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

**Annual Report and Accounts
2010-11**

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

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

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Annual Report

Introduction

The Office of Qualifications and Examinations Regulation (Ofqual) is a non-Ministerial Government Department created on 1 April 2010 under the Apprenticeships, Skills, Children and Learning Act 2009 (the ASCL Act). Ofqual's objectives under the ASCL Act are to:

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

Regulated qualifications in the context of Ofqual's remit mean academic or vocational qualifications awarded or authenticated in England, and vocational qualifications awarded or authenticated in Northern Ireland. Qualifications outside Ofqual's remit are foundation degrees, first degrees and degrees at a higher level. Ofqual works with qualifications regulators in other parts of the United Kingdom so that, as far as possible, regulatory requirements are consistent.

This is Ofqual's first Annual Report and Accounts. It presents Ofqual's aims, activities, functions and performance for the year ending 31 March 2011, and the expenditure incurred in the same period. Prior to its creation on 1 April 2010, Ofqual operated in interim form as part of the Qualifications and Curriculum Authority (QCA) in the years 2008-09 and 2009-10. The comparatives used in these accounts for the years prior to 2010-11 have been extracted from the QCA's accounts. The establishment of Ofqual

on 1 April 2010 has been treated as a Machinery of Government Change. Separately from this document, Ofqual is preparing annual reports to Parliament and the Northern Ireland Assembly on its work in 2010-11, pursuant to section 171 of the ASCL Act.

Basis of Accounts

The Resource Accounts have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000. They represent the operating costs and financial position of Ofqual for the year ended 31 March 2011.

The only entity within the Departmental Accounting Boundary during 2010-11 was Ofqual.

There are no bodies outside the Departmental Accounting Boundary for which Ofqual has lead policy responsibility.

All of Ofqual's 2010-11 resource budget was provided under its Departmental Expenditure Limit (DEL). Ofqual did not have an administrative budget in 2010-11, and all expenditure was classified by HM Treasury as programme expenditure. There was no Annually Managed Expenditure (AME).

Management Commentary

2010-11 was Ofqual's first year of existence. It had three challenges in particular during the year: regulating qualifications and assessments in line with its statutory objectives and duties; consulting on and starting to put in place its new regulatory arrangements; and setting up the organisation as a new Government Department. It was working in the context of a new Government and changes in Ofqual's leadership.

Regulated qualifications are offered by awarding organisations (sometimes known as awarding bodies or exam boards) that are recognised by Ofqual, once it is satisfied that they will award good qualifications. Ofqual recognises more than 170 awarding organisations in England and Northern Ireland. A small number of these organisations are responsible for the bulk of the academic qualifications. Some provide both academic and vocational qualifications. The majority of awarding organisations produce vocational qualifications, often in specific employment sectors.

Recognised awarding organisations have to meet published conditions, which are the principal means by which Ofqual can take regulatory action. During 2010-11, Ofqual consulted on the recognition criteria and the general conditions of recognition, which will enable it to regulate efficiently and effectively, and in line with its ambition to be a strategic and risk-based regulator. The governing body of each awarding organisation will need to confirm compliance with the conditions by May 2012. Ofqual also launched the Regulatory IT System (RITS), on time and under budget, to support its regulatory processes, and used this to publish its new online *Register of Regulated Qualifications*.

One of the most high-profile areas of Ofqual's work relates to qualifications standards. Having set conditions that determine the requirements of awarding organisations, including requirements around standards, Ofqual undertakes a range of monitoring and other activities to determine whether qualifications standards are being maintained, and to enable it to take regulatory action if they are not. In support of its standards work, Ofqual undertakes research, including in the last year a project on the reliability of qualifications and a review of qualifications standards in England against those in key competitor countries.

To meet its qualifications efficiency objective, Ofqual is undertaking analyses of the qualifications market and seeking to develop its understanding of the factors that impact on costs and efficiency. This will inform the development of the regulatory arrangements, including (but not only) Ofqual's fee-capping powers.

Ofqual's regulation of statutory assessments (which relates only to England) is less complex than for qualifications – there are only a small number of national assessments. There is also only one provider, which in 2010-11 was the Qualifications and Curriculum Development Agency (QCDA), though that agency is in the process of being closed, and its assessment functions will be taken over by a new Standards and Testing Agency, part of the Department for Education. In February 2011, Ofqual published its first statutory *Regulatory Framework for National Assessments*. This sets out Ofqual's role and responsibilities, and how it will meet them, and provides guidance to others about its work on statutory assessment arrangements.

Ofqual supports its public confidence and awareness objectives in a range of ways, for example by making available a range of information about qualifications, including on its website, engaging in public debate about qualifications and consulting on its plans for the future. In 2010-11, 20 public meetings and events around the country were organised, where Ofqual staff explained the proposals for new regulatory arrangements to a range of stakeholders.

Ofqual's decisions are made independently of Ministerial direction but its relationship with Ministers is important. Government policy often has an impact on, or relies upon, qualifications, and, where appropriate, Ofqual will seek to make sure that its regulatory arrangements complement and enable Government policy objectives. Ofqual has a duty to provide, on request, information and advice about its work to the Secretary of State, and to have regard to Government policy. The Government White Paper *The Importance of Teaching* (published by the Department for Education, 24 November 2010) asked Ofqual to provide advice on a number of issues relating to the reform of qualifications. Ministers also asked Ofqual to review standards of English qualifications against those in key comparators, and this has been a significant piece of work in the last year. Proposals also in the White Paper and now included in the current Education Bill, would add to Ofqual's statutory objectives to require it to seek to bring standards of regulated qualifications into line with those in other countries.

Ofqual expended considerable effort in 2010-11 in establishing itself as a new statutory organisation, with appropriate governance, controls and systems. It also invested

significantly in establishing and building its regulatory skills and knowledge, which was particularly important given that many staff were new to the sector, bringing valuable experience from elsewhere. All those staff engaged in regulation received intensive training and support, and all staff had the opportunity and were encouraged to learn more about regulation and all its facets. Ofqual decided to transfer a number of staff across from the QCDA, who brought experience which was of value to its work.

Management Arrangements

Ofqual consists of a Member appointed by Her Majesty by Order in Council to chair Ofqual (the Chief Regulator), between seven and 12 Ordinary Members appointed by the Secretary of State (one of whom Ofqual may appoint as deputy to the Chief Regulator) and the Chief Executive. Collectively the Members are known as the Ofqual Board. The current Education Bill proposes to transfer the Chief Regulator title to the Chief Executive.

The Members who served during the year were:

Name	Date of Appointment	Terms of Appointment
Kathleen Tattersall (Chief Regulator)	1 April 2010	3 years, to 31 March 2013
Tim Balcon	1 April 2010	2 years, to 31 March 2012
Sandra Burslem (Deputy Chair)	1 April 2010	3 years, to 31 March 2013
Ray Coughlin	1 April 2010	4 years, to 31 March 2014
Tanvi Davda	1 April 2010	4 years, to 31 March 2014
Gillian Easson	1 April 2010	4 years, to 31 March 2014
Philip Fletcher	1 April 2010	3 years, to 31 March 2013
Maggie Galliers	1 April 2010	3 years, to 31 March 2013
Denise Holt	1 April 2010	4 years, to 31 March 2014
Fay Scott	1 April 2010	4 years, to 31 March 2014
John Townsley	1 April 2010	2 years, to 31 March 2012
Neil Watts	1 April 2010	4 years, to 31 March 2014
Isabel Nisbet	1 April 2010	Interim, until the appointment of a permanent Chief Executive
Glenys Stacey	1 March 2011	Permanent, open ended

Kathleen Tattersall left Ofqual on 2 July 2010. Isabel Nisbet left Ofqual on 28 February 2011.

In addition to the above, Ofqual appointed Trevor Robinson on 1 March 2011 as an Independent Member of the Ofqual Audit and Risk Committee.

The senior staff who served during the year were:

Name	Role
Jeremy Benson	Director of Strategic Management from 25 October 2010
Steven Harrison	Head of Corporate Management
Matthew Lumby	Acting Director of Communications to 30 June 2010
Dennis Opposs	Director of Standards
Fiona Pethick	Director of Regulation
Francis Thomas	Director of Internal and External Affairs

Ofqual's detailed management arrangements and responsibilities are set out in the Ofqual Governance Framework, which is available on Ofqual's website (www.ofqual.gov.uk).

Board Directorships and Other Significant Interests

Should a potential or actual conflict of interest arise, it would be handled in line with the Civil Service Code. Details of Board directorships and other significant interests, including non-Executives, are given in Note 27.2.

Corporate Governance

Operation and Decision Making Practice

The Ofqual Board is responsible for ensuring that Ofqual complies with its statutory responsibilities as set out in the ASCL Act, all other relevant legislation and Government accounting rules in relation to its use of public funds. The Board is entrusted with public funds and, therefore, has a particular duty to observe the highest standards of corporate governance. This includes ensuring and demonstrating integrity and objectivity in the transaction of its business and, wherever possible, following a policy of openness and transparency in the dissemination of its decisions.

Ofqual has established three committees of the Board:

- Audit and Risk Committee
- Remuneration and Human Resources (HR) Committee
- Regulation of Vocational Qualifications in Northern Ireland Committee.

The Audit and Risk Committee supports the Board in its governance and risk-management responsibilities. During 2010-11, the Audit and Risk Committee was chaired by Philip Fletcher and included John Townsley, Gillian Easson and Tanvi Davda, and, from 1 March 2011, a financially qualified and Independent Member, Trevor Robinson.

The Remuneration and HR Committee considers matters relating to the pay and conditions of employment of Ofqual staff and provides strategic direction and challenge to Ofqual's Human Resources agenda. During 2010-11, the Remuneration and HR

Committee was chaired by Neil Watts and included Fay Scott, Tim Balcon and Denise Holt.

The Regulation of Vocational Qualifications in Northern Ireland Committee provides a forum for the discussion of issues of common interest relating to vocational qualifications in Northern Ireland. It enables Ofqual to be better informed by Northern Ireland perspectives and to hear the views of stakeholders on emerging policies that impact on Northern Ireland. During 2010-11, the Regulation of Vocational Qualifications in Northern Ireland Committee was chaired by Ray Coughlin and included two other Board members, Sandra Burslem and Maggie Galliers and six representatives from stakeholder groups, known as Independent Members: Trevor Carson, Justin Edwards, Catherine O'Mullan, Elsbeth Rae, Therese Rogan and Donna Sheerin.

Principal Activities

The Management Commentary above sets out Ofqual's key functions and its priorities during 2010-11. This section sets out more detail about some of its key activities during the year.

Summer Results

Ofqual oversaw a successful summer awarding season in 2010, which was the first big test of the organisation as a statutory regulator.

In particular, on 19 August 2010, thousands of A level students celebrated being among the first to earn the new A* grade. Overall, just over 8 per cent of candidates achieved an A*. This was in line with what had been expected, based on Ofqual's modelling of the spread of marks in previous years and changes to the qualifications. Ofqual played a lead role in scrutinising awarding organisations' grading work and publishing information about the approach that would be taken to awarding the new grade.

As part of an ongoing scrutiny programme, Ofqual looked in depth at the A level papers, scripts and grades awarded. Six A level subjects were chosen across the three awarding organisations in England. The report concludes that the six qualifications monitored were appropriate in terms of the demand they placed on students at this level and that they allowed students to demonstrate their full ability.

The Ofqual report on the summer examinations, *Delivery of Summer 2010 Examinations of GCSE, A level, Principal Learning, Project and Diploma*, published in November 2010, concluded that, overall, examinations were carried out effectively, professionally and fairly. 16 million scripts and seven million pieces of coursework were marked, and the results were mostly delivered on time.

Upholding GCSE Science Standards

Ofqual has played a crucial role in protecting the standard of GCSE Science and Additional Science. The qualifications were revised in 2005 for first teaching in 2007, and the first awards in 2008, on which Ofqual reported in March 2009, demonstrated that there had been a decline in the standards of demand of the assessments.

In July 2010 Ofqual (along with the regulator for Wales) published *Review of Standards in Summer 2009 GCSE Science and GCSE Additional Science*. This report was undertaken in response to published data from the summer 2009 awards. The report concluded that the summer 2009 examination papers did not generally match the grade descriptions and did not give candidates of all abilities the opportunity to demonstrate their full knowledge, understanding and skills. The report also made six recommendations, which applied both to work on the current GCSEs and on the new GCSEs being developed for 2011.

During 2010-11 the awarding organisations developed GCSE Science specifications (i.e. proposed new versions of the qualifications), which fully met the new regulatory criteria. By March 2011 Ofqual was able to accredit most of the specifications. All 36 specifications have now been accredited for first teaching from September 2011.

Malpractice

During 2010-11 Ofqual played a leading role in exposing some woefully poor English language courses for non-English speakers. From 7 April 2010 the Home Office made some changes to the requirements for those applying for indefinite leave to remain or British Citizenship. The changes centred on the English language requirements. The Home Office wished to make the requirements more explicit and help ensure the validity and rigour of the system.

The vast majority of the systems for the delivery and assessment of the English for Speakers of Other Languages (ESOL) qualification meet the required standard, but Ofqual continues to receive a number of allegations of centre malpractice, where unscrupulous centres are offering ESOL qualifications without any sound registration or assessment methods. In response to this Ofqual has taken action to help ensure the integrity of these qualifications and protect the interests of this group of sometimes vulnerable learners.

Economic Regulation

In 2010-11 Ofqual carried out a major consultation on its plans for economic regulation and fee-capping powers. The responses were published in March 2011. Ofqual will publish its response to this feedback this summer.

As part of Ofqual's overall approach to securing efficiency, it will impose new requirements on awarding organisations to provide information, which will encourage schools, colleges and other purchasers of qualifications to make more effective

purchasing decisions. These were part of the recognition conditions developed and consulted on in 2010-11, and published by Ofqual in May 2011. They include new measures to increase price transparency and the clarity of information provided to learners, purchasers and other users of qualifications about the qualifications and associated products and services offered into the market. The conditions also require awarding organisations to manage any conflict of interest arising from their wider business activities or as a result of other actions engaged in by their employees. Awarding organisations must also have a clear rationale for where qualifications are bundled with other products and services.

Leadership Changes

Ofqual's first year as a statutory body was marked by significant leadership changes and the recruitment of fresh talent. A new Board was appointed at the start of the year. Kathleen Tattersall, the first Chair and Chief Regulator, stepped down in July 2010. At the end of February 2011 Isabel Nisbet, Ofqual's first Chief Executive, left for a new position.

On 1 March 2011 Glenys Stacey joined as the new Chief Executive. Dame Sandra Burslem, the Deputy Chair, stepped in to provide continuity whilst the process to appoint a new Chair was undertaken. On 7 June 2011 it was announced that the Secretary of State for Education had recommended that Amanda Spielman be appointed as Ofqual's second Chair, subject to the Order in Council, which will give effect to the appointment, being approved by Her Majesty.

Departmental Data Reporting Tables

These tables explain what Ofqual spends its money on. They provide an analysis of departmental expenditure in resource terms, showing resource consumption and capital investment. The information includes tables outlining how Ofqual spends its money by country and region.

Table 1: Public Spending

This table summarises Ofqual's expenditure from 2008–09, when Ofqual was first created in interim form as part of the QCA, to 2010–11, and that planned and agreed with HM Treasury for the four spending review years to 2014-15.

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Planned	Planned	Planned	Planned
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Consumption of Resources							
<i>Regulation of qualifications</i>	13,317	18,651	15,268	17,089	17,092	16,387	15,717
Total Resource Budget DEL	13,317	18,651	15,268	17,089	17,092	16,387	15,717
<i>Resource AME</i>							
<i>Regulation of qualifications</i>							
Total Resource Budget	13,317	18,651	15,268	17,089	17,092	16,387	15,717
Capital Spending							
<i>Regulation of qualifications</i>							
Total Capital Budget	96	1,016	2,876	700	100	100	100
<i>of which</i>			2,876	700	100	100	100
<i>Capital DEL</i>							
Total Public Spending²	13,413	19,667	18,144	17,789	17,192	16,487	15,817

Notes:

1. Total public spending is the total of the resource budget plus the capital budget, less depreciation
2. Comparative information in the financial statements has been restated following the removal of the requirement in the 2010-11 *Government Financial Reporting Manual (FRM)* to recognise a notional cost of capital charge. This change has a nil impact on the financial performance or financial position at 31 March 2011. See Note 1.3 on page 51
3. Ofqual's establishment on 1 April 2010 was treated as a Machinery of Government Change. The 2008-09 and 2009-10 figures included for comparison are supplied by the QCDA. For 2009-10 these include both transitional and set-up costs.

Table 2: Public Spending Control

This table reconciles Ofqual's expenditure in 2010-11 with its original and final budgetary control limits.

	2010-11 £000	2009-10 £000
Net Resource (Estimates)	17,300	0
Net Operating Cost (Accounts)	15,268	18,651
Net Resource Outturn (Accounts)	15,268	18,651
Net Resource Budget (Budget)	17,300	18,651
Net Underspend	2,032	0

Notes:

1. Estimates are the means of obtaining from Parliament the legal authority to consume the resources and spend the cash the Government needs to finance the Department's agreed spending programmes for the financial year (April to March). Parliament gives statutory authority for both the consumption of resources and for cash to be drawn from the Consolidated Fund (the Government's general bank account at the Bank of England) by Acts of Parliament known as Consolidated Fund Acts and by an annual Appropriation Act. This process is known as the Supply Procedure. The Main Estimates start the Supply Procedure and are presented by HM Treasury around the start of the financial year to which they relate. HM Treasury presents, alongside the Main Estimates, a set of supplementary budgetary information tables reconciling the Estimates to Departmental Report tables. In 2009-10 Ofqual was part of the QCA, a non-Departmental Public Body funded primarily by Grant-in-Aid from the Department for Education. Accordingly there was no comparable Parliamentary Supply in 2009-10
2. The Main Estimate is published at the beginning of the financial year. There are two Supplementary Estimates: Winter and Spring, which are produced in November and January respectively. Details of all Estimates can be found on HM Treasury's website www.hm-treasury.gov.uk/psr_estimates_index.htm

Significant Variances against Estimate

Explanation of the Underspend against the Estimate, Departmental Expenditure Limit and Net Cash Requirement: Ofqual spent £2.03M less than its Resource Estimate. This was due to a number of factors, including the new controls on expenditure introduced during the year, the fact that Ofqual did not recruit to its budgeted staff complement and the delivery of RITS, its main IT project, under budget.

Table 3: Capital Employed

This table shows the capital employed and planned to be employed by Ofqual:

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Planned	Planned	Planned	Planned
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets and Liabilities on the Statement of Financial Position at end of year							
Non Current Assets							
Property, Plant and Equipment	81	996	3,135	700	100	100	100
of which IT			364				
Intangible Assets	7	115	3,499	700	100	100	100
Current Assets	39	99	996	350	360	370	375
Current Liabilities (< 1 Year)	-1,386	-2,570	-2,474	-1,450	-1,300	-1,300	-1,350
Provisions	0	0	0	0	0	0	0
Total Capital Employed in the Department	-1,266	-1,475	2,021	-400	-840	-830	-875

Table 4: Administration Budgets

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
	Outturn	Outturn	Outturn	Planned	Planned	Planned	Planned
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure							
Pay	0	0	0	7,537	7,599	7,634	7,664
Other Expenditure	0	0	0	9,060	8,326	7,553	6,842
Total Expenditure	0	0	0	16,597	15,925	15,187	14,506
Income	0	0	0	534	561	589	618
Total Administrative Budget	0	0	0	16,063	15,364	14,599	13,887

Notes:

1. In 2010-11 and in Ofqual's shadow years of 2008-09 and 2009-10, all expenditure was classified by HM Treasury as programme expenditure. For 2011-12 and beyond, Ofqual will be subject to the administrative cost regime. Table 4 shows Ofqual's agreed planned Administration budgets for the forthcoming years
2. During the first quarter of 2010-11, immediately after its creation, Ofqual received services from the QCDA. These covered finalising the 2009-10 transactions and processing invoices arising in the first part of 2010-11. It has been calculated that this service cost a notional £7,115.

Table 5: Staff

	2008-09 Number	2009-10 Number	2010-11 Number
Senior Civil Service			
Payband 3			
Payband 2			1
Payband 1			4
			4
Civil Servants			155
Total Civil Servants			160
Temporary staff			20
Consultants			4
Total			184

Notes:

1. Ofqual's salary bands do not coincide with the Civil Service salary bands. The five employees in the above table identified as within the range of the Senior Civil Service (SCS) pay bands are the Chief Executive and the four Directors. A further six employees below Director level, and, therefore, not in the SCS, have salaries between £75,000 and £89,999
2. Although this table shows the number of staff in Ofqual, neither temporary staff nor consultants were Ofqual employees. They are included in this table to show the number of people contributing to Ofqual's activities
3. In the year ended 31 March 2011, Ofqual spent £248,000 on consultancy and £1,520,000 on temporary staff (consultancy and temporary staff being defined in accordance with the Office of Government Commerce's (OGC) definitions).

Table 6: Identifiable Expenditure on Services by Country and Region

Ofqual's remit is to regulate qualifications, examinations and assessments in England and vocational qualifications in Northern Ireland. This table shows actual identifiable expenditure on services by country for Ofqual's first year as a non-Ministerial Department and for the two prior years when it operated in interim form as part of the QCA.

Table 6: Identifiable Expenditure on Services by Country and Region

	2008-09 Outturn £'000	2009-10 Outturn £'000	2010-11 Outturn £'000
England	12,791	18,055	14,737
Total England	12,791	18,055	14,737
Scotland	0	0	0
Wales	0	0	0
Northern Ireland	526	596	531
Total UK identifiable expenditure	13,317	18,651	15,268
Outside UK			0
Total identifiable expenditure	13,317	18,651	15,268
Non-identifiable expenditure			0
Total Expenditure	13,317	18,651	15,268

Table 7: Identifiable Expenditure on Services, by Country and Region, Per Head

This has been omitted from these Accounts, as Ofqual's spend pro-rated across England is such that outturn per head of population equates to significantly less than £1.

Table 8: Spending by Function or Programme by Country and Region in 2010-11

	Function / Programme 1 £'000	Total £'000
England	14,737	14,737
Total England	14,737	14,737
Scotland	0	0
Wales	0	0
Northern Ireland	531	531
Total UK identifiable expenditure	15,268	15,268
Outside UK	0	0
Total identifiable expenditure	15,268	15,268
Non-identifiable expenditure	0	0
Total Expenditure	15,268	15,268

Notes:

1. The data in Table 8 is consistent with the information contained in the Accounts. Ofqual came into being on 1 April 2010. Therefore, no comparable data could be published by HM Treasury in Chapter 9 of *Public Expenditure Statistical Analyses (PESA) 2010*

2. The figures in this table include pay, procurement, capital expenditure, and grants and subsidies to individuals and private-sector enterprises
3. The data is based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded
4. Across Government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that, on the whole, have not been made primarily on a regional basis.

Going Concern

The statement of financial position at 31 March 2011 shows Net Current Liabilities of £1.5M. This reflects the policy, under the Government Resources and Accounts Act 2000, that no money may be drawn from the Consolidated Fund other than that required for the service of the specified year to meet the net cash requirement. All unspent monies, including those derived from Ofqual's income, are surrenderable to the Consolidated Fund and are disclosed as a year-end liability.

In common with other Government Departments, the future financing of Ofqual's liabilities is, accordingly, to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Ofqual's planned and agreed expenditure with HM Treasury for the four years 2011-15 is shown in Table 1 (Public Spending), and there is no reason to believe that future approvals will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

Ofqual holds one remote contingent liability on behalf of the Secretary of State for Education. This liability is a commitment to the landlord of Ofqual's business premises. On a reducing basis an agreement was undertaken to pay the remaining years of the lease, should Ofqual vacate the premises in advance of the expiry of the lease.

Performance

An assessment of the extent to which Ofqual has met its statutory objectives is given below:

Statutory objective

The qualifications standards objective – to secure that regulated qualifications give a reliable indication of knowledge, skills and understanding, and indicate a consistent level of attainment (including over time) between comparable regulated qualifications.

Assessment

A key focus of Ofqual's regulatory arrangements is to secure the standards and validity of qualifications, and it has been tightening its regulatory arrangements during 2010-11 with consultations on new criteria and conditions. This will put Ofqual in a stronger position to take action on standards, where it needs to, in the future.

There are 15,000 regulated qualifications, so Ofqual has to target its resources. A major focus in 2010-11 was the award of the new A levels, including the award of the first A* grades. The difference in the percentage of students achieving grade A last year compared with 2009 was very small. The new A* grade was awarded to just over eight per cent of students. Ofqual's scrutiny monitoring programme looked in detail at six particular A level qualifications and found in general that standards had been maintained as the new grade was introduced.

Ofqual also worked proactively on the introduction of the new unitised GCSEs. It accredited new, tougher GCSEs in the sciences to replace qualifications where it had criticised the standards. Ofqual's vocational qualifications monitoring programme looked in detail at 12 qualifications, plus functional skills qualifications at five levels. Ofqual started a major programme of work comparing A levels with similar qualifications used in different jurisdictions around the world.

Ofqual's assessment is that this was a successful year for its qualifications standards work. The new regulatory approach it is putting in place, and the proposal to strengthen its qualifications standards objective, will require it to reconsider how it approaches standards work in future.

Statutory objective

The assessment standards objective – to promote the development and implementation of regulated assessment arrangements, which give a reliable indication of achievement, and indicate a consistent level of attainment (including over time) between comparable assessments.

Assessment

The publication of Ofqual's *Regulatory Framework for National Assessments: Early Years Foundation Stage and National Curriculum* in February 2011 met a key requirement in the Apprenticeships, Skills, Children and Learning Act. It was a critical step towards Ofqual meeting the statutory objective. The framework sets out clear criteria for the development and implementation of national assessment arrangements and provides the framework against which Ofqual now regulates standards in those assessments. The framework will be particularly significant in the near future as new national assessments are developed and introduced, and existing approaches are modified.

During the year Ofqual also published reports dealing with standards in the 2010 Key Stage 2 tests, reviewing the evidence produced from the pilot of Single Level Tests and on aspects of early years assessments. The evidence from these reports and the publication of the framework led Ofqual to conclude that it met this objective in 2010-11.

Statutory objective

The public confidence objective – to promote public confidence in regulated qualifications and regulated assessment arrangements.

Assessment

The public confidence objective is delivered through a communications strategy and business plan.

Ofqual's annual survey of public perceptions showed that overall confidence in GCSEs and A levels remained high. However, Ofqual is not complacent and knows that there is still work to do to build confidence in the examinations system.

During the year Ofqual advised and made public comment on a number of incidents that had the potential to disrupt examinations, notably adverse weather (snow) and travel disruption caused by volcanic ash. Ofqual was able to provide assurances that learners would be treated fairly and standards secured in the event of disruption that prevented centres from opening or individual learners from attending for a particular examination.

Ofqual took the lead in publishing information about the first awarding of A* A levels, enabling people to understand and have confidence in how the grade would be awarded.

During the year the Ofqual Helpdesk responded to 8,335 requests for information. The investigations team handled 413 complaints and investigations, including major investigations into marking failures at the awarding organisations AQA and CCEA –

the latter at an invitation from the Minister of Education in Northern Ireland. Both investigations were published as part of Ofqual's commitment to transparency to build confidence in the system. Work is ongoing to eliminate malpractice in high-stakes vocational qualifications including ESOL.

Ofqual took action in response to concerns raised by schools and colleges, in particular that newly developed qualifications in childcare were not suitable for younger and/or full-time learners.

Statutory objective

The awareness objective – to promote awareness and understanding of the range of regulated qualifications available, the benefits of regulated qualifications to learners, employers and institutions within the higher education sector, and the benefits of recognition to bodies awarding or authenticating qualifications.

Assessment

The awareness objective is also delivered through the communications strategy and the business plan.

Like all public sector organisations, Ofqual has been subject to severe restrictions on marketing expenditure since May 2010, which had a direct impact on activity to support the awareness objective. This is particularly true as a new organisation that would typically see a 'front loading' of activity which is then sustained with lower levels of investment in subsequent years.

Ofqual has, therefore, had to take a targeted approach. It is not surprising, therefore, that awareness of Ofqual among the general public is low, just 14 per cent, which impacts on its ability to build confidence. However, where activity has been targeted, among teachers, some scores (effectiveness) increased by as much as two-thirds in the last year.

In October 2010 Ofqual launched its new *Register of Regulated Qualifications*. The *Register* is accessible through the Ofqual website and enables people to view the full range of regulated qualifications and to use a variety of search functions.

Ofqual's assessment, therefore, is that it was unable to do as much to promote awareness as it had intended, and that levels of awareness are, therefore, below what it would want.

Statutory objective

The efficiency objective – to secure that regulated qualifications are provided efficiently and in particular that any relevant sums payable to a body awarding or authenticating a qualification in respect of which the body is recognised under section 132 of the ASCL Act represent value for money.

Assessment

Healthy competitive markets drive innovation, efficiency and consumer choice. Healthy markets include incentives, if necessary backed up by regulation, to drive desirable behaviours and to discourage moves against the public interest. The qualifications market(s) can only be described as healthy if standards and public confidence are maintained. As Ofqual seeks to secure efficiency and value for money, it will make sure that it takes into account the need for the market to secure standards and public confidence.

Regulation must protect against commercial behaviours driving down standards whilst promoting efficiency.

Building on these principles and three studies Ofqual published into aspects of its role as an economic regulator, it carried out a major consultation on its plans for economic regulation and fee-capping powers. Ofqual will be publishing its responses to feedback from this consultation this summer.

The recognition conditions published in May 2010 included new requirements on awarding organisations designed to encourage more effective purchasing by centres, including measures to increase price transparency and the clarity of information provided to learners, purchasers and other users of qualifications about the qualifications and associated products and services offered into the market. The conditions also require awarding organisations to manage any conflict of interest arising from their wider business activities or as a result of other actions engaged in by their employees. Awarding organisations must also have a clear rationale for where qualifications are bundled together with other products and services.

Ofqual has worked collaboratively with other stakeholders to address efficiency and value-for-money issues in the market. It has worked with the Skills Funding Agency with whom it shares a common objective of encouraging more intelligent purchasing of qualifications by colleges. Ofqual has worked with the Office of Fair Trading (OFT) to understand how they can work together, where a potential competition issue arises, given Ofqual's complementary regulatory and competition powers.

Ofqual has been building a better understanding among its stakeholders of its approach to securing efficiency through in particular its Economic Regulation Advisory Group, which meets quarterly, but also through individual engagement with awarding organisations and other stakeholders. Ofqual has set up a group to advise on a

significant study that it will be launching in July 2011 to understand the drivers and barriers to innovation in the qualifications market.

Ofqual has increased the transparency of information available on the qualifications market through the publication of quarterly statistics on qualification achievements and the publication of an Annual Market Report.

Ofqual has set up a group to advise on a significant study that will be launching in July 2011 to understand the drivers and barriers to innovation in the qualifications market. This study will include Northern Ireland.

In Ofqual's statutory consultation last autumn it stated that it planned to regulate at the level of awarding organisation rather than individual qualification. This approach matches exactly the one advocated by the Wolf report.

Overall, therefore, Ofqual does not yet have the evidence to be able to determine whether or not this objective is being met, but it is making good progress towards the point where it will be able to do so.

Managing Principal Risks and Uncertainties

Details on managing Ofqual's principal risks and uncertainties can be found in the Statement on Internal Control.

Public Accounts Committee (PAC) Recommendations

No recommendations have been made directly by the PAC that relate to Ofqual's responsibilities.

Complaints to the Parliamentary Ombudsman

No complaints were accepted by the Parliamentary Ombudsman for investigation during the course of the year.

Other Information in the Public Interest

Performance in responding to enquires from the public

Ofqual has a responsibility to provide information and guidance to those it regulates, teachers, learners and the wider public, including a statutory awareness objective. Over the last year Ofqual handled 8,539 queries from teachers, learners and the general public, and took 4,311 calls via the switchboard.

In terms of responsiveness, Ofqual answered calls on average within 13.5 seconds and failed to answer a total of 292 calls. 90 per cent of emails were acknowledged within 2 working days.

The types of enquiries were varied in nature with the following making up the highest categories in terms of calls/emails received:

- | | |
|---|-------|
| • equivalence of qualifications | 1,352 |
| • approval to become an awarding organisation | 1,347 |
| • certification queries | 824 |
| • National Database of Accredited Qualifications (NDAQ) | 632 |
| • The Register (the replacement for NDAQ) | 724 |

Recruitment Practice

The *Civil Service Order in Council 1995* sets out the legal basis for Ofqual recruitment policies and practice. The *Civil Service Commissioners' Principles for Recruitment* and the *Recruitment Code* are mandatory when any post is opened to competition from outside the Civil Service.

When Ofqual was established on 1 April 2010, 133 employees transferred to Ofqual from the QCA. Five employees subsequently transferred from the QCDA (as the QCA had then become) during 2010-11, and a further 10 were seconded from the QCDA in January 2011 and transferred on 1 April 2011. Since mid-2010, Ofqual has adhered to the Government's freeze on recruitment from outside the public sector, and during 2010-11 a further 22 employees were recruited from other organisations within the public sector to meet Ofqual's planned development. This gives a total Civil Service complement as at 31 March 2011 of 160 staff.

Sickness Absence

Ofqual monitors sickness absence, including benchmarking it against Cabinet Office quarterly figures covering the previous 12 months for the Civil Service. Policies and good working practices are being reviewed, and new procedures are being introduced to improve the management of sickness absence. These include conducting return-to-work interviews, advice by occupational health professionals on the medical and Disability Discrimination Act aspects of cases, provision of counselling, and information, training and advisory services through a contracted Employee Assistance Programme.

A total of 927 days (on average, 6.6 days per employee) were lost to sickness in 2010–11, compared with the average for the Civil Service as a whole of 8.3 days per employee.

Health and Safety

No reportable incidents occurred in 2010-11.

Diversity and Employment of Disabled Persons

Ofqual initiated a review of its employment policies during the year, and an integral part of that review was an equality impact programme. Those tasked with the review have received formal training. Ofqual actively encourages a Diversity and Inclusion Forum and a Black, Asian and Ethnic Minorities Group. At 31 March 2011, 6.9 per cent of staff classified themselves as disabled, 28.3 per cent were from non-white British ethnic groups and 62.6 per cent were female.

Corporate Social Responsibility

Ofqual offers a ‘give as you earn’ payroll facility to all staff and also encourages, through paid leave, involvement in the community through school governorships, helping with primary school pupil reading skills and project delivery skills for secondary school pupils (the ‘Say Yes’ project).

Sustainable Development

Ofqual endeavours to balance economic, environmental and social aspects in all that it does. It seeks to ensure that it adheres to the Government’s framework and key priorities in doing this. The framework will drive all of Government to reduce greenhouse gas emissions and ensure that the estate is resilient to the impacts of a changing climate. The framework also includes challenging targets on waste reduction and recovery, and more efficient use of water. It promotes the protection and enhancement of biodiversity, and positive engagement with the community. Sustainable procurement holds an enhanced place in the Government’s framework, encouraging all organisations to use their considerable purchasing power to positively influence suppliers and reduce the impact of the supply chain on the environment.

Publicity and Advertising

Ofqual was subject to the Government-wide freeze on all 'paid-for advertising and marketing' as part of the Efficiency and Reform Programme. Ofqual established internal mechanisms to ensure that these controls were adhered to. Where activity was allowable under the stated exemptions, these were documented and signed off at the appropriate level.

Sponsorship

Ofqual does not undertake any sponsorship.

Personal Data Related Incidents

Ofqual does not handle highly sensitive information, a fact which is reflected in its information systems and related policies and procedures.

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

Summary of Protected Personal Data Related Incidents Formally Reported to the Information Commissioner's Office in 2010-11

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

Summary of Other Protected Personal Data Related Incidents in 2010-11

Incidents deemed by the Data Controller not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within Ofqual are set out in the table below. Small, localised incidents are not recorded centrally and are not cited in these figures.		
Category	Nature of incident	Total
i	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	
ii	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	
iii	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	
iv	Unauthorised disclosure	
v	Other	2

There were two incidents recorded: one incident when information from the Ofqual intranet was accidentally published on the Ofqual website, and an instance of a lack of adherence to Ofqual's password policy within the new finance system.

Payment of Suppliers

The standard terms of payment for all contracts is 30 days from receipt and agreement of a valid invoice. Exceptions resulting in a longer period have to be fully justified by a business case and agreed by the appropriate senior manager. Payment practice is in line with that of all other Government Departments following the then Prime Minister's statement in the House of Commons in October 2008 that the Government had committed to pay all valid invoices for Small and Medium Enterprises within 10 days.

Payment of creditors is reported on a creditor-days basis. This is calculated as a proportion of the amount owed to trade creditors at the year end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year. Under this measure, Ofqual paid suppliers within an average of 18 creditor days in 2010–11.

£91 was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2009–10 £25).

Pension Liabilities

Details of the treatment of pension liabilities can be found in Note 9, and pension entitlements of Members and senior members of staff are detailed in the Remuneration Report.

Future Priorities

Plans for 2011-12 are in two interlinked and related areas: standards and regulation. Priorities in each of these areas are given below. Ofqual will also continue to develop its capabilities; priorities for this area are also given below. Ofqual published a business plan for 2011-12 in May 2011 (available on the Ofqual website), which provides more detail.

In the standards area, as well as the ongoing work to monitor and report on qualifications and assessments standards, Ofqual will:

- continue to work on reliability to help it improve further the quality of qualifications, examinations and assessments
- extend research into reliability and begin a programme of work on the validity of qualifications, examinations and assessments, starting with National Curriculum assessments and GCSEs
- undertake a range of activities both to support and evaluate the efficacy of arrangements in place for the assessment of younger children, focusing on the Early Years Foundation Stage profile and Key Stages 1 and 3

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- evaluate the impact of the Early Years Foundation Stage Moderator Registration programme, and undertake research and publish findings on current practice and recent trends in Key Stage 1 and Key Stage 3 national assessments
- continue with international qualifications standards work so as to consider and advise Government on what it can learn from the way things are done in other countries, and in preparation for its proposed new objective in the Education Bill
- structure and lead a debate on qualifications standards over the course of the year
- work with others to enhance arrangements for involving higher education and learned societies in A level development.

In the regulation area Ofqual will:

- improve the way it regulates. A start will be made by introducing a new set of criteria for the recognition of awarding organisations and new recognition conditions – these were published in May 2011 and will take effect in July 2011
- ensure that existing awarding organisations understand the new requirements by discussing the conditions with them as they confirm their compliance with them, as they will be expected to do by May 2012
- review compliance for each awarding organisation, using a combination of self-evaluation and compliance-statement requirements
- revise and enhance its general recognition conditions and monitoring processes to guarantee the benchmarks set by the new general conditions of recognition
- finalise the current consultation underway on a single equality scheme, utilising its external advisory group
- following the consultation on its *Policy for Taking Regulatory Action*, setting out the approach it intends to follow in exercising its statutory powers, publish a statement as to the intended process for the use of its fee-capping powers and conclusions on the overall consultation on economic regulation
- consult on the specifications it should make under the Equality Act 2010 to limit the use of reasonable adjustments available to disabled learners who are taking general qualifications
- develop, and share with stakeholders, its risk model – that is, the model that will support decisions within the organisation on how it best applies its limited resources, based on risk
- apply the risk-based approach to priority areas: those qualifications that are central to accessing higher education or employment; those (such as English for Speakers

of Other Languages (ESOL)) that are required for residence in the UK (and where Ofqual is investigating allegations of fraud); and those that represent a licence to practice (for example, in childcare, food safety and financial planning)

- move to one qualifications framework, to which all regulated qualifications currently in the Qualifications and Credit Framework (QCF) and the National Qualifications Framework (NQF) can be referenced without imposing one set of detailed design rules on all qualifications
- continue to work with its Regulation of Vocational Qualifications in Northern Ireland Committee to check that it is regulating in a way that meets the particular needs of Northern Ireland
- regulate alongside other regulators in Wales, Northern Ireland and Scotland, and continue to work closely with them, sharing the detail of its approaches to regulation and respecting any differences
- continue to engage appropriately with European education initiatives so that its approach to regulation both shapes and reflects them, as required
- encourage awarding organisations to innovate, starting with a stock take of innovation and consideration of how it might best facilitate innovation across the sector in future
- continue the work started in 2010-11 to build its understanding of the economics of the qualifications market
- address efficiency and value for money in the market. Most immediately, work with the Skills Funding Agency to encourage better procurement arrangements by colleges for qualifications, to promote choice, value for money and a healthy market
- continue to work closely with the OFT and with the Department for Business, Innovation and Skills to develop market analyses and to identify those dimensions that are indicative of a healthy market.

In developing capacity and capability Ofqual will:

- implement a mix of structural, cultural and individual role changes to enable it to deliver the new approach to regulation
- continue to invest in regulation training and development for staff
- continue to develop and enhance its regulatory systems, building on the successful RITS development in 2010-11

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- invest in and increase its research capacity and capability, and expertise in qualifications standards, to support development of the necessary evidence base in standards
- enhance its systems of governance and financial control
- develop its people strategies. Priorities will be the review of pay and reward, the development of performance-management systems, and strategies to engage all staff in the development of Ofqual
- improve the provision of information on its website.

Events after the Reporting Period

There have been no events after the reporting period requiring an adjustment to the financial statements.

Details of non-adjusting events have been included in Note 30.

Auditor

The Comptroller and Auditor General has been appointed to audit Ofqual and has charged a notional £68,000 for auditing Ofqual's 2010-11 Accounts. All external audit remuneration is for audit work undertaken on the Accounts.

As far as the Accounting Officer is aware, there is no relevant audit information of which Ofqual's auditors are unaware. The Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant audit information and to establish that Ofqual's auditors are aware of that information.

Glenys Stacey

Accounting Officer for Ofqual
Date: 21 June 2011

Remuneration Report

Part 1 – Not subject to Audit

Ministers

Ofqual is a non-Ministerial Government Department and reports directly to Parliament, with scrutiny, where appropriate, from the relevant select committees. Where Ministerial authority for decisions needs to be sought, or where a Minister is required to answer for Ofqual in Parliament, Ofqual looks to the Secretary of State for Education, whose remuneration is included in the Department for Education's Resource Accounts. Ofqual also works with the Department for Education and Learning that has responsibility for vocational qualifications in Northern Ireland.

Ofqual

The remuneration, allowances and expenses of Members are determined by the Secretary of State (in practice, the Secretary of State for Education). Ofqual, with the approval of the Secretary of State, appoints a Chief Executive and other members of staff and determines their conditions of service.

Members

Members are appointed for renewable terms of not more than five years. Members may be removed from office if they become unable or unfit to carry out the duties of office or if they are absent from Ofqual's meetings for a continuous period of more than six months without Ofqual's permission.

The Chief Executive and Directors

The Chief Executive, Directors and members of staff are Civil Servants. Civil Service appointments are made in accordance with the *Civil Service Commissioners' Recruitment Code*, which requires appointment to be on merit on the basis of fair and open competition.

Unless otherwise stated below, the officials covered by this report hold appointments that are open ended. Early termination, other than for misconduct, could result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk

The Chief Regulator, Members, Chief Executive and other Directors are covered by the *Civil Service Management Code*, and potential and actual conflicts of interest are managed in accordance with this Code. Note 27 of the Statement of Accounts lists the

directorships and other significant interests held by Board Members and senior staff during the year.

Ofqual maintains a Register of Interests that is open to the public and accessible via a written request for information addressed to the Ofqual Board Secretary.

Remuneration Policy

Members' remuneration is determined by the Secretary of State for Education.

The Chief Executive and Directors are paid salaries in accordance with Ofqual's pay policy and pay band structure, which was established when Ofqual was part of the QCA. Ofqual's pay structure comprises six pay bands that are approved by Ofqual's Remuneration and HR Committee. Ofqual's pay structure broadly aligns with the Civil Service pay bands and there are no incremental points or rights to automatic increases. In line with the rest of the Civil Service, from April 2010, Ofqual has been subject to a two-year pay freeze with an exception for employees whose salaries were below £21,000, who have been awarded a 2 per cent annual increase.

Following approval by the Remuneration and HR Committee, Ofqual submitted a proposal for Ministerial approval to the Department for Education in January 2011 for a performance award scheme. Under this scheme a proportion of the pay bill would be retained in a pool and based on an assessment of both corporate and individual performance. However, eligible staff may receive a non-consolidated performance award; the matter is still under consideration.

Part 2 - Subject to Audit

Remuneration (Including Salary) and Pension Entitlements

The following table details the remuneration and pension entitlements of Members, the Chief Executive and Ofqual's senior managers.

	Salary (as defined below)	Prior year salary (as defined below)	Real increase in pension and related lump sum at pension age	Total accrued pension at pension age as at 31 March 2011 and related lump sum	CETV at 31 March 2010	CETV at 31 March 2011	Real Increase in CETV
	£000	£000	£000	£000	£000	£000	£000
Members							
Sandra Burslem <i>Deputy Chair</i>	30-35 (35-40)	-	-	-	-	-	-
Tim Balcon	5-10	-	-	-	-	-	-
Ray Coughlin	5-10	-	-	-	-	-	-
Tarvi Davda	5-10	-	-	-	-	-	-
Gillian Easson	5-10	-	-	-	-	-	-
Philip Fletcher	5-10	-	-	-	-	-	-
Denise Holt	5-10	-	-	-	-	-	-
Fay Scott	5-10	-	-	-	-	-	-
John Townsley	5-10	-	-	-	-	-	-
Neil Watts	5-10	-	-	-	-	-	-
Senior Staff							
Glenys Stacey <i>Chief Executive from 1 March 2011</i>	5-10 (115-120)	-	-	5-10 plus 115-120 lump sum	124	-	3
Jeremy Benson <i>Director of Strategic Management from 25 October 2010</i>	35-40 (80-85)	-	0-2.5	15-20	131	148	16
Steven Harrison <i>Head of Corporate Management</i>	65-70	65-70	0-2.5	5-10	78	111	25
Dennis Opposs <i>Director of Standards</i>	100-105	110-115	0-2.5 plus 2.5-5 lump sum	45-50 plus 135-140 lump sum	916	1018	31
Fiona Pethick <i>Director of Regulation</i>	100-105	110-115	0-2.5 plus 0-2.5 lump sum	35-40 plus 105-110 lump sum	575	628	4
Francis Thomas <i>Director of Internal and External Affairs</i>	95-100	95-100	0-2.5	0-2.5	2	25	19
Members and senior staff who served during 2010-11 who were not in post at 31 March 2010							
Kathleen Tattersall <i>Chair and Chief Regulator to 2 July 2010</i>	15-20	55-60	-	-	-	-	-
Isabel Nisbet <i>Chief Executive to 28 February 2011</i>	120-125	165-170	0-2.5	10-15	187	230	28
Matthew Lumby <i>Acting Director of Communications to 30 June 2010</i>	20-25	85-90	-	-	-	-	-

In addition to the salaries detailed above, two Directors received benefits in kind. The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. To the nearest £100, benefits

in kind were received by Isabel Nisbet, £14,100 for the provision of living accommodation and travel, and Francis Thomas, £11,900 to cover relocation expenses.

Full-year salary equivalents for senior staff who served for part of the year are shown in brackets. The information for the increases in pension, total accrued pension and Cash Equivalent Transfer Value (CETV) were provided by Ofqual's Principal Civil Service Pension Scheme (PCSPS) pension service centre in accordance with calculations and in the format determined by the PCSPS and the Cabinet Office.

Salary includes gross salary and other allowances subject to UK taxation.

The level of any authorised staff bonuses has yet to be finalised.

Pension Benefits

Members' positions are not pensionable. Pension benefits for staff are provided through the Civil Service pension arrangements. From 30 July 2007, Civil Servants may be in one of four defined benefit schemes: either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. From 1 April 2011 pensions payable under classic, premium, classic plus and nuvos are increasing annually in line with changes in the Consumer Prices Index (CPI). Members who joined from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002, calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year, and from 2010-11 the accrued pension is uprated in line with CPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of

pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally provided risk-benefit cover (death in service and ill-health retirement).

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

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

Cash Equivalent Transfer Value

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax, which may be due when benefits are taken.

Real increase in Cash Equivalent Transfer Value

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

Compensation for Loss of Office

Compensation of £15,000 was paid to Kathleen Tattersall in accordance with paragraph 5(3) of Schedule 9 of the ASCL Act 2009. Compensation of £63,000 was paid to Isabel Nisbet for loss of office in accordance with contractual arrangements.

Glenys Stacey

Accounting Officer for Ofqual

Date: 21 June 2011

Statement of Accounting Officer's Responsibilities

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

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

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

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

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Ofqual's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

This Statement on Internal Control describes the systems in place from 1 April 2010 to 31 March 2011. I was appointed Chief Executive and Accounting Officer of Ofqual on 1 March 2011, and for the period before I was appointed I have taken assurance from an interim Statement on Internal Control signed by my predecessor.

The Purpose of the System of Internal Control

The system of internal control 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 Departmental 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 for Ofqual was developed during the course of the financial year ended 31 March 2011 and up to the date of approval of the Annual Report and Accounts, in accordance with HM Treasury guidance.

For Ofqual, in its first year of existence, there were some areas where controls were not as robust as they could have been, and these are detailed in this statement. For the first three of the 12 months in question, some corporate services were provided to Ofqual by the QCDA under contingency measures invoked by Ofqual. The QCDA provided the interim corporate services within its normal working standards, and all work on the behalf of Ofqual was undertaken within its Corporate Governance Framework. However, these contingency arrangements only gave Ofqual limited financial systems functionality and, therefore, reduced visibility around the appropriate application of procedures. In addition, in the internal audit report on financial systems, some control weaknesses were identified, notably around purchase orders, which have now been addressed.

Capacity to Handle Risk

Ofqual's Board provided leadership of the risk management process through regular reviews of the Strategic Risk register. The Ofqual Management Group ensured that a uniform effective risk management process and strategy was implemented across the organisation.

In order to maintain a focus on managing risk as part of embedding risk management at all levels throughout Ofqual, all Board papers contain a section covering financial, resource and risk implications. These require consideration of risk and value-for-money issues across all aspects of Ofqual's work. The Ofqual Management Group reviewed progress against key operational objectives, the delivery of the organisation's major projects and programmes, and the management of strategic risks on a monthly basis. The Audit and Risk Committee, a committee of the Ofqual Board, also reviewed strategic risks at each of its meetings. A risk management strategy was prepared during the course of the year and approved by the Ofqual Board.

Ofqual also put in place during the year clearly documented processes and procedures, which are available to all staff through Ofqual's intranet and drawn to the attention of managers and new starters. These include detailed guidance on fraud, whistleblowing, expenses claims, and standards of behaviour and conduct.

Risks associated with information security and data loss received close attention. Details of any incidents are recorded in a dedicated register to monitor this form of risk. There were two incidents recorded: one incident when information from the Ofqual intranet was accidentally published on the Ofqual website, and an instance of a lack of adherence to Ofqual's password policy within the new finance system.

Information Assurance

In my role as Accounting Officer, and in accordance with Cabinet Office guidance, I have a Senior Information Risk Owner identified within the organisation (the Director of Strategic Management). Appropriate Information Assurance policies have been in development during the course of the year, which will enable me to ensure that information risk is minimised.

I have obtained written confirmation from my Senior Information Risk Owner that an annual Security Risk Management Overview has been completed satisfactorily, and independently challenged by internal audit. My Senior Information Risk Owner has similarly confirmed that, to his knowledge, there has not been any instance where the appropriate use of these assets within the law has not been made.

Ofqual has chosen to use the Information Assurance Maturity Model (IAMM) as the primary tool for assessing its own compliance with the Security Policy Framework to inform its Cabinet Office Security Risk Management Overview return. Key suppliers were assessed separately using a subset of the Supplier Information Assurance Framework (SIAF).

Although Ofqual has a suite of IT policies (including a number that are related to information and IT security) and a range of physical, procedural, personnel and technical controls in place, an overarching Departmental Security Policy (MR6 & MR31) has yet to be finalised, but has been prioritised and assigned, and is now in active development.

Significant effort has been put into assessing compliance requirements, both prior to and post vesting, with the legislative ones given highest priority. Both the internal audit and the Audit and Risk Committee have developed an interest in Information Management and Information Assurance (IA/IM), with an internal audit review of progress due in 2011-12, but, as yet, external reviews have not been undertaken and might be considered premature given Ofqual's early stage of IA/IM maturity. Ofqual plans to organise a full independent review once it is closer to full IA/IM maturity.

The Risk and Control Framework

Ofqual's risk and control framework has been developed, reviewed and enhanced over the course of the year. Key elements of the framework include:

- the Ofqual Board, which meets on no fewer than six occasions in each financial year. The Ofqual Board reviews performance against the organisation's strategy, objectives and budget, and requests required corrective action to be taken
- an Audit and Risk Committee, which is chaired by a member of the Ofqual Board and meets at least four times a year, usually with both internal and external auditors present. The Audit and Risk Committee considers all aspects of internal control, including the reports from the internal and external auditors, and in particular the monitoring of Ofqual's risk management performance and policies
- a Remuneration and HR Committee, which is chaired by a member of the Ofqual Board and meets at least four times a year. The committee considers matters relating to the pay and conditions of employment of Ofqual staff, and provides strategic direction and challenge to Ofqual's Human Resources agenda
- the Ofqual Management Group, which meets fortnightly during the course of the year and includes Ofqual's Executive Directors. The Group reviews operational reports, including information on strategic, corporate and operational performance, financial performance and risk management
- internal auditors, who undertake reviews, and provide regular reports and an overall annual opinion on risk management, control and governance. The reports are to standards defined in the *Government Internal Audit Standards* and include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Ofqual's system of internal control, together with recommendations for improvement
- external auditors, the National Audit Office (NAO), which provides internal control comments in its management letters and other reports
- a meetings framework that ensures that important information is communicated effectively, and on a regular basis, to all staff across the whole organisation

- the maintenance of an organisation-wide strategic risk register, supported by subsidiary and operational registers
- a scheme of financial delegation enforced through system controls
- a performance assessment framework, which ensures that Ofqual's staff are appropriately trained and have personal objectives which align to those of Ofqual as a whole
- project management controls designed to ensure the effective management of key programmes and projects using appropriate project management methodologies. This includes the use of programme and project boards, senior responsible officers, and programme and project managers
- a financial control system, which provides assurance on the integrity of the financial information received and the adequacy of the financial process. This financial control system was subject to two internal audit reviews during the course of the year to ensure robust functionality
- The completion of annual Letters of Assurance by all Directors, confirming their compliance with all standard governance arrangements, systems and processes, including policies on anti-fraud and standards of conduct.

Review of Effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of this system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and by the executive managers within Ofqual, 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

During 2010–11, of the seven audits that were conducted by our internal auditors where assurance ratings were given, one reported a 'high' level of assurance, three reported a 'moderate' level of assurance and three gave a 'limited' level of assurance.

Of the reports finalised in the year, the QCF Awards report (limited assurance) contained four high-priority recommendations (on a scale of low/medium/high/critical), the Set Up report (limited assurance) contained two high-priority recommendations, and a further report on financial systems, controls and processes contained four high-priority recommendations. Of these 10 high-priority recommendations, eight have been completed and two have work underway to be completed. No reports contained any critical recommendations.

The receipt of six internal audit reports at less than 'high' assurance has highlighted weaknesses in our risk and control framework, and we put in place work to address these weaknesses. In particular, the internal audit reports on financial systems showed some control weaknesses that needed addressing (notably around purchase orders); our executive level Governance Framework needed reviewing as part of completing the set-up of the organisation (as reflected in the internal audit report on governance); and further work on data and information management was required.

I have also received Letters of Assurance from my predecessor as Accounting Officer of Ofqual, which cover the period 1 April 2010 to 28 February 2011, and from Directors for the period 1 to 31 March 2011. These letters assure me that during the period 1 April 2010 to 31 March 2011, Ofqual's policies and procedures have been adhered to and the functioning of internal controls, financial management, risk management, governance and personnel control arrangements have been monitored within their areas of responsibility, and that they consider these to have been effective.

The letters also assure me that Ofqual's expenditure has been spent with propriety and regularity on the purposes for which the monies were allocated.

This framework and adherence to it has enabled the Head of Internal Audit to provide a Limited Assurance opinion on the design, adequacy and effectiveness of the system of internal control for the year. This level of assurance was given because although a number of 'high' rated risks were identified during audit work, these risks were not considered pervasive to the effective operation of the system of internal control as a whole.

As a result of the review of the system of internal control that I have conducted, supported by the reports from internal audit, reviews conducted by the Audit and Risk Committee, and regular discussions at Board meetings on appropriate topics, as Accounting Officer I am satisfied that Ofqual complies with HM Treasury requirements on risk management, internal control and governance.

The last 12 months have been a time of considerable change at Ofqual. Together, these changes represented a significant challenge, but our internal risk and control processes helped with the management of these challenges. Over the next 12 months Ofqual will further develop its governance and control arrangements to meet its future challenges.

Glenys Stacey

Accounting Officer for Ofqual

Date: 21 June 2011

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 Office of Qualifications and Examinations Regulation (Ofqual) for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of Ofqual's affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and net operating cost for the year then ended and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

Date 24 June 2011

Statement of Parliamentary Supply

Summary of Resource Outturn for the year ended 31 March 2011

	Note	Estimate			Outturn			2010-11 Net Total Outturn compared with Estimate Saving / (Excess) £'000	2009-10 Outturn Net Total £'000
		Gross Expend iture £'000	Approp- riations- in-Aid (A in A) £'000	Net Request for Resource s £'000	Gross Expend iture £'000	Approp- riations -in-Aid £'000	Net Total £'000		
Request for Resources 1	2	18,445	1,145	17,300	16,399	1,131	15,268	2,032	0
Total Resources	3	18,445	1,145	17,300	16,399	1,131	15,268	2,032	0
Non-Operating Cost A in A		0	0	0	0	0	0	0	0

Request for Resources 1: To regulate qualifications and their assessment arrangements, promote public confidence in and awareness and understanding of them and secure their efficient provision and value for money.

	Note	Estimate £'000	Outturn £'000	2010-11 Net Total Outturn compared with Estimate: Saving / (Excess) £'000	2009-10 Outturn £'000
Net Cash Requirement 2010-11	4	23,491	16,293	7,198	0

In 2009-10 Ofqual was part of the Qualifications and Curriculum Authority (QCA), a Non-Departmental Public Body funded primarily by Grant-in-Aid from the Department for Education. Accordingly there was no Parliamentary Supply in 2009-10. However Ofqual's share of the Grant receivable by QCA was £18,442K.

Summary of income payable to the Consolidated Fund

Ofqual has no income payable to the consolidated fund.

Explanations of variances between Estimate and outturn are given in Note 2 and in the Management Commentary.

The notes on pages 48 to 65 form part of these accounts.

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

				2010-11	2009-10
	Note	Staff Costs £'000	Other Costs £'000	Income £'000	£'000
Programme Costs					
Request for Resources 1					
Staff Costs	9	10,226		10,226	10,173
Programme Costs	10		6,173	6,173	8,609
Income	11			-1,131	-131
Totals		10,226	6,173	-1,131	18,651
Net Operating Cost for the year ended					
31 March 2011	3	10,226	6,173	-1,131	18,651
Total Comprehensive Expenditure for the year ended					
31 March 2011		10,226	6,173	-1,131	18,651

The notes on pages 48 to 65 form part of these accounts.

Statement of Financial Position

as at 31 March 2011

	Note	31 March 2011		31 March 2010		31 March 2009	
		£'000	£'000	£'000	£'000	£'000	£'000
Non-Current Assets							
Property, plant and equipment	12	364		922		7	
Intangible assets	13	3,135		74		74	
Total non-current assets			3,499		996		81
Current Assets							
Trade and other receivables	16	960		99		39	
Other current assets	16	0		0		0	
Cash and cash equivalents	17	36		0		0	
Total current assets			996		99		39
Total assets			4,495		1,095		120
Current liabilities							
Trade and other payables	19	-2,474		-2,570		-1,386	
Other liabilities		0		0		0	
Total current liabilities			-2,474		-2,570		-1,386
Non-current assets plus/less net current assets/liabilities			2,021		-1,475		-1,266
Non-current liabilities							
Provisions	20	0		0		0	
Total non-current liabilities			0		0		0
Assets less liabilities			2,021		-1,475		-1,266
Financed by:							
Taxpayers' equity							
General fund			2,021		-1,475		-1,266
Total Taxpayers' Equity			2,021		-1,475		-1,266

Glenys Stacey

Accounting Officer for Ofqual

Date: 21 June 2011

The notes on pages 48 to 65 form part of these accounts.

Statement of Cash Flows

For the year ended 31 March 2011

	Note	2010-11 £'000	2009-10 £'000
Cash flows from operating activities			
Net operating cost		15,268	18,651
Adjustment for non-cash transactions	10	-441	-101
Increase/(Decrease) in trade and other receivables		861	60
less: movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		0	0
(Increase)/Decrease in trade payables		96	-1,184
less: movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		-36	0
Use of provisions	20	0	0
Net cash outflow from operating activities		15,820	17,426
Cash flows from investing activities			
Purchase of property, plant and equipment	12	324	974
Purchase of intangible assets	13	2,552	42
Proceeds of disposal of property, plant and equipment		0	0
Proceeds of disposal of intangibles		0	0
Net cash outflow from investing activities		2,876	1,016
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		16,329	0
Funding drawn to meet operational requirements		0	18,442
Machinery of Government Transfer		2,470	0
Non Resource Machinery of Government Transfer		-67	0
Net Financing		18,732	18,442
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		36	0
Payments of amounts due to the Consolidated Fund		0	0
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		36	0
Cash and cash equivalents at the beginning of the period	17	0	0
Cash and cash equivalents at the end of the period	17	36	0

The notes on pages 48 to 65 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	Note	General Fund £000	Total Reserves £000
Balance at 31 March 2009		-1,266	-1,266
Net Parliamentary Funding – drawn down		0	0
Funding drawn to meet operational requirements		18,442	18,442
Supply payable/(receivable) adjustment		0	0
Comprehensive Expenditure for the Year		-18,651	-18,651
Non-Cash Adjustments			
Non-cash charges		0	0
Movements in Reserves			
Additions		0	0
Balance at 31 March 2010		-1,475	-1,475
Net Parliamentary Funding – drawn down		16,329	16,329
Net Machinery of Government Transfer		2,403	2,403
Supply payable/(receivable) adjustment		-36	-36
Comprehensive Expenditure for the Year		-15,268	-15,628
Non-Cash Adjustments			
Non-cash charges – auditors remuneration	10	68	68
Movements in Reserves			
Additions	13	0	0
Balance at 31 March 2011		2,021	2,021

The notes on pages 48 to 65 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2010-11 *Government Financial Reporting Manual (FReM)* issued by HM Treasury. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the *FReM* permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Ofqual for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofqual are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

1.1 Accounting Convention

These financial statements have been prepared under the historical cost convention. Ofqual has a small asset base, and property, plant, equipment and intangible assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2010-11 *FReM*. Revaluation adjustments are at present not expected and have not been used in the preparation of these accounts.

1.2 Accounting Policies

Valuation of Non-Current Assets

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

Depreciation

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

Asset lives are in the following ranges:

- information technology 3 to 5 years
- purchased computer software 5 years

Operating and Other Income

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

Programme Expenditure

All of Ofqual's income and expenditure in 2010-11 was classified as programme, as recognised in the *FReM* 11.3.3 issued by HM Treasury. Programme costs are chiefly those costs associated with Ofqual achieving its operational aims, and also reflect the costs incurred in running Ofqual.

Pensions

Past and present employees are covered by the provisions of the PCSPS. PCSPS-defined benefit schemes are unfunded and are non-contributory, except in respect of dependants' benefits. Ofqual recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, Ofqual recognises the contributions payable for the year.

Leases

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

Where, substantially, all risks and rewards of ownership of a leased asset are borne by Ofqual, the asset is recorded as property, plant and equipment, and a liability is recorded to the less of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Statement of Comprehensive Net Expenditure over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases, and the rentals are charged to the Statement of Comprehensive Net Expenditure over the term of the lease. Ofqual has one type of operating lease for the payment of rent on property.

Financial Instruments

Ofqual does not have any complex financial instruments. However, receivables and payables are recognised in Ofqual's financial statements. Receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that Ofqual will be unable to collect an amount due in accordance with agreed terms.

Value Added Tax

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

Provisions

Ofqual provides for legal and constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of best estimates of the expenditure required to settle the obligation.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury, except for the early departure costs provision for which the discount rate for valuing pension liabilities is applied.

Contingent Liabilities and Contingent Assets

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

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

Financial Assets and Liabilities

Ofqual holds the following financial assets and liabilities:

1. Assets:

- cash and cash equivalents
- trade receivables – current
- trade receivables – non-current.

2. Liabilities:

- trade and other payables – current
- other payables > 1 year – non-current.

Ofqual does not currently have any financial assets that need to be classified as available for sale or financial assets at fair value in the financial statements; neither does it have cash equivalents or derivative financial instruments. Ofqual's financial assets include trade and other receivables, and cash.

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

1.3 Comparatives

Under the *FREM*, and in accordance with IFRS 3, Acquisitions and Mergers, the financial statements include the costs previously met by the then named QCA for the activities transferred from the QCA to Ofqual on 1 April 2010.

1.4 Change in Accounting Policy

As a result of changes in the *FReM* for 2010-11, the requirement to recognise a notional cost of capital charge has been removed. The comparative figures for 2009-10 have been restated to reflect this change. This change has a nil impact of either the financial performance or position of Ofqual.

1.5 Impending Application of Newly Issued Accounting Standards Not Yet Effective

Ofqual has considered, in accordance with IAS 8, whether there have been any changes to accounting policies (either voluntary or arising from IFRS and/or the *FReM*) that are impacting on the current period, have had an impact on a prior period, or may have an effect on future periods. Ofqual has also reviewed any new or amended standards issued by the IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRS that are or will be applicable (references to 'new IFRS' include new interpretations and any new amendments to IFRS and Interpretations).

The following changes in accounting policy have been applied by Ofqual for the first time in the current period:

Reporting by Departmental Strategic Objectives has been replaced by disclosures in line with IFRS 8.

It has been determined that the following proposed 2011/12 *FReM* changes are relevant to Ofqual [but will have no significant impact on the financial statements]:

A best-practice disclosure in spirit of IAS 8.30 IAS 16 – to supplement disclosure requirements to show how additions have been financed.

2. Analysis of Net Resource Outturn by Section

	Admin £'000	Other Current £'000	Gross Resources Expenditure £'000	A in A £'000	Outturn	2010-11 Estimate Net Total Outturn compared with Estimate £'000	2009-10 Prior Year Outturn £'000	
					Net Total £'000			
Request for Resources 1 (To regulate qualifications and their assessment arrangements, promote public confidence in and awareness and understanding of them and ensure their efficient provision and value for money)	0	16,399	16,399	1,131	15,268	17,300	2,032	0
Total	0	16,399	16,399	1,131	15,268	17,300	2,032	0

Ofqual has spent £2.03M less than its Resource Estimate. This was due to a number of factors, including the new controls on expenditure introduced during the year, the fact that Ofqual did not recruit to its budgeted staff complement and the delivery of Ofqual's main capital project (RITS) came in significantly under budget. As a part of the QCA, Ofqual had no prior year supply. However, notional resource consumption was £18,651K.

2.1 Analysis of Gross Resources Expenditure by Operating Segment

Section	Expenditure £'000	Income £'000	Depreciation £'000	Total 2010-11 £'000	2009-10 £'000
Regulation	6,054	-1,063	356	5,347	
Standards	3,734	-47	0	3,687	
Others	6,239	-21	16	6,234	18,651
Sub-Total Segment Expenditure	16,027	-1,131	372	15,268	18,651
Reconciling Items (List if any)	0	0	0	0	18,651
Gross Resources Expenditure	16,027	-1,131	372	15,268	18,651

Regulation relates to the regulation of qualifications and Standards looks to ensure the maintenance of the standards of regulated qualifications. Others include expenditure on support, estates and external affairs.

3. Reconciliation of Outturn to Net Operating Cost

	Note	2010-11			2009-10
		Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000	Outturn £'000
Net Resource Outturn	2	15,268	17,300	2,032	0
Non-supply income (CFERS)	5	0	0	0	0
Net Operating Cost		15,268	17,300	2,032	0

4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	2010-11			2009-10
		Estimate £'000	Outturn £'000	Net Total Outturn compared with Estimate Saving/(Excess) £'000	Outturn £'000
Net Resource Outturn	2	17,300	15,268	2,032	0
Capital					
Acquisition of property, plant and equipment		5,500	2,876	2,624	0
Investments		0	0		0
Non-operating A in A					
Proceeds of asset disposals		0	0		0
Accruals adjustments					
Non-cash items	10	-609	-441	-168	0
Changes in working capital other than cash (including Machinery of Government)		1,300	-1,410	2,710	0
Use of provision	20	0	0	0	0
Excess cash receipts surrendered to the Consolidated Fund	5	0	0	0	0
Net Cash Requirement		23,491	16,293	7,198	0

5. Analysis of Income Payable to the Consolidated Fund

In addition to Appropriations in Aid, Ofqual received no income payable to the Consolidated Fund.

6. Reconciliation of Income Recorded within the Statement of Comprehensive Net Expenditure to Operating Income Payable to the Consolidated Fund

	Note	2010-11 £'000	2009-10 £'000
Operating income	11	1,131	131
Adjustments for transactions between RfRs		0	0
Gross Income		1,131	131
Income authorised to be appropriated in aid		1,145	-131
Operating income payable to the Consolidated Fund	5	0	0

7. Consolidated Fund Income

Ofqual did not collect any income, acting as an agent for the Consolidated Fund.

8. Non-Operating Income – Excess Appropriations in Aid

Ofqual had no excess Appropriations in Aid in 2010-11.

9. Staff Numbers and Related Costs

Staff costs comprise:

	Board Members	Permanent staff	Others	2010-11 Total	2009-10 Total
	£'000	£'000	£'000	£'000	£'000
Wages and salaries	113	6,635	1,769	8,517	8,530
Social security costs	6	513	0	519	524
Other pension costs	0	1,190	0	1,190	1,119
Sub Total	119	8,338	1,769	10,226	10,173
Less recoveries in respect of outward secondments		0	0	0	0
Total Net Costs	119	8,338	1,769	10,226	10,173

The average number of whole-time equivalent persons employed during the year was 140 (2009-10: 164).

No staff costs have been capitalised.

The PCSPS is an unfunded multi-employer defined benefit scheme, but Ofqual is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010-11, employers' contributions of £1,163,533 were payable to the PCSPS at any one of four rates in the range 16.7 per cent to 24.3 per cent (2009-10: 16.7 per cent to 24.3 per cent) of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years, following a full scheme valuation. The salary bands were revised for 2010-11 and will remain unchanged in 2011-12. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and they reflect past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £26,128 were paid to two appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump-sum benefits on death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £3,029. Contributions prepaid at that date were £0.

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

9.1 Reporting of Civil Service and Other Compensation Schemes – Exit Packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
£10,000 - £25,000		1	1
£50,000 - £75,000		1	1
Total number of exit packages by type		2	2
Total resource cost - £'000		78	78

Departure costs were paid in accordance with paragraph 5(3) of Schedule 9 of the ASCL Act 2009 and in accordance with contractual arrangements. Exit costs are accounted for in full in the year of departure.

10. Programme Costs

	Note	2010-11 £'000	2009-10 £'000
Non-cash items			
Depreciation		75	59
Amortisation		252	42
Impairment		46	0
Profit on disposal of property, plant and equipment		0	0
Loss on disposal of property, plant and equipment		0	0
Auditors' remuneration and expenses		68	0
Provision provided/(written back) in year	20	0	0
Other expenditure			
Direct Operational Expenditure		2,685	5,567
Rent and Accommodation Related Costs		988	1,437
IT Costs		1,396	495
Recruitment, Training and Staff Related Costs		566	764
Finance and Governance Costs		98	241
Total		6,174	8,605

The audit fee above relates to work undertaken by the NAO and is for the undertaking of the statutory audit work and the audit of opening balances necessary as a result of Ofqual's establishment via a Machinery of Government Transfer as of April 2010. The rental and accommodation charge includes £397,000 for rentals under operating leases.

The explanation of Ofqual's classification of programme/administration expenditure is contained within Note 1.2 of the Accounting Policies section.

11. Income

Operating income was received in the year from the following organisations for specific projects:

	RfR1	2010-11	2009-10
	£'000	£'000	£'000
Department for Employment and Learning (Northern Ireland)		454	128
Department for Children, Education, Lifelong Learning & Skills (Wales)		15	3
Department for Business, Innovation and Skills		566	0
Council for the Curriculum, Examinations and Assessment		96	0
Total		1,131	131

13. Intangible Assets

	Software £'000	2010-11 Total £'000
Cost or valuation		
At 1 April 2010	127	127
Transfers from AUC	807	807
Additions	2,552	2,552
At 31 March 2011	3,486	3,486
Amortisation		
At 1 April 2010	53	53
Charged in year	252	252
Impairments	46	46
At 31 March 2011	351	351
Net Book Value at 31 March 2011	3,135	3,135
Net Book Value at 1 April 2010	74	74

	Software £'000	2009-10 Total £'000
Cost or valuation		
At 1 April 2009	85	85
Additions	42	42
At 31 March 2010	127	127
Amortisation		
At 1 April 2009	11	11
Charged in year	42	42
At 31 March 2010	53	53
Net Book Value at 31 March 2010	74	74
Net Book Value at 1 April 2009	74	74

14. Financial Instruments

As the cash requirements of Ofqual are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with Ofqual's expected purchase and usage requirements, and Ofqual is, therefore, exposed to little credit, liquidity or market risk.

14.1 Investments in Other Public-Sector Bodies

Ofqual has no investments in other public-sector bodies.

15. Impairments

Impairments in year arose as a result of an asset transfers from the QCDA that did not fall under Ofqual's capitalisation policies.

16. Trade Receivables and Other Current Assets

	2010-11	2009-10	2008-09
	£'000	£'000	£'000
Amounts falling due within one year			
Trade receivables	228	10	39
Deposits and advances	0	0	0
Other receivables	2	4	0
Prepayments and accrued income	138	85	0
VAT	592	0	0
Bad debt provision	0	0	0
	960	99	39
Amounts falling due after more than one year			
	0	0	0

16.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11	2009-10	2010-11	2009-10
	£'000	£'000	£'000	£'000
Balances with other central Government bodies	820	0	0	0
Sub Total: Intra-government balances	820	0	0	0
Balances with bodies external to Government	140	99	0	0
Total receivables at 31 March	960	99	0	0

Included within trade payables is £Nil (2009-10: £Nil) that will be due to the Consolidated Fund once the debts are collected.

17. Cash and Cash Equivalents

	2010-11	2009-10	2008-09
	£'000	£'000	£'000
Balance at 1 April	0	0	0
Net changes in cash and cash equivalent balances	36	0	0
Balance at 31 March	36	0	0
The following balances at 31 March were held at:			
Government Banking Services	36	0	0
Commercial banks and cash in hand	0	0	0
Short Term Investments	0	0	0
Balance at 31 March	36	0	0

18. Reconciliation of Net Cash Requirement to Increase/(Decrease) in Cash

	2010-11	2009-10
	£'000	£'000
Net Cash Requirement	-16,293	0
From the Consolidated Fund (Supply) – current year	16,329	0
Funding drawn down to meet operational requirements	0	0
From the Consolidated Fund (Supply) – prior year	0	0
Amounts due to the Consolidated Fund received and not paid over	0	0
Increase/(decrease) in cash	36	0

19. Trade Payables and Other Current Liabilities

	2010-11	2009-10	2008-09
	£'000	£'000	£'000
Amounts falling due within one year			
VAT	0	0	0
Other taxation and social security	288	193	151
Trade payables	170	1,014	95
Other payables	238	0	0
Accruals and deferred income	1,742	1,363	1,140
Current part of NLF Loans		0	0
Amounts issued from the Consolidated Fund supply but not spent at year end	36	0	0
	2,474	2,570	1,386
Amounts falling due after more than one year			
	0	0	0

19.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11 £'000	2009-10 £'000	2010-11 £'000	2009-10 £'000
Balances with other central Government bodies	324	298	0	0
Sub Total: Intra-government balances	288	298	0	0
Balances with bodies external to Government	2,150	2,272	0	0
Total payables at 31 March	2,474	2,570	0	0

20. Provisions for Liabilities and Charges

Ofqual had no liabilities that required a provision for, in either 2009-10 or 2010-11.

21. Capital Commitments

Ofqual had no capital commitments as at the end of 2010-11.

Ofqual has no non-cancellable contracts.

22. Commitments Under Leases

22.1. Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2010-11 £'000	2009-10 £'000
Obligations under operating leases comprise		
Land		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	0	0
Buildings		
Not later than one year	398	0
Later than one year and not later than five years	1,509	0
Later than five years	755	0
	2,662	0
Other		
Not later than one year	0	0
Later than one year and not later than five years	0	0
Later than five years	0	0
	0	0

The building lease payments relate to Ofqual's offices in Coventry and Belfast.

22.2. Finance Leases

Ofqual has no finance leases in place.

23. Commitments under PFI and Other Service Concession Arrangements

Ofqual has no PFI Commitments.

24. Other Financial Commitments

24.1. Financial Guarantees, Indemnities and Letter of Comfort

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

25. Contingent Liabilities Disclosed Under International Accounting Standard 37

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

26. Losses and Special Payments

Ofqual had no recorded losses or claims during 2010-11.

27. Related-Party Transactions

27.1. Other Government Department Transactions

Ofqual had a small number of transactions with the following other Government Departments, and other central Government bodies and organisations during the year:

Central Office of Information	£205,000
Ministry of Justice	£53,000
National School of Government	£44,000
GovNet Communications	£16,000
Office of Government Commerce	£14,000
House of Commons Catering & Retail Services	£2,000

As detailed in Note 11, Ofqual has also received income from:

- Department for Business, Innovation and Skills
- Department for Employment & Learning (Northern Ireland)
- The Council for the Curriculum, Examinations and Assessment (Northern Ireland)
- Department of Education (Northern Ireland).

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

27.2 Board Members' Directorships

Board directorships and other significant interests, including non-Executives are given below:

Name	Board directorships and other significant interests
Kathleen Tattersall	<ul style="list-style-type: none"> • Member of the Manchester University Board of Governors • Chair, Board of UNIAC
Tim Balcon	<ul style="list-style-type: none"> • Director of the Institute of Water • Director of Energy and Utility Skills Ltd
Sandra Burslem	<ul style="list-style-type: none"> • Chair of the British Council Education-UK Partnership • Deputy Chair of the Higher Education Funding Council for Wales • Chair of Chetham's School of Music, and Feoffee of Chetham's School and Hospital Trust • Member of the Board of the Royal Northern College of Music • Member of the Board of the University of Cumbria • Chair of the Education Honours Committee
Ray Coughlin	<ul style="list-style-type: none"> • Director of ASITIS
Tanvi Davda	<ul style="list-style-type: none"> • Director at Barclays Wealth
Gillian Easson	<ul style="list-style-type: none"> • Vice Chair, Stockport NHS Foundation Trust • Deputy Chair, University of Manchester Board of Governors • Chair, Manchester University Press
Philip Fletcher	<ul style="list-style-type: none"> • Chairman of Ofwat • Member of Archbishops' Council for the Church of England
Maggie Galliers	<ul style="list-style-type: none"> • Principal, Leicester College • NIACE Board member
Denise Holt	<ul style="list-style-type: none"> • Non-executive Director of HSBC Bank plc • Non-executive Director, Scottish Power Renewable Energy Ltd • Member of the NHS Pay Review Body
Isabel Nisbet	<ul style="list-style-type: none"> • Council member of St George's, University of London
Fay Scott	<ul style="list-style-type: none"> • No Board directorships or other significant interests
Glenys Stacey	<ul style="list-style-type: none"> • No Board directorships or other significant interests
John Townsley	<ul style="list-style-type: none"> • Executive Headteacher, Morley High School / Farnley Park School
Neil Watts	<ul style="list-style-type: none"> • Director, Advertising Standards Authority • Board member, Architects Registration Board

28. Third-Party Assets

Ofqual holds no third-party assets.

29. Entities within the Department Boundary

Ofqual is the only body within its Department boundary.

30. Events after the Reporting Period

IAS 10, Events after the Reporting Period, requires disclosure of the date on which the financial statements were 'authorised for issue' and who gave that authorisation. The financial statements were authorised for issue on the 24 June 2011 by Glenys Stacey (Accounting Officer). There have been no events after the reporting period requiring an adjustment to the financial statements.

As of 1 April 2011 Ofqual took on responsibility for international comparisons; this additional work resulted in the transfer of 11 staff from the QCDA.



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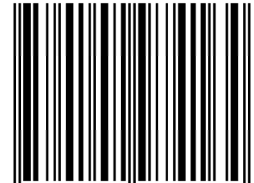
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