compliance, which included the sale of the awarding organisation business to Gateway Managed Services Ltd.

In January 2018, after the sale had completed and ETCAL's new owners had put in place a robust action plan, we revoked the direction and imposed Special Conditions to allow the business to grow whilst giving us appropriate visibility.

At the same time, we accepted an undertaking from ETCAL in respect of the assignment of Total Qualification Time because ETCAL had not complied with the relevant conditions before the 31 December 2017 deadline. ETCAL committed to assign Total Qualification Time values before 31 March 2018.

We accepted an undertaking from ATHE in February 2018 concerning the allocation of Total Qualification Time to qualifications.

We accepted an undertaking from AAT in February 2018 which reflected the reforms AAT would make to its systems and processes following a series of incidents which had brought it into non-compliance.

In November 2017, the BBC's Panorama programme reported allegations of malpractice at a college, which affected a regulated awarding organisation, AVA, trading as BAA. We had investigated the same awarding organisation earlier in 2017 and raised specific concerns about its relationship with the college also mentioned in the same programme. On 9 March 2018, we accepted an undertaking from AVA. Following our investigation, AVA admitted that its systems and processes for the identification of conflicts of interest and for the retention of information necessary for the delivery and award of valid qualifications, were not fit for purpose. AVA agreed that the defects in its processes would put at risk the validity of any results or certificates it might issue. It would not issue results or certificates without Ofqual's agreement and would not register any new learners. Following a further investigation, we decided on 4 May 2018 that recognition would be withdrawn from AVA.



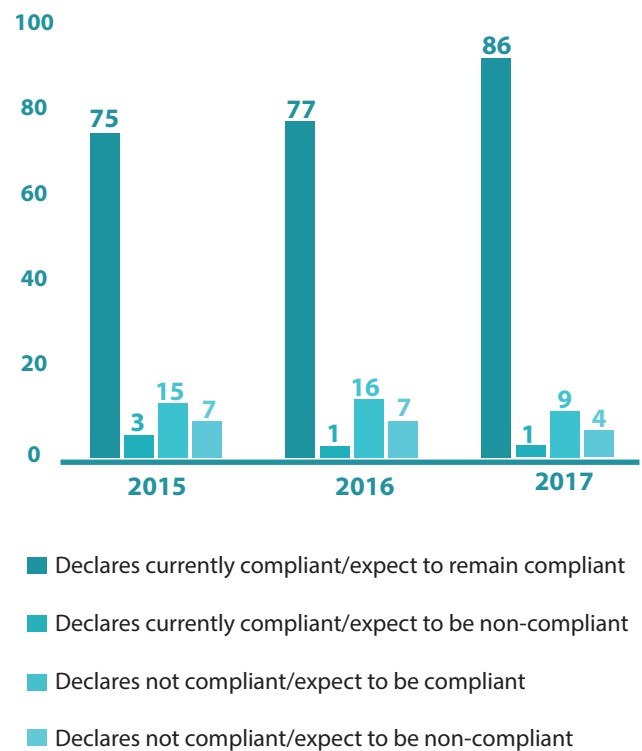
In February 2018, we formally issued the London Academy of Music & Dramatic Art (LAMDA) with a fine of £30,000 and required it to pay our costs of £10,000. This followed a notice of intention to fine it in November 2017, because of breaches of our rules between 2011 and 2016. These included issuing incorrect or late results to students, cancelling or postponing examinations at short notice, and not answering or acknowledging complaints within the awarding organisation's own timescales.

The level of the fine was significantly lower than it might otherwise have been because LAMDA had embarked on a wide ranging and successful programme of review and reform from September 2016, which we had closely monitored. That programme of reform had been reflected in an undertaking which we had accepted in March 2017, but which was not published until November 2017, for operational reasons.

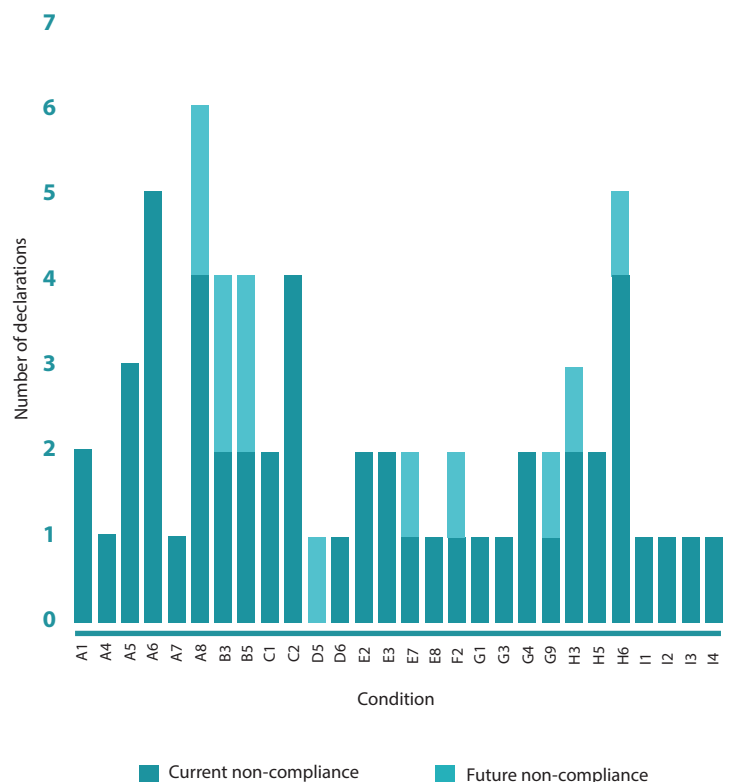
In August 2017, Rock School Ltd gave us an undertaking to secure compliance with our conditions in relation to its moderation process, management of confidential material, confidentiality arrangements, quality assurance, risk management, staffing, and staff training and administration.

In August 2017, in view of our evaluation of an incident reported by the awarding organisation, IMI admitted that there were defects in its arrangements for determining malpractice and maladministration cases, issuing certificates and revoking certificates. IMI gave an undertaking committing it to reviewing and revising relevant processes and implementing effective staff training.

### Declarations of compliance and non-compliance received from AOs as a %



### Declarations of non-compliance by Condition 2017



# The largest of the new **Applied General and Tech Level qualifications** will be awarded for the first time in **summer 2018**

## **Applied Generals and Tech Levels**

The largest of the new applied general and tech level qualifications will be awarded for the first time in summer 2018. These qualifications changed substantially in 2016 to meet performance table requirements and contain new mandatory external assessment elements. Pre-existing versions of these qualifications that do not contain external assessment continue to be available.

In March 2018, we provided additional guidance for awarding organisations offering new versions of the qualifications. We were concerned that the design of the qualifications, such that students had to pass each of the externally-assessed units to be awarded a qualification grade at pass or higher, might impact the validity of the grades. This would be an unfair disadvantage for these students in comparison with those taking older versions of the qualifications or A levels, when applying for university places. We asked awarding organisations to consider creating a 'safety net' for those students who just missed a pass on one or more externally assessed units, following additional advice provided by the Department for Education on its technical guidance.

In November 2017, we published a report into how applied general qualifications were viewed and used by key stakeholders. The report's findings included the identification of issues and concerns of those who use these qualifications and those features of the qualifications that are valued or otherwise by those who use them. We hope they will help inform the effective development of new vocational and technical qualifications.







## Goal 3: Keeping the validity of National Assessments under review

### Context

Ofqual regulates statutory early years foundation stage profile assessments and statutory national curriculum assessments (some of which are also known as 'SATs'), which together we refer to as 'National Assessments'. We focus our monitoring on procedures that are critical to supporting valid test outcomes, including standards maintenance and marking processes. We also have a duty to report to the Secretary of State if we believe there is, or is likely to be, a significant failing in National Assessment arrangements.

National Assessments are designed and delivered by the Standards Testing Agency, which is an executive agency within the Department for Education and it reports to Ministers. The Standards and Testing Agency introduced a new suite of tests in 2016, which assessed the new primary national curriculum.

### Monitor and evaluate the validity of National Assessments

In spring 2018 we implemented a new regulatory framework for national assessments, following public consultation. This aimed to explain more clearly our regulatory role in the national testing and assessment system and help to address concerns expressed by the Education Select Committee that our responsibilities in this area were not always well understood.

We retained many elements of our previous framework, including our focus on areas of greatest risk and using validity as our primary criterion for considering assessment quality. The main changes were to: bring the framework up-to-date by reflecting changes to the bodies responsible for developing and delivering national assessments; provide greater transparency and clarity about how we regulate; and make sure our expectations of responsible bodies focused on outcomes, such as validity, rather than prescribing certain administrative approaches.

In December 2017, we published our annual report into our regulation of national assessments. It provides a comprehensive summary of our work and conclusions over the 2017 assessment cycle.

### Maintenance of standards

2017 was the second year of a new suite of key stage 1 and 2 assessments in maths and English. These assessments were set at a more demanding standard, based on the new primary national curriculum introduced in 2014. In 2017 we observed standards confirmation meetings for both key stages 1 and 2 tests and reviewed the assumptions used for maintaining standards. We were satisfied that the Standards Testing Agency took an appropriate approach to making sure that the new standards set in 2016 were effectively maintained for the 2017 tests.

### Marking

The Standards and Testing Agency puts in place a number of measures to assure the quality of marking for key stage 2 tests, which are externally marked (key stage 1 tests are marked internally by schools). We observed several elements of good practice at marker training and validity item selection in 2017. We also analysed marking data from 2017's key stage 2 reading, mathematics and grammar, punctuation and spelling tests, using marking metrics we had developed and used for general qualifications. This demonstrated that key stage 2 marking was of a very high consistency and compared favourably to the consistency of similar items in general qualifications. Our analysis provided evidence to support the conclusion that quality assurance measures in place for key stage 2 marking are effective.

In July 2017, some schools expressed concerns about the marking of a question relating to the positioning of semicolon in the key stage 2 grammar, punctuation and spelling test. We reviewed item functioning data, which confirmed that the question performed effectively at pre-testing, but did not function as intended during live testing.

It appears likely that this was because, during live marking, markers had taken a stricter interpretation of the mark scheme than had been intended, based on training or guidance materials provided. Despite this, we found no evidence that the functioning of this question had any impact on the overall functioning of the test. In light of its own review, the Standards and Testing Agency committed to making marker guidance and training materials clearer for similar items in future.

### **Results**

After a new test is introduced, we expect to see results rise in subsequent years. This improvement is normally due to pupils and teachers becoming more familiar with the content and style of the new tests. In addition, pupils taking key stage 2 tests in summer 2017 would have been taught an extra year of the new National Curriculum compared to pupils taking the tests in 2016. In 2017, the second year of the new suite of tests, key stage 2 results increased in all subjects: 71% of pupils met the expected standard in reading and 75% in maths (both up five percentage points on 2016). 77% met the expected standard in grammar, punctuation and spelling (up by four points on 2016).

We published research in March 2018 that found **variations in approaches taken to moderation** in 2017

# In October 2017, we **published an evaluation** of the **Standards and Testing Agency's** **approach to developing key stage 2 reading and maths tests**

## **Moderation**

We observed key stage 2 writing moderation in a small number of local authorities in 2017, and interviewed those involved, in response to concerns from some stakeholders about levels of consistency. We published research in March 2018 that found variations in approaches taken to moderation in 2017, including different logistical arrangements, practices and understandings of Interim Teacher Assessment Framework-referenced moderation. On this basis, we concluded that it was likely that moderators' judgements were more inconsistent during 2017 than they could have been, and that some variations could have operated between local authorities, but that it should be possible to reduce inconsistency in future years. We recommended that the Standards and Testing Agency take steps to reduce risks of inconsistency, informed by our analysis as well as by its own evidence gathering. We also concluded that it would be appropriate to keep the approach to the assessment of writing under review. The Standards and Testing Agency had made significant changes for 2018, including introducing new teacher assessment frameworks for writing, and also committed to using our research to help inform arrangements for 2018, including moderator standardisation and training and guidance materials.

## **Key stage 2 test research**

In October 2017, we published an evaluation of an important aspect of the Standards and Testing Agency's approach to developing key stage 2 reading and maths tests. Alongside this, we also published a subsidiary review of evidence relating to the accessibility of the 2016 key stage 2 reading test.

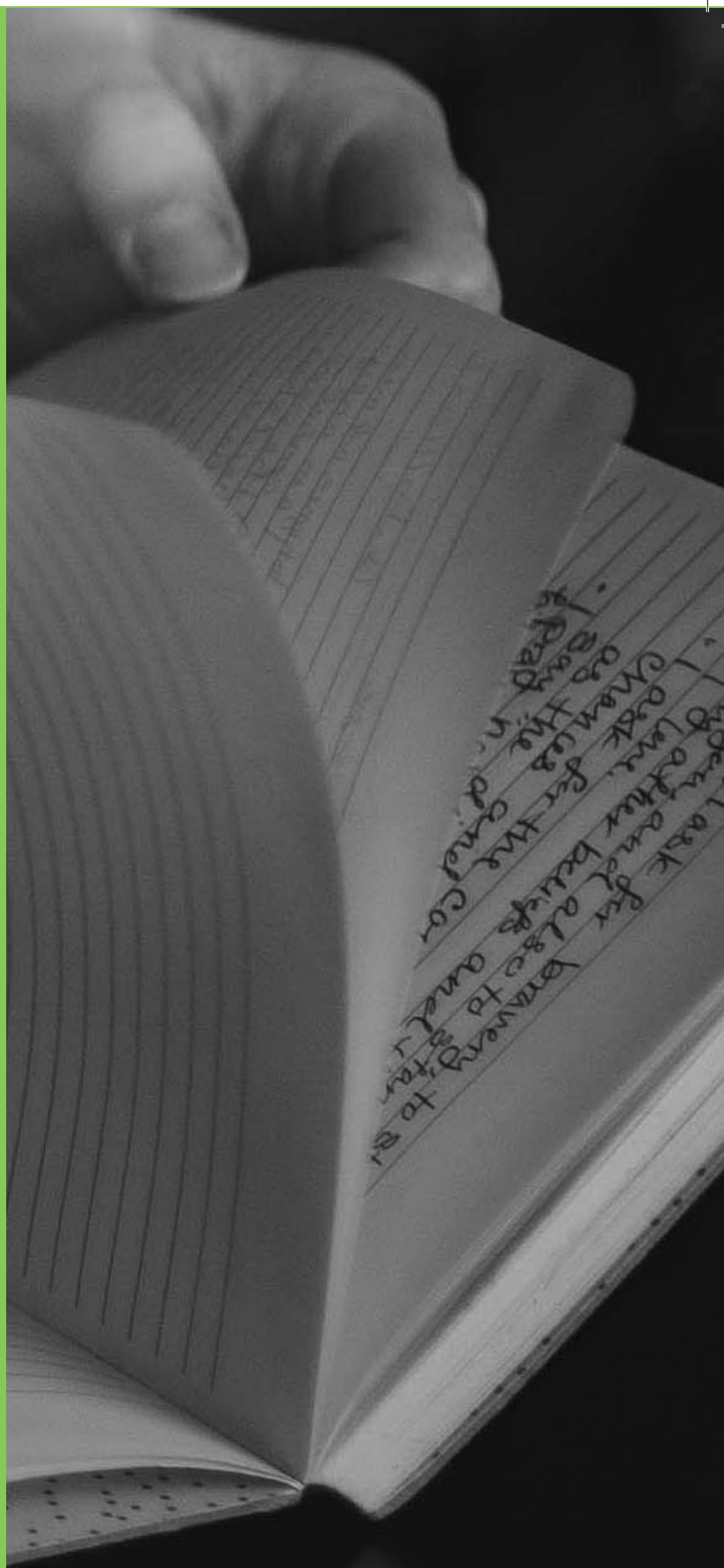
We found that the Standards and Testing Agency's approach to sampling the new curriculum for the new suite of key stage 2 tests was robust and compared favourably to approaches taken in similar tests internationally.



The subsidiary review suggested that the 2016 reading test seemed to be more challenging than the sample materials provided and a significant minority of pupils did not finish it. While the 2017 reading test did not raise similar accessibility concerns, we passed our findings to the Standards and Testing Agency for further consideration. The Standards and Testing Agency committed to taking appropriate action, including investigating further issues relating to the timing of the test and reviewing its expert review process to ensure it provided sufficient challenge and added the intended value.

### **Proposed changes to primary assessment**

The government consulted on changes to primary assessment in summer 2017, including the introduction of a baseline assessment to inform a primary school progress measure, the removal of statutory key stage 1 assessments and making changes to teacher assessment frameworks, the Early Years Foundation Stage Profile and the assessment of pupils working below the level of national curriculum assessments. We published our response to those proposals relevant to our remit. We set out several principles, including the need for coherence of assessment arrangements across subjects, stages and ability ranges and the need for assessment purpose and that the purpose and proposed use of assessment data should be clear so that each assessment can be designed to meet its purpose. We advised care and caution in the timing and manner of the introduction of new assessment arrangements, such as the reception baseline and multiplication tables check, with appropriate trialling, piloting and evaluation to ensure that assessments are fit for purpose before they are introduced. We also advised that where assessments are to be used to inform school accountability measures, particular consideration be given to the design, delivery and controls so that assessment outcomes are sufficiently accurate.





## Goal 4: Developing and managing our people, resources and systems

### Context

Ofqual makes the best use of its resources and skills, including the public money that funds its work.

### Building our capability and managing our resources efficiently and effectively

#### Capability

Our focus for 2018 is on empowering our people, particularly to innovate, improving the diversity of our workforce, and making even more effective use of our time and resources. We agreed a new people strategy in February 2018 to ensure that we attract, develop and retain the right expertise in the organisation to deliver the goals and objectives set out in our corporate plan.

We took part in the annual Civil Service staff survey. Our staff engagement results improved by 7 percentage points to 67%, placing us in 13th position out of 98 organisations that completed the survey. This was our second successive year of improvement. We scored particularly highly on our people's understanding of their objectives and purpose, and team work.

#### Communications and engagement

Ofqual contributes to the promotion of public confidence in qualifications by generating and distributing information to, and otherwise engaging with, a wide range of stakeholders.

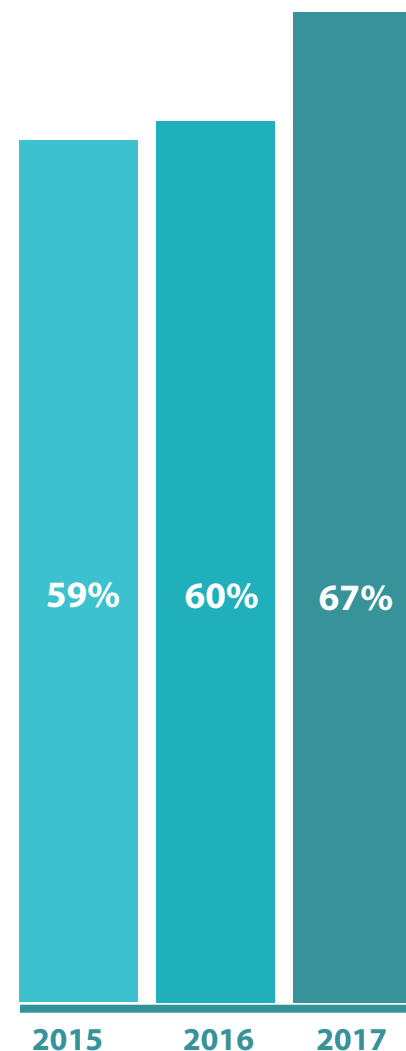
Over the reporting period, we have continued to engage with schools, colleges, students, parents and employers regarding the reforms to GCSEs, AS and A levels (see page 22). We have also expanded our communications to include the reforms to Applied Generals. We continue to write regularly to schools, speak at conferences, and meet with a wide range of stakeholders.

During the year, we have supplemented our postcard, poster and film resources, experimented with podcasting, and introduced new interactives to help the public interrogate our data. We evaluated the impact of specific campaigns through regular and ad hoc analysis.

#### Information management

We continued to seek ways of reducing the burden on the awarding organisations we regulate by making access to information and its exchange easier. During the reporting period we piloted a new digitised and interactive version of our rules. This makes them and the associated guidance more accessible and easier to navigate by putting them all in one place. We simplified how awarding organisations submit data to us by introducing a consistent format through our data portal. And we developed our portal so awarding organisations can complete routine administration more easily and exchange regulatory information with us more securely.

### Civil Service People Survey Engagement Index



Source: Civil Service People Survey 2017



## Complaints and whistleblowing

We updated our whistleblowing procedures and forms in April 2017, ahead of the summer series, to make the reporting of wrongdoing or malpractice easier. We sent a suite of posters to every secondary school and college in England as part of a campaign to raise awareness of the importance of reporting suspected incidents.

### Whistleblowing disclosures

Ofqual is designated as a prescribed person for whistleblowing and workers can contact Ofqual about matters in relation to which we exercise functions under the Apprenticeships, Skills, Children and Learning Act 2009. The Prescribed Persons (Reports on Disclosures of Information) Regulations 2017 (the Regulations) require prescribed persons to produce an annual report on whistleblowing disclosures made to them by workers. This reporting period is for the period 1 April 2017 to 31 March 2018.

Ofqual received 50 whistleblowing disclosures during the reporting period which we considered were 'qualifying disclosures' and which concerned matters in relation to which we exercise functions under the Act. All 50 disclosures were referred to the relevant awarding organisation for further action. Awarding organisations carried out investigations in 43 of the 50 disclosures. Investigations could not be carried out for 7 disclosures as the information was not detailed enough to allow an investigation. Of the submissions investigated: 8 resulted in further action being taken, 17 found no evidence to substantiate the claims and 18 are still ongoing.

The disclosures received have provided us with information and intelligence to ensure that standards in regulated qualifications are maintained and allowed us to discharge our statutory obligations.

Ofqual did not receive notice of any whistleblowing disclosures during the past year which related to Ofqual.

## Complaints

### Complaints about Ofqual

Ofqual received two complaints in the reporting period, both of which were made by awarding organisations in relation to regulatory decisions made by Ofqual. Neither of these was upheld.

### Complaints to the Parliamentary Ombudsman

No complaints relating to Ofqual were accepted by the Parliamentary Ombudsman in the reporting period.

### Complaints about awarding organisations

Ofqual aims to acknowledge complaints within three working days and provide a final response within 40 working days in 80% of cases.

During the reporting period, we acknowledged 98% of complaints within three working days and provided a final response within 40 days in 80% of cases. The average number of days to close a complaint was 31 days.

Overall, we handled 223 complaints about awarding organisations. We changed our approach to dealing with complaints about awarding organisations during the year to also establish if there are indications of non-compliance with our rules. Where there are indications of non-compliance we classify our outcome as either 'Not Assured' or 'Partly Assured'. We were not assured or partly assured in relation to 20 complaints about awarding organisations during the year. These awarding organisations were referred to our relevant Standards teams for further consideration of potential non-compliance.

Where a complainant is unhappy with the outcome of their complaint, they can request an internal review. We carried out internal reviews in three cases, which related to the way we investigated the original complaint, two of which were upheld. Additionally, one request for an internal review, which we received during the year 2016-17, was concluded during the performance year 2017-18 which was upheld.





## Financial review

Ofqual's budget for the year 2017–18 was £18.35 million, including additional programme funding for vocational qualification reform in functional skills and Apprenticeships from the Department for Education at Supplementary Estimate. This represented a 7% reduction compared to 2016–17 when the budget was £19.70 million. Net operating expenditure plus capital investment for the year was £18.30 million (£18.92 million in 2016–17), giving an outturn £45K (0.25%) under budget.

Income of £30K was received in the year from monetary penalties raised, and this was returned to the Consolidated Fund in the year.

Staff costs for the year account for 67% of net expenditure compared to 64% in 2016–17. This is a proportional increase due to the reduction in net expenditure, as overall staff costs have reduced by £13K from the prior year. We continue to utilise agency and contract staff to supplement operational delivery when there is a need for specialist skills, while recruiting permanent positions, and to provide some flexibility to manage fluctuations in workload. Agency staff accounted for 6.5% of staffing costs during the year, slightly down from 7.5% in 2016–17. Recruitment to established roles has phased out some temporary resources, but was partly offset in other areas where additional resources were needed to enhance delivery. Use of agency staffing is expected to continue during 2018–19 to allow operational flexibility.

Agreed net expenditure for the regulation of qualifications has been supplemented by the Department for Education, who provided additional funds to cover the costs of the National Reference Test, the accreditation of the remaining unreformed GCSEs, AS and A level qualifications for first teaching in 2018, functional skills, and apprenticeship reform during the year. This amounted to £3.17 million in 2017–18, £2.40 million from the 2015 Spending Review for the NRT and GQ reform, and the remainder for functional skills and apprenticeship reform was agreed at Supplementary Estimate. Further details of the breakdown of spend on major programmes can be found in Table 3. An annually managed expenditure provision of £177K was created in the year, meaning programme spend amounted to £3.36 million in the year.

The 2018–19 plan includes £2.69 million from the DfE for reform. This comprises £2.10 million for the delivery of the National Reference Test, and £0.59 million for Functional Skills reform. Additional funding for apprenticeship reform and T levels has been agreed and will be confirmed at Supplementary Estimate.

## Departmental data reporting tables

Table 1 shows Ofqual’s Departmental Expenditure Limit (DEL), Capital DEL and Annually Managed Expenditure (AME) in 2017-18, and expenditure from 2012–13 through to 2019–20.

**Table 1: Annual expenditure trend**

	2013–14 Outturn £000	2014–15 Outturn £000	2015–16 Outturn £000	2016–17 Outturn £000	2017–18 Outturn £000	2018–19 Planned £000	2019–20 Planned £000
<b>Consumption of resources</b>							
Regulation of qualifications	18,336	20,968	22,432	18,922	17,860	17,589	17,227
<b>Total resource DEL*</b>	18,336	20,968	22,432	18,922	17,860	17,589	17,227
<b>Resource AME</b>							
Regulation of qualifications	0	0	0	0	177	-167	0
<b>Total resource</b>	18,336	20,968	22,432	18,922	18,037	17,422	17,227
<b>Total capital DEL*</b>	87	90	35	0	266	100	0
<b>Total public spending</b>	18,423	21,058	22,467	18,922	18,303	17,522	17,227

\* DEL - Departmental Expenditure Limit

### 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.

**Table 2: Programme and Administration Expenditure**

	2013–14 Outturn £000	2014–15 Outturn £000	2015–16 Outturn £000	2016–17 Outturn £000	2017–18 Outturn £000	2018–19 Planned £000	2019–20 Planned £000
<b>Programme:</b>							
<b>Expenditure</b>							
Pay	728	1,148	1,754	1,785	1,028	1,274	224
Other expenditure	2,612	4,192	7,206	3,089	2,331	1,915	2,286
<b>Total expenditure</b>	3,340	5,340	8,960	4,874	3,359	3,189	2,510
<b>Income</b>	0	0	-75	0	0	0	0
<b>Total programme expenditure and budgeted</b>	3,340	5,340	8,885	4,874	3,359	3,189	2,510
<b>Administration:</b>							
<b>Expenditure</b>							
Pay	12,091	12,428	9,802	10,297	11,042	11,395	11,522
Other expenditure	3,357	3,576	4,147	3,786	3,978	3,060	3,195
<b>Total expenditure</b>	15,448	16,004	13,949	14,083	15,020	14,455	14,717
<b>Income</b>	-452	-376	-402	-35	-342	-55	0
<b>Total administrative expenditure</b>	14,996	15,628	13,547	14,048	14,678	14,400	14,717
<b>Grand total</b>	18,336	20,968	22,432	18,922	18,037	17,589	17,227



Programme pay and other expenditure reduced significantly in 2017-18 as GQ reform approached conclusion, and IT infrastructure had completed in the previous year. Administration pay expenditure increased due to incurring the full year cost of new hires from the previous year. Income increased significantly in 2017-18 due to a number of outward secondments, and £10K relating to recovery of costs from enforcement activities. Efficiencies found in corporate services in the year will contribute to reduced administration other expenditure in 2018-19 onwards.

### Long-term expenditure trends

Table 3 shows the planned incidence of funding for major programmes that Ofqual is delivering. The GQ Reform funding came to an end in 2017-18, reflecting the expectation that the GCSE and A level qualifications would be accredited by the end of the financial year 2017-18. The National Reference Test funding increase in 2019-20 is due to the proposed timetable for re-contracting the service. The VTQ Reform budget for 2019/20 shows zero, as funding on the various reform streams has been agreed on an annual basis at this stage. Further funding will be requested as the Apprenticeship and Functional Skills reform and the introduction of T levels programmes develop.

Further information on each programme can be found in the Performance Analysis section of the Performance Report.

**Table 3: Expenditure on major programmes**

Programme	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Planned £000	2019-20 Planned £000
National Reference Test	460	3,317	1,768	2,051	2,100	2,500
GQ Reform	3,784	1,459	1,883	404	0	0
VTQ Reform	0	0	144	711	587	0
IT Infrastructure	445	1,415	595	0	0	0
<b>TOTAL</b>	<b>4,689</b>	<b>6,191</b>	<b>4,390</b>	<b>3,166</b>	<b>2,687</b>	<b>2,500</b>

### Payment of suppliers

Ofqual adheres to the Late Payment of Commercial Debts (Interest) Act 1998 and meet the normal terms of payment for invoices of 30 days from receipt, except where different terms have been agreed with suppliers. As a small organisation, the government's 5-day target for small and medium enterprises to receive payment is not mandated, however, during the year we paid 62% of all invoices within 5 working days, which was lower than normal due to specific issues in the first five months of the year, and returned to over 80% average for the remaining 5 months of the year. 87% of invoices were paid within 10 days, and 99% within 30 days. No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2016-17: £0).

### Sustainability

Ofqual is below the threshold for producing a sustainability report in accordance with the Financial Reporting Manual (FRM). However, we do consider sustainability in our work.

Energy-saving measures taken in our Coventry office have continued to generate savings. Prior investment in video conferencing equipment has improved our ability to work flexibly and increase efficiency as staff use the technology to work from locations away from the office, in alignment with the TW3 (The Way We Work) government guidelines for smarter working. This has reduced the number of home to office journeys, as it has enabled staff the flexibility to work from home, or other locations.

## Table 4: Sustainability

### Costs

	2012-13 £	2013-14 £	2014-15 £	2015-16 £	2016-17 £	2017-18 £
Electricity	43,629	44,058	49,858	45,561	34,582	38,192
Gas	14,388	8,830	15,613	11,480	11,008	11,939
Water	4,365	4,666	5,049	4,924	-8,724	2,726
Waste Management	237	696	563	1,743	120	262

### Consumption

(For Spring Place office)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Total Carbon (tCO2)	206	183	188	186	171	199
Elec (kWh)	268,894	299,315	274,379	251,583	245,536	250,549
Elec (tCO2)	148	133	136	124	121	134
Gas (kWh)	311,843	268,574	285,339	331,492	270,001	351,022
Gas (tCO2)	58	50	53	61	50	65
Water (m <sup>3</sup> )	1,018	1,087	1,240	1,155	1,038	1,033
Waste (tonnes)	28.81	21.91	36.99	31.34	0	0

### Business travel

	2012-13 £	2013-14 £	2014-15 £	2015-16 £	2016-17 £	2017-18 £
Rail	80,504	135,989	116,436	83,051	136,456	118,314
Hotel	13,320	32,124	22,998	25,523	22,694	49,437
Air/Ferry	18,654	23,653	14,564	15,924	2,996	5,022
<b>TOTAL</b>	<b>112,478</b>	<b>191,766</b>	<b>153,998</b>	<b>124,498</b>	<b>162,146</b>	<b>172,773</b>



Gas consumption increased significantly compared to the previous year due to the sustained cold weather experienced in early 2018.

Water costs increased marginally in 2017-18 compared to the £2K charges for 2016-17, (the 2016-17 data includes a credit of £10K received for a correction to the surface water removal charges from 2010-17).

We have continued to focus on reducing the amount of waste we produce, and increasing the proportion of waste that is recycled through waste separation at disposal point. The locked printing functionality on the multi-function devices, and electronic meeting papers continues to reduce the amount of paper generated in the organisation.

No waste tonnage figures are available for 2017-18 or 2016-17.

Rail charges have reduced by £18K in the year, offset a £27K increase in hotel costs due to increased stakeholder engagement and enforcement activities. Air travel has increased in the year due to Ofqual's involvement in conferences abroad.

Business continuity plans are in place to manage the impact of climate change on the organisation, such as extreme weather events.

### **Basis of accounts**

The accounts for the year ended 31 March 2018 have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

Ofqual was the sole entity within our departmental accounting boundary during 2017-18, and we are not responsible for any bodies outside our departmental accounting boundary.

In common with other government departments, funding for Ofqual will be met in the main by future Grants of Supply to be approved annually by Parliament. The 2015 Spending Review reduces Ofqual's core administration and programme funding over the 2016-20 period. We have set a budget that achieves this objective and therefore it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### **Pension liabilities**

Ofqual's employees are covered by the provisions of the Civil Service Pension Scheme. Information on pension entitlements is provided in the Remuneration Report section. Information on pension liabilities is provided in the financial statements section of this report.

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

There have been no events after the reporting period which require an adjustment to the financial statements, nor any non-adjusting events.

### **Auditor**

The Government Resources and Accounts Act 2000 appointed the Comptroller and Auditor General as Ofqual's auditor. He has set a notional £50,000 charge for the audit in 2017-18 (£4K more than 2016-17 due to the additional audit of the Enterprise Resource Planning system change from 1 April 2018).

As far as I am aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware. I have sought assurance from the Executive Directors and 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.

## Our future priorities

Our work during 2018 to 2019 will be driven by the amended goals set out in our Corporate Plan 2018 to 2021.

### Goal 1:

Regulate for the validity and safe delivery of general qualifications

### Goal 2:

Regulate for the validity and safe delivery of national technical and vocational qualifications and Apprenticeships End-Point Assessments

### Goal 3:

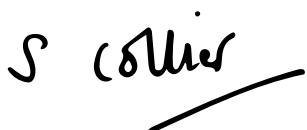
Regulate for the validity and safe delivery of all vocational and technical qualifications

### Goal 4:

Monitor and evaluate the validity of National Assessments

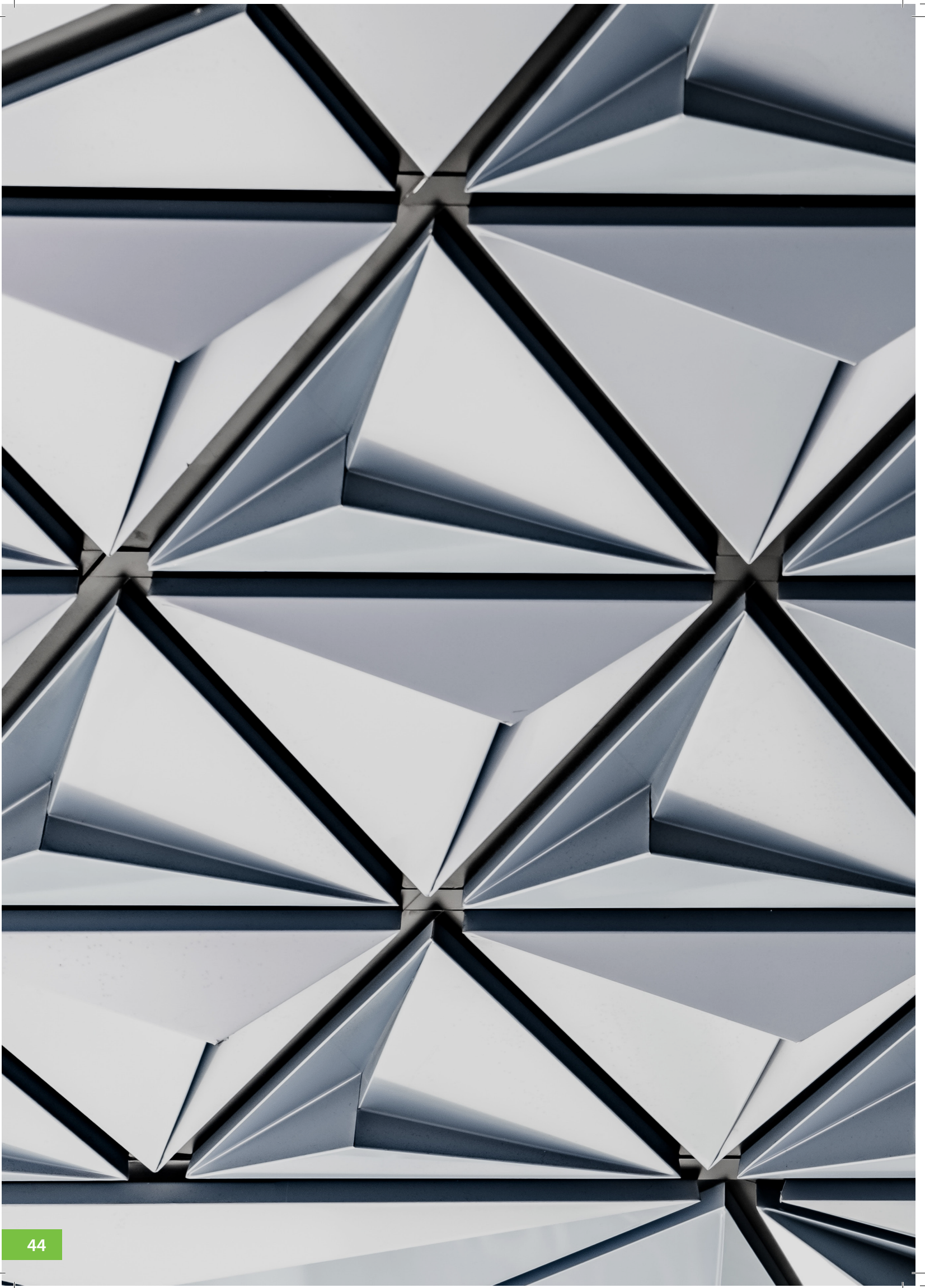
### Goal 5:

Develop and manage our people, resources and systems



**Sally Collier**  
Chief Regulator, Accounting  
Officer for Ofqual  
11 July 2018









# ACCOUNTABILITY REPORT





# Accountability Report

The Accountability Report contains the following three sections:

- Corporate Governance Report
- Remuneration and Staff Report
- Parliamentary Accountability and Audit Report

The Corporate Governance Report consists of the Directors' report, the Statement of Accounting Officer's Responsibilities, and the Governance Statement. It explains the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives. It includes information regarding Ofqual's directors and their significant interests, confirms the Accounting Officer's responsibilities, and how they have been assured, and outlines the governance framework of the organisation, including the board's committee structure, its attendance, and coverage of its work. It also assesses the risks to the organisation.

The Remuneration and Staff Report sets out the entity's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors and the link between performance and remuneration. It includes information on the cost and composition of staff and related activities.

The Parliamentary Accountability and Audit Report brings together the key Parliamentary accountability documents within the annual report and accounts. It comprises the Statement of Parliamentary Supply and supporting notes regarding the financial outturn and information on costs; regularity of expenditure; Parliamentary accountability disclosures; and the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

## Corporate Governance Report

The Corporate Governance Report comprises three sections:

- The Directors' Report
- The Statement of Accounting Officer's Responsibilities
- The Governance Statement



## The Directors' Report

Ofqual's executive leadership team includes the following directors:



**Sally Collier**  
Chief Regulator and  
Accounting Officer



**Michelle Meadows**  
Deputy Chief Regulator  
and Executive Director  
Strategy, Risk & Research



**Phil Beach**  
Executive Director,  
Vocational and  
Technical Qualifications



**Marc Baker**  
Chief Operating Officer



**Julie Swan**  
Executive Director,  
General Qualifications

**Table 5: Senior Management Team Directorships and other significant interests**

Name	Directorships and other significant interests during 2017–18
Sally Collier - Chief Regulator and Accounting Officer	Fellow, Chartered Institute of Purchasing & Supply
Michelle Meadows - Deputy Chief Regulator and Executive Director Strategy, Risk & Research	Honorary Research Fellow, Oxford University
Phil Beach - Executive Director, Vocational and Technical Qualifications	No board directorships or other significant interests
Marc Baker - Chief Operating Officer	Vice Chair of Governors, East Leake Academy
Julie Swan - Executive Director, General Qualifications	Governor, University of Worcester – Ceased in July 2017 Board Member, Committee of the Bar Standards Board's Qualifications Committee – Ceased in August 2017 Auditor (ad-hoc basis), Association of Personal Injury Lawyers

**Note:**

Marc Baker left Ofqual on 29 April 2018 to take a post in another government department.

Jeremy Benson was employed by Ofqual and is included in the Remuneration report but not the Directors' report, as he was working on projects for the DfE throughout 2017-18.



## Board Members

Board members' directorships and other significant interests, including non-executive positions, during the year ended 31 March 2018 are given in Table 6.

None of the board members, key managerial staff or other related parties have undertaken any material transaction with Ofqual during the year.



**Roger Taylor**  
Chair



**Julius Weinberg**  
(to August 2017)



**Sally Collier**  
Chief Regulator and  
Accounting Officer



**Anne Heal**



**Mike Cresswell**



**Barnaby Lenon**



**Tom Taylor**



**Neil Watts**  
(to December 2017)



**Terri Scott**



**Christine Ryan**



**Hywel Jones**



**David Wakefield**



**Frances Wadsworth**



**Ian Bauckham**

**Table 6: Ofqual Board Directorships and other significant interests**

Name	Board directorships and other significant interests during 2017-18	Notes [Indicating where they have departed or been extended]
Roger Taylor - Chair	<ul style="list-style-type: none"> <li>Fellow, Royal Society of Arts.</li> <li>Consultant, Careers and Enterprise Company Trustee, Open Services Network at the RSA.</li> <li>Trustee, Safelives.</li> <li>Lay member of the Board Quality and Safety Committee of Nuffield Health.</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date: 1 April 2012</li> <li>Appointed as Chair: 1 January 2017</li> <li>Appointment expires: 31 December 2019</li> </ul>
Julius Weinberg (to August 2017)	<ul style="list-style-type: none"> <li>Governor, Latymer Upper School, Hammersmith Saturday Education Clubs</li> <li>Chair, Access HE</li> <li>President, Kingston University</li> <li>Member, Royal College of Physicians</li> <li>Member, Faculty of Public Health</li> <li>Member, Higher Education Academy</li> <li>Royal Society of Arts</li> <li>Chair, Ofsted, from August 2017</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs)</li> <li>Departed: 31 August 2017</li> </ul>
Sally Collier	<ul style="list-style-type: none"> <li>Fellow, Chartered Institute of Purchasing &amp; Supply</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date: 25 April 2016</li> <li>Appointment expires: 24 April 2021</li> </ul>
Anne Heal	<ul style="list-style-type: none"> <li>Council member, General Dental Council</li> <li>Chair, Thames Water Customer Challenge Group</li> <li>Chair, Volunteering Matters</li> <li>Trustee, NCVO</li> <li>Trustee, Ballet Boyz</li> <li>Board Member, Office of Rail and Road</li> <li>Board member, ELEXON</li> <li>Director, Anne Heal &amp; Associates</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs)</li> <li>Appointment expired: 31 March 2018</li> </ul>
Mike Cresswell	<ul style="list-style-type: none"> <li>Pensioner benefiting from the AQA pension scheme which is independently managed by a board of Trustees and independently administered by Barnett Waddingham LLP</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 October 2013 (3 yrs) 1st re-appointment date and term: 1 October 2016 (3 yrs)</li> <li>Appointment expires: 31 September 2019</li> </ul>
Barnaby Lenon	<ul style="list-style-type: none"> <li>Chairman, Independent Schools Council</li> <li>Director, Lenon Education Ltd.</li> <li>Director, New Schools Network</li> <li>Chair of Governors, London Academy of Excellence</li> <li>Director, Bellerbys College</li> <li>Trustee, King Edward Sixth Foundation Birmingham</li> <li>Member, Royal Geographical Society</li> <li>Author of A level textbook on Geographical Fieldwork – 26/3/2014</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs)</li> <li>Appointment expired: 31 March 2018</li> </ul>
Tom Taylor	<ul style="list-style-type: none"> <li>Wales Chair Consumer Council for Water</li> <li>Member Consumer Council for Water Audit and Risk Committee</li> <li>Non-Executive Board Member – Northern Ireland Government Department of Finance</li> <li>Member NI Finance Departmental Audit and Risk Committee</li> <li>Member NI Enterprise Shared Services Audit and Risk Committee</li> <li>Chair NI Land &amp; Property Services Audit and Risk Committee</li> <li>Chair NI Statistics &amp; Research Agency Audit and Risk Committee</li> <li>Fellow Chartered Association of Certified Accountants</li> <li>Fellow Chartered Institute of Public Finance and Accountancy</li> <li>Fellow Chartered Management Institute</li> <li>Fellow Institute of Directors</li> <li>Fellow Healthcare Finance Management Association</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs)</li> <li>Appointment expired: 31 March 2018</li> </ul>
Neil Watts (to December 2017)	<ul style="list-style-type: none"> <li>Member of the Complaints Committee, Independent Press Standards Organisation</li> <li>Citizen Advocate – Member of the advisory Board</li> <li>Board member – Architects Registration Board (to 31 March 2017)</li> <li>Association of School and College Leaders (ASCL)</li> <li>Governor, Great Finborough Primary School, Stowmarket</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2010 (4 yrs) 1st re-appointment date and term: 1 April 2014 (3 yrs)</li> <li>2nd re-appointment date and term: 1 April 2017 (9 months)</li> <li>Departed: 31 December 2017</li> </ul>
Terri Scott	<ul style="list-style-type: none"> <li>Principal &amp; CEO, Northern Regional College</li> <li>Board Member, MLK Development Corporation</li> <li>Member, Association for Learning Technology</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2015 (3 yrs)</li> <li>Appointment expired: 31 March 2018</li> </ul>



Name	Board directorships and other significant interests during 2017-18	Notes [indicating where they have departed or been extended]
Christine Ryan	<ul style="list-style-type: none"> <li>Chair – Talent ED (Charity) non-Executive, not remunerated</li> <li>Director – Ryan and Grunsell Ltd</li> <li>Fellow Royal Society of Biology</li> <li>Institute of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2017 (3 yrs)</li> <li>Appointment expires: 31 March 2020</li> </ul>
Hywel Jones	<ul style="list-style-type: none"> <li>Primary Director, Inspiration Trust</li> <li>Salary – Inspiration Trust</li> <li>Founding Member of Parents and Teachers for Excellence</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2017 (3 yrs)</li> <li>Appointment expires: 31 March 2020</li> </ul>
David Wakefield	<ul style="list-style-type: none"> <li>Non-Executive Chair, Bolton NHS Foundation Trust</li> <li>Non-Executive Director, Crown Commercial Service</li> <li>Fellow, Chartered Institute of Management</li> <li>Chair, Leverhulme Academy Trust</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2017 (3 yrs)</li> <li>Appointment expires: 31 March 2020</li> </ul>
Frances Wadsworth	<ul style="list-style-type: none"> <li>Principle and CEO Croydon College</li> <li>Board Trustee Construction Industry Training Board</li> <li>Trustee/Board of Management Royal Alexander and Albert School</li> <li>Trustee GASP Motor Project</li> <li>Fellow of Royal Society of Arts</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 April 2017 (3 yrs)</li> <li>Appointment expires: 31 March 2020</li> </ul>
Ian Bauckham	<ul style="list-style-type: none"> <li>CEO and Director, Tenax Schools Trust</li> <li>Trustee, National Foundation for Educational Research</li> <li>Trustee, Sabre Education</li> <li>Interim Director, Schools Company Trust</li> <li>Interim Trustee, Association for Language Learning (ALL)</li> <li>Advisor to Department for Education</li> <li>Ofsted inspector</li> <li>National Leader of Education (NLE)</li> <li>Association of School and College Leaders (ASCL)</li> </ul>	<ul style="list-style-type: none"> <li>Original appointment date and term: 1 March 2018 (3 yrs)</li> <li>Appointment expires: 28 February 2021</li> </ul>

### Protected personal data related incidents reported to the Information Commissioner's Office

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

### Summary of other protected personal data related incidents

There have been three non-reportable incidents during this period. All incidents were resolved and appropriate controls were put in place where necessary.

### 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.

We employed 183.45 whole-time equivalent staff throughout the year.

During 2017-18 Ofqual employed 19 temporary members of staff (including fixed term employees, agency and contractors) to cover vacancies, maternity leave and long-term sick leave (19 in 2016-17), with 11 employed as at 31 March 2018.



**Sally Collier**  
**Chief Regulator, Accounting Officer for Ofqual**  
**11 July 2018**

# Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury directs 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, application of resources, changes in the taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the 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 HM 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 FReM have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going-concern basis.

HM Treasury has appointed the Chief Regulator as Accounting Officer for 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. I confirm that as far as I am aware, there is no relevant audit information of which Ofqual's auditors are not aware.

As Accounting Officer, I have taken all steps necessary and have sought assurance from the Ofqual management team that I have been made aware of any relevant audit information and to establish that Ofqual's auditors are also made aware of that information.

I have reviewed the assurances provided by the Ofqual management team and confirm that the annual report and accounts as a whole are fair, balanced and understandable and I take personal responsibility based on the written assurances provided to me, for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.



**Sally Collier**  
**Chief Regulator, Accounting Officer for Ofqual**  
**11 July 2018**





# Governance Statement

## Scope of responsibility

As Accounting Officer, I am responsible 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 these duties have been carried out by the Accounting Officer and the supporting structure in the 2017–18 financial year.

## Ofqual Board

During 2017–18 the Board consisted of a Chair, 12 ordinary members (1 as Deputy Chair) and the Chief Regulator. Ordinary members are appointed by the Secretary of State for Education for terms no longer than 5 years. Board members may be reappointed as their terms expire, but there is no automatic right to this. The Deputy Chair Julius Weinberg left Ofqual in August 2017. Frances Wadsworth was appointed Deputy Chair of the Board at the 31 January 2018 Board meeting.

Executive directors are invited to attend all board meetings and relevant committee meetings.

Board and committee members are required to declare potential conflicts of interest on appointment and at the beginning of each meeting they attend. They must confirm annually that the register of their interests is up to date. 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.

The Register of Interests is open to the public, and requests for information may be made in writing addressed to our Board Secretary.



**Table 7: Board members and the committees on which they served on, during the year ending 31 March 2018**

Name	Date of appointment	Term of appointment	Membership of Board committees			
			Board (routinely scheduled) - 6 meetings	Audit and Risk Assurance Committee (ARAC) - 5 meetings	Finance Committee (Fin) - 5 meetings	Standards Advisory Group (SAG) - 3 meetings
Roger Taylor (Chair)	Appointed as Chair 1 January 2017	3 years, to 31 December 2019	100%*	50%	50%	100%*
Julius Weinberg (Deputy Chair to 31 August 2017)	Reappointed 1 April 2015	3 years, to 31 March 2018 †	100%			100%
Mike Creswell	Reappointed 1 October 2016	3 years, to 31 September 2019	83%			33%
Anne Heal	Reappointed 1 April 2015	3 years, to 31 March 2018	83%	100%*		n/a
Barnaby Lenon	Reappointed 1 April 2015	3 years, to 31 March 2018	100%	100%		67%
Terri Scott	1 April 2015	3 years, to 31 March 2018	100%			
Tom Taylor	Reappointed 1 April 2015	3 years, to 31 March 2018	100%		100%*	
Neil Watts	Reappointed 1 April 2017	9 months, to 31 December 2017	75%		100%	
Christine Ryan	1 April 2017	3 years, to 31 March 2020	100%	67%		
Hywel Jones	1 April 2017	3 years, to 31 March 2020	100%			
David Wakefield	1 April 2017	3 years, to 31 March 2020	100%		33%	
Frances Wadsworth (Deputy Chair from 31 January 2018)	1 April 2017	3 years, to 31 March 2020	100%	67%		
Ian Bauckham	1 March 2018	3 years, to 28 February 2021	100%			
Sally Collier	25 April 2016	5 years, to 24 April 2021	100%	100%	50%	67%

**Notes:**

\* denotes Chair of Committee

† Julius Weinberg's term ended on 31 August 2017 due to his move to become Chair of the Ofsted Board.

Neil Watts attended three out of the four board meetings and all three Finance Committee meetings before his term ended on 31 December 2017.

Barnaby Lenon stepped down from the Audit and Risk Assurance Committee (ARAC) after attending the first meeting of the year.

As Chair of the Board, Roger Taylor is not a member of ARAC or the Finance Committee, but he can be specifically invited to join the meetings. During the year he attended 50% of the total meetings in the year.

Christine Ryan and Frances Wadsworth were both appointed to the ARAC after the May 2017 meeting, and were therefore able to attend 3 Committee meetings in the year.



## The Board included the following committees during the year ended 31 March 2018

### Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee provides advice and assurance to the Board and to me, as Accounting Officer, 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 committee chair may call additional meetings as necessary.

The committee consists of up to four members of the Board and an independent financially qualified member. Trevor Robinson served two three year terms as the independent member, and resigned after the completion of the 2016-17 Annual Report and Accounts in July 2017. Following an open recruitment process, Nick Payne was appointed as the financially qualified independent member in September 2017. Attendance of the independent member is not recorded in the Board member attendance in Table 7, but both independent members attended all of the Audit and Risk Assurance Committee meetings that they were eligible to attend in the year.

As Accounting Officer, I attend meetings of the committee along with the Chief Operating Officer and the Associate Director of Finance. Our internal auditors and the National Audit Office also attend.

Other members of Ofqual staff attend where appropriate.

The committee considers all aspects of internal control including risk management (strategic and systemic), information security and counter-fraud, supported by reports from the internal and external auditors. During 2017-18 the committee reviewed the findings of audit reports on event notifications, regulatory burden, National Reference Test, audit and investigations, key financial systems and procurement.

### Finance Committee

The Finance Committee considers and advises the Board on financial issues. The Committee also receives updates on HR strategy and key metrics as well as staff resources and development at each meeting. 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 Board. Members of the Committee are not members of the Audit and Risk Assurance Committee. The Board Chair is also invited to attend all meetings.

I attend meetings as Accounting Officer, together with the Chief Operating Officer, and the Associate Director of Finance and the Associate Director of Human Resources.

### Standards Advisory Group

The Standards Advisory Group advises the Board about general qualifications, vocational and technical qualifications, and national assessments. Typical issues raised concern the comparability of standards between regulated qualifications, international comparisons, and the validity and reliability of assessments.

The Group met three times during the year. In that time, membership included five members of the Board plus 13 independent members who are appointed to bring specific expertise to the Group. Meetings are chaired by Ofqual's Board Chair, and are attended by relevant senior members of Ofqual's Strategy, Risk and Research Directorate plus other members of staff as appropriate.

The Group has a National Reference Test Sub Group to support Ofqual's work in that area. The Sub Group met twice this year. Its membership comprises one member of the Board and three independent members.

During 2017–18, the independent members of this group were:

- Professor Rebecca Allen, UCL Institute of Education
- Professor Jo-Anne Baird, Director of the Department of Education, University of Oxford
- Ian Bauckham, CEO Tenax Schools Trust
- Tom Bramley, Director, Research Division, Cambridge Assessment
- Professor Robert Coe, School of Education, Durham University
- Professor Caroline Gipps, Emeritus Professor, former Vice Chancellor University of Wolverhampton
- Dr Grace Grima, Director of Research, Pearson UK
- Dr Tina Isaacs, Honorary Senior Lecturer in Educational Assessment at UCL's Institute of Education
- Dr Alastair Pollitt, Director, Cambridge Exam Research
- Alex Scharaschkin, Director of Research and Compliance, AQA (last meeting 27 October 2017)
- Professor Gordon Stobart, Institute of Education, University College London
- Norman Gealy, Consultant in assessment, former Chair and current Vice-Chair of the Assessment Committee of the Institute of Chartered Accountants in England and Wales
- Isabel Sutcliffe, Independent Consultant & formerly Pearson's International Standards & Quality Director

The group may invite other individuals to attend meetings, for example to hear a particular stakeholder's point of view on a matter.

## Committees' reporting to the Board

Each committee reports on its work at the Board meeting following the committee meeting. Principal items of committee business in 2017–18 were:

### Finance Committee

- reviewing the 2016–17 Annual Report and Accounts;
- monitoring Ofqual's management accounts;
- reviewing the 2018-19 business planning and budget process;
- reviewing changes to the Standing Financial Instructions; and
- reviewing HR strategy and key metrics.

### Standards Advisory Group

Principal items of business this year for the Standards Advisory Group included providing advice to Ofqual on:

- the National Reference Test;
- T levels;
- the moderation of non-exam assessment; and
- research in national assessment.

### Audit and Risk Assurance Committee

- reviewing the 2016-17 Annual Report and Accounts for recommendation to the Board for approval;
- reviewing internal audit reports and monitoring the implementation of audit recommendations;
- overseeing information management including preparation for GDPR;
- overseeing risk management;
- monitoring progress against the 2017–18 internal audit plan;
- agreeing the 2018–19 internal audit plan;
- reviewing the 2016-17 external audit completion report;
- reviewing the 2017–18 external audit plan;
- reviewing the recommendation to award the internal audit services contract to a new provider from April 2018; and
- considering cyber security issues.



## Management control activities

The Chief Regulator has delegated responsibility from the Board for leading the organisation on a day-to-day basis. They determine which duties are discharged through members of the Executive team individually through line management arrangements, and which are discharged collectively through the executive governance groups. Management control is governed by a Senior Management Group.

## Senior Management Group

The Senior Management Group normally meets weekly and its membership is the Chief Regulator and the Executive Directors. The Director of Legal, Associate Director for Strategic Policy and Risk, Director of Communications and the Private Secretary to the Chief Regulator also attend. Other staff attend by invitation.

The agenda includes regular review of strategic risks, setting and monitoring delivery against organisational priorities, and one off and recurring topics for strategic discussion, direction setting or decision making. Specific areas of focus for the group include:

- developing the strategic direction for Ofqual, including priorities, business and Corporate plans;
- considering issues related to staff including recruitment and prioritisation, talent management and improvements to staff engagement
- monitoring progress against the corporate, business and financial plans;
- advising the Chief Regulator on matters delegated to her by the Board or escalated by any of its sub-groups;
- approving the setup of significant new programmes of work or other activities that impact on the resources of the organisation;
- overseeing our use of financial resources and people, with a particular focus on efficiency and effectiveness;
- conducting 'horizon scanning' of external factors affecting the organisation, including regulated bodies, government and other stakeholders; and
- overseeing the Strategic Risk Register and Business Plan tracker.

The Senior Management Group review key organisational performance indicators, including finance, legal, information technology, regulatory compliance and strategic human resources matters on a monthly basis. During the year to 31 March 2018 the executive management team on the Group were:

- Sally Collier – Chief Regulator
- Michelle Meadows – Executive Director Strategy, Risk and Research, Deputy Chief Regulator
- Phil Beach – Executive Director, Vocational Technical Qualifications
- Julie Swan – Executive Director, General Qualifications
- Marc Baker – Chief Operating Officer

## Board performance

Ofqual adheres to the Corporate Governance Code for central government bodies, and central standards of good governance practice for government boards where appropriate.

The Ofqual Governance Framework was reviewed and updated in May 2017, and issued in July 2017. There were four new Board members at the start of the year, and one in the last month of the year. Ofqual runs a thorough induction programme for new Board members.

Ofqual commissioned an external governance review, which took place in March 2018 which included the functioning of the Board. This identifies a number of areas of good practice, and some areas for further consideration.

The Board acknowledges that the quality of information it receives helps it to perform effectively, and that the papers helped Board members to prepare for discussion. Ofqual is working to keep the quantity of Board papers manageable given the increasing reviews of reform.

## Risk management

We manage a broad range of risks across our areas of work, in relation to projects and programmes, and risks that are corporate in nature. Risks are escalated to the Strategic Risk Register where they have a direct impact on Ofqual's statutory objectives or put at risk delivery of our Corporate Plan. The Strategic Risk Register is reviewed regularly both by the Senior Management Group and the Board. It is scrutinised in detail by the Audit and Risk Committee of the Board. This maintains active monitoring of our key risks, and the effectiveness of our mitigations.

We make continuous improvements in our approach and the processes for risk identification, assessment and management. During 2017-18 we enhanced the systems we use to map and analyse risks in the awarding organisations we regulate to produce a 'Single View of Risk' for each entity. This new tool provides an immediate and frequently updated profile, with information drawn from a range of sources, to support risk-based prioritisation of our activity.

At the end of March 2018, a number of strategic risks were rated as both high probability and high impact. These risks are actively managed, with a broad range of mitigation actions undertaken. At end March 2018, the main risks on our Strategic Risk Register included:

### GCSE, AS & A level delivery and standards

In 2017-18 the first reformed GCSEs and A levels were awarded for the first time, along with a number of reformed AS levels. We have oversight of a wide range of risks to delivery and standards, including risks to the timetable for delivery of results that may affect students and potentially the UCAS applications process, and risks related to question paper production, errors in question papers and malpractice. We use a range of modelling and technical approaches to maintain standards in general qualifications, including for new qualifications in times of reform.

## Public confidence in GCSEs, AS and A levels

We have undertaken extensive work to communicate the nature of changes to GCSE grading, and the changes in reformed qualifications more broadly. Each year we work with stakeholders to produce blogs and publish information to support public confidence during a time of significant change to these high profile qualifications. This work will continue in the year ahead as further reformed qualifications are awarded for the first time.

## Malpractice

Malpractice undermines fairness and public confidence in qualifications. During 2017-18 we took steps to address risks of malpractice where examiners involved in writing papers are also teachers. Where malpractice arises we monitor awarding organisations' responses to ensure risks are mitigated, fair outcomes secured and the appropriate penalties are applied. For summer 2018 we have refreshed our communications strategy in relation to malpractice, using behavioural insights expertise to better target our messages.

## Quality of marking

The quality of marking, and perceptions of the quality of marking remain key risks to the validity of and public confidence in the qualifications we regulate. We have continued a programme of research to monitor quality of marking and to identify opportunities for improvement and use a longitudinal survey of public perceptions of marking to measure public confidence.

## Review of marking, moderation and appeals

Having introduced new rules regarding reviews of marking and appeals, we have carefully monitored their implementation. We have taken action to address any failings identified and will continue to monitor the risk that they are not fully implemented in the year ahead.



### **Organisational change within exam boards**

As the implementation of reformed GCSEs, AS and A levels continues, we remain mindful of the shifts in market share, policy pressures and operational and organisational change faced by exam boards. We meet with exam boards regularly to explore any concerns, and monitor the risks and issues arising at each stage of reform. In preparation for the summer 2018 exam series we again reviewed exam boards' readiness to deliver and award reformed qualifications.

### **Scale of potential vocational and technical qualification reform**

In response to the government's consultation on T level implementation we noted that the potential scale of reform across the vocational and technical qualifications arena is significant – including existing reforms already underway to apprenticeships, Functional Skills qualifications, Applied Generals and Tech Levels. We continue to monitor the impact of further reform on the capacity of the sector – including schools, colleges, awarding organisations and other stakeholders.

### **Applied General Qualifications delivery and standards**

We have paid close attention this year to the implementation of new Applied General Qualifications and the impact on standards that arise from the requirement for external assessment. We are in dialogue with the awarding organisations offering these qualifications regarding the approaches they are using to set and maintain standards, particularly to ensure that the use of any hurdles are appropriate and contribute to the validity of the qualification.

### **Functional Skills Qualifications reform**

We have consulted on conditions and guidance for reformed Functional Skills qualifications to address risks specific to their purpose, content and method of delivery. This year we will commence up-front evaluation of reformed Functional Skills qualifications before they reach the market. We will also undertake the next stage of work in relation to Functional Skills Maths to ensure that standards in the new qualifications are set appropriately by awarding organisations.

### **Apprenticeship assessment**

Where we are invited to provide External Quality Assurance (EQA) for reformed apprenticeship assessments, we have established processes in place that identify and mitigate risks to valid, reliable assessment. Our partnership with the Institute for Apprenticeships continues to grow and deepen as we seek to address together risks that concern both organisations.

### **Technical Qualifications in T levels reform**

We have been working with both the Department for Education and the Institute for Apprenticeships to establish the role we will play in the implementation of new Technical Qualifications in T levels. As in any major national qualification reform programme, we are monitoring and mitigating risks to quality and to the timeline for first delivery. We are also monitoring potential impacts to the qualifications market in light of the use of a single awarding organisation for each Technical Qualification in T levels.

### **Vocational awarding organisations' quality assurance of centres**

We continue to be concerned by the quality assurance and other arrangements awarding organisations have in place to effectively manage the centres delivering their qualifications. We see instances of malpractice, incorrect awarding and fraud where centre controls are not effective. We have clearly expressed our concerns and the risks to the sector, and have initiated a series of audits to assess the effectiveness of awarding organisations' controls. We will use a call for evidence to look at industry practices undertaken by centres in relation to moderation and will use this to inform further action we may need to take.

### **National Assessments validity**

We continue to focus on threats to validity, rather than delivery, in National Assessments. We published our National Assessments regulation annual report in December setting out the steps we have taken to identify and raise risks to validity – focusing on key stage 2 tests that inform both attainment and progress measures for schools.

### **Funding pressures on Ofqual**

We continue to improve our efficiency in light of year-on-year budget reductions agreed in the 2015 Spending Review. We manage tightly all

staff and non- staff costs, and are seeking further savings by improving our procurement from third parties and reducing further our reliance on contract staff.

### **Our people**

Securing and then maintaining the right capacity and capability is critical to our success, particularly in specialist roles. Our retention of staff is stable and we continue to make successful appointments to posts, including where we appoint on a fixed term basis to support reform programmes. Last year we moved from 47th to 13th in the Civil Service People Survey, out of 98 organisations. This and our focus on talent management help mitigate retention risks.

### **Board Transition**

We successfully completed induction for new Board members appointed in 2017. We have subsequently appointed four further new Board members with relevant background and experience to fill vacant posts. We will undertake a further tailored induction programme to equip them in their roles.

### **Information risk**

We assess our information risk against the requirements set out in the government's Security Policy Framework (SPF) and the new Government Security Standards. We carry out a number of self-assessments to determine our compliance including Departmental Security Health Checks (DSHC), which are independently verified and reported to the Audit and Risk Assurance Committee, with the DSHC return reporting a "Substantial" assurance rating against the SPF security outcomes. Ofqual has an active programme to continue to improve the resilience of our information systems. During the year, this has included preparations to ensure readiness for the introduction of the General Data Protection Regulation (GDPR).

### **Ofqual office accommodation**

Ofqual continues to reside at Spring Place under its existing lease. Legal proceedings under the Landlord and Tenant Act 1954 have been commenced through which the terms of any future occupation at Spring Place would be determined.

### **Internal audit**

Our governance arrangements and risk management processes are supported by an internal audit function that reviews our procedures and controls. During 2017-18 this was contracted to Grant Thornton LLP. Following a joint tender process with other regulators, Mazars LLP takes on the role from April 2018. The annual audit programme focuses on areas assessed as significant internal risks. Both the Senior Management Group and the Audit and Risk Assurance Committee agree the annual audit programme and review the individual reports and recommendations.

Internal audit works to the Public Sector Internal Audit Standards. All audit reports include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Ofqual's system of internal control together with any 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 annually the effectiveness of our system of internal control. This review is informed by the work of the internal auditors, by feedback from senior managers who have responsibility for the development and maintenance of the internal control framework, and by comments made by the National Audit Office in their Audit Completion Report and other reports. Comments made by the Education Select Committee are also taken into account.

The Audit and Risk Assurance Committee advises on the implications of 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 auditors provide an annual, independent and objective assessment as to whether there are adequate and effective corporate governance, risk management and internal controls processes. A "moderate" opinion was given for these by the Head of Internal Audit in 2017-18.

The six internal audit reviews conducted in the past 12 months included coverage across a range of strategic, core operational, and financial risks, and were of mixed assurance with one substantial, four moderate and one limited assurance rating.



**Table 8: Internal audit - report ratings**

Audit	Report Rating	Governance	Risk Management	Internal Control
Event Notification Process	Moderate	-	Y	Y
Regulatory Burden	Moderate	Y	-	Y
Key Financial Systems	Substantial	-	Y	Y
National Reference Test	Moderate	Y	-	Y
Audit & Investigation	Limited	Y	Y	Y
Procurement	Moderate	-	Y	Y

While the audit and investigation audit identified a number of good practices, it identified potential improvements in the planning and outcome follow up areas of the audits. The planning side has been addressed with a longer term audit plan aligned with the key strategic risks having been developed.

The internal auditors made 38 recommendations from these audits during the year. Ofqual tracks actions relating to the recommendations at a more granular level, and has converted 32 recommendations from the first five audits (excluding Procurement) as 49 improvement activities. The Procurement internal audit was completed at the end of March 2018, which included five medium and one low recommendation, with the audit report and actions agreed during April 2018.

Ofqual has put in place appropriate measures to address the areas for improvement identified by internal audit during the year and will monitor the application of those measures to assess their effectiveness in achieving the desired outcomes.

Progress in implementing these recommendations is reported to the Senior Management Group periodically, and the Audit and Risk Assurance Committee reviews progress when it meets, and receives updates by correspondence between meetings where necessary. In addition to the individual reviews, internal audit undertakes a review of all closed audit actions to assess whether there is sufficient evidence to justify the closure.

**Table 9: Internal audit – outstanding actions**

Finding Rating	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13
Critical	0	0	0	0	0	0
High	0	0	0	0	0	0
Medium	9	3	4	4	4	9
<b>Total</b>	<b>9</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>9</b>

Of the 49 actions identified in the year, 40 were completed by the end of March 2018 with 9 outstanding of which 3 were overdue. The remainder are scheduled to be closed by the end of quarter 3 2018/19. The six Procurement internal audit actions will be added to the outstanding actions list for completion in 2018/19, and are not included in the above table.

**Accounting Officer System Statement**

As Accounting Officer for Ofqual, I am personally responsible for safeguarding the public funds for which I have been given charge as the Ofqual Estimate. To support me in discharging my responsibilities in this area, the Ofqual Governance Framework sets out the scheme of delegation under which we operate.

As well as the opinion provided to me by internal audit, each executive director and appropriate associate directors have been required to review the controls that they have in place to manage governance, risk and control arrangements and to 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 Senior Management Group on the stewardship of finances and risks.

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.



**Sally Collier**  
**Chief Regulator, Accounting Officer for Ofqual**  
**11 July 2018**





# Remuneration and staff report

## Remuneration report

### Ministers

Ofqual is a non-ministerial government department with no ministerial remuneration to report.

### Ofqual

The Chair and other non-executive board members are appointed by the Secretary of State for Education for renewable terms of not more than 5 years. The Queen-in-Council, on the advice of the Secretary of State for Education, appoints the Chief Regulator for a fixed term, currently 5 years.

All other permanent staff are civil servants, appointed in accordance with the Civil Service Recruitment Code, which requires appointments to be made on merit on the basis of fair and open competition, except in specified circumstances.

Unless otherwise stated, the staff covered by this report hold permanent civil service appointments. Further information about the work of the Civil Service Commission is available at: [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

The Chief Regulator, board 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. The directors' report includes a list of the directorships and other significant interests held by these individuals.

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

### Directors Remuneration policy

Directors are paid in accordance with the civil service pay structure. Any change to directors' remuneration for the current and future years will reflect the work and recommendations of the Senior Salaries Review Body.

## Remuneration (including salary and payments in kind)

This section is subject to audit.

Table 10 shows gross salary and other taxable allowances. Full-year salary equivalents for those who served part of the year are shown in brackets.

**Table 10: Salary entitlements of the most senior members of Ofqual for year ending 31 March 2018**

Board members	Salary 2017-18 £000	Salary 2016-17 £000	Performance related awards 2017-18 £000	Performance related awards 2016-17 £000	Pension benefits 2017-18 £000	Pension benefits 2016-17 £000	Total 2017-18 £000	Total 2016-17 £000
Roger Taylor (Chair from January 2017)	40-45	10-15 (40-45)	-	-	-	-	40-45	10-15 (40-45)
Roger Taylor	-	0-5 (5-10)	-	-	-	-	-	0-5 (5-10)
Amanda Spielman (Chair to November 2016)	-	40-45 (55-60)	-	-	-	-	-	40-45 (55-60)
Julius Weinberg (Interim chair in December 2016)	0-5 (5-10)	5-10	-	-	-	-	0-5 (5-10)	5-10
Mike Cresswell	5-10	5-10	-	-	-	-	5-10	5-10
Anne Heal	5-10	5-10	-	-	-	-	5-10	5-10
Barnaby Lenon	5-10	5-10	-	-	-	-	5-10	5-10
Tom Taylor	5-10	5-10	-	-	-	-	5-10	5-10
Terri Scott	5-10	5-10	-	-	-	-	5-10	5-10
Neil Watts	0-5 (5-10)	5-10	-	-	-	-	0-5 (5-10)	5-10
Dana Ross-Wawrzynski	-	0-5 (5-10)	-	-	-	-	-	0-5 (5-10)
Christine Ryan	5-10	-	-	-	-	-	5-10	-
Hywel Jones	5-10	-	-	-	-	-	5-10	-
David Wakefield	5-10	-	-	-	-	-	5-10	-
Frances Wadsworth	5-10	-	-	-	-	-	5-10	-
Ian Bauckham (joined 1 March 2018)	0-5 (5-10)	-	-	-	-	-	0-5 (5-10)	-
Tim Balcon	-	5-10	-	-	-	-	-	5-10
Maggie Galliers	-	5-10	-	-	-	-	-	5-10



Senior Staff	Salary 2017-18 £000	Salary 2016-17 £000	Performance Related Awards 2017-18 £000	Performance Related Awards 2016-17 £000	Pension Benefits 2017-18 £000	Pension Benefits 2016-17 £000	Total 2017-18 £000	Total 2016-17 £000
Sally Collier Chief Regulator (from 25 April 2016)	155-160	145-150 (155-160)	-	-	31	113	185-190	255-260
Michelle Meadows Deputy Chief Regulator, and Executive Director, Strategy, Risk and Research	110-115	105-110	0-5	0-5	44	42	155-160	150-155
Phil Beach Executive Director, Vocational and Technical Qualifications	95-100	60-65 (95-100)	0-5	0-5	39	24	135-140	85-90
Marc Baker Chief Operating Officer	95-100	95-100	0-5	0-5	38	38	135-140	135-140
Julie Swan Executive Director, General Qualifications	95-100	90-95	0-5	0-5	38	36	135-140	130-135
Jeremy Benson	5-10 (95-100)	95-100 (95-100)	-	0-5	19	38	25-30 (115-120)	130-135 (135-140)
Amanda Spielman (Interim Chief Regulator to April 2016)	-	10-15 (95-100)	-	-	-	-	-	10-15 (95-100)

**Note:**

Amanda Spielman left the role of Ofqual chair in November 2016. She was replaced by Roger Taylor from January 2017. Julius Weinberg covered the role in the interim period.

Amanda Spielman covered the role of Chief Regulator for April 2016 until the appointment of the new Chief Regulator Sally Collier.

Julius Weinberg's term ended on 31 August 2017 due to his appointment as Chair of the Ofsted Board. Neil Watts' term ended on 31 December 2017.

Phil Beach was appointed Interim Executive Director Vocational and Technical Qualifications in August 2016, replacing Jeremy Benson. He was confirmed as the permanent appointment in January 2017.

Jeremy Benson remained an employee of Ofqual for the full year in 2017-18, but worked on special projects for the Department for Education (DfE). Income from DfE for this secondment is included in Note 6 to the accounts.

The above figures include the non-consolidated performance pay award, where relevant. No benefits in kind were paid during the year.

Figures in brackets are annual equivalent salaries.

## Pension benefits

This section is subject to audit.

The information for the increases in pension, total accrued pension and cash equivalent transfer value (CETV) is provided by My Civil Service Pensions (MyCSP) in accordance with calculations and in the format determined by MyCSP and the Cabinet Office.

**Table 11: Pension benefits of the most senior members of Ofqual for the year ending 31 March 2018**

	Accrued pension at pension age as at 31/03/18 and related lump sum £000	Real increase in pension and relate lump sum at pension age £000	CETV at 31 March 2018 £000	CETV at 31 March 2017 £000	Real Increase in CETV £000
Sally Collier	45 - 50 plus a lump sum of 110 - 115	0 - 2.5 plus a lump sum of 0	751	693	8
Michelle Meadows	5 - 10	2.5 - 5	109	78	20
Phil Beach	5 - 10	0 - 2.5	92	59	23
Marc Baker	5 - 10	0 - 2.5	125	93	22
Julie Swan	15 - 20	0 - 2.5	238	204	21
Jeremy Benson	35 - 40	0 - 2.5	462	429	2

Non-executive board appointments are non-pensionable, so Board members other than the Chief Regulator are excluded from this table.

## Fair pay in the public sector

This section is subject to audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in Ofqual in the financial year 2017-18 was £155,000-£160,000 (2016-17, £155,000-£160,000 (annual equivalent salary)). This was 3.92 times the median remuneration of the workforce, which was £40,197 (2016-17, 4.10 times, £38,380).

In 2017-18 no employees received remuneration in excess of the highest-paid director, (2016-17, NIL). Remuneration ranged from £5,000 to £160,000 (2016-17, £5,000 to £160,000). The range starts at £5,000 due to payments made to the non-executive directors, for permanent employees the range starts at £13,500.

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



### Cash equivalent transfer value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme, or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member 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 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 to senior members of staff included in the remuneration report in 2017–18, (2016–17, NIL). Exit payments to other staff are included in Table 15 on Reporting of Civil Service and other compensation schemes – exit packages.

### Pension costs

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but Ofqual is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservicepensionscheme.org.uk/about-us/resource-accounts/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/)).

Alpha was introduced from 1 April 2015, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the 2 schemes.)

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. In nuvos, a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures quoted for officials show pension earned in PCSPS or alpha, as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the 2 schemes, but note that part of that pension may be payable from different ages.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

For 2017–18, employers' contributions of £1.71m were payable to MyCSP (2016–17 £1.70m) at 1 of 4 rates in the range 20.0% to 24.5% (2015–16: 20.0% to 24.5%) of pensionable pay, based on salary bands.

The Scheme Actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017–18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employers' contributions of £36,802 (£26,660 in 2016–17) were paid to one or more of the panel of three appointed stakeholder pension providers. Contributions due to the partnership pension providers at the reporting period date were £2,557. Contributions prepaid at that date were £nil.

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



## Staff costs

The following section is subject to audit.

Gross Staff costs for 2017–18 were £12.07 million (2016–17: £12.08 million) of which £0.79 million (2016–17: £0.89 million) related to agency/contract staff. Net staff costs, after recoveries relating to outward secondments for 2017-18 were £11.87 million (2016-17: £12.08 million). Further details are shown in Note 3 to the accounts.

**Table 12: Staff Costs**

	2017-18			2016-17
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	8,584	789	9,373	9,461
Social security costs	952	0	952	934
Other pension costs	1,745	0	1,745	1,688
<b>Sub Total</b>	<b>11,281</b>	<b>789</b>	<b>12,070</b>	<b>12,083</b>
Less recoveries in respect of outward secondments	(198)	0	(198)	0
<b>Total net costs</b>	<b>11,083</b>	<b>789</b>	<b>11,872</b>	<b>12,083</b>

of Which:	Charged to Administration budgets	Charged to Programme budgets	Charged to capital budgets	2017-18 Total
Core departments	10,844	1,028	0	11,872
<b>Total</b>	<b>10,844</b>	<b>1,028</b>	<b>0</b>	<b>11,872</b>

No staff costs have been charged to capital in the year.

The tables below include both permanent and fixed term contract staff. Fixed term contracts include cover for substantive posts and new posts funded from additional project resources.

### Table 13: Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

Activity	2017-18			2016-17
	Permanently employed staff	Others	Total	Total
	WTE	WTE	WTE	WTE
Resource activities	183.45	8.31	191.76	197.95
Capital projects	0.0	0.0	0.0	0.0
<b>Total</b>	<b>183.45</b>	<b>8.31</b>	<b>191.76</b>	<b>197.95</b>
<b>OF WHICH:</b>				
Core Department	183.45	8.31	191.76	197.95
<b>Total</b>	<b>183.45</b>	<b>8.31</b>	<b>191.76</b>	<b>197.95</b>

### Table 14: Average headcount employed during the year

The following table shows the average headcount for the year, by payband for senior civil servants.

	2017-18 Headcount	2016-17 Headcount
<b>SENIOR CIVIL SERVICE</b>		
PAYBAND 3	1	1
PAYBAND 1	15	13
	16	14
<b>CIVIL SERVANTS</b>	<b>174</b>	<b>180</b>
<b>TOTAL CIVIL SERVANTS</b>	<b>190</b>	<b>194</b>
TEMPORARY STAFF	9	9
CONSULTANTS	0	0
<b>TOTAL</b>	<b>199</b>	<b>203</b>

In the year to 31 March 2018 we spent £789k (2016–17: £892k) on temporary agency and contractor staff and £32K on consultants (2016–17: £26K).



**Table 15: Reporting of Civil Service and other compensation schemes – exit packages**

The following section is subject to audit.

Exit Package Cost Band	Number of compulsory redundancies	2017-18		Number of compulsory redundancies	2016-17	
		Number of other departures agreed	Total number of exit packages by cost band		Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	1	1	0	0	0
£10,000 – £25,000	0	1	1	0	2	2
£25,000 – £50,000	0	2	2	0	0	0
£50,000 – £100,000	0	0	0	0	0	0
£100,000 – £150,000	0	0	0	0	1	1
£150,000 – £200,000	0	0	0	0	0	0
<b>Total number of exit packages by type</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	<b>3</b>	<b>3</b>
<b>Total resource cost – £000</b>	<b>0</b>	<b>103</b>	<b>103</b>	<b>0</b>	<b>145</b>	<b>145</b>

Redundancy and other departure costs have been paid in accordance with paragraph 5(3) of Schedule 9 of the Accruing Superannuation Liability Charges Act 2009 and in accordance with contractual arrangements. Exit costs are accounted for in the year that they are agreed. The table includes two departures in 2017-18, and a further two departures which were agreed in the year, but which take place after the year-end.

## Other staff information

The following sections are not subject to audit, unless otherwise stated.

### Off-payroll appointments

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on their highly paid and/or senior off-payroll engagements.

**Table 16: Off-payroll engagements as of 31 March 2018, for more than £245 per day and that last for longer than six months**

	Main Department
<b>No. of existing engagements as of 31 March 2018</b>	4
Of which:	
No. that have existed for less than one year at time of reporting.	2
No. that have existed for between one and two years at time of reporting.	2
No. that have existed for between two and three years at time of reporting.	Nil
No. that have existed for between three and four years at time of reporting.	Nil
No. that have existed for four or more years at time of reporting.	Nil

**Note:**

Government departments are required to obtain assurances from individuals on contracts of more than 6 months' duration, where the annual cost is greater than £63,700, that tax due on contract payments will be paid. As at 31 March 2018 all such contractors engaged by Ofqual met these conditions.

**Table 17: New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and that last for longer than 6 months**

	Main Department
<b>No. of new engagements, or those that reached six months in duration, between 1 April 2017 and</b>	1
Of which:	
No. assessed as caught by IR35	1
No. assessed as not caught by IR35	0
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year	0
No. of engagements that saw a change to IR35 status following the consistency review	0

**Note:**

Ofqual holds contracts with the agency not the individual. The agencies were asked to seek assurances from the individuals before they were engaged by Ofqual. The agencies have provided evidence of clauses included within the agency contract with the individual stating the individual should ensure they correctly account for their tax and NI liability



**Table 18: Off-payroll engagements of board members, and/or senior officials, with significant financial responsibility, between 1 April 2017 and 31 March 2018**

	Main Department
<b>No of off payroll engagements of board members, and/or senior officials, with significant financial responsibility, during the financial year</b>	0
<b>Total no. of individuals on payroll and off-payroll who have been deemed 'board members and/or senior officials, with significant financial responsibility'; during the financial year. This figure should include both on payroll and off-payroll engagements</b>	0

### The Trade Union Regulations 2017

The Trade Union (Facility Time Publication Requirements) Regulations 2017 requires public authorities to publish information in relation to facility time taken by trade union officials.

**Table 19: Relevant Union Officials**

Number of employees who were relevant union officials during the period	Full-time equivalent employee number
5	4.66

There were five staff who fulfilled the role of union official at various points during the reporting period, who were allowed up to 9 hours per week between them for facility time.

**Table 20: Percentage of time spent on facility time**

Percentage of time	Number of employees
0%	-
1% - 50%	5
51% - 99%	-
100%	-

**Table 21: Percentage of pay bill spent on facility time**

	Cost £000
Total cost of facility time	0
Total pay bill	11,083
Percentage of the total pay bill spent on facility time	0%

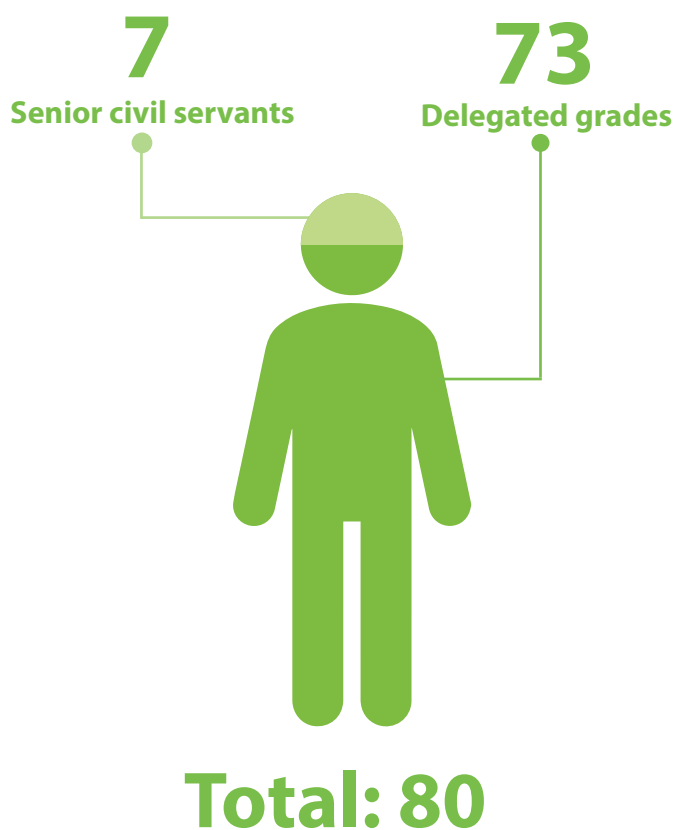
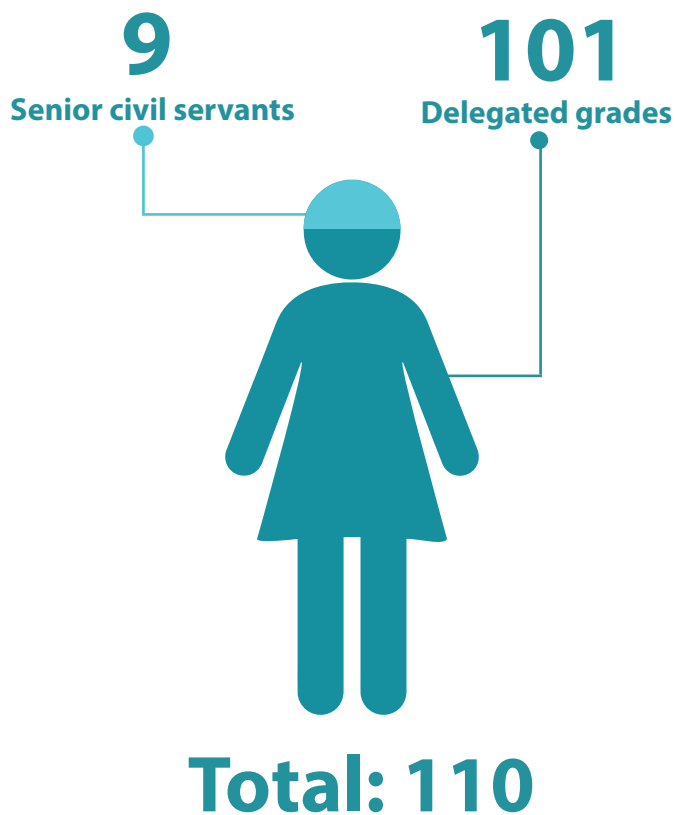
Total hours allowed between the union officials is 9 hours per week for facility time, but as the time spent is usually negligible, it is not recorded, therefore, Ofqual does not record the cost of facility time separately.

**Table 22: Paid trade union activities**

	%
Time spent on paid trade union activities as a percentage of total paid facility time hours	0%



## Staff Diversity (Chart 23)



### Sickness absence

In 2017-18 932.5 days were lost to sickness absence (1833 days in 2016-17), representing 1.98% of available staff working days. This is an average of 5.11 days per employee (9.54 days per employee in 2016-17). This was due to a reduction in the numbers of staff who were long term sick (average of 1.7 staff) who accounted for 595 days of absence (1,226 days in 2016-17).

### Health and safety

Ofqual is committed to providing a safe and healthy working environment for staff. We provide annual health screening, a physical health check and a health-behaviour assessment. We also provide a confidential advice and counselling service.

### Diversity and equality

Ofqual promotes equality for all regardless of gender, race, age, religion, belief, sexual orientation or disability. The gender breakdown of staff (which includes both permanent and fixed term contracts) as at 31 March 2018 was 110 females and 80 males.

At 31 March 2018, 7.2% of staff members classified themselves as disabled, 21% abstained from answering the survey. 11.8% classified themselves to be non-white, with a further 20% undeclared. Ofqual attends a number of diversity and inclusion groups to keep up to date with developments.

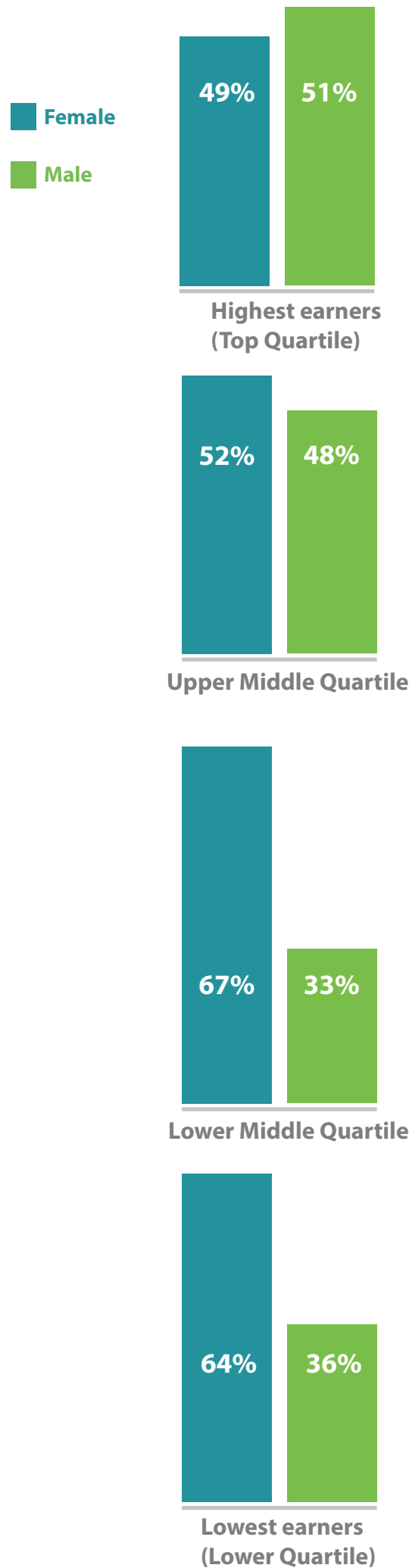
The gender pay gap has been calculated based on the mean and median hourly wage across the organisation, with a mean gap of 8.20% (women earn 92p for every £1 men earn) and median of 14.09% (women earn 86p for every £1 men earn). This is largely because there are more women at the lower end of the pay range, as confirmed by chart 24 which shows the percentage of female and male in each earning quartile.

Although men and women are broadly equally represented in the top two earnings quartiles, there are almost twice as many women than men in the lower two quartiles, thus reducing the median for women's earnings. A significant proportion of the senior leadership are women, which increases the mean average earnings for women.

*S Collier*

**Sally Collier**  
**Chief Regulator, Accounting Officer for Ofqual**  
**11 July 2018**

## Gender Pay Gap (Chart 24)







## Parliamentary accountability and audit report

### **Statement of Parliamentary Supply: subject to audit**

This whole section is subject to audit, unless otherwise stated.

In addition to the primary statements prepared under International Financial Reporting Standards (IFRS), the Government FReM requires Ofqual to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament in respect of each budgetary control limit.



## Summary of Resource and Capital Outturn for 2017–18

**Table 25: Amounts approved in 2017–18 in accordance with parliamentary expenditure limits**

	SoPS Note	Estimate 2017-18			Outturn 2017-18			2017-18 Voted outturn compared with estimate: saving £000	2016-17 Outturn £000
		Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000		
<b>Departmental expenditure limit</b>									
- Resource	1.1	17,904	0	17,904	17,860	0	17,860	44	18,922
- Capital	1.2	267	0	267	266	0	266	1	0
<b>Annually managed expenditure</b>									
- Resource		177	0	177	177	0	177	0	0
<b>Non-budget</b>		0	0	0	0	0	0	0	0
<b>Total</b>		<b>18,348</b>	<b>0</b>	<b>18,348</b>	<b>18,303</b>	<b>0</b>	<b>18,303</b>	<b>45</b>	<b>18,922</b>
<b>Total Resource</b>		<b>18,081</b>	<b>0</b>	<b>18,081</b>	<b>18,037</b>	<b>0</b>	<b>18,037</b>	<b>44</b>	<b>18,922</b>
<b>Total Capital</b>		<b>267</b>	<b>0</b>	<b>267</b>	<b>266</b>	<b>0</b>	<b>266</b>	<b>1</b>	<b>0</b>
<b>Total</b>		<b>18,348</b>	<b>0</b>	<b>18,348</b>	<b>18,303</b>	<b>0</b>	<b>18,303</b>	<b>45</b>	<b>18,922</b>

We request resources to undertake our statutory duties as the regulator of qualifications, examinations and statutory assessments.

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between estimate and outturn are given in SoPS Note 1.1. Departmental expenditure limits cover all programme and administration costs.



## Net cash requirement 2017–18

**Table 26: Net cash requirement 2017–18**

		2017-18			2016-17
		£000			£000
	SOPS Note	Estimate	Outturn	Outturn compared with Estimate (savings/excess) £000	Outturn
Net Cash Requirement	3	18,115	18,099	16	19,470

## Administration costs 2017–18

**Table 27: Administration costs 2017–18**

		2017-18			2016-17
		£000			£000
		Estimate	Outturn	Outturn compared with Estimate (savings/excess)	Outturn
Administration Costs		14,823	14,678	145	14,048

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2017–18 government FReM issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2017–18 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

## Notes to the Statement of Parliamentary Supply

### SoPS 1: Net outturn

#### SoPS 1.1: Analysis of net resource outturn by section

	2017-18 £000									2016-17 £000
	Outturn							Estimate		Outturn
	Administration			Programme				Total Net Expenditure	Net total outturn compare with Estimate	Total
Gross Expenditure	Income	Net Expenditure	Gross Expenditure	Income	Net Expenditure	Total Net Expenditure				
<b>Spending in Departmental Expenditure Limit</b>										
<b>Voted:</b>										
<b>A Regulation of qualifications and statutory assessments</b>	15,020	(342)	14,678	3,182	0	3,182	17,860	17,904	44	18,922
<b>Spending in Annually Managed Expenditure Voted:</b>										
<b>B. AME Provision for Dilapidations</b>	0	0	0	177	0	177	177	177	0	0
<b>Total Budget</b>	<b>15,020</b>	<b>(342)</b>	<b>14,678</b>	<b>3,359</b>	<b>0</b>	<b>3,359</b>	<b>18,037</b>	<b>18,081</b>	<b>44</b>	<b>18,922</b>
<b>Total</b>	<b>15,020</b>	<b>(342)</b>	<b>14,678</b>	<b>3,359</b>	<b>0</b>	<b>3,359</b>	<b>18,037</b>	<b>18,081</b>	<b>44</b>	<b>18,922</b>

The underspend of £44K (excluding capital) against the Estimate of £18.1 million is 0.24% of the budget as directorates delivered financial performance generally in line with budget.

Ofqual had £177K of annually managed expenditure in 2017–18 related to potential office dilapidation costs (2016–17: £nil).

#### SoPS 1.2: Analysis of net capital outturn by section

	2017-18 £000					2016-17 £000
	Outturn			Estimate		Outturn
	Gross Expenditure	Income	Net expenditure	Net expenditure	Net total outturn compared with estimate	Net expenditure
<b>Spending in Departmental Expenditure Limit Voted:</b>						
<b>A. Additions</b>	266	0	266	267	1	0
<b>Total</b>	<b>266</b>	<b>0</b>	<b>266</b>	<b>267</b>	<b>1</b>	<b>0</b>



## SoPS 2: Reconciliation of Outturn to net operating expenditure

	SOPS Note	2017-18 £000	2016-17 £000
Total resource outturn in Statement of Parliamentary Supply		<b>Outturn</b>	<b>Outturn</b>
Budget	1.1	18,037	18,922
Less: Income payable to Consolidated Fund	4.1	0	(25)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure		18,037	18,897

## SoPS 3: Reconciliation of net resource outturn to net cash requirement

	SOPS	Estimate £000	Outturn £000	Net total outturn compared with Estimate £000
Resource Outturn	1.1	18,081	18,037	44
Capital Outturn	1.2	267	266	1
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(10)	(9)	(1)
AME Provision		(177)	(177)	0
Other non-cash items		(46)	(50)	4
Adjustments to reflect movements in working balances:				
Increase/(decrease) in receivables		0	(147)	147
(Increase)/decrease in payables		0	179	(179)
Use of provisions				
Net cash requirement		18,115	18,099	16

## SoPS 4: Income payable to the consolidated Fund

### SoPS 4.1: Analysis of income payable to the Consolidated Fund

In addition to income retained by Ofqual, there was no income is payable to the Consolidated Fund.

	Outturn 2017-18 £000		Outturn 2016-17 £000	
	Income	Receipts	Income	Receipts
Income outside the ambit of the Estimate	0	0	25	(25)
Excess cash surrenderable to the Consolidated Fund	0	0	0	(192)
<b>Total Amount Payable to the Consolidated Fund</b>	<b>0</b>	<b>0</b>	<b>25</b>	<b>(217)</b>

## SoPS 4.2 Consolidated Fund income

Consolidated fund income shown in note 4.1 above does not include any amounts collected by the department where it was acting as agent for the consolidated fund rather than as principal. The amounts collected as agent for the consolidated fund (which are otherwise excluded from these financial statements) were:

	2017-18 £000	2016-17 £000
Fines & Penalties	30	139
Other Income	0	0
<b>Amount payable to the Consolidated Fund</b>	<b>30</b>	<b>139</b>
Balance held at start of year	0	0
Payments into the Consolidated Fund	(30)	(139)
Balance held at the end of the year	0	0

In 2017-18 Ofqual received £40K receipts from one awarding organisation as proceeds from regulatory control, comprising a £30K monetary penalty, and £10K of cost recovery. Ofqual retained the £10K of cost recovery, and paid the monetary penalty amount of £30K to the Consolidated Fund during March 2018. £139K received from two awarding organisations in 2016-17 was paid into the Consolidated Fund in 2016-17.

In March 2018 Ofqual issued an intention to fine an awarding organisation £125K, which was pending review of the organisations response at 31 March 2018, and is therefore not recorded in the accounts for the year. This penalty was issued formally on 18 April 2018.

### Losses and special payments

This section is subject to audit.

During 2017-18 Ofqual incurred no material losses or fruitless payments (2016-17 £26K).

### Special payments

This section is subject to audit.

During 2017-18 Ofqual made one special severance payment totalling £15K (2016-17 two - £21K).

### Gifts

No material gifts were received during 2017-18 (2016-17: Nil).

### Fees and Charges

This section is subject to audit.

No material fees and charges income was received during 2017-18 (2016-17: Nil).

### Remote contingent liabilities

This section is subject to audit.

Ofqual has no contingent liabilities that need to be disclosed under Parliamentary Reporting requirements.



**Sally Collier**  
**Chief Regulator, Accounting Officer for Ofqual**  
**11 July 2018**

# THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

## Opinion on financial statements

I certify that I have audited the financial statements of the Office of Qualifications and Examinations Regulation (Ofqual) for the year ended 31 March 2018 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, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

## In my opinion:

- the financial statements give a true and fair view of the state of Ofqual's affairs as at 31 March 2018 and of the Ofqual's net expenditure 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 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 2018 and shows that those totals have not been exceeded; and
- the income and expenditure 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.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of Ofqual in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the Accounting Officer for the financial statements

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.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ofqual's internal control.



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Ofqual's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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.

#### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

#### **Opinion on other matters**

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of Ofqual and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports 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 parts of the Accountability 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**13 July 2018**

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



# Financial Statements

For the Year ended 31 March 2018

## Statement of Comprehensive Net Expenditure

For the Year ended 31 March 2018

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure.

	Note	2017-18 Total £000	2016-17 Total £000
Other Operating Income	6	(342)	(60)
<b>Total operating income</b>		<b>(342)</b>	<b>(60)</b>
Staff Costs	3	12,070	12,083
Purchase of Goods & Services	4,5	3,843	4,324
Depreciation & Impairment Charges	7,8	9	8
Other Operating Expenditure	4,5	2,457	2,542
<b>Total operating expenditure</b>		<b>18,379</b>	<b>18,957</b>
<b>Net expenditure for the year</b>		<b>18,037</b>	<b>18,897</b>
<b>Other Comprehensive Expenditure</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive net expenditure for the year</b>		<b>18,037</b>	<b>18,897</b>

## Statement of financial position

As at 31 March 2018

	Note	31 March 2018 £000	£000	31 March 2017 £000	£000
<b>Non-Current Assets</b>					
Property, plant and equipment	7,8	279		23	
<b>Total Non-current assets</b>			<b>279</b>		<b>23</b>
<b>Current Assets</b>					
Trade and other receivables	10	297		444	
Cash and Cash Equivalents	9	21		6	
<b>Total current assets</b>			<b>318</b>		<b>450</b>
<b>Total assets</b>			<b>597</b>		<b>473</b>
<b>Current liabilities</b>					
Trade and other payables	11	(2,347)		(2,541)	
Provisions	16	(177)		0	
Deferred Income	11	(29)		0	
<b>Total Current liabilities</b>			<b>(2,553)</b>		<b>(2,541)</b>
<b>Total Non-current liabilities</b>			<b>0</b>		<b>0</b>
<b>Total Assets less current liabilities</b>			<b>(1,956)</b>		<b>(2,068)</b>
<b>Taxpayers' equity and other reserves:</b>					
General fund			<b>(1,956)</b>		<b>(2,068)</b>
<b>Total equity</b>			<b>(1,956)</b>		<b>(2,068)</b>

*S Collier*

**Sally Collier**  
Chief Regulator, Accounting Officer for Ofqual  
11 July 2018

The notes on pages 87 to 98 form part of these accounts



## Statement of cash flows

### For year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
Net operating cost	SOCNE	(18,037)	(18,897)
Adjustment for non-cash transactions	4,5	236	54
(Increase)/Decrease in trade and other receivables	10	147	229
Increase/(Decrease) in trade payables	11	(164)	(826)
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(15)	187
<b>Net cash outflow from operating activities</b>		<b>(17,833)</b>	<b>(19,253)</b>
<b>Cash flows from Investing activities</b>			
Purchase of property, plant and equipment	7	(266)	0
Purchase of intangible assets	8	0	0
<b>Net cash outflow from investing activities</b>		<b>(266)</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – current year		18,114	19,475
Machinery of Government Transfer		0	0
Non Resource Machinery of Government Transfer		0	0
<b>Net Financing</b>		<b>18,114</b>	<b>19,475</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>		<b>15</b>	<b>222</b>
Payments of amounts due to the consolidated fund		0	(217)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>		<b>15</b>	<b>5</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>9</b>	<b>6</b>	<b>1</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>9</b>	<b>21</b>	<b>6</b>

## Statement of Changes in Taxpayers' Equity For year ended 31 March 2018

	Note	General Fund £000	Total Reserves £000
<b>Balance at 31 March 2016</b>		<b>(2,662)</b>	<b>(2,662)</b>
Comprehensive net expenditure for the year	SOCNE	(18,897)	(18,897)
Net Parliamentary Funding – drawn down		19,475	19,475
Supply Payable Adjustment		(5)	(5)
CFERS payable to the Consolidated Fund		(25)	(25)
Auditors remuneration	4	46	46
<b>Balance at 31 March 2017</b>		<b>(2,068)</b>	<b>(2,068)</b>
Comprehensive net expenditure for the year	SOCNE	(18,037)	(18,037)
Net Parliamentary Funding – drawn down		18,114	18,114
Supply Payable Adjustment		(15)	(15)
CFERS payable to the Consolidated Fund		0	0
Auditors remuneration	4	50	50
<b>Balance at 31 March 2018</b>		<b>(1,956)</b>	<b>(1,956)</b>

## Notes to the accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017–18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply 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 an additional primary statement. The Statement of Parliamentary Supply and supporting notes show outturn against parliamentary estimate in terms of the net resource requirement and the net cash requirement.

## 1.1 Accounting convention

These financial statements have been prepared under 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 2017–18 FReM. No revaluation adjustments have been made in these accounts.

## 1.2 Accounting policies

### 1.2.1 Going Concern

In common with other government departments, funding for Ofqual will be met in the main by future Grants of Supply to be approved annually by Parliament. The 2015 Spending Review reduces Ofqual's core administration and programme funding over the 2016–20 period. We have set a budget that achieves this objective and therefore it is considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### 1.2.2 Valuation of non-current assets

The capitalisation policy was updated in 2017-18. Property, plant, equipment and purchased software licences are capitalised if they are intended for use on a continuous basis for more than one year, and are held at depreciated historic cost. The threshold for capitalising non-current assets is £5,000 on an individual basis. When purchasing groups of assets that individually are valued at between £1,000 and £5,000 but taken together form a single collective asset, and are equal to or greater than £10,000, these should be capitalised.

### 1.2.3 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) – 3 to 5 years

purchased computer software – 5 years.

## 1.2.4 Operating and other income

Operating and other income includes 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 6.

Income is recognised in accordance with International Accounting Standard (IAS) 18 Revenue Recognition. Revenue is recognised by reference to the stage of completion of the transaction at the balance-sheet date provided the following criteria are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the seller;
- the stage of completion at the balance-sheet date can be measured reliably; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

A cost-recovery approach is used where the above criteria are not met.

In 2017-18 Ofqual received income from fines and penalties, and income to recover costs associated with collecting fines and penalties. Ofqual is acting as an agent in collection of the fines and penalties and therefore the income is not included in the Statement of Parliamentary Supply and the Financial Statements. All fine and penalty income received has been paid over to the consolidated fund as shown in SoPS4.2 in line with consolidated budgeting guidance 2017-18. Monies received for the recovery of costs incurred in administering the fines and penalties is covered in Ofqual's ambit, and is therefore reflected as income in the Statement of Parliamentary Supply and the Financial Statements.

## 1.2.5 Administration and programme expenditure

Costs have been separated between programme and administration. Programme costs are chiefly the costs associated with Ofqual's delivery of frontline reform activities and include certain staff and information systems costs. Administration costs are the costs incurred in running Ofqual.



### 1.2.6 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). PCSPS is an unfunded multi-employer defined benefit scheme. Ofqual accounts for its participation in the scheme as if it were a defined contribution scheme. Annual contributions payable to the scheme are recognised in the Statement of Comprehensive Net Expenditure. Further pension details are contained in the Remuneration Report and Staff Report.

### 1.2.7 Leases

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

Where, substantially, all risks and rewards of ownership of a leased asset are borne by Ofqual, the asset is recorded as property, plant and equipment, and a liability is recorded to the minimum lease payments discounted by the interest rate implicit in the lease.

Leases are regarded as operating leases, and the rentals are charged to the Statement of Comprehensive Net Expenditure over the term of the lease. Ofqual has two major categories of operating lease which relate to the payment of rent on our property and vending machine hire.

### 1.2.8 Financial instruments

Financial Instruments are recognised in line with IAS 39 Financial Instruments: Recognition and Measurement. Ofqual does not have any complex financial instruments. Ofqual determines the classification of its financial instruments at initial recognition.

### 1.2.9 Financial Assets

Ofqual holds the following financial assets:

- cash and cash equivalents; and
- trade receivables – current

Cash and cash equivalents comprise Ofqual's closing bank account balance and are recognised in the Statement of Financial Position and Statement of Cashflow at current value.

Trade and other receivables have fixed or determinable amounts that are not quoted on an open market. Trade and other receivables do not carry any interest and are recognised at face value in the Statement of Financial Position.

### 1.2.10 Financial Liabilities

- trade and other payables – current

Trade and other payables including accruals are generally not interest bearing and are recognised in the Statement of Financial Position at face value on initial recognition.

### 1.2.11 Value Added Tax

Many of Ofqual's activities are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is often 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.

### 1.2.12 Contingent liabilities and contingent assets

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

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

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

In accordance with IAS 8, Ofqual has reviewed the IFRSs in issue 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.

Ofqual has considered the updates to the following accounting standards:

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2018). Among other changes IFRS 9 introduces an expected credit loss model for impairment which will replace the current incurred loss model in IAS 39. An impairment loss may now be recognised prior to a loss event occurring. Ofqual has assessed that the impact of IFRS 9 will not be material to the financial statements.

IFRS 15 Revenue from contracts with customers (effective for periods beginning on or after 1 January 2018). The standard's core principle is that an entity will recognise revenue when it transfers goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a single, principles based five-step model to be applied to all contracts with customers. Ofqual has assessed that the impact of IFRS 15 will not be material to the financial statements.

IFRS 16 Leases (effective for the periods beginning on or after 1 January 2019). The new standard replaces IAS 17 Leases and introduces a new single accounting approach for lessees for all leases (with limited exceptions). As a result, there is no longer a distinction between operating leases and finance leases, and lessees will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Ofqual have not adopted early and are assessing the impact on the financial statements. Ofqual leases one property for use as office space which is currently classified as an operating lease. Ofqual are awaiting details of HM Treasury's assessment of IFRS 16 in relation to FReM bodies.

#### 1.4 Judgment and Estimates

The preparation of financial statements requires Ofqual to make estimates and assumptions relating to uninvoiced goods or services that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Where judgement of material work in progress of goods and services has been required, these have been agreed with the supplier.

## 2. Statement of operating costs 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 Executive in Ofqual's case) in order to allocate resources to the segments and to assess their performance.

The following table presents gross expenditure, income, depreciation and net expenditure regarding our operating segments, regulation, standards and other directorates, based on management information produced in accordance with IFRS 8. Assets and liabilities are not reported separately to the Chief Operating Decision Maker, and so are not disclosed separately by operating segment.

	2017-18						Total £000
	National Reference Test £000	General Qualifications £000	Vocational and Technical Qualifications £000	Strategy Risk & Research £000	Regulatory Compliance £000	Corporate Services £000	
Gross Expenditure	1,937	2,015	2,531	3,946	1,240	6,701	18,370
Income	0	0	0	(18)	(10)	(314)	(342)
Depreciation	0	0	0	0	0	9	9
<b>Net Expenditure</b>	<b>1,937</b>	<b>2,015</b>	<b>2,531</b>	<b>3,928</b>	<b>1,230</b>	<b>6,396</b>	<b>18,037</b>

	2016-17						Total £000
	National Reference Test £000	General Qualifications £000	Vocational and Technical Qualifications £000	Strategy Risk & Research £000	Regulatory Compliance £000	Corporate Services £000	
Gross Expenditure	1,738	3,299	1,913	3,432	1,039	7,528	18,949
Income	0	0	(23)	0	0	(37)	(60)
Depreciation	0	0	0	0	0	8	8
<b>Net Expenditure</b>	<b>1,738</b>	<b>3,299</b>	<b>1,890</b>	<b>3,432</b>	<b>1,039</b>	<b>7,499</b>	<b>18,897</b>

Ofqual has four distinct directorates:

1. Strategy, Risk and Research: responsible for our strategic planning and research and analysis functions to underpin our regulatory approach, decision making, overall strategy and the legal team.
2. General Qualifications: provides dedicated resources for this specific qualification area.
3. Vocational and Technical Qualifications: provides dedicated resources for this specific qualification area and also houses a number of cross-cutting regulatory functions; This Directorate changed its name during 2017-18 from Vocational Qualifications to Vocational and Technical Qualifications.
4. Regulatory and Corporate Services: responsible for auditing awarding organisations' compliance with our regulations, as well as our business support services including HR, IT, Finance, Communications and Customer Services.



As in 2016-17, the National Reference Test (NRT) project is shown separately, while other areas previously reported under Reform are now included within the directorates to which they relate i.e. Accreditation and GQ Reform are included within General Qualifications, IT Strategy is reported within Corporate Services, and Functional Skills and Apprenticeship reform is included in Vocational and Technical Qualifications Directorate. Additional income relates to a number of outward secondments that happened in the year from across the directorates, and the recovery of legal costs on enforcement activity.

General Qualifications expenditure has reduced significantly due to GQ Accreditation approaching its end. Savings in Corporate Services have enabled increased activities in the regulatory operating segments as reform increases in the Vocational and Technical Qualifications area, and supporting activities in the Strategy, Risk and Research directorates increase accordingly.

### 3. Staff costs comprise:

	2017-18			2016-17
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	8,584	789	9,373	9,461
Social security costs	952	0	952	934
Other pension costs	1,745	0	1,745	1,688
<b>Sub Total</b>	<b>11,281</b>	<b>789</b>	<b>12,070</b>	<b>12,083</b>
Less recoveries in respect of outward secondments	(198)	0	(198)	0
<b>Total net costs</b>	<b>11,083</b>	<b>789</b>	<b>11,872</b>	<b>12,083</b>

of Which:	Charged to Administration budgets	Charged to Programme budgets	Charged to capital budgets	2017-18 Total
Core department	10,844	1,028	0	11,872
<b>Total</b>	<b>10,844</b>	<b>1,028</b>	<b>0</b>	<b>11,872</b>

No staff costs have been charged to capital in the year. Income from secondments is shown here for information, however, the recognition of the income is recorded in Note 6 of the accounts.

### 4. Other Administration costs

	2017-18 Core Department £000	2016-17 Core Department £000
<b>Non-cash items</b>		
Auditors remuneration	50	46
<b>Sub Total</b>	<b>50</b>	<b>46</b>
<b>Other expenditure</b>		
Direct Operational Expenditure	1,461	1,343
Rent and Accommodation	896	937
IT	1,154	1,045
Recruitment, Training and Staff Related	302	361
Finance and Governance	115	54
<b>Sub Total</b>	<b>3,928</b>	<b>3,740</b>
<b>Total</b>	<b>3,978</b>	<b>3,786</b>

Auditors remuneration has increased as a result of additional due diligence work on the changeover of accounting system on 1st April 2018.

## 5. Programme costs

	2017-18 Core Department £000	2016-17 Core Department £000
<b>Non-cash items</b>		
Depreciation	9	8
Provision for Dilapidations	177	0
Sub Total	186	8
<b>Other expenditure</b>		
Direct Operational Expenditure	2,126	2,757
IT	19	324
Sub Total	2,145	3,081
<b>Total</b>	<b>2,331</b>	<b>3,089</b>

The decrease in direct operational expenditure is due mainly to accreditation reform coming to an end in the year, and IT reform funding having finished in the previous year.

## 6. Income

Description	2017-18 £000	2016-17 £000
Department for Education	124	0
Qualifications Wales	58	0
Council for Curriculum, Examinations & Assessment	32	3
College of Policing	29	0
Notional account for DAS Account (Apprenticeship Levy)	3	0
GCHQ	25	25
Ministry of Justice	25	0
DEFRA	16	0
Institute for Apprenticeships	10	0
Office for National Statistics	4	0
OFSTED	4	0
Department for Employment & Learning (Northern Ireland)	0	23
Other income	12	9
<b>Total</b>	<b>342</b>	<b>60</b>

Income increased significantly in the year due to a number of longer term staff secondments, as well as services provided to other government departments.

Fines and penalties are collected as an agent for HM Treasury, and so are disclosed in SOPS 4.2 Consolidated Fund Income.

## 7. Property, plant and equipment

	Information Technology £000	2017-18 Total £000
<b>Cost or valuation</b>		
At 1 April 2017	542	542
Additions	266	266
Disposals	(502)	(502)
<b>At 31 March 2018</b>	<b>306</b>	<b>306</b>
<b>Depreciation</b>		
At 1 April 2017	519	519
Charged in year	9	9
Charge on Disposals	(502)	(502)
<b>At 31 March 2018</b>	<b>27</b>	<b>27</b>
<b>Carrying amount at 31 March 2018</b>	<b>279</b>	<b>279</b>
Carrying amount at 1 April 2017	23	23
<b>Asset financing</b>		
Owned	279	279
<b>Carrying amount at 31 March 2018</b>	<b>279</b>	<b>279</b>

	Information Technology £000	2016-17 Total £000
<b>Cost or valuation</b>		
At 1 April 2016	542	542
Additions	0	0
<b>At 31 March 2017</b>	<b>542</b>	<b>542</b>
<b>Depreciation</b>		
At 1 April 2016	511	511
Charged in year	8	8
<b>At 31 March 2017</b>	<b>519</b>	<b>519</b>
<b>Carrying amount at 31 March 2017</b>	<b>23</b>	<b>23</b>
Carrying amount at 1 April 2016	31	31
<b>Asset financing</b>		
Owned	23	23
<b>Carrying amount at 31 March 2017</b>	<b>23</b>	<b>23</b>

All but one of the PPE assets held at the start of the year were disposed during the year, all of which had nil net book value prior to disposal. Further PPE assets were purchased during the year, and are shown in additions in the table.



## 8. Intangible assets

	Software Licences £000	2017-18 Total £000
<b>Cost or valuation</b>		
At 1 April 2017	4,271	4,271
Additions	0	0
Disposals	(4,271)	(4,271)
<b>At 31 March 2018</b>	<b>0</b>	<b>0</b>
<b>Depreciation</b>		
At 1 April 2017	4,271	4,271
Charged in year	0	0
Charge on Disposals	(4,271)	(4,271)
<b>At 31 March 2018</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at 31 March 2018</b>	<b>0</b>	<b>0</b>
Carrying amount at 1 April 2017	0	0
<b>Asset financing</b>		
Owned	0	0
<b>Carrying amount at 31 March 2018</b>	<b>0</b>	<b>0</b>

	Software Licences £000	2016-17 Total £000
<b>Cost or valuation</b>		
At 1 April 2016	4,271	4,271
Additions	0	0
<b>At 31 March 2017</b>	<b>4,271</b>	<b>4,271</b>
<b>Depreciation</b>		
At 1 April 2016	4,271	4,271
Charged in year	0	0
<b>At 31 March 2017</b>	<b>4,271</b>	<b>4,271</b>
<b>Carrying amount at 31 March 2017</b>	<b>0</b>	<b>0</b>
Carrying amount at 1 April 2016	0	0
<b>Asset financing</b>		
Owned	0	0
<b>Carrying amount at 31 March 2017</b>	<b>0</b>	<b>0</b>

The RITS database, which had a nil net book value was disposed in 2017-18.

## 9. Cash and cash equivalents

	2017-18 £000	2016-17 £000
Balance at 1 April 2017	6	1
Net changes in cash and cash equivalent balances	15	5
<b>Balance at 31 March 2018</b>	<b>21</b>	<b>6</b>
The following balances were held at:		
Government Banking Services	21	6
<b>Balance at 31 March 2018</b>	<b>21</b>	<b>6</b>

## 10. Trade receivables and other current assets

	2017-18 £000	2016-17 £000
Amounts falling due within one year		
Trade receivables	72	0
Prepayments	183	381
VAT	42	63
Amounts due from the Consolidated Fund in respect of supply	0	0
<b>Total at 31 March 2018</b>	<b>297</b>	<b>444</b>

## 11. Trade payables and other current liabilities

	2017-18 £000	2016-17 £000
Amounts falling due within one year		
Other taxation and social security	262	232
Trade payables	0	253
Other payables	186	2
Accruals	1,878	2,048
Deferred income	29	0
Amounts issued from the Consolidated Fund for supply but not spent at year end	0	0
Consolidated Fund extra receipts due to be paid to the Consolidated Fund	21	6
-received	0	0
-receivable	0	0
<b>Total at 31 March 2018</b>	<b>2,376</b>	<b>2,541</b>

In 2017-18, all trade payables were paid by the end of the year.

## 12. Leases

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

	2017-18 £000	2016-17 £000
<b>Buildings</b>		
Not later than one year	*	397
Later than one year and not later than five years	*	0
Later than five years	*	0
<b>Total</b>		<b>397</b>
<b>Other</b>		
Not later than one year	14	21
Later than one year and not later than five years	7	21
Later than five years	0	0
<b>Total</b>	<b>21</b>	<b>42</b>

\* Ofqual continues to reside at Spring Place under its existing lease. Legal proceedings under Part II of the Landlord and Tenant Act 1954 have been commenced through which the terms of any future occupation at Spring Place would be determined. Future operating lease commitments for Ofqual are contingent on the outcome of these legal proceedings and the conclusion of negotiations which are currently in progress.

Other leases relate to vending machines and the franking machine lease which was renewed in 2016–17. A new lease agreement was agreed in 2016-17 for the multifunctional devices which started May 2017.

## 13. Financial instruments

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

## 14. Investments in other public sector bodies

Ofqual has no investments in other public sector bodies.

## 15. Impairments

There were no impairments in 2017–18 (2016–17 £nil).

## 16. Provisions for liabilities and charges

Ofqual raised a provision of £177K for dilapidations on the Spring Place office in 2017–18 (2016–17 £nil).

## 17. Contingent liabilities

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



## 18. Related-party transactions

### 18.1 Other government transactions

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

- Government Legal Department;
- Land and Property Services; and
- Ministry of Defence.

We received funding from the following government departments and other central government bodies and organisations during the year:

- Council for Curriculum, Examinations and Assessment (Northern Ireland);
- Qualification Wales; and
- Government Communications Headquarters.

No board member, key management staff or other related party has undertaken any material transactions with the department during the year. The Remuneration Report (Table 10) lists all members of the management board having authority or responsibility for directing or controlling the major activities of the entity during the year.

### 19. Third-party assets

Ofqual holds no third-party assets.

### 20. Entities within the department boundary

Ofqual is the only body within its department boundary.

### 21. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date that the Annual Report and Accounts were authorised for issue of certification by the Comptroller and Auditor General. There have been no events after the reporting period requiring an adjustment to the financial statements, or to be reported.

