



Qualifications and  
Curriculum Authority

---

# **Qualifications and Curriculum Authority**

## **Annual Report and Accounts 2005–06**

Financial statements of the Qualifications and Curriculum Authority and the Group for the year ended 31 March 2006, 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)*

## Contents

	Page Number
<b>Management commentary</b>	<b>4</b>
Background	4
Aims and objectives 2005–06	9
Corporate developments	12
Performance review 2005–06	13
Looking to the future	21
<b>Remuneration report</b>	<b>25</b>
<b>Financial statements</b>	<b>29</b>
Statement by the Chief Executive on the system of internal control	29
Certificate and report of the Comptroller and Auditor General	32
Income and expenditure account	34
Statement of total recognised gains and losses	33
Balance sheet	36
Cash flow statement	37
Group income and expenditure account	38
Group statement of total recognised gains and losses	39
Group balance sheet	40
Group cash flow statement	41
Notes to the accounts	42

## Management commentary

### 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 eight 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

Revenue expenditure exceeded income resulting in a deficit for the year of £8,619,338. The deficit arises from the timing of charges and provisions in the financial year, resulting in higher creditors and provisions compared to the previous year (Notes 10 and 11) for which Grant-in-Aid will be received in the financial year 2006-07 (Note 1m). As a result of these timing differences, the Grant-in-Aid paid in any year may contribute to a surplus or deficit of income over expenditure. The aggregate amount of Grant-in-Aid received for the period was £134,351,814 being £133,893,753 from DfES and £458,061 from DEL. Of this sum, £813,905 was allocated to capital expenditure and £1,908,146 was distributed to examination centres to purchase capital equipment. QCA Board members confirm that government grants received have been used only for approved purposes.

The profit for the year on ordinary activities before taxation for QCA (Enterprises) Limited amounted to £3,513,050. This amount is payable to QCA under gift aid at the year-end.

The balance sheet at 31 March 2006 shows net liabilities of £8,184,234. This includes restricted funds of £14,164,303 for national occupational standards and thereby results in other net liabilities of £22,348,537. 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 2006-07, 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
<b>Chairman</b> Sir Anthony Greener	23 October 2002 to 21 October 2008	Nominations (Chair) Remuneration
<b>Deputy Chairman</b> Mr Richard Greenhalgh	1 October 2003 to 30 September 2006	Nominations Remuneration (Chair)
Mr Mike Beasley	1 October 2003 to 30 September 2006	
Dr Ken Boston	18 September 2002 to 18 September 2007	
Ms Clare Chapman	1 October 2004 to 30 September 2007	
Mr Ian S Ferguson	1 October 2003 to 30 September 2006	
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 2006	
Mr Jim Rose	1 October 2003 to 30 September 2006	
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 2006	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:

<b>Advisory group</b>	<b>Chairman</b>
3–14	Mr Jim Rose
14–19	Sir Mike Tomlinson
Qualifications & Skills	Mr Ian Ferguson
Regulation & Standards	Mr Richard Greenhalgh
National Assessment Agency (NAA)	Mr Mike Beasley.

### **Board appointments**

In October 2005 the Secretary of State formally confirmed the appointment of Sir Anthony Greener as Chairman. His appointment will run until October 2008.

### **Headquarters and staff**

QCA is located at 83 Piccadilly, London, W1J 8QA. It employed an average of 641 (2004-05: 550) 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 2005 to March 2006, 99.2% (2004-05: 97.8%) 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 2006 this amounted to £2,677,875. The group balance as defined by these guidelines amounted to £3,322,928. This excludes earmarked cash held for national occupational standards development of £12,987,397. 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 2006-07.

### **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 2006 is £35,500 (2004-05: £35,000). The financial statements for QCA (Enterprises) Limited for the year ended 31 March 2006 were audited by KPMG LLP. The fee for this audit is £13,400 (2004-05: £9,536).

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.

Last year we launched 'Open Space', an organisation-wide series of forums, to invite ideas and suggestions from all employees. Where priority areas for improvement and change were identified, we followed this up in 2005 with the implementation of action plans.

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 £820,029, or 3.7% of total expenditure on wages and salaries (2004-05: £682,187, 3.7%).

In addition to providing specialist training and coaching for individuals, we have also continued to focus on the development of managers through a dedicated programme introduced in August 2005. This is offered through a combination of online learning material and skills practice sessions across the four themes of self, people, leadership and delivery. The content of the programme is aligned with national occupational standards, and also with QCA's shared organisational values.

In line with QCA's diversity strategy, a diversity and inclusion action plan has been developed and implemented, and regular monitoring of diversity and inclusion statistics has been conducted throughout the year to inform planning and allow for credible impact assessments to be undertaken. Minority groups have been given opportunities to share their views with the Chief Executive through the year, regular awareness events have been arranged, and a multi-faith area has been provided.

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, and consultation and negotiation between management and employee representatives take place through a Health and Safety Committee.

### **Performance assessment**

We continued to develop and embed our new performance review system, Performance Plus, which was launched last year. The main focus of this system is the continuous review of performance, whereby managers and staff meet on a regular basis to discuss and assess key achievements, progress against objectives and personal development. By using regular assessment meetings rather than an annual appraisal, continuity is maintained. All components are kept under review including job descriptions, overall performance, strengths and behaviours demonstrated in the role, and career and action planning.

### **Pay policy**

For the first time at QCA, in 2005, pay awards were determined without linking them solely to appraisal reviews, and Managers were given the freedom to determine pay awards 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 has been refined and will become the basis for reviews in 2006 and beyond.

### **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. Since 1 April 2005 we have responded to 30 separate requests for information under the terms of the Act.

### **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 2005–06

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

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 a 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 tests effectively to ensure that they are fair, that standards are secure, 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 our people and QCA to become a high-performing, innovative and accountable team of professionals that delivers our strategy.

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 provide broad and flexible entitlement for all learners.	There is a recognised, professional advisory service that provides specialist advice at cost to divisions in order to achieve QCA's priorities.	Schools recognise and use the Curriculum blueprint that outlines the national entitlement for learning under the Curriculum.	Schools use and have access to advice and a suite of curriculum planning and design tools that are consistent with the Curriculum blueprint.	The annual longitudinal monitoring and evaluation programme measures the effectiveness of the Curriculum.	Strategic partnerships have been developed and agreed with other service providers QCA works with in the Curriculum.	Young people and parents influence and agree with the 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 year olds 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.

KRA	KEY RESULT AREA INDICATOR						
	I	II	III	IV	V	VI	VII
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, examinations 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.	The organisational values—aiming for excellence, working together, being creative, taking responsibility—are promoted 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

In 2005 QCA introduced a Performance Management Framework. This new 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) major achievements, (2) critical milestones, (3) programme risks and (4) financial information. This information is considered by the Executive at its monthly corporate executive meetings and reported to each Board meeting.

A KRA health check is undertaken every three months, with a comprehensive review undertaken every six months. Results of these health checks are fed back to the QCA Executive.

The new framework has been extensively promoted within the organisation via workshops and QCA's intranet, which now contains a whole section dedicated to performance management, risk management and project and programme management.

## 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 receive regular presentations from individual Directors on the management of risks in their divisions.

Throughout 2005-06 much has been done to instil a deeper understanding of risk management and to promote it as an essential competency in all management positions within QCA. The following initiatives have been introduced.

- Risk is formally discussed at QCA Executive and Board meetings. The Executive reviews all red and amber programme risks at each monthly corporate executive meeting. The Executive risk register has been re-designed and now includes predictive risk indicators, trend analyses and information on the category and impact of the risk. The Board also receives at each meeting the current risk assessment against the Executive (strategic) risks. At its meeting in September 2005 the Board set tolerances against the Executive risks and produced its first *QCA internal statement of risk appetite*.
- A risk management competency is now incorporated within all job descriptions at Band D and above, with a risk management briefing incorporated in the Corporate Induction Programme.
- An internal self-assessment of risk management practices was undertaken with key risk personnel across the organisation. In August 2005 this assessment was also followed up by HM Treasury's Risk Management Framework internal assessment, conducted in March 2006.
- A risk sampling and monitoring regime has been designed, based on QCA's risk landscape.
- QCA now has a Corporate Performance Management Team, which works with divisions to support them in identifying and assessing risks associated with their major programmes of work.
- In September 2005 QCA held the first joint strategic risk management workshop between senior officials from QCA and DfES.
- QCA has established a Risk Community of Practice which brings together key risk managers and those who coordinate risk within the organisation. The community provides a forum for members to discuss their risks, share best practice and have open discussions about the principles of risk management.
- The Learning and Development Team, HR Division, has designed two risk training modules as part of the *Managing@QCA* training package. These training modules are open to all QCA managers.
- QCA's intranet now includes risk management pages. These pages have been designed in conjunction with the designers of the risk training modules, and include information such as QCA's Risk Management Framework, common definitions of risk, the Executive risk register and links to HM Treasury and the National Audit Office websites for further information.

## **Corporate developments**

### **Organisational realignment**

New appointments were made in two key divisions (Curriculum and Regulation and Standards) to conclude the realignment of the organisation that was begun in November 2004.

In June 2005 Mick Waters joined the organisation as Director of Curriculum.

In July 2005 the Regulation and Standards Division was formed from the merger of the former Regulation Team, Qualifications and Skills Division, and the Quality Assurance Division. The division is headed by Isabel Nisbet who joined the organisation in July 2005.

### **Relocation of QCA**

DfES confirmed to the Cabinet Office that, as part of its commitment to implementing the recommendations of the government's Independent Review of Public Sector Relocation, led by Sir Michael Lyons, it would relocate approximately 800 jobs from London and the South-East by 2010.

The QCA was specifically named as part of the DfES commitment to relocation. Relocation will present enormous challenges to QCA, but managed well, it is expected to be a highly positive process of renewal for the organisation.

Work has begun on investigating various regional locations and preparing the detailed business case for relocation, to be ready for consideration by the QCA Board in autumn 2006.

### **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 to 2007-08 and beyond.

As part of this initiative the QCA Board has approved a redundancy programme, and new organisation charts have been published, in order to achieve the required downsizing of QCA. A provision of £9.2 million has been included within the 2005-06 accounts in order to cover redundancy and other associated costs of the downsizing programme.

### **Senior Management Review Group**

The Senior Management Review Group was established in August 2005. This group brings together senior officials from the DfES and members of QCA's Executive on a regular six-weekly basis.

The purpose of the group is to provide a regular opportunity for considering and sharing information at a strategic level, on issues of shared interest such as resources, performance, ministerial policies and concerns, cross-cutting programmes of work, future pressures, senior level relationships and efficiencies.

## Performance review 2005–06

### Curriculum

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

#### Review of key stage 3

QCA has begun a review of the key stage 3 curriculum, which we plan to complete during 2007. We are working towards changes that will provide schools with the flexibility to meet pupils' individual needs and strengths more effectively, and help in the delivery of all the outcomes of the government Green Paper *Every Child Matters*. We will achieve this while keeping disruption to the system to a minimum. Changes to key stage 3 will:

- place a sharper focus on the basics of English and mathematics
- increase pupils' understanding of key concepts and content within subject disciplines
- strengthen the alignment of English, mathematics and ICT with key stage 4, including the functional skills
- embed a clear framework of personal, learning and thinking skills at key stage 3
- support teachers in undertaking both formative and summative assessment.

Progress during 2005–06 included:

- an 'inclusion' audit and seminars
- research on 'pupil voice' in key stage 3, international skills development and the international incidence of a second year performance dip
- advice to ministers
- nine regional conferences introducing the key stage 3 review
- bringing together key implementation partners to plan for advice, guidance and other implementation concerns. This will remain an ongoing, key feature of the review.

#### English 21

During 2005, QCA invited a wide range of people to join in a national conversation about the future of the subject of English. More than 5,000 people took part, including pupils, parents and researchers. Press and media coverage was extensive and generated a large electronic and paper postbag.

The majority view was that it is now an appropriate time to rejuvenate the study of English. Without losing sight of the importance of teaching children to read and write, there was a strong consensus that the English curriculum needs to encompass a range of skills and experiences that develop the imagination and cultural appreciation of literature and language. The responses highlighted key ideas about English and ways of teaching it, drawing attention to four complementary threads: competence, creativity, cultural understanding and critical skills.

#### Guidance on teaching and assessing personal, social and health education (PSHE)

QCA published guidance on teaching and assessing PSHE, which is non-statutory, and includes:

- statements describing what pupils may be expected to achieve at the end of each key stage
- information about assessing progress and attainment in PSHE at key stages 1–4
- units of work covering a range of PSHE topics at key stages 1–4, including healthy lifestyles, sex and relationship education and financial capability
- a teacher's handbook providing notes on how to deliver and teach the units
- examples of pupils' work at key stages 1–3, with a commentary on assessment opportunities.

The guidance aims to provide teachers with materials that will help them provide high-quality PSHE lessons that ensure pupils have the knowledge to make informed and healthy choices. It incorporates units of work for drug, alcohol and tobacco education.

## **Framework of personal, learning and thinking skills**

QCA developed a framework of personal, learning and thinking skills for all young people aged 11 to 19. The framework, together with the functional skills of English, mathematics and ICT, will equip young people with the essential skills they need for success in learning, life and work.

We are working with our regulatory partners in Wales and Northern Ireland to agree a common set of generic skills that should feature in post-14 qualifications shared across the three countries. The framework will benefit young people by providing more opportunities to acquire, develop and apply their skills across the whole curriculum.

## **Futures programme**

To ensure that the curriculum remains relevant and up to date, QCA has been promoting Futures, a debate about how the curriculum might need to change to meet the needs of young people, society and the economy. Debate has been stimulated by various means, including an online discussion forum; consultation with employers, teachers and young people; papers commissioned from leading educational experts; and collecting examples of curriculum innovation that have real impact on standards and the wider goals of education.

The views emerging from the Futures debate have informed the establishment of 'curriculum co-development networks'. Schools in these networks are committed to examine and improve the quality of their curriculum so that it inspires and challenges all the young people they work with and prepares them well for life.

## **Annual longitudinal monitoring and evaluation programme**

This is enacted through large-scale questionnaire evidence, focus groups, conferences and seminars, and in-depth study. Results are disseminated to strategic partners and are published via a website. As a result of this monitoring and the development of priorities, the division published *The Curriculum: QCA looks forward*, outlining the agenda for the next three years. This agenda aligns directly with government policy.

## **Qualifications and skills**

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

### **The Framework for Achievement and higher education**

Throughout the past year we consulted widely on proposals to develop a coherent framework of units and qualifications, underpinned by a credit system, to tackle the learning and skills needs of the nation. This consultation was completed in May 2005 and a set of recommendations was sent to ministers in the following month.

In October 2005 a progress report was submitted to ministers, which included statements of support from the Learning and Skills Council (LSC) and the Sector Skills Development Agency (SSDA), a detailed business case and draft transition arrangements from the current National Qualifications Framework (NQF) to the new framework.

In November 2005 we received the ministerial remit to proceed with a two-year test and trial of the framework. Stakeholder workshops, seminars and advisory group meetings have been held throughout the year to develop the specification for the framework and arrangements for testing and trialling. The specifications and arrangements have now been published.

Also in November, we received a ministerial remit to work with the Joint Forum for Higher Levels and Higher Education partners to develop a common approach to credit across further and higher education. In December, the Joint Forum submitted an interim report to ministers outlining draft overarching principles for a common approach to credit.

## **Sector qualifications reform**

QCA has worked with partners to begin the process of reforming and rationalising vocational qualifications, underpinned by the development of sector qualification strategies. Plans have also been agreed with sector and awarding bodies for qualification development and significant progress has been made in streamlining the process of accreditation.

QCA has been working closely with the other UK regulatory authorities, the SSDA and other stakeholders to develop plans for the next stages of the reform work. This is aligned to the objectives of the new vocational qualifications reform programme, which was established in January 2006.

We have explored more innovative and flexible ways of designing and delivering qualifications to meet learner and employer needs in a number of sectors, including health and retail. Work is also on-going to develop apprenticeships as qualifications, as well as potential approaches to assigning credit for vocational qualifications.

Work on the national occupational standards programme has been maintained effectively and arrangements for the transfer of the Programme to the SSDA.

## **11–19 reform**

QCA collaborated with the DfES, the LSC and the SSDA to develop the 14–19 implementation plan. This work identified and funded eleven 14–19 development pilots in different geographical areas as part of the reform programme.

## **Post-14 curriculum**

QCA has designed a new programme of study for key stage 4 science and accredited an associated suite of new GCSEs for September 2006. National Curriculum documentation has been updated and a new secondary handbook and science subject booklet issued to all schools with key stage 4 students. Progress has been made on developing pathways in the 14-19 mathematics curriculum, as proposed in the report *Making Mathematics Count*.

Advice was sent to ministers regarding the design of a work-focused programme to re-engage those students at key stage 4 most at risk of disaffection. This advice was accepted and the first phase of implementation will begin in 21 areas from September 2006, with national roll-out in 2007.

In March 2006 QCA also submitted advice to ministers concerning coherent provision below Level 2. This advice was accepted and the joint QCA and LSC work programme continues. The initial draft of the Foundation Learning Tier qualification strategy was also completed in March.

## **Qualifications**

QCA undertook a review of internal assessment methodologies to increase the robustness of this form of assessment.

We have drafted revised AS and A level qualification and subject criteria for consultation and developed a two-tier GCSE mathematics specification which was accredited for first teaching in September 2006. Advice has been sent to ministers on both the development of a double award in mathematics and methods of adding extra 'stretch' to A levels.

We have prepared draft criteria for consultation on the extended project post-16, and are preparing to pilot the extended project.

We have developed models for, and are preparing to trial, GCSEs in English, mathematics and ICT that include functional skills.

## **Functional Skills**

We received the remit to develop Functional Skills and have consulted and drawn up standards, from which qualification assessment approaches will be derived.

## **Specialised Diplomas**

The Specialised Diploma structure has been designed in collaboration with education and sector partners nationally to create the framework for a qualification that embodies learner choice and meets industry requirements. We have consulted with key stakeholders and experts in various fields to construct the founding elements upon which this qualification will be based.

## **Foundation Learning Tier**

QCA is working in partnership with the LSC to develop the Foundation Learning Tier in response to the concern that the 'gap' from Entry Level to Level 2 is often too large and too complex in terms of qualification structure, or simply too inaccessible in terms of funding and eligibility for either adults or young people. QCA has drafted principles for high quality programme design and delivery and has begun to formulate a qualifications strategy to support these programmes. Trials with a range of providers begin in August 2006.

## **Modernisation and delivery**

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

The National Assessment Agency (NAA) was set up in spring 2004 as a subsidiary body of QCA. It is responsible for developing and delivering high-quality National Curriculum tests and supervising the delivery of a modern and secure examinations system for general qualifications.

### **National Curriculum assessments**

One of the key priorities for NAA during 2005 was to rebuild confidence in marking the key stage 3 English test. The marking process was strengthened by building in additional checks and more second marking, where supervising markers re-mark a sample of scripts to ensure consistency. Evaluation reports indicate that the rebuilding process was a success, with schools indicating a high level of satisfaction with the way tests were run.

### **Modernising delivery of examinations**

NAA manages a series of programmes to modernise examination systems and processes. During 2005-06, NAA has focussed on three strategic areas:

- modernisation of the processes involved in testing and marking
- targeted support to practitioners in the field
- increased supply of qualified personnel.

A key element of the modernisation programme is to improve the secure delivery of students' scripts to examiners. In November 2004, NAA introduced a secure carrier service for examination scripts that allows packages to be tracked from centre to destination. Over one million packages of scripts (containing about 26 million examination papers) are moved every year and, in its first year, the new system delivered significant improvements in reliability and security.

### **The examination office good practice framework**

In 2005, NAA published a two-part good practice guide for examinations centres. The guide includes information on the most effective ways of working with the awarding bodies and guidance on communicating elements of the examinations process within their own centres.

NAA worked in partnership with the awarding bodies to deliver training for examinations officers based in England's 7,600 examinations centres, and also developed and launched a range of online training tools. These activities significantly reduced delivery risk and the administrative burden on schools and colleges.

### **Helping examination officers help each other**

NAA has fostered and provided initial funding for a new professional body, the Examination Officers' Association. The association gives examination officers a stronger voice in their liaison with awarding bodies and government agencies. It also provides a communication channel for examination officers to share ideas and information about their work and to provide peer support for those in the profession.

### **Supporting invigilators**

NAA has worked with partners to produce recruitment and training packs that support the government's drive to transfer the responsibility for examination invigilation from teaching to administrative staff. These help examinations centres ensure that they recruit invigilators who are fit for the job and who understand the responsibility that the role entails.

### **Funding the examinations office**

During the year NAA completed the deployment of the national capital equipment grant scheme, a £6.5 million fund administered by NAA. This provides funding directly to examinations offices for equipment such as secure storage and up-to-date computers for examinations offices. By autumn 2005, around 80 % of eligible examinations centres had applied for funding. The programme has been audited to ensure the money is well spent.

### **Supporting examinations officers**

NAA has established a team of 40 trained professionals based in the regions who visit schools and colleges to provide one-to-one support, mentoring and guidance to examinations officers. The field support officers provide practical support; communicate changes in examination management; and gather and share good practice.

### **Increasing the supply of qualified personnel**

In 2004, NAA joined forces with the three unitary awarding bodies for England and the Welsh awarding body, the Welsh Joint Education Committee, to launch a recruitment campaign to attract more examiners, moderators and markers.

NAA has also supported the creation of a professional body for examiners and markers, provisionally called the Institute for Educational Assessors. The Institute will encourage recruitment, improve retention and continue to increase the professional status of examiners. This is being formally launched in 2006.

## **Regulation**

*KRA 4: 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.*

### **Coursework review**

QCA published a review of GCE and GCSE coursework arrangements in November 2005. The specific aims of the review were: to consider the role of coursework in current GCSE and GCE specifications; to canvass opinions on the effectiveness of coursework in teaching, learning and assessment; to examine issues relating to the authentication, marking and moderation of coursework; and to ensure that appropriate risk management procedures are in place to minimise the potential for malpractice.

The review found there is clear but not universal agreement among teachers, examiners and candidates about the value of coursework but that it is clearly an important motivator for many candidates in many subjects. It also established that the level of help and advice offered to candidates by teachers and parents varies, that guidance detailing what is permitted is limited, and that teachers have a limited knowledge and understanding of what constitutes malpractice. Furthermore, the need to control the potential for plagiarism arising from access to the internet was identified. In response to the review QCA:

- established a task force which produced guidance for teachers, published in March 2006, on the authentication of coursework
- produced guidance for parents on the scope for legitimate support for coursework, the nature of plagiarism and the consequences of malpractice
- invited Professor Jean Underwood of Nottingham Trent University to advise the regulatory authorities on the technical aspects of detecting internet plagiarism
- established a steering group to manage the implementation of those actions the awarding bodies have been required to take forward.

### **5-day accreditation process**

A process for accrediting qualifications within five days was piloted in the second half of 2004–05. The application procedure requires awarding bodies to document their qualification development and quality assurance arrangements, providing evidence where appropriate, to show compliance with regulatory authority criteria. Awarding bodies that demonstrate they have robust arrangements in place are subject to less regulatory intervention using the 5-day process; this in turn means that they accept extra responsibility for ensuring that the qualifications they submit for accreditation meet all the relevant criteria.

The 5-day process is voluntary and recognised awarding bodies who have not yet applied, or whose application has not yet been approved, continue to submit qualifications for accreditation through the standard procedure.

### **Web-based accreditation**

In autumn 2005 we implemented a new web-based accreditation system, which covers both the standard accreditation process and the new 5-day accreditation process. Using this system helps us to make assessments more quickly and, where appropriate, accredit new qualifications. This is a significant improvement from the previous year when the average time for qualifications to be accredited was six weeks.

Both the 5-day accreditation process and web-based system are having a significant impact on the responsiveness with which qualifications can be developed and accredited to meet the changing demands of the population and workforce of England, Wales and Northern Ireland.

## **Communication**

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

### **QCA website**

We have now completed the first stage of a complete review of our online presence. A major project to redevelop our website is scheduled to take place over the next three years.

### **Annual review**

In March 2006 we published an annual review of our activities in 2005–06. 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 have carried out a programme of customer satisfaction and stakeholder research during the year. This has enabled us to focus more sharply on meeting customer needs and to take action, as appropriate, on stakeholder perceptions.

## **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, a major report on coursework, and the launch of new PSHE guidance covering sensitive issues such as sex and personal relationships.

## **People, money and services**

*Key Result Area 6: Develop our people and QCA to become a high-performing, innovative and accountable team of professionals that delivers our strategy.*

### **Staff survey**

Staff surveys are conducted annually at QCA to offer staff an opportunity to raise issues and concerns, and to gain feedback that can be translated into future actions to improve and build on our successes.

In 2005, 74% of our staff responded to the survey. While further work is required to ensure improvements are made in some areas, overall the results showed that progress has been made since the 2004 survey. This is also reflected in the increase in the number of staff saying that they were satisfied with QCA as an organisation to work for and would recommend QCA as an employer.

### **Investor in People**

QCA is recognised as an Investor in People (IiP), the national standard for good practice in the training, development and engagement of employees. In 2005 a new IiP standard was introduced and we have ensured our HR staff and appropriate key members of staff who act as champions of IiP objectives have been trained in the new criteria and their application.

### **Managing@QCA**

In addition to providing specialist training, coaching and facilitation for individuals, we have introduced a development programme focused on improving our management skills. This is offered through a combination of online learning material and skills practice sessions across the four themes of self, people, leadership and delivery. The content of the programme is based on national occupational standards.

### **New electronic document and records management system**

QCA implemented a new electronic document and records management system during 2005. The system supports the management of information throughout its lifecycle, enabling QCA to respond more effectively to requests under freedom of information legislation.

### **Research study for the EU Presidency conference on vocational education and training**

During the year QCA led a consortium of European researchers, under contract to the European Commission, to prepare The Maastricht Study, which provides the most comprehensive analysis to date of developments in vocational education and training (VET) across 31 European countries, and contains many case studies of good practice. The study formed the basis for ministerial and high-level conferences in Maastricht during the Dutch EU presidency, and the European Commission has now published *Achieving the Lisbon Goal: the Contribution of VET* (Leney et al, European Commission, 2005). It also provided the basis for the Maastricht Communiqué, the policy communication adopted by the Commission and member states to guide EU policy in the field for the current period.

The study has been the subject of several research seminars at QCA and elsewhere in the UK, and has been widely disseminated. QCA has presented the study in a range of national policy-development conferences across Europe, and also to the World Bank and to the World Skills Competition.

## **Finance**

The Comptroller and Auditor General gave our accounts for 2004–05 a clear audit certificate, without qualification. We exceeded HM Treasury's target of paying 95% of suppliers within 30 days by paying 99.2% of our bills within this timeframe. We also upgraded our financial systems through full implementation of resource accounting, a project ledger and an online automated expenses system.

A number of changes were made to the monthly financial management and reporting processes that enhanced the support services offered to budget managers throughout the organisation, to the Executive and to the Board.

## Looking to the future

The QCA Board has agreed on six priority work programmes for delivery in 2006–09:

- 11–19 reform
- qualifications reform
- key stage 3 review
- delivery and modernisation of examinations and tests
- maintaining and updating the National Curriculum
- strategic regulation.

Delivery of these priority work programmes is dependent upon the following four enabling programmes:

- stakeholder communication strategy
- human resources strategy
- corporate support
- financial strategy

## Priority work programmes

### Programme 1: 11–19 reform

In February 2005 the government published the 14–19 Education and Skills White Paper setting out reforms to improve participation and achievement. In addition to taking forward a range of reforms for GCSEs and A levels, QCA will develop Specialised Diplomas at three levels.

The objectives of the 11–19 reform programme are to:

- improve the current low rates of participation in learning after age 16;
- ensure that every young person has a sound grounding in the basics of English, mathematics, ICT and the skills they need for education and employment;
- provide a service for young people, focused on individual need, which offers choice of what and where to study
- provide an appropriate curriculum and qualifications for learners of all abilities
- provide better vocational routes which equip young people with the knowledge, understanding and skills they need for further learning and employment
- stretch and challenge all young people whatever their abilities
- raise aspirations, reduce the chances of young people becoming disaffected with education and re-engage those already disaffected.

### Programme 2: Qualifications Reform

There are two sub-programmes in the qualifications reform programme.

#### Programme 2A: Framework for Achievement

The Framework for Achievement (FfA) sub-programme forms a key part of the government's proposals within the Skills Strategy for the reform of vocational qualifications. It will support awards at unit and qualification level and enable the accumulation and transfer of credit between qualifications and awarding bodies.

#### Programme 2B: Sector qualification reform

The vocational qualification landscape is complex and often confusing for learners and employers. This sub-programme will deliver reformed qualifications to populate the FfA, creating a coherent and rational set of accredited vocational qualifications for each industry sector, supported by sector skills councils and standards setting bodies, to meet the needs of employers and learners.

### **Programme 3: Key stage 3 review**

The review of the key stage 3 curriculum will provide schools with the flexibility to meet students' individual needs and strengths, and ensure a smooth transition from key stages 1 and 2 through to key stage 4.

The objectives of the key stage 3 review programme are to:

- review key stage 3 curriculum and assessment for relevance and effectiveness in promoting young people's participation and achievement
- produce advice, guidance and continuous professional development programmes to deliver a revised key stage 3 curriculum
- improve the professionalism of teacher assessment in the foundation subjects
- create a bank of tasks teachers can use to undertake formative and summative assessment.

### **Programme 4: Delivery and modernisation of examinations and tests**

Over the past two years NAA, in close collaboration with awarding bodies, schools, colleges and major suppliers, has been carrying out a programme of reform intended to:

- secure delivery of National Curriculum tests and public examinations
- modernise examination and testing systems
- improve the capability of examination offices to support delivery of public examinations
- establish an Institute of Educational Assessors to improve the quality of assessment.

The key benefits of the reform are a reduction in the administration burden of examinations and tests in schools and colleges, and increased stakeholder confidence in the examinations and test system.

During 2006–07 the programme will be revised and updated to ensure these benefits continue to accrue as NAA implements key strands of the 11–19 reform programme and implements developments in National Curriculum tests. In 11–19 reform, the focus will be on the development of the infrastructure required to award Specialised Diplomas, and development and roll-out of service level agreements for awarding bodies. For the National Curriculum tests, emphasis will be placed on the quality of test development, improvements to delivery management, the benefits of on-screen marking, and a number of operational and administrative improvements.

### **Programme 5: Maintaining and updating the National Curriculum**

The QCA has a major role to play in improving the impact of the National Curriculum on attainment, attendance, behaviour and wider educational and social goals. In particular there is an appreciation that we need to develop a more flexible framework to allow for greater personalisation of the curriculum, and one that better reflects the five outcomes of the *Every Child Matters* agenda.

The objectives of the programme to maintain and update the National Curriculum are to:

- promote a curriculum that can be tailored to meet more effectively the needs of individual learners, society and the economy
- involve a wide range of stakeholders, including young people, in curriculum development activities thereby unleashing the energy and imagination of all those involved at the frontline
- develop networks of curriculum co-developers and build local capacity for innovation
- work strategically with partners to promote and assure quality in curriculum design
- build an evidence base for further improvements by monitoring the performance of the curriculum and gathering examples of successful innovation
- identify, promote and validate good practice in curriculum design.

### **Programme 6: Strategic regulation**

Our objective is to bring clarity to QCA's regulatory role, to devise a programme of regulatory reform that will accommodate current and future needs, and to increase public confidence in, and awareness of, the role of

the regulator. QCA regulates in partnership with the regulators in Wales and Northern Ireland, and regulatory reform needs to be carried forward on a three-country basis.

In order to satisfy the differing requirements of regulation, which vary from light touch to extremely detailed monitoring, there is a requirement for proportional, integrated and differential regimes. Future monitoring will be flexible and based on the adoption of best practice such as the government's five principles of good regulation: proportionate, accountable, consistent, transparent and targeted.

The objectives of our strategic regulation programme are to ensure that:

- 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, examinations and tests supports and encourages innovation and best practice
- customer concerns and enquiries are dealt with in a fair, helpful, timely and responsive manner.

## **Enabling programmes**

This section sets out the four enabling programmes necessary to support delivery of the six priority work programmes outlined above.

### **Stakeholder communication strategy**

The communications strategy for 2006–09 is founded on clear understanding of the external environment and stakeholders' perceptions, achieved through monitoring and regular dialogue. We have built a base of support from which to influence future trends informed by QCA's thought leadership and agenda for reform, through initiatives such as Futures and English 21, and through involving stakeholders in development work on new qualifications and frameworks. We link closely with the DfES on our communications scheduling, and work with DfES and other partner organisations to deliver coherent communications to common stakeholders.

By understanding our stakeholders we build messaging and communications plans that support the operational threads—development, regulation and modernisation—and target and tailor messages to be relevant to our various stakeholder groups using the most effective and relevant channels and vehicles. We plan and deliver a comprehensive set of publications, online communications, events and contact programmes that ensure the right people are engaged at the right time.

### **Human resources strategy**

The human resources strategy will further develop a performance culture at QCA by:

- building a strong focus on customer needs
- developing the skills of our managers
- maximising the talents of middle and junior staff
- removing organisational blockages to best performance.

The strategy comprises four separate but related streams of people management activity:

- improving individual contribution by better management of performance
- maintaining Investors in People status
- developing the skills of our managers
- becoming an Employer of Choice.

## **Corporate governance and performance**

Critical to enhancing QCA's overall performance are three internal corporate management and governance systems: (1) the performance management framework, (2) the risk management framework, and (3) the corporate governance framework. These operate to ensure that the organisation remains on track to deliver its key result areas, identifies and manages its risks, and is compliant with all statutory requirements.

The challenge ahead lies in embedding programme management methodology and disciplines within the organisation to ensure that the six priority work programmes identified above are managed effectively and delivered successfully.

## **Research and development**

QCA's cross-divisional corporate research and development service will continue to support evidence-based policy and practice across all aspects of QCA's remit by providing centralised co-ordination of corporate research and development.

The corporate research and development function also maintains credibility within the national and international educational research community and ensures that QCA maintains its reputation and presence.

## **IT infrastructure**

The challenge for the e-Business Group will be to find cost-effective solutions to ensure that IT-dependent initiatives arising from the six priority work programmes integrate and are supported by QCA's internal IT infrastructure, whilst also ensuring compliance with BS7799 and other statutory information assurance and protection legislation.

## **Financial strategy**

The continuing strategy to modernise our financial systems and procedures has been updated in order to support the QCA strategic efficiency drive. We will accelerate the delivery of efficiencies through automated transaction processing and more effective reporting and planning. During 2006-07 we will implement an automated online process for all the steps from purchasing through to paying suppliers; and we will also improve the focus, value and effectiveness of our current reporting and planning procedures.

We will continue to deliver a service to the whole of the organisation, providing precise and timely financial, legal and procurement advice that allows staff to manage their programmes of work within statutory requirements and best practice. Bringing together legal and procurement resources in one central team will produce efficiencies of scale and ensure equitable and consistent delivery of the team's services.

Following a competitive tendering process, we have identified an external agency to manage our office building and all the ancillary services needed to deliver our statutory remit.

Ken Boston

Accounting Officer and Chief Executive  
Qualifications and Curriculum Authority

June 2006

## 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 8). 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 2004-05 and a total accrued pension at 60 at 31 March 2005:

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 31/03/05	CETV at 31/03/06	Real increase in CETV
	£'000s (a)	£'000s (b)	£'000s	£'000s	£'000s (c)	£'000s (d)	£'000s (e)
<b>2005-06</b>							
Ken Boston <sub>1</sub> Chief Executive	135 - 140 (145 - 150)	135 - 140 (145 - 150)	0 - 5 (0 - 5)	5 - 10 (0 - 5)	65	101	24 (17)
Ian Colwill Director, Curriculum (until 01/06/2005)	*	*					
Mary Curnock Cook Director, Qualification & Skills	130 - 135 (115 - 120)	130 - 135 (115 - 120)	0 - 5 (0 - 5)	0 - 5 (0 - 5)	29	64	22 (16)
David Gee Managing Director, NAA	145 - 150 (140 - 145)	145 - 150 (65 - 70)	5 - 10 (0 - 5)	5 - 10 (0 - 5)	40 - 45	80	24 (4)
Stephen Goulder Director, Corporate Support	85 - 90 (80 - 85)	85 - 90 (80 - 85)	0 - 5 (0 - 5)	25 - 30 (20 - 25)	239	356	27 (31)
Michael Green Human Resources Director	95 - 100 (85 - 90)	95 - 100 (85 - 90)	0 - 5 (0 - 5)	5 - 10 (0 - 5)	51	106	30 (16)
Arthur Jordan Finance Director	90 - 95 (85 - 90)	90 - 95 (85 - 90)	0 - 5 (0 - 5)	0 - 5 (0 - 5)	0	80	77 (17)
Isabel Nisbet <sub>2</sub> Director, Regulations & Standards (from 04/07/2005)	120 - 125	90 - 95					
Dennis Opposs Director, Quality Assurance (until 03/07/2005)	100 - 105 (70 - 75)	20 - 25 (55 - 60)	0 - 5 0 - 5 (0 - 5) (5 - 10)	20 - 25 70 - 75 (20 - 25) (70 - 75)	396	486	15 (48)
David Robinson Director, Communications & Marketing	95 - 100 (85 - 90)	95 - 100 (85 - 90)	0 - 5 (0 - 5)	0 - 5 (0 - 5)	35 - 40	71	23 (15)
Mick Waters <sub>2</sub> Director, Curriculum (from 06/06/2005)	120 - 125	165 - 170					

\* Permission for disclosure withheld

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 £96,066 (2004-05: £103,722) for the provision of living accommodation and international air travel. For 2005-06 no tax was due for the provision of these benefits in kind.

No bonus has yet been approved for Ken Boston for 2005-06; the comparative for 2004-05 includes a bonus.

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](http://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.

Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

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 £6,502 (2004-05: £2,865) was reimbursed to 11 members.

Ken Boston

Accounting Officer and Chief Executive  
Qualifications and Curriculum Authority

June 2006

## **Financial Statements for the year ended 31 March 2006**

### **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.

This year I also introduced two initiatives to strengthen risk management between the QCA and the DfES. Firstly, the creation of the Senior Management Review Group (SMRG)—a group of senior officials from the DfES and QCA—provides the opportunity for programme risks to be discussed. Secondly, QCA initiated a joint QCA/DfES strategic risk management workshop that brought together senior officials from across the DfES and QCA to discuss the joint strategic risk management process.

#### **The purpose of the system of internal control**

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.

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 2006 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 the implementation of QCA's Risk Management Framework all members of the Executive and QCA's Senior Management Team underwent risk management training facilitated by QCA's Internal Auditors.

QCA has also established a Risk Community of Practice that 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.

A risk management competency is now incorporated into all job descriptions for programme and project managers. Two risk training modules have also been specifically designed and included in QCA's corporate training package. These modules are based on the information provided in the Risk Management Framework.

QCA's Risk Management Framework is also firmly integrated and embedded within its Performance Management Framework. The Performance Management Framework establishes QCA's internal programme architecture and measures, monitors and reports the performance of the organisation against these programmes. Risk is a consistent feature in programme and project methodologies and reporting across the organisation. Much of the focus in 2005 has been on creating a programme management culture within QCA,

of which risk is an integral component. A number of QCA's major programmes of work have been subject to the OGC Gateway Review Process.

### **The risk and control framework**

Risks are identified at a strategic, programme and project basis regularly and are listed on the appropriate risk register. The Executive and their Divisional Management Teams review risks and the effectiveness of the controls on the divisional and Executive registers on a monthly basis. Where it is felt that the controls are insufficient escalation takes place to the next level.

The Board regularly discusses QCA's strategic risks and has published to the organisation its own internal *Statement of Risk Appetite*.

All divisions also undertook an internal self-assessment of risk management practices in August 2005 and the *HM Treasury's Risk Management Assessment Framework* in March 2006. Results from these assessments 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 also complete an end-of-year statement on internal control that states they have complied with QCA policies on risk management, finance, and procurement and with the requirements set out in the staff handbook as well as with 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 Corporate Support Division, who have 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 receives a mid-year and end-of-year evaluation of risk management. This year, for the first time, the Board also received 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. They receive as a standing item at each meeting a risk management update and reports by exception on progress on projects and on volatile risks. The Audit Committee also receive 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 operated to an audit plan driven by the Executive risks, as agreed by the Audit Committee. The Audit Committee considers their reports on each audit as well as their annual report on the effectiveness of the overall system of internal control. This year I also sought to strengthen the Internal Audit function by recruiting an in-house Audit and Assurance Manager to work with the Internal Auditors.

### **Internal control issues**

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

I am taking action to ensure that a culture of programme and project management is embedded within QCA. Work will be undertaken in 2006–2007 to design and implement an appropriate internal programme and project management methodology across the organisation. A corporate learning and development package will also be developed with all senior managers and programme leaders required to undertake this training.

I will introduce and implement a consolidated IT strategy that will strengthen QCA's strategic management of the interdependencies of the IT components in all major work programmes across QCA.

I am also taking action to strengthen aspects relating to the control environment for contract management. This will focus on developing further QCA's internal contract management and performance management processes across the organisation, including providing appropriate support and guidance to contract managers and programme leaders.

Ken Boston

Accounting Officer and Chief Executive  
Qualifications and Curriculum Authority

June 2006

## **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 for the year ended 31 March 2006 under the Education Act 1997. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

QCA and the Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Education Act 1997 and directions made thereunder by the Secretary of State for Education and Skills, 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 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 directions made thereunder by the Secretary of State for Education and Skills. 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 28 to 30 reflects the QCA's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover 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. This other information comprises only the unaudited part of the Remuneration Report and the Management Commentary. 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 QCA's affairs as at 31 March 2006 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 directions made thereunder; and
- 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

July 2006

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

## THE QUALIFICATIONS AND CURRICULUM AUTHORITY

## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2006

	Note	Year ended 31 March 2006 £ 000	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000	Year ended 31 March 2005 £ 000
<b>Gross income</b>					
DfES General Grant-in-Aid	2	133,080		117,423	
Transfer from Government Grant Reserve for capital expenditure	12a	1,057		1,045	
DEL (Northern Ireland) Grant-in-Aid	2	458		403	
Other operating income	3	<u>13,044</u>		<u>9,865</u>	
			147,639		128,736
<b>Operating expenditure</b>					
Staff costs	4b	(32,768)		(25,320)	
Other operating charges	5&6	(113,761)		(106,623)	
Depreciation and amortisation	7	<u>(1,017)</u>		<u>(1,040)</u>	
			<u>(147,546)</u>		<u>(132,983)</u>
<b>Operating surplus / (deficit)</b>			93		(4,247)
Redundancy costs	11		<u>(9,228)</u>		<u>-</u>
<b>Operating deficit after exceptional item</b>			(9,135)		(4,247)
Add / (deduct) cost of capital	1j		168		(39)
Profit on disposal of fixed assets			2		-
Interest receivable			514		418
<b>Deficit for the year</b>			<u>(8,451)</u>		<u>(3,868)</u>
(Deduct) / add back cost of capital			(168)		39
<b>Retained deficit for the year</b>			<u>(8,619)</u>		<u>(3,829)</u>
Retained (deficit)/ surplus brought forward	12b & c		(2,727)		1,102
<b>Retained deficit carried forward</b>			<u><u>(11,346)</u></u>		<u><u>(2,727)</u></u>

The notes on pages 41 to 56 form part of these accounts.

**THE QUALIFICATIONS AND CURRICULUM  
AUTHORITY**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**For the year ended 31 March 2006**

	<b>Note</b>	<b>Year ended 31 March 2006 £ 000</b>	<b>Year ended 31 March 2005 £ 000</b>
Deficit for the year		(8,619)	(3,829)
Unrealised surplus on the revaluation of fixed assets	12a	18	130
Total recognised loss relating to the year		<u>(8,601)</u>	<u>(3,699)</u>

The notes on pages 41 to 56 form part of these accounts.

## THE QUALIFICATIONS AND CURRICULUM AUTHORITY

## BALANCE SHEET

As at 31 March 2006

	Note	Year ended 31 March 2006 £ 000	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000	Year ended 31 March 2005 £ 000
<b>Fixed assets</b>					
Intangible assets	7a		277		36
Tangible assets	7b		<u>2,855</u>		<u>3,322</u>
			3,132		3,358
<b>Current assets</b>					
Debtors	8	5,552		3,780	
Cash at Bank and in hand	9	<u>16,062</u>		<u>14,362</u>	
		21,614		18,142	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	10	<u>(19,745)</u>		<u>(15,971)</u>	
<b>Net current assets</b>					
			<u>1,869</u>		<u>2,171</u>
<b>Total assets less currents liabilities</b>					
			5,001		5,529
Provisions for liabilities and charges	11		<u>(13,215)</u>		<u>(4,898)</u>
<b>Total assets less total liabilities</b>					
			<u>(8,214)</u>		<u>631</u>
<b>Financed by</b>					
<b>Capital and reserves</b>					
Government Grant Reserve	12a		3,132		3,358
Vocational Standards' Development Reserve	12b		14,164		12,129
General Reserves	12c		<u>(25,510)</u>		<u>(14,856)</u>
			<u>(8,214)</u>		<u>631</u>

The notes on pages 41 to 56 form part of these accounts.

Ken Boston  
Accounting Officer and Chief Executive  
Qualifications and Curriculum Authority

June 2006

## THE QUALIFICATIONS AND CURRICULUM AUTHORITY

## CASH FLOW STATEMENT

For the year ended 31 March 2006

	Note	Year ended 31 March 2006 £ 000	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000	Year ended 31 March 2005 £ 000
<b>Operating activities</b>					
Grant received	2	133,080		117,423	
Other cash received		<u>8,361</u>		<u>9,731</u>	
			<u>141,441</u>		<u>127,154</u>
Cash paid to suppliers		(110,825)		(100,071)	
Cash paid to and on behalf of employees		<u>(32,799)</u>		<u>(25,339)</u>	
			<u>(143,624)</u>		<u>(125,410)</u>
<b>Net cash (outflow)/ inflow from operating activities</b>			(2,183)		1,744
<b>Returns on investment and servicing of finance</b>					
Interest received			514		403
Gross payover received from subsidiary			3,367		1,478
<b>Capital expenditure and financial investment</b>					
Payments to acquire tangible fixed assets	7	(416)		(804)	
Payments to acquire intangible fixed assets	7	(397)		(42)	
Receipts from sale of tangible fixed assets		<u>2</u>		<u>-</u>	
			(811)		(846)
<b>Financing</b>					
DfES grant applied to tangible fixed assets	2		<u>813</u>		<u>846</u>
<b>Increase in cash</b>			<u>1,700</u>		<u>3,625</u>

The notes on pages 41 to 56 form part of these accounts.

**QCA GROUP****INCOME AND EXPENDITURE ACCOUNT**

For the year ended 31 March 2006

	Note	Year ended 31 March 2006 £ 000	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000	Year ended 31 March 2005 £ 000
<b>Gross income</b>					
DfES General Grant-in-Aid	2	133,080		117,423	
Transfer from Government Grant Reserve for capital expenditure	12a	1,057		1,045	
DEL (Northern Ireland) Grant-in-Aid	2	458		403	
Other operating income	3	<u>16,945</u>	151,540	<u>12,184</u>	131,055
<b>Operating expenditure</b>					
Staff costs	4b	(32,768)		(25,320)	
Other operating charges	5	(117,667)		(108,947)	
Depreciation and amortisation	7	<u>(1,017)</u>		<u>(1,040)</u>	
			<u>(151,452)</u>		<u>(135,307)</u>
<b>Operating surplus / (deficit)</b>			88		(4,252)
Redundancy costs	11		<u>(9,228)</u>		<u>-</u>
<b>Operating deficit after exceptional item</b>			(9,140)		(4,252)
Add / (deduct) cost of capital	1j		167		(40)
Profit on disposal of fixed assets			2		-
Interest receivable			519		423
<b>Deficit for the year</b>			<u>(8,452)</u>		<u>(3,869)</u>
(Deduct) / add back cost of capital			(167)		40
<b>Retained deficit for the year</b>			<u>(8,619)</u>		<u>(3,829)</u>
Retained (deficit)/ surplus brought forward	12b & c		(2,697)		1,132
<b>Retained deficit carried forward</b>			<u><u>(11,316)</u></u>		<u><u>(2,697)</u></u>

All activities are continuing.

The notes on pages 41 to 56 form part of these accounts.

**QCA GROUP****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 March 2006

	Note	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000
Deficit for the year		(8,619)	(3,829)
Unrealised surplus on the revaluation of fixed assets	12a	<u>18</u>	<u>130</u>
Total recognised loss relating to the year		<u><u>(8,601)</u></u>	<u><u>(3,699)</u></u>

The notes on pages 41 to 56 form part of these accounts.

**QCA GROUP****BALANCE SHEET**

As at 31 March 2006

	Note	Year ended 31 March 2006 £ 000	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000	Year ended 31 March 2005 £ 000
<b>Fixed assets</b>					
Intangible assets	7a		277		36
Tangible assets	7b		<u>2,855</u>		<u>3,322</u>
			3,132		3,358
<b>Current assets</b>					
Stock		306		350	
Debtors	8	6,791		3,883	
Cash at Bank and in hand	9	<u>16,310</u>		<u>15,168</u>	
		23,407		19,401	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	10	<u>(21,508)</u>		<u>(17,200)</u>	
<b>Net Current assets</b>			<u>1,899</u>		<u>2,201</u>
<b>Total assets less currents liabilities</b>			5,031		5,559
Provisions for liabilities and charges	11		<u>(13,215)</u>		<u>(4,898)</u>
<b>Total assets less total liabilities</b>			<u>(8,184)</u>		<u>661</u>
<b>Financed by</b>					
<b>Capital and reserves</b>					
Government Grant Reserve	12a		3,132		3,358
Vocational Standards' Development Reserve	12b		14,164		12,129
General Reserves	12c		<u>(25,480)</u>		<u>(14,826)</u>
			<u>(8,184)</u>		<u>661</u>

The notes on pages 41 to 56 form part of these accounts.

Ken Boston  
Accounting Officer and Chief Executive  
Qualifications and Curriculum Authority

June 2006

**QCA GROUP****CASH FLOW STATEMENT**

For the year ended 31 March 2006

	Note	Year ended 31 March 2006 £ 000	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000	Year ended 31 March 2005 £ 000
<b>Operating activities</b>					
Grant received	2	133,080		117,423	
Receipts from sales by subsidiary		8,349		5,148	
Other cash received		<u>6,145</u>		<u>8,954</u>	
			147,574		131,525
Cash paid to suppliers		(114,179)		(102,292)	
Cash paid to and on behalf of employees		<u>(32,773)</u>		<u>(25,331)</u>	
			<u>(146,952)</u>		<u>(127,623)</u>
<b>Net cash inflow from operating activities</b>			622		3,902
<b>Returns on investment and servicing of finance</b>					
Interest received			518		409
<b>Capital Expenditure and financial investment</b>					
Payments to acquire tangible fixed assets	7	(416)		(804)	
Payments to acquire intangible fixed assets	7	(397)		(42)	
Receipts from sale of tangible fixed assets		<u>2</u>		<u>-</u>	
			(811)		(846)
<b>Financing</b>					
DfES grant applied to fixed assets	2		<u>813</u>		<u>846</u>
<b>Increase in Cash</b>			<u>1,142</u>		<u>4,311</u>

The notes on pages 41 to 56 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.

###### **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 from the Department for Education and Skills**

Grant for current activities is credited to the Income and Expenditure Account in the year of receipt. Grant applied to capital purchases is credited to a Government Grant Reserve and is released to the income and expenditure account over the expected life of those assets or written off upon disposal or transfer.

###### **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 the Government Grant Reserve. Where an asset is impaired as a result of downward revaluation the charge is taken to the Income and Expenditure account with a corresponding release from Government Grant. On disposal of an asset the related balance in the Government Grant Reserve is transferred to the General Reserve.

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](http://www.civilservice-pensions.gov.uk)).

For 2005-06, employers' contributions of £4,034,152 were payable to the PCSPS (2004-05 £2,517,619) at one of four rates in the range 16.2% to 24.6% of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

The contribution rates are set to meet the cost of the benefits accruing during 2005-06 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 £20,956 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 £1,502.58 (2004-05 £538.12), 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 (2004-05 £1,262.16). Contributions prepaid at that date were £nil (2004-05 £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% (2004-05: 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**

	<b>QCA &amp; Group Year ended 31 March 2006 £000</b>	<b>QCA &amp; Group Year ended 31 March 2005 £000</b>
Gross Grant-in-aid received from DfES	<u>133,893</u>	<u>118,269</u>
Applied as follows:		
For QCA current expenditure	133,080	117,423
For QCA capital expenditure	813	846
	<u>133,893</u>	<u>118,269</u>

Grant-in-aid was received from the Department for Education and Skills.

In addition, Grant-in-Aid was received from the Department for Employment and Learning (Northern Ireland) of £458,061 (2004-05: £403,000) for funding the QCA office located in Northern Ireland. Note 20 provides details of the expenditure of the QCA Northern Ireland Office.

**3. OTHER OPERATING INCOME**

	<b>QCA Year ended 31 March 2006 £ 000</b>	<b>Group Year ended 31 March 2006 £ 000</b>	<b>QCA Year ended 31 March 2005 £ 000</b>	<b>Group Year ended 31 March 2005 £ 000</b>
NVQ/SVQ certification income	5,958	5,958	4,985	4,985
Qualification Curriculum and Assessment Authority for Wales	452	452	332	332
Northern Ireland Council for the Curriculum Examinations and Assessment	226	226	212	212
Contract Income	105	105	243	243
Other Income	2,420	1,855	2,061	1,264
Gross Income transferred from QCA(E) Limited under gift aid (3a)	3,513	-	1,759	-
Management and support services recharge to QCA(E) Limited	370	-	273	-
QCA(E) Limited gross turnover	<u>-</u>	<u>8,349</u>	<u>-</u>	<u>5,148</u>
	<u>13,044</u>	<u>16,945</u>	<u>9,865</u>	<u>12,184</u>

**a) Trading Activities**

QCA (Enterprises) Ltd is a wholly owned trading subsidiary of QCA selling QCA publications and products. The company transferred £3,513,050 (2004-05: £1,759,369) under gift aid to QCA.

	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000
Income	8,354	5,153
Costs	<u>(4,841)</u>	<u>(3,394)</u>
Surplus	<u>3,513</u>	<u>1,759</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:

	QCA & Group Year ended 31 March 2006					QCA & Group Year ended 31 March 2005
	Staff	Senior Staff	Seconded	Agency	Total	No.
	No.	No.	No.	No.	No.	No.
Communications & Marketing	47	1	-	3	51	42
Corporate Support	58	2	-	1	61	68
Curriculum	85	1	-	8	94	139
Finance	27	1	-	7	35	29
Human Resources	16	1	-	1	18	16
NAA	143	1	1	44	189	109
Qualifications & Skills	125	1	1	7	134	113
Regulation & Standards	51	1	-	6	58	32
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>
	<u>553</u>	<u>9</u>	<u>2</u>	<u>77</u>	<u>641</u>	<u>550</u>

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

**b) Staff costs (for the above)**

	<b>QCA &amp; Group Year ended 31 March 2006</b>	<b>QCA &amp; Group Year ended 31 March 2005</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	21,904	18,671
Social security costs	1,957	1,647
Pension costs	4,015	2,506
Agency/contract staff and secondment costs	4,892	2,496
	<u>32,768</u>	<u>25,320</u>

**5. OTHER OPERATING CHARGES**

	<b>QCA Year ended 31 March 2006 £ 000</b>	<b>Group Year ended 31 March 2006 £ 000</b>	<b>QCA Year ended 31 March 2005 £ 000</b>	<b>Group Year ended 31 March 2005 £ 000</b>
Travel and subsistence	887	887	852	852
Authority expenses	6	6	16	16
Operating leases - plant and machinery	100	100	103	103
Operating leases - other	3,913	3,913	3,951	3,951
Repairs and renewals provision	(800)	(800)	364	364
Other accommodation costs	971	971	1,163	1,163
Supplies and services	3,568	3,568	3,563	3,563
Professional services and training	1,394	1,433	1,173	1,210
External audit fees	36	49	35	45
Diminution in value of fixed assets	41	41	5	5
Gain on foreign currency	(9)	(9)	(15)	(15)
Redundancy costs	1,168	1,168	2,562	2,562
Other charges	141	3,995	110	2,387
	<u>11,416</u>	<u>15,322</u>	<u>13,882</u>	<u>16,206</u>
Qualifications, assessment and curriculum programmes (see note 6)	102,345	102,345	92,741	92,741
	<u>113,761</u>	<u>117,667</u>	<u>106,623</u>	<u>108,947</u>

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

Included in the above charges are consultant fees totalling £11,774,213 (2004-05: £9,844,301) and unwinding of discount for annual compensation payment of £144,421 (2004-05: £15,570).

**6. ANALYSIS OF COSTS BY PROGRAMME**

QCA's business plan for the year to 31 March 2006 was the basis for the Chief Executive's Performance Agreement, which was divided into Key Result Areas (KRAs) as follows:

	<b>QCA Year ended 31 March 2006 £ 000</b>
<b>KRA 1: Curriculum</b> Develop a modern, world class curriculum that will inspire and challenge all learners and prepare them for the future	3,546
<b>KRA 2: Qualifications and skills</b> Establish a coherent framework and a set of qualifications that meet the needs of learners, employers and higher education	12,023
<b>KRA 3: Modernisation and delivery</b> Improve and safeguard the delivery of examinations, tests and assessments	78,245
<b>KRA 4: Regulation</b> 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.	5,847
<b>KRA 5: Communication</b> Communicate effectively the work of QCA and maintain and promote our reputation amongst stakeholders	1,418
<b>KRA 6: People, money and services</b> Develop our people and QCA to become a high performing, innovative and accountable team of professionals that delivers our strategy	1,266
<b>Total QCA Programmes</b>	<hr/> 102,345
Other operating charges (see note 5)	<hr/> 11,416
<b>Total Expenditure</b>	<hr/> <hr/> 113,761

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

	Total £ 000
<b>Cost or valuation</b>	
As at 31 March 2005	120
Additions	397
Permanent diminution	(6)
As at 31 March 2006	<u>511</u>
<b>Amortisation</b>	
As at 31 March 2005	(84)
Charge for the year	(154)
Revaluation	4
As at 31 March 2006	<u>(234)</u>
<b>Net book value</b>	
As at 31 March 2006	<u>277</u>
As at 31 March 2005	<u>36</u>

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

**b) TANGIBLE FIXED ASSETS**

	Office equipment £ 000	Furniture £ 000	Refurbish- ment £ 000	Motor vehicles £ 000	Information Technology £ 000	Total £ 000
<b>Cost or valuation</b>						
As at 31 March 2005	194	1,538	4,538	13	3,565	9,848
Additions	4	56	46		310	416
Disposals	-	-	-	(13)	(6)	(19)
Revaluation surplus in the year	-	-	37	-	-	37
Permanent diminution	-	(3)	-	-	(114)	(117)
As at 31 March 2006	<u>198</u>	<u>1,591</u>	<u>4,621</u>	<u>0</u>	<u>3,755</u>	<u>10,165</u>
<b>Depreciation</b>						
As at 31 March 2005	(188)	(1,396)	(1,921)	(13)	(3,008)	(6,526)
Charge for the year	(6)	(62)	(378)	-	(417)	(863)
Revaluation	-	2	(19)	-	77	60
Disposals	-	-	-	13	6	19
As at 31 March 2006	<u>(194)</u>	<u>(1,456)</u>	<u>(2,318)</u>	<u>0</u>	<u>(3,342)</u>	<u>(7,310)</u>
<b>Net book value</b>						
As at 31 March 2006	<u>4</u>	<u>135</u>	<u>2,303</u>	<u>0</u>	<u>413</u>	<u>2,855</u>
As at 31 March 2005	<u>6</u>	<u>142</u>	<u>2,617</u>	<u>0</u>	<u>557</u>	<u>3,322</u>

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

**8. DEBTORS**

	<b>QCA</b>	<b>Group</b>	<b>QCA</b>	<b>Group</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>
<b>Amounts falling due within one year</b>				
Trade debtors	1,838	4,607	116	1,663
Amount receivable from subsidiary undertaking	1,594	-	1,449	-
Other debtors	250	314	228	229
Prepayments and accrued income	1,805	1,805	1,953	1,957
	<u>5,487</u>	<u>6,726</u>	<u>3,746</u>	<u>3,849</u>
<b>Amounts falling due after one year</b>				
Prepayments and accrued income	65	65	34	34
<b>Total</b>	<u><u>5,552</u></u>	<u><u>6,791</u></u>	<u><u>3,780</u></u>	<u><u>3,883</u></u>

As at 31 March 2006, 12 (2004-05: 9) members of staff had loans outstanding in excess of £2,500. The total value of these loans was £35,477 (2004-05: £25,734).

As at 31 March 2006, 4 (2004-05: 6) balances were outstanding with other government bodies:

	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Other central government bodies	399,458	398,138
Local authorities	4,497	85
<b>Total</b>	<u><u>403,955</u></u>	<u><u>398,223</u></u>

**9. CASH AT BANK AND IN HAND**

	<b>QCA</b>	<b>Group</b>	<b>QCA</b>	<b>Group</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>
Grant-in-Aid	874	1,122	2,220	3,026
Interest bearing	2,200	2,200	-	-
Vocational Standards' Development	12,988	12,988	12,142	12,142
<b>Total</b>	<u><u>16,062</u></u>	<u><u>16,310</u></u>	<u><u>14,362</u></u>	<u><u>15,168</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**

	<b>QCA</b>	<b>Group</b>	<b>QCA</b>	<b>Group</b>
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	<b>000</b>	<b>000</b>	<b>000</b>	<b>000</b>
Trade creditors	12,046	13,687	5,416	6,444
Taxation and social security costs	2	38	33	43
Other creditors	1	86	2	2
Accruals and deferred income	7,696	7,697	10,520	10,711
	<u>19,745</u>	<u>21,508</u>	<u>15,971</u>	<u>17,200</u>

As at 31 March 2006, 8 (2004-05: 7) balances were outstanding with other government bodies:

	<b>31 March</b>	<b>31 March</b>
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Other central government bodies	97,623	39,804
Local authorities	38,837	9,300
	<u>136,460</u>	<u>49,104</u>
<b>Total</b>	<b>136,460</b>	<b>49,104</b>

**11. PROVISIONS**

	QCA & Group 31 March 2006 £ 000	QCA & Group 31 March 2005 £ 000
i) Annual compensation payments		
Opening balance	1,235	910
Additional charge during the year	349	665
Provision not required written back	(3)	(20)
Unwinding of discount	144	(16)
Provision utilised during the year	<u>(393)</u>	<u>(304)</u>
Closing balance	<u>1,332</u>	<u>1,235</u>
ii) Building maintenance		
Opening balance	3,663	3,669
Provision not required written back	(800)	(34)
Additional charge during the year	-	398
Provision utilised during the year	<u>(208)</u>	<u>(370)</u>
Closing balance	<u>2,655</u>	<u>3,663</u>
iii) Redundancy		
Opening balance	-	-
Charge during the year	<u>9,228</u>	<u>-</u>
Closing balance	<u>9,228</u>	<u>-</u>
Total Closing Balance	<u><u>13,215</u></u>	<u><u>4,898</u></u>

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 2.8% to reflect the real cost of the present value.

The provision for building maintenance for 2005-06 recognises costs for repairs and renewals required by the lease for the Piccadilly premises to be carried out during 2006-07.

The provision for redundancy was created at the end of 2005-06 to fund the Efficiency Review Programme announced in February 2006. The Efficiency Review Programme identified significant down sizing during 2006-07. The amount charged against this provision for the year has been shown as an exceptional item on the income and expenditure account. The provision for the 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. The provision is based on compulsory redundancy terms. At the time of calculation, the details as to the staff that will be made redundant was not known and so an estimation of the costs has been made based on the roles that are at risk of redundancy.

**12. RESERVES****a) Government Grant Reserve**

	Note	QCA & Group 31 March 2006 £ 000	QCA & Group 31 March 2005 £ 000
Opening balance		3,358	3,427
Allocated from grant income	2	813	846
Released for the year		(1,057)	(1,045)
Revaluation	7	18	130
Closing balance		<u>3,132</u>	<u>3,358</u>

**b) Vocational Standards' Development Reserve**

	Note	QCA & Group 31 March 2006 £ 000	QCA & Group 31 March 2005 £ 000
Opening balance		12,129	9,003
Surplus for the year	21	2,035	3,126
Closing balance		<u>14,164</u>	<u>12,129</u>

**c) General Reserves**

	QCA 31 March 2006 £ 000	Group 31 March 2006 £ 000	QCA 31 March 2005 £ 000	Group 31 March 2005 £ 000
Opening balance	(14,856)	(14,826)	(7,901)	(7,871)
Deficit for the year	<u>(10,654)</u>	<u>(10,654)</u>	<u>(6,955)</u>	<u>(6,955)</u>
Closing government funds	<u>(25,510)</u>	<u>(25,480)</u>	<u>(14,856)</u>	<u>(14,826)</u>

**13. RECONCILIATION OF MOVEMENT IN FUNDS**

	<b>QCA 31 March 2006 £ 000</b>	<b>Group 31 March 2006 £ 000</b>	<b>QCA 31 March 2005 £ 000</b>	<b>Group 31 March 2005 £ 000</b>
Opening balance of funds	631	661	4,529	4,559
Deficit for the year	(8,619)	(8,619)	(3,829)	(3,829)
Decrease in Government grant reserve	<u>(226)</u>	<u>(226)</u>	<u>(69)</u>	<u>(69)</u>
Closing balance of funds	<u><u>(8,214)</u></u>	<u><u>(8,184)</u></u>	<u><u>631</u></u>	<u><u>661</u></u>

**14. LEASES**

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

	<b>QCA &amp; Group 31 March 2006 £ 000</b>	<b>QCA &amp; Group 31 March 2005 £ 000</b>
<b>Land and buildings</b>		
Lease expiring in:		
One year	-	-
Two to five years	17	17
Over five years	<u>3,765</u>	<u>3,765</u>
	<u>3,782</u>	<u>3,782</u>
<b>Other</b>		
Lease expiring in:		
One year	-	5
Two to five years	98	98
	<u>98</u>	<u>103</u>
Total	<u><u>3,880</u></u>	<u><u>3,885</u></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:

	<b>QCA &amp; Group 31 March 2006 £ 000</b>	<b>QCA &amp; Group 31 March 2005 £ 000</b>
Due within one year	53,110	55,911
Due within two to five years	56,982	68,246
Due after five years	6,589	10,354
	<hr/> 116,681	<hr/> 134,511
This includes capital commitments as follows:		
Due within one year	4	118
Due within two to five years	-	-
	<hr/> 4	<hr/> 118

**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 £208,500.

**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 £133.9m was received during the year.

During the year QCA had material transactions with the Qualifications, Curriculum and Assessment Authority for Wales (ACCAC), the Department for Employment and Learning in Northern Ireland (DEL) and the Northern Ireland Council for the Curriculum Examinations and Assessment (CCEA).

Research Machines plc was paid £3,443,512, BT plc was paid £96,998 and the Learning and Skills Council was paid £250,000 for work awarded under QCA's normal contracting procedures. Sir Mike Tomlinson, Ian Ferguson and Mike Beasley are QCA Board members. Sir Mike Tomlinson is a Non Executive Director of Research Machines plc, Ian Ferguson and Mike Beasley are members of the Learning and Skills Council, and Sir Anthony Greener, QCA's Chairman, is Deputy Chairman of BT plc. 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 (2004-05: 0) instance of late payment penalty being incurred during the year for £1,981 (2004-05: £nil).

**19. LOSSES AND SPECIAL PAYMENTS**

There were 4 (2004-05: 2) instances of special payments being incurred during the year, of which 3 were ex-gratia totalling £62,980 (2004-05: £113,929), and 1 extra contractual of £5,616,000 (2004/05: £nil).

There were 0 (2005: 1) instances of cash losses being incurred during the year for £nil (2005: £46,648).

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

	Year ended 31 March 2006 £	Year ended 31 March 2006 £	Year ended 31 March 2005 £	Year ended 31 March 2005 £
Grant-in-Aid		458,061		403,000
Salaries	(283,762)		(239,736)	
Travel and subsistence	(17,734)		(28,625)	
Office costs	(58,466)		(55,897)	
Project costs	(98,494)		(41,942)	
Section 75 compliance costs	<u>                    </u>		<u>(4,700)</u>	
		<u>(458,456)</u>		<u>(370,900)</u>
		<u>(395)</u>		<u>32,100</u>

There were no capital purchases from this grant during the year (2004-05: £nil).

## 21. NATIONAL OCCUPATIONAL STANDARDS DEVELOPMENT

	Year ended 31 March 2006 £ 000	Year ended 31 March 2005 £ 000
Income		
Levy	5,958	4,985
Interest receivable	499	418
	<u>6,457</u>	<u>5,403</u>
Costs		
Agency staff	-	(24)
Travel and subsistence	(2)	(2)
Supplies & Services	-	(7)
Professional services and training	(30)	(19)
Other charges	-	(1)
Part of Key Result Area 2	(4,390)	(2,224)
	<u>(4,422)</u>	<u>(2,277)</u>
Surplus	<u>2,035</u>	<u>3,126</u>

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

**22. NOTES TO THE CASH FLOW****i) Reconciliation of operating surplus (deficit) to net cash flow from operating activities**

	<b>QCA Year Ended 31 March 2006 £ 000</b>	<b>Group Year Ended 31 March 2006 £ 000</b>	<b>QCA Year Ended 31 March 2005 £ 000</b>	<b>Group Year Ended 31 March 2005 £ 000</b>
Operating deficit after exceptional item	(9,135)	(9,140)	(4,247)	(4,252)
Gross payover from subsidiary	(3,513)	-	( 1,759)	-
Depreciation and amortisation	1,017	1,017	1,040	1,040
Adjustment on revaluation	41	41	5	5
Decrease in stock	-	44	-	23
(Increase) / decrease in debtors	(1,627)	(2,908)	1,222	1,515
Increase in creditors	3,774	4,308	6,209	6,297
Increase in provisions	8,317	8,317	319	319
Release of deferred government grant	(1,057)	(1,057)	(1,045)	(1,045)
Net cash (outflow)/ inflow from operating activities	<u>(2,183)</u>	<u>622</u>	<u>1,744</u>	<u>3,902</u>

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

	<b>QCA Year Ended 31 March 2006 £ 000</b>	<b>Group Year Ended 31 March 2006 £ 000</b>	<b>QCA Year Ended 31 March 2005 £ 000</b>	<b>Group Year Ended 31 March 2005 £ 000</b>
Increase in cash for the year	1,700	1,142	3,625	4,311
Change in net debt other than cash	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net funds	1,700	1,142	3,625	4,311
Opening net funds	<u>14,362</u>	<u>15,168</u>	<u>10,737</u>	<u>10,857</u>
Closing net funds	<u><u>16,062</u></u>	<u><u>16,310</u></u>	<u><u>14,362</u></u>	<u><u>15,168</u></u>

Published by TSO (The Stationery Office) and available from:

**Online**

[www.tso.co.uk/bookshop](http://www.tso.co.uk/bookshop)

**Mail, Telephone, Fax & E-mail**

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Email [bookorders@tso.co.uk](mailto:bookorders@tso.co.uk)

Textphone 0870 240 3701

**TSO Shops**

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**The Parliamentary Bookshop**

12 Bridge Street, Parliament Square

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

**TSO Accredited Agents**

(See Yellow Pages)

*and through good booksellers*

ISBN 0-10-293826-1



9 780102 938265