



Qualifications and
Curriculum Authority

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Annual Report and Accounts 2006–07

Financial statements of the Qualifications and Curriculum Authority and the Group for the year ended 31 March 2007, together with the Certificate and Report of the Comptroller and Auditor General thereon.

Presented pursuant to Education Act 1997, chapter 44, schedule 4, paragraph 18(3)

Ordered by the House of Commons to be printed on 10 July 2007.



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Background

The Qualifications and Curriculum Authority (QCA) was established on 1 October 1997 as a statutory body under Section 21 of the Education Act 1997.

The remit of QCA is detailed in sections 22–26 of the Education Act 1997 and is summarised below.

The role of QCA is to advance education and training in England, particularly with a view to promoting quality and coherence.

QCA's functions in relation to the curriculum and school examinations and assessment are to:

- keep all aspects under review and advise the Secretary of State for Education and Skills;
- advise the Secretary of State on research and development;
- publish information;
- audit the quality of assessments;
- accredit schemes for the baseline assessment of five-year-old children;
- advise the Secretary of State on the approval of qualifications for use in schools.

QCA's specific functions in relation to external qualifications are to:

- keep all aspects under review and advise the Secretary of State;
- advise the Secretary of State on research and development;
- publish information and provide support and advice to those providing courses leading to such qualifications;
- develop and publish criteria for the accreditation of qualifications;
- accredit qualifications and advise the Secretary of State on their approval.

The QCA group comprises six divisions and a wholly owned subsidiary company, QCA (Enterprises) Limited, the main function of which is to generate income from sales of QCA publications and products. The results for the QCA group are consolidated in accordance with Financial Reporting Standard 2.

QCA is financed by Grant-in-Aid from the Department for Education and Skills (DfES), and from the Department for Employment and Learning (DEL) Northern Ireland, and receives further income from the Qualifications, Curriculum & Assessment Authority for Wales (ACCAC). All the profits of QCA (Enterprises) Limited are paid to QCA under gift aid. QCA is a charity by exemption and the accounts are prepared in accordance with the accounts direction issued by the Secretary of State.

Results for the QCA Group

Net expenditure for the year amounted to £152,062,000. Following a change in accounting policy, see note 1 to the accounts on page 33, grant-in-aid is now treated as financing and not income. Grant in aid received in the year amounted to £144,046,000. The excess net expenditure over grant-in-aid received arises from timing of provisions in the financial year, see note 11 to the accounts on page 44, for which grant-in-aid will be received in later years.

The profit for the year on ordinary activities before taxation for QCA (Enterprises) Limited amounted to £3,620,297. This amount is payable to QCA under gift aid at the year-end.

The balance sheet at 31 March 2007 shows net liabilities of £16,193,000. This includes restricted funds of £17,108,000 for national occupational standards and thereby results in other net liabilities of £33,301,000. This reflects the inclusion of liabilities falling due in future years which, to the extent that they are not to be met from the QCA's other sources of income, may only be met by future grants or grants-in-aid from the QCA's sponsoring Department, DfES. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-Aid for 2007-08, taking into account the amounts required to meet the QCA's liabilities falling due in that year, has already been included in the Department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the Department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

QCA Board

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

The membership of QCA's Board is kept under review by the Nominations Committee; one of its principal functions is to plan for the succession of the membership of QCA's Board.

QCA Board	Period of office at QCA	Committee member
Chairman Sir Anthony Greener	23 October 2002 to 21 October 2008	Nominations (Chair) Remuneration
Deputy Chairman Mr Richard Greenhalgh	1 October 2003 to 30 September 2009	Nominations Remuneration (Chair)
Mr Mike Beasley	1 October 2003 to 30 September 2009	
Dr Ken Boston	18 September 2002 to 18 September 2009	
Ms Clare Chapman	1 October 2004 to 30 September 2007	
Mr Ian S Ferguson	1 October 2003 to 30 September 2008	
Dr Helen Gilchrist	1 October 2003 to 30 September 2006	Audit
Mr Edward Gould	5 December 2002 to 31 May 2007	Audit
Mrs Susan Kirkham	1 October 2003 to 30 September 2009	
Mr Ioan Morgan	1 October 2006 to 30 September 2009	Audit
Mr Jim Rose	1 October 2003 to 30 September 2008	
Mr David Sherlock	1 October 2006 to 30 September 2009	Audit (from May 2007)
Mr Nick Stuart	5 December 2002 to 31 May 2007	Audit (Chair) Nominations
Sir Mike Tomlinson	1 October 2003 to 30 September 2006	
Sir David Watson	1 October 2003 to 30 September 2007	Remuneration

Each member completes a register of interests, which is available for inspection at QCA offices at 83 Piccadilly by prior arrangement during normal business hours.

The role of QCA Board members is threefold: to formulate policy advice for the Secretary of State; to provide policy direction to guide the work of staff; and to oversee the administration and work of QCA.

QCA has three committees. The Audit Committee deals with the development and implementation of policies for auditing, financial and management controls and risk management, and monitors the effectiveness of all levels of management in the use of QCA's resources. The Nominations Committee reviews nominations for appointment to the QCA Board. The Remuneration Committee deals with pay of the Executive and Directors, along with maintaining oversight of pay and conditions for the next tier of staff.

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

Advisory group	Chairman
0–11	Mr Jim Rose
KS3 and 14–19	Mrs Susan Kirkham
Qualifications & Skills	Mr Ian Ferguson
Regulation & Standards	Mr Richard Greenhalgh
National Assessment Agency (NAA)	Mr Mike Beasley.

Board membership

In October 2006 the Secretary of State formally confirmed the appointment of Ioan Morgan and David Sherlock as new members of the QCA Board, and the retirement of Board members Sir Mike Tomlinson and Dr Helen Gilchrist. The Secretary of State also confirmed an extension of Ken Boston's appointment as Chief Executive, which will run until September 2009.

Headquarters and staff

QCA is located at 83 Piccadilly, London, W1J 8QA. It employed an average of 565 (2005-06: 641) during the period covered by this report.

Payment of creditors

QCA is fully committed to the prompt payment of its bills, and observes the CBI's 'Better Payment Practice Code'. QCA aims to pay bills in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods and services or the presentation of a valid invoice, whichever is the later. In the year April 2006 to March 2007, 99.5% (2005-06: 99.2%) of valid invoices were paid within 30 days of the date of the invoice.

Working cash balance

The group working balance, being the cash balance that DfES allows to be carried forward to the following financial year, is calculated in accordance with the Financial Memorandum as 2% of total Grant-in-Aid received from DfES during the year. At 31 March 2007 this amounted to £2,880,919. The group balance as defined by these guidelines amounted to £1,247,494. This excludes earmarked cash held for national occupational standards development of £16,492,597. Under the terms of the Financial Memorandum with DfES, the Department is entitled to recover any excess working balance above 2% from Grant-in-Aid for 2007-08.

Auditors

Under paragraph 18(3) to schedule 4 of the Education Act 1997, the Comptroller and Auditor General is required to examine, certify and report on the financial statements of account. The cost of the statutory audit for the year to 31 March 2007 is £40,000 (2005-06: £35,500). The financial statements for QCA (Enterprises) Limited for the year ended 31 March 2007 were audited by KPMG LLP. The fee for this audit is £15,000 (2005-06: £13,400).

So far as the Accounting Officer is aware, there is no relevant audit information of which QCA's auditors are unaware. The Accounting Officer has taken all the steps that ought to have been taken to ensure awareness of any relevant audit information and to establish that QCA's auditors are aware of that information.

Statement of QCA's and Chief Executive's responsibilities

Under paragraph 18(1) and (2) of schedule 4 of the Education Act 1997, QCA is required to prepare a statement of account for each financial year in the form and on the basis determined by the Secretary of State with the consent of the Treasury. QCA accounts are prepared on an accruals basis and show a true and fair view of QCA's state of affairs at the end of the period and of its income and expenditure and cash flows for the financial period.

In preparing the accounts QCA is required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the organisation will continue in operation.

The Accounting Officer for DfES designates the Chief Executive of QCA as the Accounting Officer for QCA. The relevant responsibilities, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by the Treasury and published in Government Accounting. The Accounting Officer is required to sign the statement of accounts, including a statement on internal control.

Staff relations

To ensure that strategic and operational decisions are understood throughout the organisation, QCA is committed to communicating information as widely as possible and using a wide range of means to encourage effective two-way communication with staff.

We actively engage with the recognised trade union through regular consultation and negotiation between management and union representatives, in order to ensure the best possible staff relations. Issues covered include pay and grading, corporate initiatives and HR policies.

We believe that learning and development plays a fundamental role in the success of both the individual and the organisation, and we make a significant investment in these activities. This year, expenditure amounted to £987,178, or 4.6% of total expenditure on wages and salaries (2005-06: £820,029, 3.7%). The increase is the result of an increased focus throughout all QCA Divisions on management development following on from the efficiency review programme.

In addition to providing specialist training and coaching for individuals, we have designed and delivered one- and two-day courses focusing on organisational and management skills.

QCA has appointed a dedicated Diversity & Inclusion Programme Manager. In line with QCA's diversity strategy, during the year a disability equality action plan was agreed, as part of a broader diversity and inclusion framework for the organisation.

Disabled people are encouraged to apply for jobs at QCA, and are offered developmental opportunities combined with practical support. We also ensure that any individuals who may become disabled during their employment are given the fullest support to maintain an appropriate role according to their experience and skills.

Health and safety training is provided to all employees. A comprehensive review of health and safety policy and communication began in early 2007, with recommendations for improvement expected in May 2007.

Performance assessment

In order to embed performance management and assessment within QCA we are piloting a revised, simplified process. This also links performance objectives to personal development, as part of a general strategy to ensure that managers are fully involved in the development of their staff.

Pay policy

In 2005, QCA moved to an arrangement whereby pay awards were determined by managers, within parameters agreed across the organisation. This enabled managers to reward directly achievements and positive behaviours within the team. Following a thorough review of the 2005 pay review, the process was refined and became the basis for the 2006 review.

We are committed to the principle of equal pay and have agreed to conduct Equal Pay Audits annually from 2007.

Details of the company pension scheme and pension liabilities are disclosed in the Remuneration report on page 22 and the Accounting Policies note (i) on page 35.

Our stakeholders

QCA has a central role in England's education and training systems, and a role in Northern Ireland where we regulate National Vocational Qualifications (NVQs). We work with our stakeholders with the primary aim of ensuring benefits to the learner.

The principal external organisations with which we collaborate are:

- Department for Education and Skills (DfES)
- awarding bodies
- major suppliers
- employers and industry:
 - Sector Skills Councils
 - employers
- partner bodies:
 - Learning and Skills Council (LSC)
 - Training and Development Agency (TDA) for Schools
- teacher associations
- local education authorities (LEAs)
- schools and colleges

Freedom of Information

QCA is fully compliant with the Freedom of Information Act 2000. During the year 2006-07 we responded to 55 separate requests for information under the terms of the Act [2005-06: 30].

Sustainable and community issues

QCA runs a mentoring service where employees volunteer for the opportunity to be a mentor to a student at a local secondary school. This enables employees to observe first hand how their work benefits and affects schools and students, therefore making their job more relevant. The role of the mentor involves listening, advising, guiding and supporting the student about issues concerning school, home or future plans. QCA also invites employees to volunteer to become governors of their local schools, and there are opportunities for employees to visit a school with an NAA field support officer.

Aims and objectives 2006–07

QCA's organisational objectives are set out in the six key result areas (KRAs) for the year:

- KRA 1: Develop a modern, world-class curriculum that will inspire and challenge all learners and prepare them for the future
- KRA 2: Establish a coherent framework and set of qualifications that meet the needs of learners, employers and higher education
- KRA 3: Improve and safeguard the delivery of examinations, tests and assessment
- KRA 4: Regulate awarding bodies, qualifications, examinations and National Curriculum assessment effectively to ensure that the qualifications market is fit for purpose, that qualifications are fair, standards are secure, public confidence is sustained and that QCA acts as the public champion of the learner
- KRA 5: Communicate effectively the work of QCA and maintain and promote our reputation amongst stakeholders
- KRA 6: Develop internal processes that enable exemplary performance through the work, expertise and commitment of QCA's people

The performance indicators for each of the KRAs are detailed in the following table:

KRA	KEY RESULT AREA INDICATOR						
	I	II	III	IV	V	VI	VII
1	The National Curriculum at Key Stage 3 has been reviewed to ensure that across all subjects its curriculum and assessment arrangements provides broad and flexible entitlement for all learners.	There is a recognised, professional subject advisory service that provides specialist subject advice at cost to divisions in order to achieve QCA's priorities.	Schools recognise and use the National Curriculum blueprint that outlines the national entitlement for learning under the National Curriculum.	Schools use and have access to advice and a suite of curriculum planning and design tools that are consistent with the National Curriculum blueprint.	The annual longitudinal monitoring and evaluation programme measures the effectiveness of the National Curriculum.	Formal strategic partnerships have been developed and agreed with other service providers QCA works with in the National Curriculum.	Young people and parents influence and agree with the National Curriculum blueprint.
2	QCA gains support for and implements a programme of reform of the curriculum and qualifications arrangements for young people aged 11-19.	Increased participation in learning, and attainment, at 16 and beyond is supported by KRA2 programmes.	High-calibre qualifications that command public confidence continue to be available to 11-19 and adults while the reform programme is developed and implemented.	Stakeholder engagement and support is secured for the Framework for Achievement and the programme of work remains on track to complete the transition from the NQF by 2010.	New unit and credit-based qualifications are entered into the FfA by 2006 that will enable the accumulation and transfer of credit between qualifications and awarding bodies.	The Sector Qualification Reform programme creates a coherent and rational set of vocational qualifications in each sector that fully meet the needs of learners and employers and that will populate the FfA.	QCA is established as the leading voice in qualifications development and the vocational learning field.

3	Reduction in burden in administering examinations and tests in schools and colleges through administrative improvements and support provision.	Increased confidence in administrative changes to the examinations and test system.	The NAA is recognised as effectively delivering the administrative infrastructure and support required for implementing new qualifications and assessments.				
4	QCA's regulation of awarding bodies, qualifications, examinations and National Curriculum assessments is effective and reflects best practice.	Standards for National Curriculum assessment and qualifications are defined and maintained.	The qualifications market is fit for purpose.	Public confidence in qualifications and assessment is improved and sustained.	The regulation of awarding bodies, qualifications, exams and tests supports and encourages innovation and best practice.	Customer concerns and enquiries are dealt with in a fair, helpful, timely and responsive manner.	
5	QCA has a positive reputation with stakeholders as an organisation that delivers benefits to learners.	Our stakeholders and the public understand and have confidence in the education and training system within QCA's remit.	The distinct brands and functions of QCA as developer and regulator, and NAA as deliverer and moderniser are clearly understood by stakeholders.	Strategic communications and stakeholder relations support the achievement of key priorities.	QCA is the natural point of contact for information and advice on curriculum, assessment, standards and qualifications.	QCA has an appropriate share of voice in media coverage.	QCA outputs, products and services are high-quality marketed well, accessible and valued by all our customers.
6	High quality performance is delivered, rewarded and recognised; poor performance is identified and addressed.	Promotion of the organisational values—aiming for excellence, working together, being creative, taking responsibility—within QCA.	The Executive implements QCA's strategy and manages organisational performance against the KRAs.	All statutory and ethical requirements are satisfied.	The requirements of the Efficiency Review to reduce expenditure are met and overall budget is reduced in line with available funding.	Effective business planning ensures budgets are professionally developed and managed to support the delivery of QCA key priorities.	Delivery of QCA's key priorities is supported by appropriate business solutions, systems and service delivery.

Performance management

QCA has a Performance Management Framework. This framework bases all internal performance reporting on the major work programmes identified within the six KRAs. It provides a transparent framework through which progress can be tracked and performance monitored.

There are four major reporting categories in the framework: (1) achievements, (2) critical milestones, (3) programme risks and (4) financial information. Reports are reviewed by Directors and submitted to each meeting of the QCA Board.

Risk management

Risk management is integral to QCA's strategic business planning and reporting systems, and forms part of day-to-day management practice. It is integrated at the strategic, programme and operational level, ensuring that all levels of risk management support one another. Risk registers are maintained at executive, divisional,

programme and project level. Led from the top down, risk management is embedded in all the normal working routines and activities of the organisation.

The role of the Audit Committee is to advise the Board on the adequacy and effectiveness of QCA's risk management systems, internal controls and related practices. It receives as a standing item at each meeting a risk management update and reports by exception on projects and volatile risks. The Audit Committee also receives regular presentations from individual Directors on the management of risks in their divisions.

Corporate developments

Organisational realignment

In November 2006 the Strategic Resource Management Division was formed from the merger of the former HR, Finance, Procurement and IT Teams. The division is headed by Andrew Hall, who joined the organisation in October 2006.

The Legal & Corporate Affairs team was established as a separate team and strengthened to ensure QCA's compliance with legal, commercial and regulatory matters, as well as all matter of corporate governance. The team is headed by Carol Copland.

Relocation of QCA

As part of the DfES commitment to implementing the recommendations of the government's Independent Review of Public Sector Relocation, led by Sir Michael Lyons, QCA will relocate from London by 2010.

Various potential locations outside London and the South East of England were evaluated during the year, and a detailed business case was submitted to the DfES in September 2006. The Secretary of State for Education and Skills approved QCA's proposal to relocate to Coventry, and work is underway to effect the relocation while ensuring business continuity.

Efficiency review programme

QCA has agreed targets to achieve a 15% reduction in expenditure on administrative or 'back office' costs, and will achieve this by the end of 2007-08. The government's future targets for public spending require the QCA to set challenging targets for the reduction of its budget for 2007-08 and beyond.

As part of this initiative QCA completed a redundancy programme in 2006-07 in order to achieve the required downsizing of QCA.

Performance review 2006–07

Key Result Area 1: Develop a modern, world-class curriculum that will inspire and challenge all learners and prepare them for the future.

Reviewing the secondary curriculum

Under the terms of the 14–19 Education and Skills White Paper, QCA began a formal review of the secondary curriculum. QCA carried out extensive informal consultation with a wide variety of groups, including some 4,500 teachers and headteachers, 1,000 professionals from local authorities, 2,000 pupils and around 3,000 other influencers and stakeholders, including employers, businesses, Government agencies, parents, publishers and teacher associations. From these conversations, we assessed how to promote flexibility to cater for the particular needs of every student and to provide more personalised and localised lesson content.

QCA developed proposals to create a more flexible curriculum for key stages 3 and 4, and ran a formal consultation on its recommendations from February to April 2007.

Futures debate

In 2006, we continued the Futures debate on how we are developing a curriculum fit for the 21st century that raises standards and improves life chances for every learner. More than 50 organisations each submitted 1,000 words to help shape the future of learning. The outcomes showed a broad degree of consensus that ties in very closely with the five outcomes from Every child matters, seeking a more flexible curriculum framework would allow greater opportunity for new models of curriculum design to support greater personalisation, stretch and challenge.

A 'big picture' of curriculum was produced, showing the critical elements that need to be considered when putting together a curriculum that will have a positive impact both on individual learners and on national priorities in education, social and employment policies.

Turning ideas into reality

Our work also focused on a programme designed to encourage disciplined curriculum innovation in schools to make a difference to learners. We worked with local authorities and school leaders – forming nearly 60 curriculum co-development groups across the country – to support the use of professional judgement and insight to build a curriculum that includes national, local and individual perspectives so that it better meets the needs and interests of their learners; and to promote the freedom already embodied in the curriculum to drive more active learning and help to improve standards in academic and personal achievement.

We worked with 50 schools through the National College of School Leadership as one of our first curriculum co-development groups. This gave us an opportunity to explore the leadership implications of curriculum design and development, which will be useful as we support other schools on their curriculum journey.

Listening to learners

As part of our commitment to listening to the views of learners, during 2006 we carried out a survey of 2,500 year 8 students in some 90 schools about their experience of learning in school. We have also gathered the views of advisers working with children and young people on particular curriculum areas, including science, history and physical education and school sport.

Working with the School Councils UK we have gathered the views of many young people about the curriculum. We spent time training school council members as researchers so that they could collect and represent the views of their peers about what they like and dislike about learning. These studies combine to give us a good insight into what learners need.

Improving skills for assessing pupils' progress

QCA worked with local authorities to develop a programme to support teachers in delivering a broad curriculum and help them hone their skills in assessing children's progress in reading, writing and all aspects of mathematics. Most importantly, the programme helps schools to make secure professional decisions about the next stage of learning for each pupil.

Enhancing the current curriculum

This year QCA designed or implemented improvements in several key areas of the curriculum:

- mathematics and functional mathematics –
 - QCA worked with three awarding bodies to pilot two new mathematics GCSEs, designed to give students more choice, expected to be available for teaching from 2010.
 - QCA also worked with two awarding bodies to pilot new mathematics A levels, based on recommendations made in the phase 1 mathematics pathways reports, which were piloted during 2006.
- English – QCA worked with Edexcel on a pilot English GCSE that includes a number of innovative areas of study, such as digital texts.
- Physical Education and school sport (PESS) – QCA worked with schools and other agencies to ensure that all pupils have the opportunity to spend a minimum of two hours each week on high-quality PESS, and built a showcase of best practice among schools.

Key Result Area 2: Establish a coherent framework and set of qualifications that meet the needs of learners, employers and higher education

Qualifications and Credit Framework

In 2006, the first qualifications were accredited to a trial version of a new Qualifications and Credit Framework. Learners participating in a series of tests and trials all over England and Wales were first registered with a Unique Learner Number (ULN). Each time a learner completes a unit and is assessed successfully, that achievement is logged against the ULN, building up an individual Learner Achievement Record.

By building up qualifications from a coherent and defined cluster of units of learning, each of which has a known credit value, learners can take a more flexible approach to acquiring skills at school, college, in the workplace and throughout their lives and careers. The design allows credit to be accumulated and transferred between qualifications and awarding bodies.

Diplomas

QCA continued the development of 14 new Diploma qualifications for introduction by 2013. This represents a groundbreaking innovation in 14–19 curriculum and qualifications. Designed as an alternative to traditional GCSEs and A levels, Diplomas are multi-component qualifications themed around an industry sector.

They will combine vocational or applied content with rigorous theoretical learning, set in the context of a particular industry, known as a 'line of learning'. Young people undertaking the Diploma curriculum will be guaranteed to learn practical, functional skills in English, mathematics and ICT, as well as concentrating on the personal, learning and thinking skills so highly prized by employers and higher education.

The three levels of the Diplomas are graded, and will raise the aspirations of hundreds of thousands of young people. Diplomas will offer a high-status option that will provide a credible alternative to GCSEs and A levels and a more coherent offer than that provided by the wide array of vocational qualifications available for young people now. By providing a more compelling and contemporary curriculum, Diplomas will raise participation and attainment among those who might otherwise leave education.

Reforming qualifications for adults

During 2006, QCA worked with the Skills for Business Network to conduct a sector-by-sector audit of the available qualifications and their level of acceptance and usefulness in the market place in order to rationalise occupational qualifications. The aim is to develop new qualifications built from core and optional units and designed specifically to take advantage of the new QCF.

This approach will while ensuring that the unit structure supports a range of options that meet the particular skills needs of an individual or employer. Further flexibility can be achieved by encouraging employers to develop their own units of training, which can also be recognised in the framework and contribute towards an accredited qualification.

A levels

A review of A levels was undertaken. The revised A levels will be introduced for first teaching in September 2008. Mathematics A levels are currently being piloted and will be revised for first teaching in 2011.

In order to recognise candidates' achievements following the introduction of increased stretch and challenge, a new A* grade will be introduced to reward higher performance. The A* grade will apply to all A levels.

GCSEs

GCSEs are being revised to ensure that the progression route from key stage 3 and towards advanced-level study is made more explicit. Revised GCSEs will be available for first teaching in 2009.

Functional skills

Work was carried out in preparation for a two-year pilot of functional skills is taking place from September 2007. The final qualifications in English and ICT will be introduced for first teaching in 2009, with mathematics following in 2010.

Personal learning and thinking skills

Further work was undertaken to develop personal learning and thinking skills (PLTS) which, together with functional English, mathematics, and ICT, cover the areas of competence that are most often demanded by employers. Integrating these skills into the curriculum and qualifications will provide learners with a platform for employability and further learning.

Foundation learning tier (FLT)

QCA and the LSC jointly embarked on an FLT programme of work which aims to provide an effective entry level and level 1 learning system for both 14–19 and adult learners. Progression pathways towards level 2 will be developed to help learners achieve more, providing them with the skills needed in today's society.

Key Result Area 3: Improve and safeguard the delivery of examinations, tests and assessment

Support for schools and colleges

Working with the awarding bodies, QCA supported school examinations officers by:

- streamlining and standardising examinations administration
- providing one-to-one support through a national support team
- providing funding for the purchase of dedicated IT and other resources for examinations officers
- providing training, with involvement from all five awarding bodies. In autumn 2006, some 2,200 exams officers attended our regional training events
- developing a set of good practice guides for running an efficient examinations centre
- launching QCA's exam policy generator, designed to save schools and colleges time by creating an exam policy for all staff to follow
- sharing best practice through a regular electronic newsletter, regularly sent to over 5,000 subscribers
- deploying a team of 32 field support officers, making 10,000 one-to-one visits to centres.

Professional representation

QCA continued to support the independent professional body for exams officers, the Examination Officers' Association (EOA), which has a membership of over 4,000. The EOA now has permanent staff and in late 2006 moved from the QCA offices to its own premises in Reading.

New technology and national curriculum assessments

Since autumn 2006, all schools have been given access to web-based services from QCA, including the secure placing, checking and updating of NC test orders; applying for access arrangements; and accessing an interactive version of the assessment and reporting arrangements.

New processes for pupils with special educational needs

QCA worked with awarding bodies to improve the administration process for accommodating pupils with special educational needs in general qualifications. Exams officers can now make some access arrangements for candidates and apply for modified papers online.

In supporting QCA's regulatory work, and in response to the requirements of the Disability Discrimination Act (DDA), QCA also produced guidance on implementing DDA legislation in assessments for schools and colleges.

Ensuring excellence in examiners

A key priority for late 2005 and early 2006 was to ensure that there were enough professional examiners and assessors with the right knowledge and skills to meet the needs of the examinations taken in summer 2006 and beyond. During 2006, QCA also continued to run a website and marketing campaign in conjunction with the awarding bodies, securing more than 50,000 applications.

In May 2006, QCA supported the launch of the Institute of Educational Assessors (IEA), an independent charitable organisation that aims to provide professional support for teachers, lecturers and those involved in external exams and national tests.

Supporting teacher assessment

In 2006 QCA significantly improved the tools that teachers can use to compile the Foundation stage profile, the statutory assessment for children at the end of the reception year; supported the developed a 'toolkit' and assisted local authorities with their training programmes to improve teachers' confidence in assessing children effectively. QCA produced exemplification leaflets for teachers and local authorities for key stage 1 mathematics.

Piloting the key stage 3 ICT test

QCA led the third successful pilot for the new key stage 3 test in ICT. Over 1,700 schools and more than 172,000 pupils participated and received results. We published *The essential guide: Preparing your school for the key stage 3 ICT test*, and launched a dedicated website providing additional support and guidance.

Key Result Area 4: Regulate awarding bodies, qualifications, examinations and National Curriculum assessment effectively to ensure that the qualifications market is fit for purpose, that qualifications are fair, standards are secure, public confidence is sustained and that QCA acts as the public champion of the learner

A levels and GCSEs

QCA has continued to monitor standards over time and published reviews of standards in GCSE English and science, GCSE and A level music, and A level English literature and psychology. Where these reviews have identified particular issues, we are working with the awarding bodies to ensure that they address any concerns.

QCA continues to provide support and advice to students, teachers and parents on the A level and GCSE examination system. The QCA exams doctor, George Turnbull, a respected expert in qualifications, continues to answer hundreds of questions from students and parents.

Keeping exam fees fair

In response to a request from DfES, QCA assessed whether the fees charged for GCSEs and A levels are reasonable and considered how to make the presentation of exam fees more transparent. We commissioned a firm of accountants and business advisers to carry out an analysis of financial information from the five GCSE and A level awarding bodies, and to carry out a survey of the views of schools and colleges to inform our work.

Improving access for all

We have strengthened our work with the Disability Rights Commission to help us build policies to ensure that qualifications and assessments are accessible to everyone. QCA worked with disability rights groups and awarding bodies to find a long-term solution to the recognition of achievements of disabled candidates unable to complete all the assessment requirements, and to ensuring the availability of oral communicators in examinations.

Ensuring the integrity of coursework

QCA provided guidance to teachers to help them ensure that coursework is a pupil's own work. We published guidelines for parents to show them how to support children doing coursework. We also carried out a subject-by-subject review of coursework, following which the DfES announced that coursework will be removed from GCSE subjects where it is not the most valid form of assessment.

GCSEs and International GCSEs compared

QCA carried out a comparison of GCSE and IGCSE qualifications, and published a report of the findings. The DfES is now considering whether to allow IGCSEs to be used in the maintained schools sector.

Regulating national curriculum assessments

QCA published a new regulatory framework and code of practice for national curriculum assessments in schools, designed to promote public confidence in these assessments. The code of practice outlines the procedures and processes necessary to ensure high quality, consistent and rigorous standards.

National Database of Accredited Qualifications

In December 2006, QCA launched the new National Database of Accredited Qualifications (NDAQ). Developed and run jointly with the DfES, DELLS in Wales and the CCEA in Northern Ireland, NDAQ includes descriptions of each newly accredited unit and qualification, examples of learning progression routes and job roles, and details of the assessment methods and grading systems for each newly accredited unit and qualification.

Regulating Awarding Bodies

In 2006 we published monitoring reports on EAL, ETCAL and NCFE.

We continued to improve the web-based accreditation (WBA) system that has transformed and streamlined the qualification accreditation process, successfully reducing the administrative burden on awarding bodies. QCA has now recognised 117 awarding bodies and has accredited around 5,000 qualifications.

QCA and other members of the Bureaucracy Reduction Group are working together to define and deliver a less bureaucratic approach to monitoring that continues to safeguard learners' interests.

Regulating New Developments

QCA continued to support the awarding bodies' move to marking more examination papers on-screen, thereby reducing the need to move paper scripts around the country. QCA also worked to ensure that regulation does not prevent awarding bodies from using new technologies for the delivery of assessments, while ensuring that standards and security are not compromised. In January 2007, we began a consultation on our draft regulatory principles for e-assessment, which will be issued in final form in spring 2007. Over the past year, QCA has also developed and consulted on the draft framework and criteria for the extended project, a new level 3 qualification.

Key Result Area 5: Communicate effectively the work of QCA and maintain and promote our reputation amongst stakeholders

QCA website

We rationalised our on-line presence to provide a simpler interface and enhanced experience for users, and also developed a consultation website for the Secondary Curriculum Review. QCA e-mail newsletter communication was reviewed and improved.

Annual review

In March 2007 we published an annual review of our activities in 2006-07. The review considers the range of QCA's activity over the year. It reports on monitoring the examinations system, assessment, qualifications and the curriculum. It provides a snapshot of our work and looks forward to our future objectives.

Marketing

We introduced a Customer Relationship Management system during the year, which allows us to track, monitor and ultimately provide a more consistent and efficient communications with our stakeholders. We

have also carried out customer satisfaction and stakeholder research during the year to help meet customer needs more effectively.

News and media

Our press team has successfully managed a number of high profile media issues. These included the publication of summer examination results in August; the introduction of the A* award at A level; and changes to the assessment of coursework at GCSE.

Key Result Area 6: Develop internal processes that enable exemplary performance through the work, expertise and commitment of QCA's people

Human Resources

The HR team was reorganised as a team of 'business partners', each dedicated to the staff management needs of a particular division within QCA. This has promoted closer working relations and more effective management of staff.

IT strategy

QCA carried out an extensive review of the future development of IT within the QCA and developed a strategy for the work that is needed. It was influenced by the increasing use of web-based technology to deliver products and services to end users, in a format that maximises interchange of data with other governmental agencies. With this in mind, the organisation's needs were analysed and broken down into three integral elements: planning (business analysis), building (systems development) and running (service management).

Finance

The Comptroller and Auditor General gave our accounts for 2005–06 a clear audit certificate, without qualification. We exceeded HM Treasury's target of paying 95% of suppliers within 30 days by paying 99.5% of our bills within this time frame. We also upgraded our financial systems through full implementation of electronic processing of purchase orders and invoices.

Legal and Corporate Affairs

The Legal and Corporate Affairs team published its Disability Equality Scheme in December 2006 and is developing its Gender Equality Scheme, which was published on 30 April 2007, to support and implement diversity and inclusion best practice in all aspects of QCA work.

Looking to the future

The QCA Board has endorsed the following areas of work that QCA will focus on in 2007–08.

KRA 1: To provide a modern, world-class curriculum that will inspire and challenge all learners and prepare them for the future; and to support that curriculum with methods of evaluation and assessment which promote learning and report achievement in learning at individual, institutional and national level.

- Complete the review of key stage 3 and key stage 4 and make recommendations to Government.
- Support strategic partnerships in implementing the revised key stage 3.
- Develop approaches to the key stage 4 curriculum that allow personalisation, flexibility and coherence.
- Improve approaches to curriculum and assessment design, building upon a solid evidence base.
- Integrate skills into the curriculum and assessment experience for all learners.

KRA 2: Establish an integrated system of qualifications that will meet the needs of learners, employers and higher education and contribute to a successful society and economy, by better harnessing the stock of human talent.

- Develop and trial the Qualifications and Credit Framework to support the concept of an integrated qualifications system.
- In consultation with the Skills for Business network and awarding bodies, review qualifications and develop qualifications criteria.
- Develop new qualifications through well-researched needs analysis and identified policy and curriculum goals, in order to promote participation and retention; to develop content for Diplomas; and to inform advice to Government on the qualifications needed to best meet the needs of learners.
- Accredit the first specialised Diplomas and continue development of further lines of learning.
- Accredit new GCE and Extended Project specifications.

KRA 3: Enable and safely deliver innovative assessments in schools and colleges, improving the learner experience and minimising administrative burden.

- Develop and deliver National Curriculum Assessments
- Continue to support exam offices in schools and colleges.
- Continue development of KS3 ICT testing.

KRA 4: Regulate awarding bodies, qualifications, examinations and National Curriculum assessments effectively to ensure that the qualifications market is fit for purpose, that qualifications are fair, that standards are secure, that public confidence is sustained and that QCA acts as the public champion of the learner.

- Assure the quality of tests, examinations and qualifications, maintain standards, and act in the public interest in the event of deficiencies.
- Regulate according to the Government principles of good regulation.
- Employ the web-based system for the accreditation of all qualifications.
- Report publicly and robustly on the performance of the system.

KRA 5: Develop the QCA brand: expand public understanding of the work of QCA, and maintain and promote our reputation among the various stakeholders (principally learners, parents, the education community, industry and employers, and Government).

- Deliver a multi-level, proactive media programme via print and electronic media, nationally and regionally.
- Deliver a programme of events, exhibitions, presentations, on-line services and consultation to engage with our stakeholders.
- Regularly research and test opinion amongst key stakeholders.

KRA 6: Develop internal processes that enable exemplary performance through the work, expertise and commitment of QCA's people.

- Continue preparation for relocating the organisation to the West Midlands under the terms of the Lyons Review.
- Deliver objectives within the agreed budget.
- Establish a risk profile to deliver strategic goals securely.
- Promote QCA's diversity and inclusion policies to ensure best practice in all aspects of our work.
- Operate robust systems (IT and operational) to meet strategic objectives.



Ken Boston

Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

14th June 2007

Remuneration report

a) Unaudited information

The remit of the Remuneration Committee, as described on page 5, is to agree pay and conditions for the Chief Executive with reference to the recommendations of the Senior Salaries Review Body; to agree pay awards, bonuses, benefits, severance packages and pension arrangements for the posts reporting to the Chief Executive; and to maintain oversight of pay and conditions for the next tier of staff.

Members of the Remuneration Committee are:

Richard Greenhalgh (Chair)
 Sir Anthony Greener
 Sir David Watson
 Clare Chapman (advisor)
 Ken Boston (ex officio)

The Committee regularly reviews the remuneration and benefits of senior managers by comparison with similar NDPBs and with related organisations in the field of education.

The remuneration of senior managers comprises basic pay plus an annual performance-related bonus of up to 15% of basic salary. Basic pay is reviewed annually to reflect the value of the employee's contribution in the preceding year. All increases in basic pay are performance related. Bonus objectives are set at the start of the financial year by way of a Performance Agreement between the individual senior manager and QCA. Individual objectives reflect performance levels required to achieve QCA's organisational objectives, KRAs (see Aims & Objectives, page 9). Bonuses are awarded at the end of the financial year based on the degree to which senior managers have successfully met their objectives.

All senior managers are employed on permanent employment contracts, with a notice period of three months. No senior manager is employed on a service contract and no significant awards have been made in the year to past senior managers.

b) Audited information

Remuneration of the Chief Executive and the Executive

Figures in brackets refer to 2005-06 and a total accrued pension at 60 at 31 March 2006:

Name	Annualised salary	Salary paid	Real increase in pension at 60 and related lump sum	Total accrued pension at 60 and related lump sum	CETV at 31/03/06	CETV at 31/03/07	Real increase in CETV
	£'000s (a)	£'000s (b)	£'000s	£'000s	£'000s (c)	£'000s (d)	£'000s (e)
2006-07							
Ken Boston ₁ Chief Executive	190 - 195 (135 - 140)	190 - 195 (135-140)	0 - 2.5 (0 - 5)	5 - 10 (5 - 10)	126	160	34 (24)
Carol Copland ₂ Director, Legal & Corporate Affairs (from 21/08/2006)	90 - 95	50 - 55					
Mary Curnock Cook Director, Qualification & Skills	125 - 130 (130 - 135)	125 -130 (130 - 135)	0 - 2.5 (0 - 5)	5 - 10 (0 - 5)	64	91	22 (22)

David Gee Managing Director, NAA	185 - 190 (145 - 150)	185 - 190 (145 - 150)	0 - 2.5 (5 - 10)	5 - 10 (5 - 10)	80	109	24 (24)
Stephen Goulder Director, Corporate Support (until 01/10/2006)	75 - 80 (85 - 90)	40 - 45 (85 - 90)	0 - 2.5 (0 - 5)	25 - 30 (25 - 30)	356	369	-1 (27)
Michael Green Human Resources Director (until 30/11/2006)	90 - 95 (95 - 100)	60 - 65 (95 - 100)	0 - 2.5 (0 - 5)	5 - 10 (5-10)	106	145	22 (30)
Andrew Hall ₂ Strategic Resources Management Director (from 2/10/2006)	120 - 125	60 - 65					
Arthur Jordan Finance Director (until 31/10/2006)	90 - 95 (90 - 95)	50 - 55 (90 - 95)	0 - 2.5 (0 - 5)	5 - 10 (0 - 5)	80	107	22 (77)
Isabel Nisbet Director, Regulations & Standards	120 - 125 (120 - 125)	120 - 125 (90 - 95)	0 - 2.5	5 - 10	24	57	28
David Robinson Director, Communications & Marketing	95 - 100 (95 - 100)	95 - 100 (95 - 100)	0 - 2.5 (0 - 5)	5 - 10 (0 - 5)	71	94	19 (23)
Mick Waters Director, Curriculum	120 -125 (120 - 125)	120 - 125 (165 -170)	0 - 2.5	5 - 10	27	63	30

1. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The only benefits in kind were received by Ken Boston, amounting to £94,386 (2005-06: £96,066) for the provision of living accommodation and international air travel and Andrew Hall, amounting to £34,911, for the provision of living accommodation. For 2006-07 no tax was due for the provision of these benefits in kind to Ken Boston.

Ken Boston's 2005-06 bonus was paid in 2006-07 and is reflected in his salary for the year.

2. Pension information is not provided for members with less than one year's service.

(a) Annualised salary excludes relocation costs for the period.

(b) Salary includes gross salary; performance pay or bonuses; compensation and redundancy; reserved rights to London weighting; additional housing cost allowances and relocation costs for the period.

(c) - (e) Pension

Pension benefits are provided through the Civil Service Pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with

changes in the retail prices index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up [commute] some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

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

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

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in his or her former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his or her total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the Civil Service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at his or her own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Column (e) reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Remuneration of the Chairman and other Board members

The Board consists of up to 13 members. A list of the current Board members can be found on page 4. With the exception of the Chief Executive (ex officio member), members are appointed for a term of up to three years by the Secretary of State.

Members (other than the Chief Executive) are reimbursed only for expenses incurred. During the year a total of £3,156 (2005-06: £6,502) was reimbursed to 9 members.



Ken Boston

Accounting Officer and Chief Executive

14th June 2007

Financial Statements for the year ended 31 March 2007

Statement by the Chief Executive on the System of Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the QCA policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible. These responsibilities are assigned to me in Government Accounting.

QCA's objectives are linked to several of the DfES' Public Service Agreement (PSA) targets through its work on tests and examinations, qualifications and skills, as well as its regulatory work. I, and my Chairman, have regular meetings with DfES Ministers at which we discuss any risks that could affect the delivery of these objectives. A protocol for strategic and operational planning is also in place with DfES that ensures there is formal agreement of objectives and funding, and that appropriate risk management is in place before new work is accepted.

The purpose of the system of internal control

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of QCA's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in QCA for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

QCA's strategic risks are derived from its six key result areas (KRAs) that set out the organisational goals of the QCA. As part of QCA's Risk Management Framework all members of the Executive and QCA's Senior Management Team provide assurance that the strategic risks and programme risks allocated to them have been managed in accordance with QCA's Risk Management Framework and within QCA's risk appetite, as set out by a series of tolerances approved by the QCA Board.

QCA's Risk Community of Practice brings together the key risk managers in the major programmes of work across the organisation to share best practice and help further embed the understanding and consistency of application of risk management within divisions. This year, its remit has been extended to share programme management best practice and to examine its consistent application across the QCA.

A risk management competency is incorporated into all job descriptions for programme and project managers. A risk management training module has been specifically revised and re-designed this year and is included in QCA's corporate training package. This module is based on the information provided in the Risk Management Framework.

QCA's Risk Management Framework has also been reviewed and, specifically, the criteria for assessing risks have been made more robust by making use of standardised and quantitative criteria, which has resulted in more consistent assessment and reporting of risk.

A number of QCA's major programmes of work have been subject to the OGC Gateway Review Process. From this year, all Gateway Reviews, including the progress on implementing the recommendations arising from the Reviews, are reported to the QCA Audit Committee.

The risk and control framework

This year, I have introduced formal reporting mechanisms to review more robustly programme and strategic risks. Programme risks that exceed a pre-determined tolerance are reviewed by my Executive and, if appropriate, escalated to the QCA Board. The QCA Executive also reviews QCA strategic risks, and all strategic risks are reported to the QCA Board.

The Board has published to the organisation its internal *Statement of Risk Appetite*.

All divisions undertook the *HM Treasury's Risk Management Assessment Framework* again in April 2007. Results from this assessment provided me with assurance that risk management practices within QCA are appropriate.

Risk management is handled primarily at divisional level through the maintenance of programme and project risk registers. Divisional Directors have completed an end-of-year statement on internal control that confirms their compliance with QCA policies on risk management, finance and governance, and with the requirements set out in the risk management framework and government accounting procedures.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Directors and the newly formed Legal and Corporate Affairs team, which has responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

The Board and the Audit Committee have advised me on the effectiveness of the system of internal control.

The Board approves the Executive risk register at the beginning of the year, and monitors it throughout the course of the year. The Board also receives an annual report from the Audit Committee.

The role of the Audit Committee is to advise the Board on the adequacy and effectiveness of QCA's risk management systems, internal controls and related practices. The Committee receives as a standing item at each meeting a risk management update and reports by exception on progress on projects and growing risks. The Audit Committee also receives regular presentations from individual Directors on the management of the risks in their divisions. The Chairman of the Audit Committee reports to the Board following each committee meeting, giving him an opportunity to alert the Board to any issues causing concern.

The QCA Internal Auditors have completed an audit plan driven by the Executive risks, as agreed by the Audit Committee. The Audit Committee considers reports on each audit as well as the Internal auditors' annual report on the effectiveness of the overall system of internal control.

Internal control issues

The system of internal control in QCA is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

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

Following an OGC Healthcheck Review, and the recruitment of a new Director for Strategic Resource Management, a consolidated IT strategy, which will strengthen QCA's strategic management of the interdependencies of the IT components and general controls in all major work programmes across QCA, will be implemented.

A number of payments to staff, which were subsequently identified as special payments above the level at which HM Treasury approval is required, came to light this year following a review carried out by QCA Finance. Retrospective approval of these payments has been received from HM Treasury. Officials in the DfES and the QCA have made substantial efforts to raise awareness and improve systems and procedures relating to special payments. Combined with some key staff changes over the year, I am assured that these actions are already beginning to demonstrate that the risk of this situation recurring has been significantly minimised.

I have taken action to continue to strengthen aspects relating to the control environment for contract management. In 2006–07, a consolidated and strengthened procurement team was established, and our procurement policies and guidance were further revised, updated and disseminated to all staff through workshops and training sessions. Together, these actions have provided support and guidance to contract managers and programme leaders. I am confident that the internal audit to be carried out in 2007–2008 will demonstrate further marked improvement in this area.



Ken Boston

Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

14th June 2007

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

I certify that I have audited the financial statements of the Qualifications and Curriculum Authority (QCA) and the Qualifications and Curriculum Authority Group for the year ended 31 March 2007 under the Education Act 1997. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

QCA and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Education Act 1997 and the Secretary of State for Education and Skills and directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education Act 1997 and the Secretary of State for Education and Skills directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary and the Remuneration Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if QCA has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control on pages 24 to 26 reflects QCA's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of QCA's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to QCA's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Education Act 1997 and directions made thereunder by the Secretary of State for Education and Skills, of the state of the Qualifications and Curriculum Authority's and the Qualifications and Curriculum Authority Group's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Education Act 1997 and the Secretary of State for Education and Skills directions made thereunder; and
- information given within the Annual Report, which comprises the Management Commentary and the Remuneration Report is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.



John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

25th June 2007

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY**INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2007	Note	Year ended 31 March 2007		As Restated Year ended 31 March 2006	
		QCA £'000	Group £'000	QCA £'000	Group £'000
Gross income					
Grant Income	2	426	426	458	458
Other operating income	3	12,646	15,486	13,044	16,945
		<u>13,072</u>	<u>15,912</u>	<u>13,502</u>	<u>17,403</u>
Operating expenditure					
Staff costs	4b	(31,520)	(31,520)	(32,768)	(32,768)
Other operating charges	5	(119,322)	(122,168)	(113,761)	(117,667)
Depreciation and amortisation	7	(946)	(946)	(1,017)	(1,017)
		<u>(151,788)</u>	<u>(154,634)</u>	<u>(147,546)</u>	<u>(151,452)</u>
Net expenditure		<u>(138,716)</u>	<u>(138,722)</u>	<u>(134,044)</u>	<u>(134,049)</u>
Redundancy costs	11	(13,927)	(13,927)	(9,228)	(9,228)
Net expenditure after exceptional items		<u>(152,643)</u>	<u>(152,649)</u>	<u>(143,272)</u>	<u>(143,277)</u>
Add cost of capital	1j	445	444	168	167
Profit/(Loss) on disposal of fixed assets		(2)	(2)	2	2
Interest receivable		583	589	514	519
Net expenditure on ordinary activities		<u>(151,617)</u>	<u>(151,618)</u>	<u>(142,588)</u>	<u>(142,589)</u>
Deduct cost of capital		(445)	(444)	(168)	(167)
Net expenditure for the financial year		<u><u>(152,062)</u></u>	<u><u>(152,062)</u></u>	<u><u>(142,756)</u></u>	<u><u>(142,756)</u></u>

The notes on pages 33 to 50 form part of these accounts.

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY**STATEMENT OF RECOGNISED GAINS AND LOSSES**

For the year ended 31 March 2007	Note	Year ended 31 March 2007		As Restated Year ended 31 March 2006	
		QCA £'000	Group £'000	QCA £'000	Group £'000
Unrealised surplus on the revaluation of fixed assets	12b	<u>37</u>	<u>37</u>	<u>18</u>	<u>18</u>

The notes on pages 33 to 50 form part of these accounts.

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY

BALANCE SHEET

For the year ended 31 March 2007	Note	Year ended 31 March 2007		As Restated Year ended 31 March 2006	
		QCA £'000	Group £'000	QCA £'000	Group £'000
Fixed assets					
Intangible assets	7a	130	130	277	277
Tangible assets	7b	<u>2,317</u>	<u>2,317</u>	<u>2,855</u>	<u>2,855</u>
		2,447	2,447	3,132	3,132
Current assets					
Stock		-	344	-	306
Debtors	8	5,501	6,283	5,552	6,791
Cash at Bank and in hand	9	<u>17,322</u>	<u>17,741</u>	<u>16,062</u>	<u>16,310</u>
		22,823	24,368	21,614	23,407
Current liabilities					
Creditors: amounts falling due within one year	10	<u>(22,911)</u>	<u>(24,426)</u>	<u>(19,745)</u>	<u>(21,508)</u>
Net Current (liabilities)/assets		<u>(88)</u>	<u>(58)</u>	<u>1,869</u>	<u>1,899</u>
Total assets less current liabilities		2,359	2,389	5,001	5,031
Provisions for liabilities and charges	11	<u>(18,552)</u>	<u>(18,552)</u>	<u>(13,215)</u>	<u>(13,215)</u>
Total assets less total liabilities		<u><u>(16,193)</u></u>	<u><u>(16,163)</u></u>	<u><u>(8,214)</u></u>	<u><u>(8,184)</u></u>
Financed by					
Capital and reserves					
Vocational Standards' Development Reserve	12a	17,108	17,108	14,164	14,164
General Reserves	12b	<u>(33,301)</u>	<u>(33,271)</u>	<u>(22,378)</u>	<u>(22,348)</u>
		<u>(16,193)</u>	<u>(16,163)</u>	<u>(8,214)</u>	<u>(8,184)</u>

The notes on pages 33 to 50 form part of these accounts.



Ken Boston
Accounting Officer and Chief Executive
Qualifications and Curriculum Authority

14th June 2007

QCA GROUP & THE QUALIFICATIONS AND CURRICULUM AUTHORITY**CASH FLOW STATEMENT**

For the year ended 31 March 2007	Note	Year ended 31 March 2007		As Restated Year ended 31 March 2006	
		QCA £'000	Group £'000	QCA £'000	Group £'000
Operating activities					
Grant received		426	426	458	458
Receipts from sales by subsidiary		-	8,015	-	8,349
Other cash received		10,714	7,979	7,903	5,687
		<u>11,140</u>	<u>16,420</u>	<u>8,361</u>	<u>14,494</u>
Cash paid to suppliers		(125,330)	(128,423)	(110,825)	(114,179)
Cash paid to and on behalf of employees		(30,918)	(30,957)	(32,799)	(32,773)
		<u>(156,248)</u>	<u>(159,380)</u>	<u>(143,624)</u>	<u>(146,952)</u>
Net cash outflow from operating activities		(145,108)	(142,960)	(135,263)	(132,458)
Returns on investment and servicing of finance					
Interest received		583	589	514	518
Gross payover received from subsidiary		1,983	-	3,367	-
Capital Expenditure and financial investment					
Payments to acquire tangible fixed assets	7	(247)	(247)	(416)	(416)
Payments to acquire intangible fixed assets	7	(8)	(8)	(397)	(397)
Receipts from sale of tangible fixed assets		11	11	2	2
		<u>(244)</u>	<u>(244)</u>	<u>(811)</u>	<u>(811)</u>
Financing					
Transfer of Grant in Aid		<u>144,046</u>	<u>144,046</u>	<u>133,893</u>	<u>133,893</u>
Increase in Cash		<u>1,260</u>	<u>1,431</u>	<u>1,700</u>	<u>1,142</u>

The notes on pages 33 to 50 form part of these accounts.

THE QUALIFICATIONS AND CURRICULUM AUTHORITY

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

a) Accounting Conventions

Basis of preparation

The accounts have been prepared in accordance with the Accounts Direction issued by the Secretary of State for Education and Skills on 26 June 2002. The accounts are prepared under the historical cost convention, modified to include revaluations of tangible fixed assets to reflect current values (without limiting the information provided within these accounts, and subject only to compliance with the requirements set out in the Accounts Direction). The accounts also comply with the Companies Act 1985 and applicable accounting standards issued or adopted by the Accounting Standards Board except where HM Treasury has issued alternative guidance.

Change of Accounting Policy

With effect from the 2006-07 reporting period the FReM requires Non-Departmental Public Bodies (NDPBs) to account for grants and grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs. This is a change in accounting policy from earlier periods when such items were recorded as income. The effect of this change on the certified 2005-06 accounts and the impact of the change on the results of the current year is shown below. This results in a prior year adjustment and the corresponding figures for 2005/06 have been re-stated. Note there is no impact on the net liability position of the Qualifications and Curriculum Authority and the QCA Group as a result of this change in policy:

	At 31 March 2006 (as previously stated)		Impact of adopting the new policy		At 31 March 2006 (restated)	
	QCA £'000	Group £'000	QCA £'000	Group £'000	QCA £'000	Group £'000
Impact on 2005-06:						
Net Expenditure for 2005-06	(8,619)	(8,619)	(134,137)	(134,137)	(142,756)	(142,756)
General Reserve	(25,510)	(25,480)	3,132	3,132	(22,378)	(22,348)
Government Grant Reserve	3,132	3,132	(3,132)	(3,132)	-	-

	At 31 March 2007 (without applying the new policy)		Impact of adopting the new policy		At 31 March 2007 (applying the new policy)	
	QCA £'000	Group £'000	QCA £'000	Group £'000	QCA £'000	Group £'000
Impact on 2006-07:						
Retained Deficit for 2006-07	(7,436)	(7,436)	(144,626)	(144,626)	(152,062)	(152,062)
General Reserve	(36,092)	(36,062)	2,791	2,791	(33,301)	(33,271)
Government Grant Reserve	2,791	2,791	(2,791)	(2,791)	-	-

Subsidiary undertaking

QCA (Enterprises) Limited is a wholly owned subsidiary of QCA. Its principal activity is the sale of QCA publications and products. The consolidated accounts include the operating results of QCA (Enterprises) Ltd, on an acquisition accounting basis.

b) Income**Grant –in-Aid from the Department of Education and Skills**

All Grant in Aid (GIA) from the Department of Education and Skills is treated as financing as it is a contribution from a controlling party used to finance activities and expenditure which support the statutory and other objectives of QCA. It is recorded as financing in the cash flow statement and credited to General Reserves.

Grant Income

Grant Income is received from the Department of Employment and Learning (Northern Ireland) for funding the QCA office located in Northern Ireland. Grant for current activities is credited to the Income & Expenditure account in the year of receipt.

NVQ certification income

QCA receives income from awarding bodies in respect of the certification of NVQs. Information on the number of certificates awarded is received, and assurance is taken, in the following quarter to which it relates.

Other income

All other income is accounted for on an accruals basis.

The turnover of QCA (Enterprises) Limited is stated net of value added tax and trade discounts.

c) Expenditure

Expenditure is accounted for in the period to which it relates. Expenditure is stated net of recoverable VAT. Where VAT is irrecoverable expenditure is stated gross.

d) NVQ certification income

Levy income raised under S36(3) of the Education Act 1997 is spent on developing national occupational standards and is disclosed separately in the accounts.

e) Fixed assets

Expenditure on the acquisition of fixed assets is capitalised at cost where the cost for an individual asset is in excess of £1,000. Certain items whose collective cost exceeded the capitalisation threshold (£1,000) have been included in the fixed asset register as grouped assets.

Fixed assets are stated at modified historic cost less depreciation. Assets are revalued annually using relevant indices provided by the Office for National Statistics. Where an asset's value is increased as a result of revaluation, the increase is credited to General Reserves. Where an asset is impaired as a result of downward revaluation the charge is taken to the Income and Expenditure account.

Depreciation is provided on a straight-line basis over the following periods:

Refurbishment	length of lease
Furniture	7 years
Office equipment	4 years
Motor vehicles	4 years
Software licences	3 years
Information technology	3 years

A full year's depreciation charge is provided for in the year of acquisition and none in the year of disposal for all assets.

f) Stock

Stock is valued at the lower of cost and net realisable value.

g) Taxation

QCA is an exempt charity and has under the Income and Corporation Taxes Act 1980 obtained exemption from taxes on surplus arising from its charitable objectives.

h) Value Added Tax

QCA and QCA (Enterprises) Ltd are registered as a group for the purposes of Value Added Tax, registration no. 706 7645 21.

i) Pension contributions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. QCA is unable to identify its share of the underlying assets and liabilities. The scheme actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006-07, employers' contributions of £4,068,465 were payable to the PCSPS (2005-06 £4,034,152) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £29,283 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £2,911.36 (2005-06 £1,502.58), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2005-06 £nil). Contributions prepaid at that date were £nil (2005-06 £nil).

j) Notional costs

Cost of capital is charged to the Income & Expenditure Account at the prescribed rate of the capital employed and credited back to the retained surplus at the end of the period at the rate of 3.5% (2005-06: 3.5%). Capital employed comprises the average of total assets less current liabilities at the beginning and the end of the financial year, excluding non-interest bearing bank balances with the Office of the Paymaster General and the Bank of England.

k) Foreign currency transactions

QCA has dealings in Euros, and holds a Euro account to hedge against significant fluctuations in exchange rates. Transactions denominated in foreign currencies are translated into their sterling equivalent at the rate ruling on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated by using the rate of exchange ruling at that date.

l) Liquid resources

FRS 13 (Financial Instruments and Derivatives) requires organisations to disclose information on the possible impact of financial instruments on its risk profile, and how these risks might affect the organisation's performance and financial condition. As an NDPB funded by DfES, QCA can confirm that it is not exposed to any liquidity or interest rate risks.

m) Going concern

Parliament has voted Grant-in-Aid to QCA for the 12 months following the balance sheet date. Therefore, despite the balance sheet position of net liabilities, after excluding the restricted funds for national occupational standards, QCA operates as a going concern.

2. GRANT INCOME

Grant income was received from the Department for Employment and Learning (Northern Ireland) of £426,202 (2005-06: £458,061) for funding the QCA office located in Northern Ireland. Note 21 provides details of the expenditure of the QCA Northern Ireland Office.

3. OTHER OPERATING INCOME

	Year ended 31 March 2007		Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
NVQ/SVQ certification income	6,023	6,023	5,958	5,958
Qualification Curriculum and Assessment Authority for Wales	372	372	452	452
Northern Ireland Council for the Curriculum Examinations and Assessment	385	385	226	226
Contract Income	127	127	105	105
Other Income	1,785	564	2,420	1,855
Gross Income transferred from QCA(E) Limited under gift aid (3a)	3,620	-	3,513	-
Management and support services recharge to QCA(E) Limited	334	-	370	-
QCA(E) Limited gross turnover	-	8,015	-	8,349
	<u>12,646</u>	<u>15,486</u>	<u>13,044</u>	<u>16,945</u>

a) Trading Activities

QCA (Enterprises) Ltd is a wholly owned trading subsidiary of QCA selling QCA publications and products. The company transferred £3,620,297 (2005-06: £3,513,050) under gift aid to QCA.

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Income	8,021	8,354
Costs	<u>(4,401)</u>	<u>(4,841)</u>
Surplus	<u>3,620</u>	<u>3,513</u>

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

4. EMPLOYEES**a) Employees**

The average number of persons employed during the period was:

	Year ended 31 March 2007			Total	Year ended
	Staff	QCA & Group			31 March 2006
		Senior Staff	Agency		QCA & Group
No.	No.	No.	No.	No.	
Communications & Marketing	43	1	1	45	51
Corporate Support	-	-	-	-	61
Curriculum	68	1	3	72	94
Finance	-	-	-	-	35
Human Resources	-	-	-	-	18
NAA	143	1	30	174	189
Qualifications & Skills	92	1	5	98	134
Regulation & Standards	75	1	6	82	58
Strategic Resource Management & Corporate	74	3	15	92	-
Other	2	-	-	2	1
	<u>497</u>	<u>8</u>	<u>60</u>	<u>565</u>	<u>641</u>

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

b) Staff costs (for the above)

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Wages and salaries	21,515	21,904
Social security costs	2,001	1,957
Pension costs	4,059	4,015
Agency/contract staff and secondment costs	3,945	4,892
	<u>31,520</u>	<u>32,768</u>

5. OTHER OPERATING CHARGES

	Year ended 31 March 2007		Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Travel and subsistence	838	838	887	887
Authority expenses	3	3	6	6
Operating leases - plant and machinery	50	50	100	100
Operating leases - other	3,919	3,919	3,913	3,913
Repairs and renewals provision	(2,118)	(2,118)	(800)	(800)
Other accommodation costs	1,217	1,217	971	971
Supplies and services	3,789	3,789	3,568	3,568
Professional services and training	2,682	2,704	1,394	1,433
External audit fees	40	55	36	49
Diminution in value of fixed assets	19	19	41	41
Loss/(Gain) on foreign currency	12	12	(9)	(9)
Redundancy costs	-	-	1,168	1,168
Other charges	202	3,011	141	3,995
	<u>10,653</u>	<u>13,499</u>	<u>11,416</u>	<u>15,322</u>
Qualifications, assessment and curriculum programmes (see note 6)	108,669	108,669	102,345	102,345
	<u>119,322</u>	<u>122,168</u>	<u>113,761</u>	<u>117,667</u>

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

Included in the above charges are consultant fees totalling £6,279,673 (2005-06: £11,774,213) and unwinding of discount for annual compensation payment of £107,982 (2005-06: £144,421).

6. ANALYSIS OF COSTS BY PROGRAMME

QCA's business plan for the year to 31 March 2007 was the basis for the Chief Executive's Performance Agreement, which was divided into Key Result Areas (KRAs) as follows:

	Year ended 31 March 2007 QCA £'000	Year ended 31 March 2006 QCA £'000
KRA 1: Curriculum		
Develop a modern, world class curriculum that will inspire and challenge all learners and prepare them for the future	5,009	3,546
KRA 2: Qualifications and skills		
Establish a coherent framework and a set of qualifications that meet the needs of learners, employers and higher education	12,190	12,023
KRA 3: Modernisation and delivery		
Improve and safeguard the delivery of examinations, tests and assessments	83,739	78,245
KRA 4: Regulation		
Regulate awarding bodies, qualifications, examinations and national curriculum tests effectively to ensure that they are fair, that standards are secure, and that QCA acts as the public champion of the learner.	5,127	5,847
KRA 5: Communication		
Communicate effectively the work of QCA and maintain and promote our reputation amongst stakeholders	1,297	1,418
KRA 6: People, money and services		
Develop our people and QCA to become a high performing, innovative and accountable team of professionals that delivers our strategy	1,307	1,266
Total QCA Programmes	<u>108,669</u>	<u>102,345</u>
Other operating charges (see note 5)	<u>10,653</u>	<u>11,416</u>
Total Expenditure	<u><u>119,322</u></u>	<u><u>113,761</u></u>

7. FIXED ASSETS**a) INTANGIBLE FIXED ASSETS**

	Total £'000
Cost or valuation	
As at 31 March 2006	511
Additions	8
Permanent diminution	(25)
As at 31 March 2007	<u>494</u>
Amortisation	
As at 31 March 2006	(234)
Charge for the year	(147)
Revaluation	17
As at 31 March 2007	<u>(364)</u>
Net book value	
As at 31 March 2007	<u>130</u>
As at 31 March 2006	<u>277</u>

The intangible fixed assets relate to computer software licences and are valued at cost.

b) TANGIBLE FIXED ASSETS

	Office Equipment £'000	Furniture £'000	Refurbish- ment £'000	Information Technology £'000	Total £'000
Cost or valuation					
As at 31 March 2006	198	1,591	4,621	3,755	10,165
Additions	2	16	109	120	247
Disposals	-	-	-	(530)	(530)
Revaluation surplus in the year	-	-	88	-	88
Permanent diminution	-	(13)	-	(19)	(32)
As at 31 March 2007	<u>200</u>	<u>1,594</u>	<u>4,818</u>	<u>3,326</u>	<u>9,938</u>
Depreciation					
As at 31 March 2006	(194)	(1,456)	(2,318)	(3,342)	(7,310)
Charge for the year	(2)	(54)	(399)	(344)	(799)
Revaluation	-	9	(51)	13	(29)
Disposals	-	-	-	517	517
As at 31 March 2007	<u>(196)</u>	<u>(1,501)</u>	<u>(2,768)</u>	<u>(3,156)</u>	<u>(7,621)</u>
Net book value					
As at 31 March 2007	<u>4</u>	<u>93</u>	<u>2,050</u>	<u>170</u>	<u>2,317</u>
As at 31 March 2006	<u>4</u>	<u>135</u>	<u>2,303</u>	<u>413</u>	<u>2,855</u>

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

8. DEBTORS

	Year ended 31 March 2007		Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Amounts falling due within one year				
Trade debtors	1,528	5,280	1,838	4,607
Amount receivable from subsidiary undertaking	3,231	-	1,594	-
Other debtors	209	470	250	314
Prepayments and accrued income	521	521	1,805	1,805
	<u>5,489</u>	<u>6,271</u>	<u>5,487</u>	<u>6,726</u>
Amounts falling due after one year				
Prepayments and accrued income	12	12	65	65
Total	<u><u>5,501</u></u>	<u><u>6,283</u></u>	<u><u>5,552</u></u>	<u><u>6,791</u></u>

As at 31 March 2007, 15 (2005-06: 12) members of staff had loans outstanding in excess of £2,500. The total value of these loans was £47,116 (2005-06: £35,477).

As at 31 March 2007, 14 (2005-06: 4) balances were outstanding with other government bodies:

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Other central government bodies	448	399
Local authorities	1	5
Total	<u><u>449</u></u>	<u><u>404</u></u>

9. CASH AT BANK AND IN HAND

	Year ended 31 March 2007		Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Grant-in-Aid	829	1,248	874	1,122
Interest bearing	-	-	2,200	2,200
Vocational Standards' Development	16,493	16,493	12,988	12,988
Total	<u><u>17,322</u></u>	<u><u>17,741</u></u>	<u><u>16,062</u></u>	<u><u>16,310</u></u>

QCA has a separate bank account for national occupational standards development. A separate reserve is disclosed in Note 12.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Year ended 31 March 2007		Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Trade creditors	13,305	14,757	12,046	13,687
Taxation and social security costs	604	601	2	38
Other creditors	1	67	1	86
Accruals and deferred income	9,001	9,001	7,696	7,697
	<u>22,911</u>	<u>24,426</u>	<u>19,745</u>	<u>21,508</u>

As at 31 March 2007, 13 (2005-06: 8) balances were outstanding with other government bodies:

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Other central government bodies	1,261	98
Local authorities	<u>136</u>	<u>39</u>
Total	<u><u>1,397</u></u>	<u><u>137</u></u>

11. PROVISIONS

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
i) Annual compensation payments		
Opening balance	1,332	1,235
Additional charge during the year	798	349
Provision not required written back	-	(3)
Unwinding of discount	108	144
Provision utilised during the year	<u>(494)</u>	<u>(393)</u>
Closing balance	<u>1,744</u>	<u>1,332</u>
ii) Building maintenance		
Opening balance	2,655	3,663
Provision not required written back	(2,118)	(800)
Provision utilised during the year	<u>(48)</u>	<u>(208)</u>
Closing balance	<u>489</u>	<u>2,655</u>
iii) Efficiency Programme - Redundancy		
Opening balance	9,228	-
Charge during the year	-	9,228
Provision not required written back	(1,220)	-
Provision utilised during the year	<u>(6,836)</u>	<u>-</u>
Closing balance	<u>1,172</u>	<u>9,228</u>
iv) Relocation Programme - Redundancy		
Opening balance	-	-
Charge during the year	15,147	-
Provision utilised during the year	<u>-</u>	<u>-</u>
Closing balance	<u>15,147</u>	<u>-</u>
Total Closing Balance	<u><u>18,552</u></u>	<u><u>13,215</u></u>

Annual Compensation Payments

The provision for annual compensation payments recognises amounts in lieu of pension payments due to former employees, aged over 50, who took compulsory early retirement. The provision has been discounted at 2.2% to reflect the real cost of the present value.

Building Maintenance

The provision for building maintenance for 2006-07 recognises costs for repairs and renewals required by the lease for the Piccadilly premises to be carried out during 2007-08. The provision reflects the impact of a review of the requirements for such works following the decision to relocate the QCA to Coventry in 2009.

Efficiency Programme – Redundancy

The provision for redundancy arising from the efficiency programme was created at the end of 2005-06 to fund the programme announced in February 2006. The efficiency review programme identified significant down sizing during 2006-07. The provision at the end of 2006-07 represents outstanding residual elements of the programme, which will be completed during 2007-08. The provision for the residual costs of redundancy has been based on staff entitlements under Civil Service Compensation Scheme. This includes compensatory lump sums and amounts due in lieu of pension payments, and is based on compulsory redundancy terms. The amount of the provision created in 2005-06 but now identified as not required has been released and is included under exceptional item on the income and expenditure account.

Relocation Programme – Redundancy

The provision for redundancy has been created following confirmation of the decision that QCA will relocate to Coventry during 2009. The QCA was specifically named as part of DfES commitment to the Cabinet Office, in implementing the recommendations of the government's independent Review of Public Sector Relocation, led by Sir Michael Lyons, to relocating 800 jobs from London and the South-East by 2010. The provision has been based on staff entitlements under Civil Service Compensation Scheme. This includes compensatory lump sums and amounts due in lieu of pension payments, and is based on current compulsory redundancy terms. It reflects the latest indicative survey relating to staff intention to relocate, and is based on service up to 31st December 2008 discounted back to 31st March 2007. The provision has been reflected as an exceptional item in the income and expenditure account.

12. RESERVES**a) Vocational Standards' Development Reserve**

	Note	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Opening balance		14,164	12,129
Surplus for the year	22	2,944	2,035
		<hr/>	<hr/>
Closing balance		<u>17,108</u>	<u>14,164</u>

b) General Reserves

	Year ended 31 March 2007		As Restated Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Opening balance	(22,378)	(22,348)	(11,498)	(11,468)
Net expenditure for the financial year	(155,006)	(155,006)	(144,791)	(144,791)
Transfer of Grant in Aid	144,046	144,046	133,893	133,893
Unrealised surplus on revaluation of fixed assets	37	37	18	18
	<hr/>	<hr/>	<hr/>	<hr/>
Closing government funds- Deficit	<u>(33,301)</u>	<u>(33,271)</u>	<u>(22,378)</u>	<u>(22,348)</u>

Following the change in accounting policy, as explained in note 1a to the financial statements, grant in aid received for revenue purposes is regarded as a contribution from a controlling party and is credited direct to reserves.

13. RECONCILIATION OF MOVEMENT IN FUNDS

	Year ended 31 March 2007		As Restated Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Opening balance of funds	(8,214)	(8,184)	631	661
Net expenditure for the year	(152,062)	(152,062)	(142,756)	(142,756)
Transfer of Grant in Aid	144,046	144,046	133,893	133,893
Unrealised surplus on the revaluation of fixed assets	<u>37</u>	<u>37</u>	<u>18</u>	<u>18</u>
Closing balance of funds	<u>(16,193)</u>	<u>(16,163)</u>	<u>(8,214)</u>	<u>(8,184)</u>

14. LEASES

QCA is committed to pay the following within the next 12 months in respect of operating leases:

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Land and buildings		
Lease expiring in:		
One year	17	-
Two to five years	-	17
Over five years	<u>3,765</u>	<u>3,765</u>
	<u>3,782</u>	<u>3,782</u>
Other		
Lease expiring in:		
One year	-	-
Two to five years	51	98
	<u>51</u>	<u>98</u>
Total	<u>3,833</u>	<u>3,880</u>

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

15. CONTRACTUAL COMMITMENTS

QCA is contractually committed to the following expenditure:

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Due within one year	56,679	53,110
Due within two to five years	28,680	56,982
Due after five years	1,882	6,589
	<hr/>	<hr/>
	87,241	116,681
This includes capital commitments as follows:		
Due within one year	40	4
Due within two to five years	-	-
	<hr/>	<hr/>
	40	4
	<hr/>	<hr/>

16. CONTINGENT LIABILITY

QCA is currently involved in a potential employment tribunal dispute with a member of staff. The potential contingent liability from this dispute is £35,000.

17. RELATED PARTY TRANSACTIONS

The Department for Education and Skills, the QCA's sponsor Department, is regarded as a related party. Grant-in-aid for current and capital purposes of £144.0m was received during the year.

During the year QCA had material transactions with the Department for Education, Lifelong Learning and Skills (DELLS), the Department for Employment and Learning in Northern Ireland (DEL) and the Northern Ireland Council for the Curriculum Examinations and Assessment (CCEA).

The National Institute of Adult Continuing Education (NIACE) was paid £93,165, the Learning and Skills Council was paid £10,000, Board of UK Skills was paid £14,100, the Training and Development Agency for Schools was paid £5,600 and Warwickshire College was paid £1,000 for work awarded under QCA's normal contracting procedures. David Sherlock, Nick Stuart, Ian Ferguson and Ioan Morgan are QCA Board members. David Sherlock is the President of NIACE and Nick Stuart is Chairman, Ian Ferguson is a member of the Learning and Skills Council, the Board of UK Skills and the Training and Development Agency for Schools and Ioan Morgan is Principal of Warwickshire College. None of the Board members, key managerial staff or other related parties has undertaken any material transactions with QCA during the year.

18. LATE PAYMENT OF COMMERCIAL DEBTS

There was 1 (2005-06: 1) instance of late payment penalty being incurred during the year for £22,029 (2005-06: £1,981).

19. LOSSES AND SPECIAL PAYMENTS

There were 4 (2005-06: 4) instances of special payments being incurred during the year totalling £596,685 (2005-06: £5,678,980) of which £479,947 is in respect of ex-gratia redundancy payments relating to the efficiency review programme

20. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date requiring an adjustment to the financial statements.

The financial statements were authorised for issue on 10th July 2007 by Ken Boston (Accounting Officer and Chief Executive).

21. DEPARTMENT FOR EMPLOYMENT & LEARNING GRANT-IN-AID EXPENDITURE BY QCA NORTHERN IRELAND OFFICE

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Grant-in-Aid		426		458
Salaries	(265)		(284)	
Travel and subsistence	(13)		(18)	
Office costs	(50)		(58)	
Project costs	(97)		(98)	
Section 75 compliance costs	-		-	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		(425)		(458)
		<u> </u>		<u> </u>
		1		0

There were no capital purchases from this grant during the year (2005-06: £nil).

22. NATIONAL OCCUPATIONAL STANDARDS DEVELOPMENT

	Year ended 31 March 2007 QCA & Group £'000	Year ended 31 March 2006 QCA & Group £'000
Income		
Levy	6,023	5,958
Interest receivable	583	499
	<u> </u>	<u> </u>
	6,606	6,457
Costs		
Travel and subsistence	(1)	(2)
Professional services and training	(9)	(30)
Part of Key Result Area 2	(3,652)	(4,390)
	<u> </u>	<u> </u>
	(3,662)	(4,422)
Surplus	<u> </u>	<u> </u>
	2,944	2,035

National occupational standards development monies are held in a separate bank account. See Notes 9 and 12a.

23. NOTES TO THE CASHFLOW**i) Reconciliation of net expenditure to net cash flow from operating activities**

	Year ended 31 March 2007		Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Net expenditure after exceptional item	(152,643)	(152,649)	(143,272)	(143,277)
Gross payover from subsidiary	(3,620)	-	(3,513)	-
Depreciation and amortisation	946	946	1,017	1,017
Adjustment on revaluation	19	19	41	41
(Increase)/decrease in stock	-	(38)	-	44
(Increase)/decrease in debtors	1,687	507	(1,627)	(2,908)
Increase in creditors	3,166	2,918	3,774	4,308
Increase in provisions	5,337	5,337	8,317	8,317
	<u>(145,108)</u>	<u>(142,960)</u>	<u>(135,263)</u>	<u>(132,458)</u>
Net cash outflow from operating activities				

ii) Reconciliation of net cash flow to movement in net debt

	Year ended 31 March 2007		Year ended 31 March 2006	
	QCA £'000	Group £'000	QCA £'000	Group £'000
Increase in cash for the year	1,260	1,431	1,700	1,142
Change in net debt other than cash	-	-	-	-
Change in net funds	1,260	1,431	1,700	1,142
Opening net funds	16,062	16,310	14,362	15,168
Closing net funds	<u>17,322</u>	<u>17,741</u>	<u>16,062</u>	<u>16,310</u>

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