



Annual Report and Accounts 2016 to 2017

**Office of Qualifications and Examinations
Regulation
(Ofqual)
Annual Report and Accounts 2016 –17
(For the year ended 31 March 2017)**

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CHAIR'S FOREWORD

I am pleased to present Ofqual's seventh Annual Report and Accounts, and my first as Chair of Ofqual. It sets out our goals and activities in the year ending 31 March 2017 and shows how we spent our income.

As the qualifications and assessments regulator in England, we understand the need for qualifications to be trusted and valued if they are to have currency in today's employment market. They must carefully measure the skills and knowledge that have been learned, and provide a clear signal of the ability and achievements of the person who is holding them. Over the period covered by this Report, Ofqual has been acting and advising across a changing educational landscape to ensure this is achieved.

In 2016 to 2017, to name just a few of the things we have done, we oversaw the development of the third tranche of new GCSEs, AS and A levels, and communicated with schools, parents and pupils to prepare them for the first year of the new GCSE grading system; we revised the rules for reviews of markings and appeals; we held the first live National Reference Test that will in future contribute to GCSE awarding; we oversaw the standard setting process for new National Curriculum

tests; we began working with Trailblazer groups to quality assure new apprenticeship end-point assessments; we worked on a new approach to functional skills qualifications; we advised the government on assessment within reformed technical education; and we fined two awarding organisations for non-compliance with our Conditions.

Much of this work reflects the various reform programmes under way and will extend into the next financial year and beyond. We set out our planned activities for 2017 to 2020 in our Corporate Plan.¹ We recognise that we are just one component of a wider system that needs to work together to successfully deliver these changes and are committed to achieving the best outcomes for learners and the nation. I would like to take this opportunity to thank my colleagues for all their hard work and look forward to the coming period with great hopes for what we can achieve.



Roger Taylor
Chair
June 2017

“...we understand the need for qualifications to be trusted and valued...”

¹: <https://www.gov.uk/government/publications/ofquals-corporate-plan>



CHIEF REGULATOR'S REVIEW OF THE YEAR

This Annual Report and Accounts covers much of my first year as Chief Regulator of Ofqual, having taken over from Amanda Spielman on 25 April 2016.

Ofqual plays a fundamental role in the safe delivery of millions of qualifications certificated in England each year. Our work means that those who rely on these qualifications can have confidence in them.

Our activity over the past year was delivered in line with our statutory responsibilities and government policy, and took account of the perceived and known risks to different qualifications.

Ofqual's work to reform GCSEs, AS and A levels in England continued over the past year, putting in place regulatory requirements for the third tranche of subjects to be taught from September 2017. The process of accrediting these qualifications has been smoother and quicker this year for most qualifications, and the average number of

submissions required by exam boards fell compared to previous tranches.

Building awareness and understanding of the changes, including the move to a new 9 to 1 GCSE grading scale, is essential for public confidence. We conducted research in November 2016 that indicated teachers and head teachers at secondary schools in England were very familiar with the new system, reflecting our sustained engagement with them over the past few years. We turned our attention to parents, students, employers and colleges this year, where levels of understanding were much lower. We have already begun to see improvement following a period of intense communications and engagement activity in early 2017. This included promoting a series of films, which have been watched over 3.5 million times, and first-hand engagement with thousands of people at conferences and events up and down the country.

The safe delivery of GCSEs, AS and A levels for nearly 2 million students each summer is one of our main priorities. In 2016, exam boards issued all results on time and there were no significant incidents affecting awarding. However, we know that some stakeholders continue to have concerns about the quality of marking of these qualifications. Over the past year, we have conducted ground-breaking research and engaged experts at home and abroad to identify issues and generate potential improvements. We have already introduced new marking metrics to help drive consistency in marking and are looking with exam boards at a range of other changes. We also began to make changes to the systems schools and colleges use to challenge students' results in these qualifications so that they are more consistent and fairer for all.

The government published its plan to simplify and improve technical and professional education for 16 to 19-year-olds in England in summer 2016. This is an ambitious and significant change to the qualifications landscape. We are playing our full part, bringing to bear our assessment expertise and experience in qualification reform. Our role as an External Quality Assurance provider for reformed apprenticeships is now established and we are working closely with the new Institute for Apprenticeships.

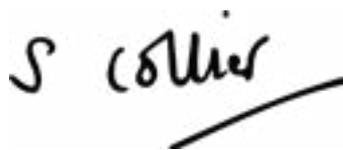
We have begun working with other government bodies and organisations to deliver the associated reforms to Functional Skills qualifications.

We have taken regulatory action where we have been notified that things have gone wrong, or where our audit and investigation work has identified issues. This has included issuing our first financial penalties and tackling assessment malpractice in the delivery of security industry qualifications.

Our responsibility for National Curriculum assessments extends to overseeing their validity, including technical areas such as test development and standard setting. We focus on areas of greatest

risk, including high stakes Key Stage 2 tests that form the basis of primary school accountability measures. Our work this year included satisfying ourselves that the government's new assessment standard for these tests had been appropriately adopted and conducting research to confirm the effectiveness of the tests.

Looking forward, there is much work to be done to complete the various programmes of reform that are under way. We are meeting that challenge by ensuring we are investing in our staff and systems, so that we have the right skills and use our limited resources most efficiently. We will continue to be mindful of minimising the regulatory burden we place on awarding organisations, and ensure that regulation enables the development and delivery of qualifications of real value to those who take and rely on them.

A handwritten signature in black ink that reads "S Collier". The signature is written in a cursive style with a long horizontal stroke underneath the name.

Sally Collier
Chief Regulator, Accounting Officer for Ofqual
4 July 2017

PERFORMANCE REPORT

Overview

Our role

Ofqual is the independent qualifications regulator for England. We regulate GCSEs, AS and A levels, National Curriculum assessments, and a broad range of vocational and technical qualifications. We are also an External Quality Assurance provider for organisations offering Trailblazer apprenticeships.

Our statutory objectives and duties

We have 5 statutory objectives, which are set out in the Apprenticeships, Skills, Children and Learning (ASCL) Act 2009. In brief, they are:

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

We have a wide range of other duties and publish separate documents addressing some of these, including those related to equality and diversity, and regulatory burden.²

Our mission

We regulate so that qualifications are sufficiently valid, and trusted by those who study and rely on them.



² <https://www.gov.uk/government/publications/ofquals-regulatory-burden-statement>



Performance and activities 2016 to 2017

Our work in the past financial year was informed by the goals and objectives set out in our Corporate Plan 2016 to 2019.³

Goal 1: Regulating and reforming general qualifications

Objective 1: Regulate for the validity of general qualifications throughout their lifecycle

Objective 2: Oversee the introduction of reformed general qualifications

Objective 3: Evaluate the validity of National Assessments

Goal 2: Regulating vocational and other qualifications

Objective 4: Regulate for the validity of vocational and other qualifications throughout their lifecycle

Objective 5: Promote public confidence in regulated vocational qualifications

Goal 3: Developing our people, resources and systems

Objective 6: Build our capability and develop our people

Objective 7: Use our resources efficiently and effectively

³ <https://www.gov.uk/government/publications/ofquals-corporate-plan>

Goal 1: Regulating and reforming general qualifications

Context

Ofqual regulates GCSEs, AS and A levels in England within the context of government policy. A programme to reform these qualifications has been under way since 2013. This was completed for most subjects to our required standards and consistent with the planned timetable in early 2017. A small number of additional subjects subsequently identified for reform by the Department for Education will be developed for first teaching in September 2018.

Our responsibility for National Curriculum assessments extends to overseeing their validity, including technical areas such as test development and standard setting.

Regulating general qualifications

GCSE, AS and A level results

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

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

In summer 2016 over 21 million unit entries (exams or other forms of assessment) were made on behalf of over 1.9 million students for GCSE, AS, A level and other level 1/2 qualifications (also known

⁴ Art and design, biology, business, chemistry, computer science, economics, English language, English language and literature, English literature, history, psychology, physics and sociology.

as International GCSEs). The first 13 reformed AS qualifications⁴ were taken and awarded alongside other legacy subjects. Exam boards issued all results on time and there were no significant incidents affecting awarding.

Total entries for the 13 reformed AS qualifications fell by around 14% compared to their legacy equivalents in 2015. We agreed with exam boards that they should carry forward standards for new AS subjects from equivalent legacy qualifications using statistical predictions. Our intention was that, in general, a student who would have achieved a particular grade for the legacy qualification would achieve the same grade for the new qualification.

The number of entries from year 10 students taking GCSEs fell another 13% in 2016, as the downward trend resulting from changes to school performance tables continued. However, this was offset by a 26% increase in the number of post year 11 students



21 MILLION

**entries for GCSE,
AS and A level
and other level
1/2 qualifications
in summer 2016**

studying English and mathematics, reflecting the requirement for those who had not attained at least a grade C in these subjects to continue their studies.

Entries for CIE's IGCSE® First Language English specification rose in summer 2016, but less significantly than in previous years. This stabilisation in entries is likely to be related to the Department for Education's decision to remove all IGCSEs from performance tables from summer 2017, as reformed GCSEs are introduced.

As in previous years, exam boards used data from the cohort's performance in earlier exams or tests to predict how the group would perform in the summer series, and to check whether awards were in line with expectations. For AS and A levels, exam boards used predictions based on students' prior achievement at GCSE. And for GCSEs, they used predictions based on students' achievement in Key Stage 2 tests taken in year 6. Key Stage 2 data was also used by exam boards awarding IGCSE®.

GCSE RESULTS IN SUMMER 2016



- Outcomes for 16-year-old students at grades A*-C for English, English literature and mathematics remained stable between summer 2015 and summer 2016 when combined across GCSE and level 1/2 qualifications.
- In general, results for 16-year-old students in the majority of EBacc⁵ subjects tended to be lower in summer 2016 than in summer 2015. This appears to be due to an increase in less able students taking EBacc subjects in summer 2016.

AS AND A LEVEL RESULTS IN SUMMER 2016



- AS and A level results were stable between summer 2015 and summer 2016, with only small changes in the proportions achieving each grade.
- We used statistical analysis to carry forward standards for the 13 new AS qualifications in summer 2016 from their legacy equivalents taken in summer 2015. This cohort was, therefore, not disadvantaged by being the first to sit these new qualifications.
- The proportion of students achieving A* at A level was similar in summer 2016 to previous years.

We expect exam boards' outcomes to be close to predictions (within tolerance), unless they can provide evidence to suggest otherwise. We allowed 33 out of tolerance qualification awards in summer 2016, compared to 23 in 2015.⁶ The opportunity for exam boards to provide evidence to support other awards ensures that our method of awarding

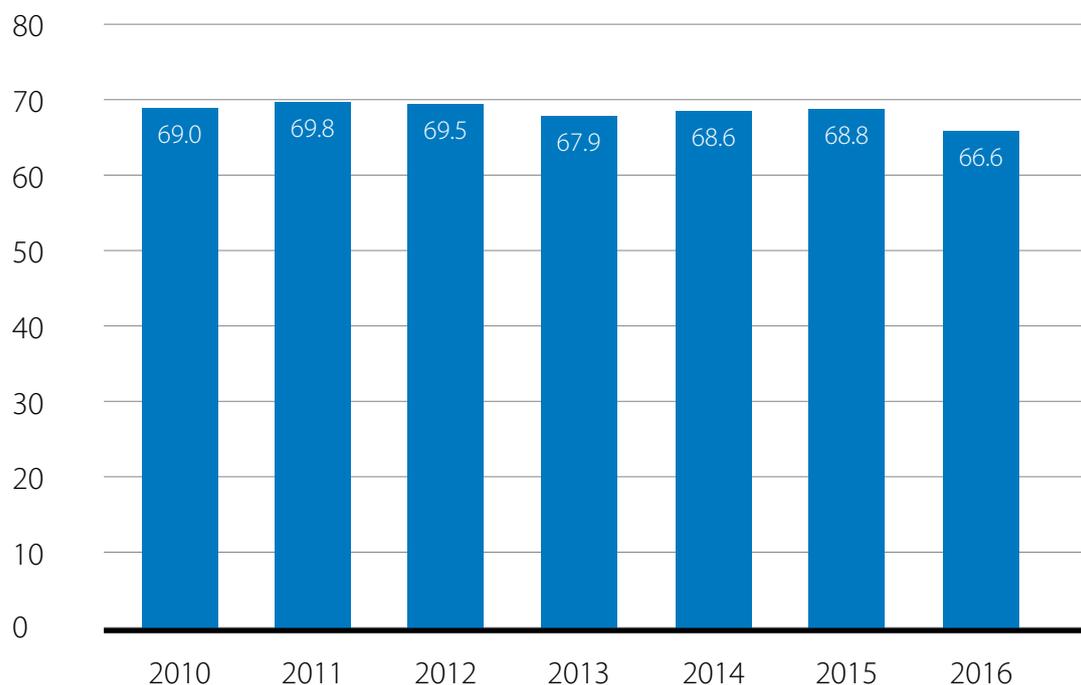
is more flexible than alternatives. External research⁷ published during 2016 confirmed that our approach does not stop individual schools or colleges demonstrating improvement.

⁵ The English Baccalaureate (EBacc) is a school performance measure. It allows people to see how many pupils get a grade C or above in the core academic subjects (English, mathematics, history or geography, the sciences and a language) at key stage 4 in any government-funded school.

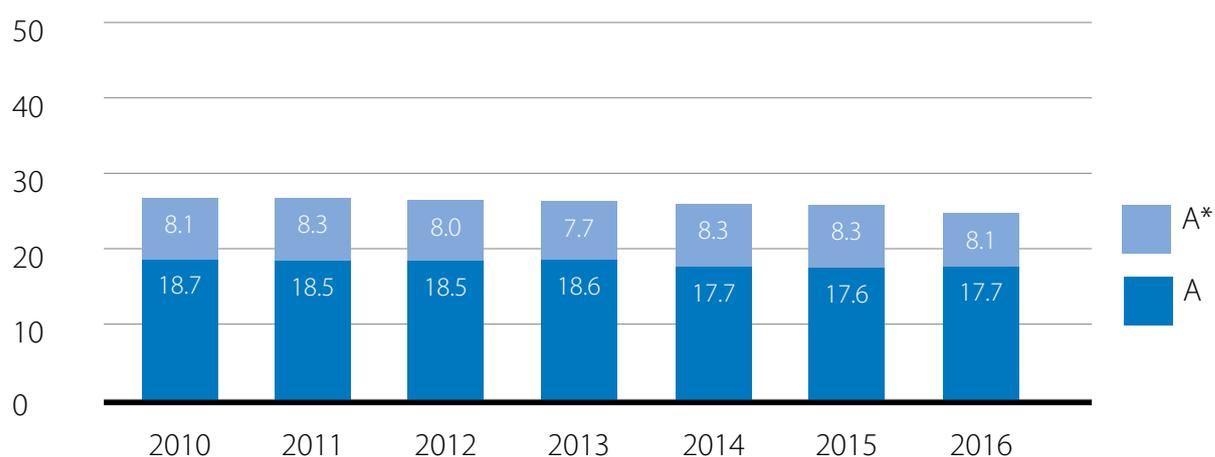
⁶ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/548237/Summer_2016_GCSE_AS_and_A_level_awards_a_summary_of_our_monitoring.pdf

⁷ <http://www.cambridgeassessment.org.uk/Images/344467-comparable-outcomes-scourge-or-scapegoat-tom-benton.pdf>

Percentage of GCSE grades at A*–C by year, 2010–2016



Percentage of A level certifications at A or A* by year, 2010–16



Provisional data published by the Joint Council for Qualifications.

Charts show the percentage of GCSE and A level certifications in England, by year 2010-16.

Full course, summer entry GCSEs.

Where we believe that exam boards' grade standards are not aligned within a subject, we have the power to require them to bring their award into line with

other boards. We did this for one exam board in GCSE mathematics in summer 2016 (see box).

ALIGNING STANDARDS ACROSS EXAM BOARDS

Schools and colleges in England have a choice of exam board specifications for most GCSEs, AS and A levels. It is essential for public confidence that it is no easier to obtain a particular grade in a subject through one specification than any other. We achieve this through our maintenance of standards processes.

Before any GCSE, AS or A level specification can be offered for teaching, it must have been accredited by us (see box on page 21). The cohort of students taking any individual exam board's specification in any year will likely differ between boards and over time. As such, individual boards set predictions for their own cohorts in isolation. Once all exam papers have been marked, individual boards set their grade boundaries. These should produce outcomes within a margin of tolerance of their predictions, unless the board can produce evidence acceptable to us that supports a different outcome (see page 14). We then conduct moderation meetings to ensure that standards are aligned between all boards in each subject.

It is possible for an individual board's award in any subject to initially be within tolerance, but out of alignment with the other boards' results. In such cases, we will require grade boundaries to be adjusted. This happened in respect of Pearson's GCSE mathematics awards in summer 2016. Pearson provided evidence to support its award, but we were not persuaded by the additional evidence. We therefore required Pearson to move its higher tier grade C boundary up by one mark.⁸

We routinely perform and publish analyses on the variation in school and college GCSE and A level results. We know that some variation in year-on-year results for individual schools and colleges is normal. The level of variation in 2016 was similar to previous years. However, we know that there is the potential for more variability at individual school level in coming years as teachers and students become

familiar with the new qualifications.

We published a full report covering the summer 2016 exam series and further information about subject-level comparability between exam boards in December 2016.⁹

⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/548244/Ofqual_letter_to_Pearson.pdf

⁹ <https://www.gov.uk/government/publications/ofqual-2016-summer-exam-series-report>

Quality of marking

The responsibility for marking GCSEs, AS and A levels lies with exam boards. Ofqual monitors their work and oversees awarding. We also conduct research to help identify how marking errors might be reduced.

MARKING IN SUMMER 2016

- Exam boards must notify us if they believe there are issues that might affect their ability to issue results accurately and on time. In 2016, we asked the exam boards to give us notice of early concerns they had about marking progress.
- Three exam boards alerted us to potential delays in relation to the marking of a total of 5 components (out of more than 1,800),¹⁰ compared to a total of 21 components in summer 2015. In all 5 cases the delays did not affect the completion of marking.

Our work over the past year included developing new marking metrics, based on exam board data, to indicate how consistent marking is across different assessment units. The results were shared with exam boards so that they can identify how weaker units might be improved over time.

We also looked at marking reliability and disagreement between markers, how mark schemes function, and the predictability of exam papers. This work will help exam boards to identify improvements that can be made to exam paper design, their mark schemes, and examiner standardisation processes so that opportunities for marker inconsistency are minimised.

Our programme of work is informed by conversations with national and international experts. We held symposia in June and November 2016, and another jointly hosted with the University of Oxford in March 2017. We used these events in

¹⁰ Qualifications are made up of a number of components, and students usually take an exam or non-exam assessment for each component.

25 MILLION

data points used
to construct new
marking metrics

part to draw attention to new research on double-marking of exam papers, which has often been suggested to provide more reassurance than single-marking. The evidence presented continues to suggest that the benefits of such an approach are limited.

Marking reviews and appeals

Exam boards are responsible for administering systems that allow schools, colleges or students to ask for GCSE, AS and A level results to be reviewed and, if necessary, provide a subsequent means of appeal. Ofqual sets the broad rules and monitors exam boards' application of their systems. Schools, colleges and students can, if still unsatisfied, ultimately make a further appeal to us.

We revised the rules governing the exam boards' systems in spring 2016 to make them clearer, more consistent, and fairer for all students.¹¹ The changes were based on research that showed inconsistencies in how student marks had been reviewed, potentially disadvantaging students who did not ask for a review of their marks. This also reflected conversations with stakeholders, who wanted the opportunity to appeal initial reviews of marking and moderation on grounds wider than just a failure by exam boards to follow their own procedures.

The main change, which was introduced for the summer 2016 series, required mark changes where there is a marking error, but otherwise marks should be left unchanged. A pilot programme to extend the grounds for appealing an unsuccessful review was also undertaken. This allowed appeals in three AS and A level subjects on the grounds of a marking error as well as a procedural error. The proportion of grades changed on review was little changed from 2015, while the number that changed on appeal rose slightly (see box).

In late 2016, we began evaluating how the exam

¹¹ <https://www.gov.uk/government/consultations/changes-to-regulations-for-enquiries-and-appeals>

MARKING REVIEWS AND APPEALS IN 2016

- The number of reviews requested fell by 25% year-on-year in 2016, from 572,400 in 2015 to 427,100.
- Around 0.9% (or 67,900) of all GCSE, AS and A level grades were changed after a review of marking or moderation in 2016, compared to 1.1% in 2015.
- The number of appeals against results fell by 24% year-on-year in 2016, from 466 in 2015 to 355. However, the number of successful appeals rose slightly, resulting in 211 grade changes.
- Around 0.003% of all qualification grades certificated in 2016 were changed after appeal.

boards had responded to the changes to inform future exam series. As part of this work we are considering how the new requirements were implemented and looking to understand the extent to which reviews were undertaken in line with our requirements.

In early 2017, we made further decisions about the future arrangements for review and appeals systems.¹² These included a requirement for exam boards to make marked GCSE scripts available to schools and colleges before the exam board deadline for requesting a review of marking, and to introduce the requirement for exam boards to provide the reasons for review of marking decisions

¹² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/592285/february-2017-further-decisions-on-reviews-and-appeals.pdf

automatically. Some exam boards are planning to make these changes for the summer 2017 series, and we are encouraging others to adopt them before the 2020 deadline.

Malpractice

It is the responsibility of exam boards and other awarding organisations to investigate allegations of malpractice against assessment centres (including schools and colleges), teachers and candidates. Ofqual also promotes and provides opportunities for individuals to report concerns to us directly and we maintain a whistle-blowing policy.

We launched our 'Seen it? Suspect it? Report it' campaign ahead of the summer exam series, calling on students and teachers to tell us about potential instances of malpractice. We received 23 allegations of malpractice, compared with 28 in 2015. Of these, 19 were from whistle-blowers and 4 were from members of the public who did not work at the place where malpractice was alleged. We passed these allegations onto the relevant exam boards and monitored how they dealt with them. We reviewed our whistle-blowing policy in early 2017. We subsequently published a more concise document and made it easier to access our reporting form online.

We also collect and publish data on the number of malpractice investigations carried out by exam boards in respect of GCSE, A levels and AS levels, including the types of sanctions imposed. The number of penalties issued to school and college staff increased by 48% year-on-year in summer 2016. By contrast, the number of penalties issued to schools and colleges decreased by 41%. However, the actual numbers of penalties issued remained relatively small, at 388 and 169 respectively and there is no indication of a switch in approach by exam boards. The number of penalties issued to students remained stable.

Inter-subject comparability

Ofqual makes sure that the level of expected difficulty in assessments in the same subject offered by different exam boards is similar each year and over time.

In late 2015, we began discussions with stakeholders about whether different GCSE or A level subjects should also be comparable.

In early 2017, we decided that the challenges apparent in conceptualising and measuring how subjects may compare meant we would not try to take coordinated action to align grade standards across the full range of GCSE or A level subjects. However, we said we would consider making one-off adjustments to standards where there is a compelling case. We began conversations with subject communities in relation to A levels in physics, chemistry and biology, along with French, German and Spanish in spring 2017.

Preparations for summer 2017

Ofqual conducts audits and other work to help achieve its statutory objectives.

We review exam board preparations ahead of each exam series. This year we also undertook a readiness review of the 4 exam boards offering new GCSEs, AS and A levels. We were, in general, reassured by the preparations made by each of the boards, given some known uncertainties at the time the review was conducted, including entry volumes. We highlighted aspects of their preparations that they needed to address.

In early 2016, we published the conclusions of an exercise to check that exam board representatives were not misleading or providing confidential information to attendees of training or marketing events associated with new GCSEs, AS and A levels.¹³ This informed a review of our guidance in relation

¹³ <https://www.gov.uk/government/publications/an-interim-evaluation-of-exam-boards-events-for-teachers>

to Condition G4 of our General Conditions of Recognition (see box on page 31).

The reforms to GCSEs, AS and A levels have created a natural opportunity for exam boards to review the qualifications they offer, and schools and colleges to reconsider the specifications they take. Any resulting variations in market share will, alongside changes to the way in which the qualifications are assessed, have an impact on the size and distribution of the marker workforce. We will use provisional entry data for new GCSEs, AS and A levels being taken in summer 2017 to consider any particular risks to timely marking.

Qualification reform

A programme to reform and redevelop GCSEs, AS and A levels in England has been under way since 2013. The new qualifications are being phased in over several years. The first new subjects began to be taught in September 2015, and others followed in September 2016. Most new subjects will have been introduced by September 2017.

Ofqual's work is focused on ensuring assessment standards and validity of the new qualifications; the Department for Education has been responsible for determining new subject content.

Some of the changes we are introducing are common to all new qualifications, such as the move to linear assessment (exams taken at the end of the course of study). In other cases, we have adopted a default position, such as removing tiering in GCSEs, but allowed exceptions where it would otherwise not be possible to provide valid assessment and reliable results for candidates of all abilities – for example, in GCSE mathematics. Beyond these, the assessment objectives have been determined on a subject-by-subject basis. In forming our proposals, we consider carefully the assessment and awarding arrangements most likely to support the best educational experience and outcomes for students. This includes considering how assessment options might make a qualification accessible for students who share protected characteristics. Our proposals

are then subject to public consultation.

Accreditation

Four exam boards offer GCSEs, AS and A levels in England. Ofqual is responsible for ensuring that their qualifications meet the required standard, and continue to do so over time.

We accredited 147 reformed qualifications across 20 GCSEs and 11 AS and A levels for first teaching in September 2016. Ninety (61%) of these were accredited by Easter 2016, with the remainder completed before the summer holidays. For the next tranche of subjects we asked exam boards to learn from the feedback we had given them when developing further specifications.

By Easter 2017, we had accredited 83% of 117 planned submissions for first teaching in September 2017, across 26 GCSEs and 21 AS and A levels. As in previous years, none of the specifications were accredited on first submission. However, the average number of re-submissions per accredited specification fell from 3.6 for specifications for first teaching in September 2016, to 3.2 [as at 7 April] for those accredited for first teaching in September 2017.

During 2016, the Department for Education identified several modern foreign languages with smaller cohorts that it also wished to see reformed. We consulted on the assessment arrangements for these subjects and because of difficulties exam boards reported with finding suitably qualified markers, we decided they need not have a speaking component and so could be assessed by exam only. These are planned to be reformed in time for first teaching in September 2018. They will have a different title to the qualifications in languages for which speaking skills are assessed.

THE ACCREDITATION PROCESS

We use a formal process to ensure reformed GCSEs, AS and A levels fully reflect new subject content and can provide reliable assessment and certification for students. Each exam board proposal includes a specification, assessment strategy and sample exam papers. These are independently reviewed by subject experts and their findings considered at panels chaired and supported by Ofqual staff. This process is focused on our published accreditation criteria and on making sure exam boards can deliver qualifications of the highest quality. Where accreditation is not successful, feedback is provided to the exam board.

Subjects accredited for first teaching from September 2017 (as of 15 June 2017)

GCSEs	Number of specifications	AS and A levels	Number of specifications
Ancient history	1	Accounting	2
Arabic	1	Ancient history	2
Astronomy	1	Chinese	2
Bengali	1	Classical civilisation	2
Business	4	Design and technology	10
Chinese	1	Electronics	2
Classical civilisation	1	Environmental science	2
Design and technology	4	Film studies	4
Economics	2	Further maths	8
Engineering	1	Geology	4
Film studies	2	History of art	1
Geology	1	Italian	2
Italian	2	Law	6
Japanese	1	Maths	8
Media studies	1 of 3	Media studies	3 of 6
Modern Greek	1	Music technology	2
Modern Hebrew	1	Philosophy	2
PE (short course)	2	Politics	4
Polish	1	Russian	2
Psychology	3	Statistics	0 of 2
Panjabi	1	Total	68 of 73
Russian	1		
Sociology	2		
Statistics	2		
Urdu	2		
Total	40 of 42		

Communicating change

It is essential that the reforms to GCSEs, AS and A levels are widely known and understood. Ofqual is working with the Department for Education and exam boards to achieve this.

Our recent focus has been on raising understanding of the new GCSE 9 to 1 grading scale among schools and colleges, students, parents and employers ahead of the first awards in English language, English literature and mathematics in summer 2017. We conducted research in November 2016 that indicated teachers and head teachers at secondary schools in England were very familiar with the new system. This reflected our sustained engagement with them over the past few years. However, levels of understanding among the other groups were much lower.

In late 2016, we assembled a stakeholder advisory group. This comprised of school, college and employer representative bodies, and private and public sector communications experts. Its function was to inform a strategy to raise understanding in these other groups. It informed a range of communication and engagement activities undertaken during the year, and a selection of these activities are listed in the box on page 23. These activities supplemented discussions with our existing external stakeholder engagement group.

In particular, in March 2017, we launched a series of animated films covering a number of core messages targeted at specific audiences. The films were subjected to user testing before release and promoted during the month through paid-for advertising on Facebook, YouTube and on some TV catch-up services. By early April 2017, the films had been watched over 3.5 million times.

We supplemented these films during spring 2017 with a series of blogs on more technical issues to

mitigate apparent myths and misunderstanding ahead of the summer series. These included a discussion of research on how schools might consider approaching GCSE mathematics tier entry decisions,¹⁴ setting grade boundaries, ensuring inter-board comparability, and how our use of comparable outcomes would mean each cohort taking the new exams for the first time would not be disadvantaged compared to previous years.

A second wave of market research conducted during March 2017 indicated that understanding among students and college leaders had improved. We intend to evaluate levels of awareness further in May and August 2017.

¹⁴ <https://ofqual.blog.gov.uk/2017/02/10/gcse-maths-choosing-the-right-tier/>



	Communications	Public/Key Engagements (including speeches)
Apr 2016	Options paper for setting grade 9 boundary published; centre-level variability research published	Chief Regulator visit to Inspiration Trust Academies, Norfolk
May	Announcement of changes to review of marking, moderation and appeals system	Ofqual Higher Education admissions conference
Jun	Annual perceptions survey published, including awareness and understanding of GCSE, AS and A level reforms	Chief Regulator visit to Cottenham Village College, Cambs Chief Regulator speech at Ofqual summer symposium
Jul	New GCSE grade descriptors published Revised reform postcards and new teacher resource pack distributed to 7,500 secondary schools and colleges in England	Chief Regulator & Chair visits Skinners' Kent Academy
Aug	Results days: summaries of results, infographics and centre-level variability analyses published	-
Sep	Publication of research into Sawtooth effect	Chief Regulator appearance at the Education Select Committee Chief Regulator visit to Coundon Court School, Coventry, and Thorpe St Andrew school, Norwich
Oct	Revised reform postcards issued	Chief Regulator speech at Grammar School Heads Association Chief Regulator speech at North East Schools Annual Conference
Nov	Letter to 7,500 secondary schools and colleges in England about new GCSE grades; '9 to 1 news' newsletter published; school webinars; statement published on GCSE, AS and A level reforms in England, Wales and Northern Ireland	Stands at Association of Colleges annual conference and Association of School and College Leaders regional conferences
Dec	School webinars delivered	Stands at Association of School and College Leaders regional conferences
Jan 2017	'9 to 1 news' newsletter published	Stands at Exams Officer Conferences
Feb	-	Meeting with mathematics bloggers Online student Q&A Stand at Association of Colleges Examinations Officers' Conference
Mar	Animated films on new GCSE grades published; Facebook and LinkedIn channels launched; revised teacher resource pack issued; social media advertising conducted; school webinars delivered; '9 to 1 news' newsletter published; gov.uk homepage refreshed	Chief Regulator interview with TES Chief Regulator speech at Sixth Form Colleges Association Leaders' Conference Stands at Federation of Small Businesses Conference and Association of School and College Leaders national conference Online student Q&A Chief Regulator visit to Wirral Girls' Grammar School, Liverpool

GCSE and A level awarding in 2017

New GCSEs are intended to be more demanding than their legacy equivalents. In 2014, Ofqual announced that a new, numerical grading scale would be introduced to signal that new qualifications had been studied and provide greater differentiation between the individual achievements of students.

We recognise that it will take time for teachers to adapt to new GCSEs, AS and A levels and this could impact student performance in the years immediately after their introduction. During 2015 we confirmed our intention to accommodate this through statistically-driven awarding. And during 2016-17 we communicated how the new grade 9 will be set, and how A* will be set in future at A level.

New GCSEs in English language, English literature and mathematics will be the first to adopt the new grading scale when they are taken in summer 2017. This cohort will be awarded the grades they would have been expected to receive had they taken the legacy syllabuses. This means that, all other things being equal, broadly the same proportion of students will receive grades 1, 4 and 7 or above as would have received grades G, C and A or above previously. Grade 9 is designed to reward exceptional performance and will be awarded less often than A* in the past. Once all GCSEs are graded 9 to 1, about 20% of those students achieving grade 7 or above will achieve a grade 9.

Unlike GCSEs, performance standards for new AS and A levels are to remain the same and the current grading system is being retained. In the first year of new A level awards in any subject, awarding will be based primarily on statistical predictions from the cohort's prior attainment at GCSE. Awarders will be asked to review scripts around the grade A and E boundaries to make sure they consider them acceptable. In addition, the removal of the link

¹⁵ In modular qualifications, a Uniform Mark Scale (UMS) provides a standardised scale for combining marks from modules/units taken in different exam series to accommodate variations in the level of difficulty.

between AS and A2 will mean that it is no longer necessary to use UMS¹⁵ marks to calculate new A level results. In at least the first year, exam boards will use predictions to identify an overall subject-level grade boundary for A*, and students who achieve that mark or higher will get an A*. In future years, we expect senior examiners to review work at A*, as well as A and E, alongside statistical predictions and other evidence to set this key grade boundary.

We have published provisional entry data for the summer 2017 series. This will be used to inform our expectations for awarding. Our discussions with schools over the past year suggest that the changes observed in entry patterns for new AS and A levels in summer 2016 are likely to persist or evolve in summer 2017. We may therefore see another fall in AS entry.

National Reference Test

It is anticipated that GCSE awarding will in future be supplemented with the results of a new, annual National Reference Test (NRT) for English and maths. The first live test was successfully conducted in 341 schools in spring 2017, following a trial in spring 2016. The test questions should remain largely the same over time, so the overall performance of each school-year cohort can be compared to others that have sat the test previously. The tests use questions similar in style and content to those used in new GCSEs in the subjects. We would expect to see an improvement in early test results as student and teacher familiarity with the new English language and mathematics GCSEs increases. This, alongside



the need to compare the performance of student cohorts over several years, means that we expect it will be 2019 at the earliest before exam boards will start to use information from the test during awarding.

Parallel with the work on the NRT, we are continuing to explore with exam boards other ways in which GCSE awarding may be strengthened so that it could take more account of evidence other than statistical predictions based on KS2 prior attainment. That work involves both seeing how awarders' judgements of the quality of candidates' work may provide more reliable evidence together with comparing our awarding methods against alternatives used in other countries.

Evaluation of new qualifications

We are measuring the impact of some of our regulatory decisions through a range of targeted research projects. This includes evaluating the impact of our changes on the assessment of practical skills in A level science, and the changes exam boards made in response to our research into the difficulty of reformed GCSE mathematics. We expect to publish in autumn 2017.

Working with other regulators

A natural consequence of the devolution of education policy is that qualifications and regulations have developed and diverged between jurisdictions. The GCSE, AS and A level titles are used across England, Wales and Northern Ireland. Each jurisdiction has taken its own approach to reform and the new qualifications will not be the same in each.

During 2016, we worked with Qualifications Wales and the Council for the Curriculum, Examinations and Assessment (CCEA), the Northern Ireland regulator, to clarify and communicate the areas of common ground and key differences between the jurisdictions.¹⁶ One of the main differences is that the new 9 to 1 grading system is not being introduced as part of the changes to GCSEs in these other regulators' jurisdictions.

Separately, we signed a Memorandum of Understanding with CCEA in late 2016 to support effective working arrangements between the two regulators. This followed a similar agreement

¹⁶ <https://www.gov.uk/government/publications/gcse-and-a-level-differences-in-england-wales-and-northern-ireland/statement-from-the-qualification-regulators-on-changes-to-gcses-as-and-a-levels>

341 SCHOOLS

took part in the first National Reference Test

with Qualifications Wales earlier the same year.

We continue to maintain a joint contingency plan with other regulators and stakeholders in the event of widespread disruption to the exam system in England, Wales and Northern Ireland.

National Curriculum Assessments

Context

Every year, more than 2 million children aged between 4 and 11 years old are assessed in schools through regulated National Curriculum Assessments. It is vital that these assessments are valid and reliable.

Ofqual regulates Early Years (EYFS), Key Stage 1 (KS1), and Key Stage 2 (KS2) assessments, commonly known as 'SATs'. We also provide an independent view to government on proposed changes to National Assessment arrangements. National Curriculum Assessments are designed and delivered by the Standards and Testing Agency (STA). The STA is an executive agency within the Department for Education and it reports to Ministers.

Our strategic approach

We meet our standards and public confidence objectives by focusing our oversight on the validity of National Assessments, including technical areas such as test development, standard setting and test equating.¹⁷ We also look at the overall management of test delivery.

We focus on areas of greatest risk, including high-stakes KS2 tests that form the basis of primary school accountability measures. While we do not set the standard of the tests, we do oversee the standard setting process to provide assurance that technically sound methods are used.

¹⁷ Test equating uses performance on a sample of questions to align standards between years.

CHANGES TO NATIONAL CURRICULUM ASSESSMENTS

Changes were made to National Curriculum assessments taken in summer 2016 following decisions taken by Ministers.

- KS1 and KS2 assessments were set at a new, more challenging standard;
- results were no longer expressed as levels;
- tests were presented in a new format and results reported as scaled scores between 85 and 115 for KS1 and between 80 and 120 for KS2, with scores at or above 100 meeting the expected standard; and
- interim Teacher Assessment Frameworks were introduced to support teacher judgements, expressed as either 'working towards the expected standard'; 'working at the expected standard' or 'working at greater depth within the expected standard'.

Assessment standards

The government introduced new assessment standards in 2016 (see box). This applied to tests and teacher assessments at both KS1 and KS2. There were significant concerns from schools and other stakeholders about the standard that would be set for the new tests and teacher assessments. Given the high stakes nature of the tests, particularly at KS2, we focused our oversight on the standard setting processes for the new tests at KS1 and KS2. We scrutinised the STA's technical approach to setting standards and evaluated how it had applied that process. We observed standard setting and standards confirmation meetings for KS1 and KS2 tests. We were satisfied that the STA had adopted an appropriate and professionally recognised standard-

setting technique and that it had applied this process carefully and effectively.

Concerns were expressed by some stakeholders in summer 2016 about the level of difficulty of the new KS2 reading test, which was the first test taken last year. This included concerns that there were too many hard questions towards the start of the paper, which may have meant that some pupils did not perform at their best. We therefore sought additional assurance that the test construction process STA followed was appropriate and we reviewed performance data for KS2 reading. The profile of results for the whole cohort was normally distributed, and suggested that while the test was more difficult than tests used in previous years, it was appropriate for the cohort of pupils taking it. We also reviewed data from the STA about the performance of different groups, including by gender and for children with English as an additional language. The data suggested that the tests performed appropriately during trialling. We also confirmed that the test construction process had included reviews by SEN specialists.

In spring 2016 we began developing a research study to consider the extent to which the new KS2 tests effectively sampled the new national curriculum. The study involved reviews with SEN representatives to explore potential accessibility issues which may arise. When this study reports it should provide further evidence about how the new KS2 reading test reflects the national curriculum, both in terms of the content area and the level of cognitive demand.

Delivery

The STA is responsible for the delivery of the tests and other operational matters. We monitor the assessment delivery process at a high level to assure ourselves that risks are being appropriately identified and managed.

Two of the key delivery processes that STA runs are marking, and returning results for KS2 reading and mathematics tests to schools. Other tests,

including the year 1 phonics screening check and KS1 tests, are marked in schools by teachers. We observed marker training for both KS2 reading and mathematics, which we considered to be well-run, and all results were returned to schools on-time.

Two security breaches were formally reported to us during 2016. The first concerned a KS1 grammar, punctuation and spelling test that was inadvertently published on the STA's website. Although this did not invalidate the test, the test was made optional for 2016. In the second, a KS2 grammar, punctuation and spelling test was published on a secure marker website a day earlier than planned. This incident did not undermine the validity of the test and it was used as planned.

Results

Results for 2016 are not comparable with previous years because of the new, more challenging standards. However, we expect to see results improve in coming years as teachers become more familiar with the new test format and standard, and as pupils have experienced more years being taught the new national curriculum on which the tests are based.



Goal 2: Regulating vocational and other qualifications

Context

The government published its plan to simplify and improve technical and professional education for 16 to 19-year-olds in England in summer 2016. Ofqual is working with other government bodies and stakeholders to deliver the associated reforms to Functional Skills qualifications, technical education and apprenticeships. We regulated 158 awarding organisations providing about 17,500 live qualifications as at 31 March 2017.

Regulating vocational and technical qualifications

Risk-based approach

Ofqual regulates vocational and technical qualifications so that they are sufficiently valid and worthy of public confidence. We take a risk-based approach to ensure that our resources are targeted effectively.

Awarding organisations are required to alert us to any events that have occurred or are likely to occur which could have an 'adverse effect'.

We undertook a comprehensive review of 399 notifications related to vocational and technical qualifications during 2016. We identified both specific issues related to individual awarding organisations and several systemic risks. They included ineffective or inappropriate controls with training providers, inadequate assessor skills, and instances of malpractice. We developed an annual

plan of thematic work to target the key risks and issues identified, some of the outcomes of which are discussed below.

We also reminded awarding organisations of their responsibility to maintain compliance with our rules over time. During the year, we identified several cases where awarding organisations had become, or had the potential to become, non-compliant. In most cases these appeared to stem from either ignorance, a deficiency in assessment skills, or delivery inexperience rather than deliberate avoidance of the rules or malpractice. In the highest risk cases we took action and reaffirmed our desire that awarding organisations look at adopt standards higher than the minimum required by our rules.

Monetary penalties

Ofqual has powers to fine awarding organisations if they fail to comply with the rules for which they are recognised.





We used this power for the first time in 2016, separately imposing penalties on 2 awarding organisations. We fined City & Guilds £38,000 (in July 2016) for non-compliance with 3 Conditions of Recognition in 2015, and Pearson (in September 2016) £85,000 for non-compliance with 6 Conditions in 2015 and 2016. In both cases the fines were reduced because the awarding organisation had resolved the underlying issues, had spent significant sums resolving the issues, had self-reported the incidents and made full and frank admissions as part of the enforcement process. All penalties are paid to HM Treasury.

The work undertaken in issuing these monetary penalties provided an opportunity to review our approach. We concluded that there were potential benefits of considering settlement earlier in proceedings and we intend to change our policy accordingly.

Regulatory action

In Spring 2017, we published a report¹⁸ covering the potential for malpractice and maladministration during 2015 and 2016 in qualifications required for working in the private security industry. We found evidence of assessment malpractice and that the arrangements some awarding organisations had with training providers were insufficient to control the risks.

In early 2016 we required awarding organisations to tackle inadequate centre controls where they were identified and to address weaknesses found in their approaches to the design, delivery and award of qualifications. We also took regulatory action against two awarding organisations, requiring an undertaking from one and directing another in February 2017. We notified the awarding organisation we directed, Industry Qualifications, of our intention to fine it £50,000 in relation to 13 breaches of our rules.

We plan to review how awarding organisations operating in this sector respond to our report and continue to work with the Security Industry Association to explore how we can further strengthen controls around these qualifications. We have begun to review whether there are other qualifications and sectors where there may be similar risks. We have already started a wider research programme to consider the risks associated with 'Direct Claim Status' across all sectors.

Performance tables

Ofqual works closely with the Department for Education to ensure that qualifications included on performance tables are appropriate, and remain so.

We conducted research during the year into the quality of external assessment in 27 qualifications that had recently moved onto performance tables, including the European Computer Driving Licence

(ECDL) qualification. We reviewed how individual question items functioned and how well the tests discriminated between candidates. We are analysing the data and intend to report our findings later in 2017.

In 2015, we set requirements for awarding organisations to assign Guided Learning Hours and Total Qualification Time for each of their qualifications. These requirements came into force for some qualifications on 30 June 2016. In November 2016, we reported that we would be reviewing information gathered by Ofsted about the teaching time of the ECDL qualification. In spring 2017, the Department for Education announced that the qualification would not be included in performance tables from 2018.

Qualifications market

Qualifications register

Ofqual has a responsibility to maintain a register of all regulated qualifications.

In summer 2016, in response to comments made by Lord Sainsbury's independent panel about the qualifications market, we removed from our visible register all qualifications that had not been awarded for at least 2 years (excluding GCSEs and AS and A levels).¹⁹ We identified around 2,000 qualifications that fell within this category and asked awarding organisations to provide evidence before the end of September 2016 of any learners enrolled on them. We received 60 notifications regarding 396 qualifications and 364 of these were reinstated. We began consulting in spring 2017 about introducing a new requirement for awarding organisations to actively review the qualifications they offer and remove those that are no longer studied (see box on page 31).

¹⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/588931/Licence-linked_qualifications_used_in_the_private_security_industry.pdf

¹⁹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/541681/RO51_letter_on_Unused_Quals_FINAL.PDF

REVISING OUR RULES AND GUIDANCE

All regulated awarding organisations must meet certain rules, regardless of the qualifications they offer. Most of these are set out in our General Conditions of Recognition. We also publish qualification specific rules, and guidance to the General Conditions that is designed to help awarding organisations understand how to comply with our rules. We periodically introduce and remove rules. When we do this, we carry out a regulatory impact assessment alongside a consultation.

We have introduced and removed numerous rules over the past year as more GCSEs, AS and A levels have been reformed. In addition, in June 2016, we introduced a new rule (Condition D9) allowing us to enforce requirements we set when a qualification's accreditation ends. In July 2016, we produced new guidance for 11 of our Conditions, and in Spring 2017, we consulted on amending our guidance in relation to Condition G4, following publication of our exercise to check that exam board representatives were not misleading or providing confidential information to attendees of training or marketing events associated with new GCSEs, AS and A levels.

In early 2017, we began a targeted review of some of our other rules and guidance. In part, the review reflected the passage of time since our General Conditions were first introduced in 2011. But it was also designed to take account of our experiences through enforcement activity and feedback from awarding organisations. We will discuss any potential changes with other regulators to minimise the potential for regulatory burden on awarding organisations.

AROUND
2,000
QUALIFICATIONS

removed
from visible
qualifications
register

Ofqual frequently speaks to stakeholders to consider whether qualifications offered by awarding organisations remain fit for purpose.

In early 2016, we asked employers whether they had any concerns with the qualifications associated with the construction, engineering and hairdressing industries. We found employers had varying levels of understanding of the types and levels of qualifications on offer, and of how to differentiate between them. We were also told by many employers that they did not understand which qualifications were most relevant to their needs and they also identified concerns about the ways in which practical skills were being assessed. The findings of this research have gone on to inform the design of some of our broader regulatory work, including audits and further engagement with industry bodies. The research has also informed a subsequent employer perceptions research survey, gathering views about vocational qualifications from across a wide range of sectors. As well as this, we have recently asked users for their perceptions of applied general qualifications. We are reviewing the results of both of these pieces of research and considering what actions we might take.

Qualification reform

A programme of reforms to Functional Skills qualifications, technical education and apprenticeships has been developed by the government. Ofqual is working with other government bodies and stakeholders to deliver these reforms. We have expanded and reorganised our vocational and technical qualifications directorate in response.

Functional Skills qualifications

Over a million Functional Skills qualifications are taken annually by adults, apprentices and young people who have not secured a grade C or above at GCSE.

The government announced in 2015 that Functional Skills qualifications were to be reformed so they better meet employers' needs and provide assurance of the knowledge and skills that learners achieve.

We worked with the government and Education Training Foundation over the past year to ensure that new subject content could be appropriately assessed. This included speaking to Functional Skills practitioners across the country to understand what improvements might be made.

We intend to consult on revised assessment design principles and our approach to regulating these reformed qualifications, alongside the government's consultation on updated subject content. We anticipate that our proposal will include using a form of up-front evaluation of awarding organisations' reformed specifications to ensure they are consistent with the new principles. It is expected that the new qualifications will be of the same level of demand as currently.

Apprenticeships

The government has committed to increase both the quantity and quality of apprenticeships over the current parliament, with a target of 3 million starts by 2020. It has encouraged greater private sector involvement and investment by establishing 'Trailblazer' groups, consisting mainly of employers. Their responsibility is to develop new apprenticeship standards. It has also established the Institute for Apprenticeships to assure apprenticeship standards and advise the government on funding for each standard.

These new standards will be assessed through end-point assessments, which must be delivered through an approved Apprentice Assessment Organisation. The government has said that external quality assurance for these new assessments can be provided by either Ofqual, professional bodies, selected groups of employers, or, where these are not viable, the Institute for Apprenticeships.

We committed in early 2017 to working with the Institute to ensure that the assessment of apprentices is consistent and of high quality. However, we said in our response to its draft operational plan that we did not believe the four options provided the same scope of quality assurance, because of our assessment expertise

and the regulatory tools and powers available to us. We also noted that where an end-point assessment is offered by a recognised awarding organisation, and it falls within the scope of their recognition, we would regulate that assessment, no matter who is providing the external quality assurance. As at end May 2017, 31 of 71 Apprentice Assessment Organisations were Ofqual recognised awarding organisations.

We said, however, that there may be value in partnership arrangements with other assurance providers, where sector knowledge can be combined with our expertise, regulatory framework and statutory powers. The sector welcomed our approach. We held discussions with several potential partners during the year, and a symposium with existing awarding organisations who were interested in entering the space in November 2016. We also held discussions with some Apprentice Assessment Organisations who aspired to become recognised awarding organisations.

Technical education

In the Spring Budget 2017 government confirmed that it would be introducing new T levels for students aged 16 to 19, taking forward the recommendations from the 2016 Report of the Independent Panel on Technical Education. As outlined in the Post 16-skills plan there will be 15 different technical education routes with students being able to opt to study for qualifications, and gain work experience, that best aligns with their future career aspirations.

The government's 2017 Industrial Strategy green paper was also clear on the importance of technical education and matching high quality qualifications with employers' needs as a foundation for strong economic performance. We have been working closely with the Department for Education to inform the development of the new qualifications necessary to support technical education policy. It is vital that we learn lessons from previous programmes of reform in this area and develop a robust quality assurance framework that supports these important and high stakes qualifications.

We have extensive expertise and experience in these areas and expect to continue to be closely involved with the Department for Education and the Institute of Apprenticeships in the continuing development of T level routes and quality assurance over the next few years.

Goal 3: Developing our people, resources and systems

Context

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

Capability

Ofqual employed 182 permanent staff (177 FTE) as at 31 March 2017. We made 20 external recruitments during the year, but several specialist roles proved hard to fill. Contractors covered some of these vacant roles at times.

We invested in learning and development for staff during the year. Our key development programmes included introductions to regulation for new starters, agile project management, and audit accreditation. We continued to develop our mentoring programme and offered coaching to those seeking professional development.

We reviewed and, where necessary, refreshed our HR policies during the year. These included our pay policy, which was amended to reflect the introduction of performance-related pay in April 2016.

We took part in the annual Civil Service staff survey.²⁰ Our staff engagement results improved by 2 percentage points to 60% which is in line with the Civil Service average. We scored highly in the survey relative to the rest of the civil service on our people's understanding of their objectives and purpose. Our focus for 2017 is improving scores on leadership visibility, line management capability, and talent management.

Communications and engagement

Ofqual contributes to the promotion of public confidence in qualifications by generating and distributing information to, and otherwise engaging with, a wide range of stakeholders. Over the past year we developed several new resources to help explain the reforms being made to GCSEs, AS and

²⁰ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/574839/OFQUAL0000_Office_of_Qualifications_and_Examinations_Regulation.pdf





A levels (see page 22). We also regularly wrote to schools and colleges, gave webinars, attended and spoke at conferences, and held meetings with subject community and other stakeholder groups. We recognise the importance of tailoring our message to specific audiences, and we produced ‘basic’, ‘intermediate’ and more ‘technical’ outputs on a range of themes during the year. The associated outputs included videos, infographics, postcards, posters and blogs. We evaluated our impact through regular and ad hoc analysis.

Information management

We continued to invest in cloud-based IT during the year to improve the way we share data and information with the awarding organisation. This included launching a new digital portal and register of regulated qualifications in June 2016. These new, more cost effective platforms replaced the Regulatory IT System (RITS) and the previous register. There is now standardised data collection in place with awarding organisations and an automated means of verifying submissions. The portal, and validation, have improved the

quality of data used for regulation and reduced the burden on awarding organisations and us.

Further releases of the portal and register were delivered in March 2017 following user feedback.

2016. In the intervening period the Executive Director for Vocational Qualifications (Jeremy Benson) took on the role of Accounting Officer.

Financial review

Ofqual's resource budget for the year 2016–17 was £19.70 million, including £144,000 received in the Supplementary Estimate from the Department for Education. This represented a 13% reduction compared to 2015–16 when the budget was £22.65 million, of which £4 million was allocated to deliver the final phase of the GCSE, AS and A level reform programme, and the development and delivery of the National Reference Test. Our net operating costs were £18.92 million (£22.43 million in 2015–16). The outturn was £774,000 (4%) under budget. This includes an adjustment of £164,000 in relation to income paid to the consolidated fund in March 2017.

Staff costs for the year account for 64% of total expenditure compared to 52% in 2015–16. This reflects recruitment to a number of roles within the new organisation structure. We continued to employ agency staff to fulfil roles while permanent recruitment took place, and where there was an urgent operational need that could not be covered internally. Agency staff accounted for 7% of staffing costs during the year, down from 11% in 2015–16 as GCSE, AS and A level reform work approached conclusion, and as established roles were permanently filled. Agency staffing is expected to continue to reduce in the 2017–18 financial year.

Accounting Officer

Dame Glenys Stacey, the outgoing Chief Regulator and Accounting Officer, left the organisation at the end of February 2016. The new Chief Regulator, Sally Collier, joined the organisation at the end of April

²¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/604655/Ofqual-17-6174-Corporate_Plan_2017-20.pdf

Our future priorities

Our work during 2017 to 2018 will be driven by the amended goals and objectives set out in our Corporate Plan 2017 to 2020.²¹

Goal 1: Regulating and reforming general qualifications

Objective 1: Regulate for the validity of general qualifications

Objective 2: Oversee reform of general qualifications

Goal 2: Regulating and reforming vocational and technical qualifications

Objective 3: Regulate to support the reform of vocational and technical qualifications

Objective 4: Regulate for the validity of vocational and technical qualifications

Goal 3: Keeping the validity of National Assessments under review

Objective 5: Monitor and evaluate the validity of National Assessment

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

Objective 6: Build our capability and manage our resources efficiently and effectively



Performance analysis

Spending

Table 1 shows annual expenditure from 2012–13 through to 2019–20.

Agreed net expenditure for the regulation of qualifications has been supplemented by the Department for Education (DfE). They provided additional funds to cover the costs of reforming GCSEs, AS and A level qualifications and the National Reference Test. This amounted to £4 million in 2016–17. Further details of the breakdown of spend on major programmes can be found in Table 14.

The 2017–18 plan includes £2.4 million from the DfE for reform. This includes £2 million for the 2017–18 delivery phase of the National Reference Test, and £0.4 million for the accreditation of the remaining unreformed qualifications for first teaching in 2018.

Departmental data reporting tables

These tables show Ofqual's Departmental Expenditure Limit (DEL). Ofqual had no capital DEL in 2016-17. Capital budgets are being reviewed for 2017-18 to 2019-20. Adjustments will be made through the Supplementary Estimates exercise for changes required to the 2017-18 budget. Future years will be amended through Main Estimates.

The increase in DEL in 2019-20 covers the potential re-procurement costs of the National Reference Test.

Ofqual has no Annually Managed Expenditure (AME).





Table 1: Annual expenditure

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Outturn	Planned	Planned	Planned
	£000	£000	£000	£000	£000	£000	£000	£000
Consumption of resources								
Regulation of qualifications	16,749	18,336	20,968	22,432	18,922	17,677	17,102	17,227
Total resource DEL*	16,749	18,336	20,968	22,432	18,922	17,677	17,102	17,227
Resource AME								
Regulation of qualifications	0	0	0	0	0	0	0	0
Total resource	16,749	18,336	20,968	22,432	18,922	17,677	17,102	17,227
Total capital DEL*	11	87	90	35	0	0	0	0
Total public spending	16,760	18,423	21,058	22,467	18,922	17,677	17,102	17,227

* DEL - Departmental Expenditure Limit

Notes:

- Parliament provides the legal authority to incur expenditure through the Estimates and Supply procedure. Parliament grants statutory authority both to consume resources and draw cash from the Consolidated Fund to pay for resources consumed by an annual Appropriation Act and the Consolidated Fund Act.

Table 2 shows the annual expenditure split between administrative and programme classifications. Administration expenditure increased in 2016–17 as a result of changes to the organisation structure, and peaks in 2017-18 following which it reduces year on year in 2018–19 and 2019–20, reflecting the Spending Review 2015 settlement. We plan to achieve this reduction through continued efficiencies from increased use of digital transactions, reducing external spend, and continued focus on corporate overheads.

Table 2: Programme and administration expenditure

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
	Outturn	Outturn	Outturn	Outturn	Outturn	Planned	Planned	Planned
	£000	£000	£000	£000	£000	£000	£000	£000
Programme:								
Expenditure								
Pay	52	728	1,148	1,754	1,785	416	224	224
Other expenditure	2,974	2,612	4,192	7,206	3,089	1,994	1,886	2,286
Total expenditure	3,026	3,340	5,340	8,960	4,874	2,410	2,110	2,510
Income	0	0	0	-75	0	0	0	0
Total programme expenditure and budgeted	3,026	3,340	5,340	8,885	4,874	2,410	2,110	2,510
Administration:								
Expenditure								
Pay	10,915	12,091	12,428	9,802	10,297	12,734	12,734	12,734
Other expenditure	3,331	3,357	3,576	4,147	3,786	2,663	2,258	1,983
Total expenditure	14,246	15,448	16,004	13,949	14,083	15,397	14,992	14,717
Income	-523	-452	-376	-402	-35	-130	0	0
Total administrative expenditure	13,723	14,996	15,628	13,547	14,048	15,267	14,992	14,717
Grand total	16,749	18,336	20,968	22,432	18,922	17,677	17,102	17,227

Notes:

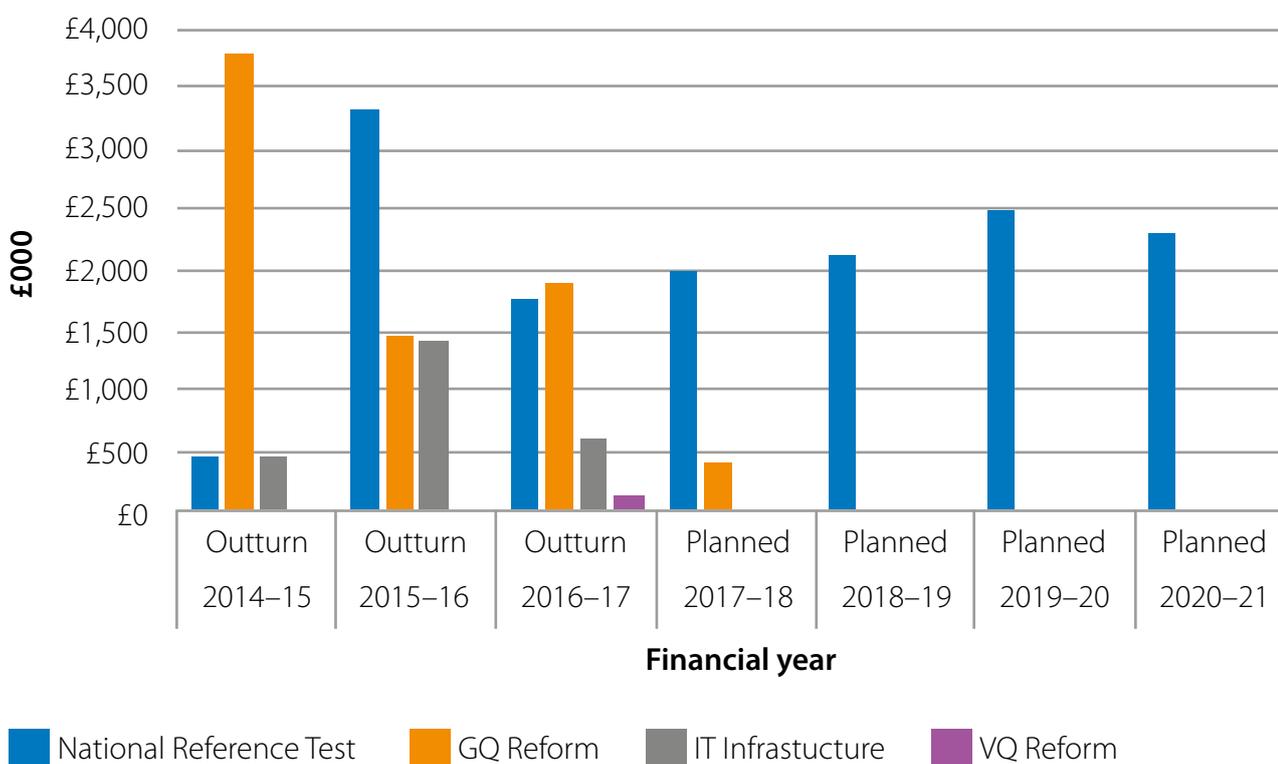
- Income from Northern Ireland Department for Employment and Learning, sale of IT equipment, and CCEA funding was included in 2016–17, and income from legal costs recovered through financial penalties, sales of IT hardware, and recovery of salaries for data provision services for Wales and Northern Ireland is included in 2017–18.

Long-term expenditure trends

Table 3 shows the planned incidence of funding for major programmes that Ofqual is delivering. The IT infrastructure costs peaked in 2015-16 with the 2016-17 expenditure associated with the release of the awarding organisation portal which is the replacement for the Regulatory IT System (RITS). The assumption is that further incremental changes to the platform will be funded from administration funding. The incidence of expenditure on GQ Reform reflects that the majority of the GCSE and A level qualifications being reformed for first teaching in September 2017, would be accredited by the end of the financial year 2016-17. The National Reference Test funding increase in 2019-20 is due to the proposed timetable for re-contracting the service. The VTQ Reform budget for 2017/18 and 2019/20 shows zero: this is subject to a business case being considered by the DfE to cover delivery of Apprenticeship EPAs, Functional Skills reform and the introduction of T levels. The outcome of this funding request is not yet known.

Further information on each can be found in the Performance Report.

Table 3: Expenditure on major programmes



Programme	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Planned £000	2018-19 Planned £000	2019-20 Planned £000	2020-21 Planned £000
National Reference Test	460	3,317	1,768	2,000	2,100	2,500	2,300
GQ Reform	3,784	1,459	1,883	400	0	0	0
VQ Reform	0	0	144	0	0	0	0
IT Infrastructure	445	1,415	595	0	0	0	0
TOTAL	4,689	6,191	4,390	2,400	2,100	2,500	2,300

Sustainability

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

Energy-saving measures in our Coventry office have continued to generate savings, and the installation of new lighting has reduced our consumption of electricity. We expect to see a continued reduction in electricity usage over the next 12 months. Electricity charges have decreased in 2016-17 as a result of the reduced consumption and a reduced tariff. £2k of the reduction is due to closure of the Northern Ireland office.

A credit of £10K was received in 2016-17 for surface water removal. Ofqual should not have incurred the

charges as our water is collected on site and doesn't discharge to the mains. The credit was dated back to 2010. The charges for 2016-17 excluding the credit were £2K.

We have prioritised investment in 'at desk' video conferencing together with the introduction of video conferencing in all meeting rooms as part of the introduction of 'Smart' flexible working practices. In addition, over the last 12 months we have replaced our desktop IT infrastructure with laptops and monitors which improve our ability to be flexible and increase efficiency. Over the next 12 months we anticipate a reduction in the number of Home-Office car journeys as staff use the technology available to work from other locations away from the office.

Table 4: Sustainability

Costs:

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

Consumption:

	2012-13	2013-14	2014-15	2015-16	2016-17
Total Carbon	206	183	188	186	171
Elec (kWh)	268,894	299,315	274,379	251,583	245,536
Elec (tCO₂)	148	133	136	124	121
Gas (kWh)	311,843	268,574	285,339	331,492	270,001
Gas (tCO₂)	58	50	53	61	50
Water (m³)	1,018	1,087	1,240	1,155	1,038
Waste (tonnes)	28.81	21.91	36.99	31.34	0.00

Business travel

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

We have focused on reducing the amount of waste we produce along with continuing to improve the quantity of waste recycled. This has been delivered by improved categorisation of waste disposed and more efficient use of multi-function devices, with the introduction of locked printing significantly reducing spend on paper. In addition, we have invested in tablet computers and are using these to manage meetings more effectively, which has also reduced the amount of paper generated in the organisation. As a result, we have saved almost 40% in printing costs over the last 12 months and are looking to reduce this further over the next 12 months.

No waste consumption figures are available for 2016-17. Waste charges increased in 2015-16 due to the disposal of old IT equipment.

Air travel has reduced significantly compared to previous years due to the closure of the Northern Ireland Office.

Rail charges have increased by £53K between 2015-16 and 2016-17. This is in the main due to increased travel supporting stakeholder engagement and enforcement activities as well as the increase in staffing during the year.

Consumption figures for all years are for the Spring Place office only.

Regulatory burden

Ofqual follows good regulatory practice, in particular the Better Regulation Executive's principles of good regulation²² and the 7 characteristics set out in the Macrory report *Regulatory Justice: Making Sanctions Effective*.²³ We aim to address burden in a proportionate way and balance the requirements

²² Legislative and Regulatory Reform Act 2006 Part 2, paragraph 21(2)

²³ *Regulatory Justice: Making Sanctions Effective* (November 2006): <http://webarchive.nationalarchives.gov.uk/20121212135622/http://www.bis.gov.uk/files/file44593.pdf>

²⁴ <https://www.gov.uk/government/publications/ofquals-regulatory-burden-statement>

of regulation against any burden that may result. Some burden is a necessary and proper part of regulation.

In March 2017, we published our burden statement²⁴ on how we plan to keep our regulatory functions under review and to not impose or maintain any unnecessary burden.

Our regulation requires awarding organisations to put in place the systems, processes and controls necessary to develop, deliver and award sufficiently valid qualifications. Similarly, awarding organisations must set some requirements of schools, colleges and training providers offering their qualifications, necessary to secure that validity.

The way we regulate has evolved over time as we have developed our risk-based approach to regulation. This has allowed us to regulate more effectively and target intervention where it is most needed. As a result, some awarding organisations may experience more regulation than previously. We believe the burden that we now impose to be proportionate to secure our objectives and duties.

Our regulatory framework sets out the rules and guidance needed to ensure that our regulatory functions produce qualifications that remain sufficiently valid over time. We continue to keep the framework under review to ensure that it remains up to date and where possible we remove or reduce unnecessary burden. We recognise that when reducing unnecessary burden through removing rules, we may cause awarding organisations one-off costs because we may issue guidance for clarification or less burdensome rules that require familiarisation. Details of how we kept our framework under review can be found in our regulatory burden statement.

Our approach to reviewing our regulatory functions and managing regulatory burden in the future will also be informed by the government's better regulation agenda to cut red-tape and boost UK productivity. This includes fulfilling specific

legislative obligations for the Business Impact Target and Growth Duty.²⁵

Payment of suppliers

We adhere to the Late Payment of Commercial Debts (Interest) Act 1998 and meet the normal terms of payment for invoices of 30 days from receipt, except where different terms have been agreed with suppliers. As a small organisation, the government's 5-day target for small and medium enterprises to receive payment is not mandated, however, during the year we paid over 90% of all invoices within 5 working days.

Payment of trade and other payables is reported on a creditor-days basis. This is calculated as a proportion of the amount owed to trade creditors at the year end, compared with the aggregate amount invoiced by suppliers during the year. We paid all suppliers in an average of 15 creditor days in 2016–17 (17.6 days in 2015–16). This includes small and medium enterprises as well as larger enterprises. No interest was payable under the Late Payment of Commercial Debts (Interest) Act 1998 (2015–16: £0).

Basis of accounts

The accounts for the year ended 31 March 2017 have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

Ofqual was the sole entity within our departmental accounting boundary during 2016–17, and we are not responsible for any bodies outside our departmental accounting boundary.

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

of these financial statements.

Pension liabilities

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

Events after the reporting period

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

Auditor

The Government Resources and Accounts Act 2000 appointed the Comptroller and Auditor General as Ofqual's auditor. He has set a notional £46,000 charge for the audit in 2016–17 (the same as in 2015–16).

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



Sally Collier
Chief Regulator, Accounting Officer for Ofqual

4 July 2017

²⁵ Introduced by the Enterprise Act 2016



ACCOUNTABILITY REPORT

Corporate Governance Report

The directors' report

Details of Ofqual directors

Ofqual's executive leadership team includes the following directors:



Sally Collier
Chief Regulator and
Accounting Officer
(from 25 April 2016)



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



Phil Beach
Executive Director,
Vocational and Technical
Qualifications (from
14 August 2016)



Marc Baker
Chief Operating Officer



Julie Swan
Executive Director,
General Qualifications



Table 5: Senior Management Team Directorships and other significant interests

Name	Directorships and other significant interests during 2016–17
Sally Collier, Chief Regulator (from 25 April 2016)	Fellow, Chartered Institute of Purchasing & Supply
Amanda Spielman, Interim Chief Regulator (from 1 March 2016 to 25 April 2016)	Education Advisor, Absolute Return for Kids, ARK (ceased 12/06/16) Board Member Floreat Education Academies Trust (ceased 12/06/16) Member, ARK Schools Audit and Risk Committee Trustee, STEMNET (ceased August 2016) Council Member Brunel University London Chief Inspector OFSTED (from January 2017)
Jeremy Benson, Executive Director, Vocational Qualifications (to 14 August 2016)	Director, Learn Academies Trust Trustee and Director, Meadowdale Primary Academy (ceased August 2016)
Michelle Meadows, Executive Director Strategy, Risk & Research	Honorary Research Fellow, Oxford University
Phil Beach, Executive Director, Vocational and Technical Qualifications (from 14 August 2016)	No board directorships or other significant interests
Marc Baker, Chief Operating Officer	Governor, East Leake Academy
Julie Swan, Executive Director, General Qualifications	Governor, University of Worcester Board Member, Committee of the Bar Standards Board's Qualifications Committee Auditor (ad-hoc basis), Association of Personal Injury Lawyers

Board members



Roger Taylor
Chair
(from January 2017)



Amanda Spielman
Chair
(from July 2011
to November 2016)



Julius Weinberg
Interim Chair
(from December 2016
to January 2017)



Sally Collier
Chief Regulator
(from April 2016)



Dana
Ross-Wawrzynski



Tim Balcon



Anne Heal



Mike Cresswell



Barnaby Lenon



Maggie Galliers



Tom Taylor



Terri Scott



Neil Watts

Board members' directorships and other significant interests, including non-executive positions, during the year ended 31 March 2017 are given on page 49.

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

Table 6: Ofqual Board Directorships and other significant interests

Name	Board directorships and other significant interests during 2016-17	Notes [Indicating where they have departed or been extended]
Amanda Spielman (to November 2016)	Education Advisor, Absolute Return for Kids, ARK (ceased 12/06/16) Board Member Floreat Education Academies Trust (ceased 12/06/16) Member, ARK Schools Audit and Risk Committee Trustee, STEMNET (ceased August 2016) Council Member Brunel University London Chief Inspector OFSTED (from January 2017)	Original appointment date: 14 July 2011 1st re-appointment date and term: 14 July 2014 (5 yrs) Departure: 30 November 2016
Julius Weinberg	Governor, Latymer Upper School, Hammersmith Trustee, National Art and Design Saturday Club Trust Chair, Access HE President, Kingston University	Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs) Appointment expires: 31 March 2018
Sally Collier	Fellow, Chartered Institute of Purchasing & Supply Chief Executive and Board member of Crown Commercial Services until 24/4/16	Original appointment date: 25 April 2016 Appointment expires: 24 April 2021
Tim Balcon	Chief Executive, Institute of Environmental Management and Assessment (IEMA) Director Sustainability Training Solutions (wholly owned subsidiary of IEMA) Member of the Institute of Directors	Original appointment date: 1 April 2010 Departure: 31 March 2017
Dana Ross-Wawrzynski	Director and CEO, Bright Future Educational Trust Governor, Regent College, Independent School and Sixth Form College Member of the Future Leaders Trust Project Board	Original appointment date: 1 October 2013 Departure: 30 September 2016
Maggie Galliers	Chair, Learning and Work Institute Chair, City College Coventry National Leader of Governance (ceased Sept 2016) Trustee, Learning without limits Multi Academy Trust	Original appointment date and term: 2 January 2013 (3yrs) Departure: 31 March 2017
Anne Heal	Chair, Thames Water Customer Challenge Group Chair, Volunteering Matters Lay Adviser, Royal College of Pathologists Trustee, National Council for Voluntary Organisations Trustee, Balletboyz Board Member, Office, Rail and Road Indepen, Associate	Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs) Appointment expires: 31 March 2018
Mike Cresswell	No board directorships or other significant interests	Original appointment date and term: 1 October 2013 (3 yrs) 1st re-appointment date and term: 1 October 2016 (3 yrs) Appointment expires: 31 September 2019
Barnaby Lenon	Chairman, Independent Schools Council Director, Lenon Education Ltd. Governor, Chelsea Academy Director, New Schools Network Governor, London Academy of Excellence Governor, Bellerbys College Director, Centre for Social Mobility	Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs) Appointment expires: 31 March 2018
Roger Taylor: Chair (from January 2017)	Fellow, Royal Society of Arts Consultant, Careers and Enterprise Company Trustee, Open Services Network at the RSA Trustee, Safelives	Original appointment date: 1 April 2012 Appointment expires: 31 December 2019
Tom Taylor	Commercial Director, Institute of Environmental Management and Assessment (IEMA) Chair, Consumer Council for Water	Original appointment date and term: 1 April 2012 (3 yrs) 1st re-appointment date and term: 1 April 2015 (3 yrs) Appointment expires: 31 March 2018
Neil Watts	Independent Press Standards Organisation, Member of the Complaints Committee Trustee, Spina Bifida Hydrocephalus, Information, Networking, Equality (SHINE) Citizen Advocate for CIFCAS Advisory Board Board Member, Architects Registration Board Governor, Great Finborough Primary School Freelance Education Consultancy Member, St Edmundsbury and Ipswich Multi Academy Trust University of Suffolk (Honorary Doctorate awarded October 2016)	Original appointment date and term: 1 April 2010 (4 yrs) 1st re-appointment date and term: 1 April 2014 (3 yrs) 2nd re-appointment date and term: 1 April 2017 (9 months) Appointment expires: 31 December 2017
Terri Scott	Principal/Chief Executive, Northern Regional College Board member, Maze/Long Kesh Development Corporation Board member, Intertrade Ireland	Original appointment date and term: 1 April 2015 (3 yrs)

Future developments affecting Ofqual

Ofqual is not aware of any external developments that will significantly affect its operations. We continue to develop our regulatory approach to vocational and technical qualifications as outlined in the Performance Report.

Complaints about Ofqual

In 2016-17 we received 7 complaints about Ofqual, one of which was made by an awarding organisation and was in relation to regulatory decisions we had made.

Of the other 6 complaints, 3 were in relation to decisions made by us during the reform of GCSEs and A levels, and the other 3 related to decisions that awarding organisations had made which were escalated to us. None of these complaints were upheld.

Complaints to the Parliamentary Ombudsman

Four complaints relating to Ofqual were referred to the Parliamentary Ombudsman in 2016-17. Three have been dismissed without further action and a fourth is currently being considered.

Whistleblowing disclosures

Ofqual did not receive any whistleblowing disclosures from its own staff during the year.

Customer services

Ofqual aims to acknowledge complaints within 2 working days and provide a final response within 30 working days of receipt.

Overall, we handled 180 complaints and whistleblowing disclosures about awarding organisations. We upheld 6 complaints about awarding organisations and partially upheld a further 6. We carried out internal reviews in 14 cases, which related to the way we investigated the original complaint. We upheld 2 of these reviews and we improved our internal procedures as a result.

During 2016-17, we acknowledged over 98% of complaints within 2 working days and provided a final response within 30 days in 62% of cases, down from 67% of cases in 2015-16. This was due to a change in case management systems, long-term absence within the team and members of the team continuing to develop their technical knowledge.

The average number of days to close a complaint was 31 days, which given the complexity of the cases we consider is reasonable.

Financial governance

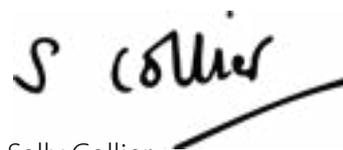
Ofqual recruited a permanent Procurement and Contract Manager in June 2016 to strengthen our governance in this area. A number of permanent appointments were also made to the finance team, including recruitment of an Associate Director Finance effective August 2016.

Recruitment

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

As at 31 March 2017, we employed 188.5 whole-time equivalent staff throughout the year compared with our establishment figure of 202 whole-time equivalent.

We employed 19 temporary staff to cover vacancies, maternity leave and long-term sick leave (23 temporary staff were employed in 2015-16).



Sally Collier
Chief Regulator, Accounting Officer for Ofqual
4 July 2017

Statement of Accounting Officer's responsibilities

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

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

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

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

I confirm that as far as I am aware, there is no relevant audit information of which Ofqual's auditors are not aware. As Accounting Officer, I have taken all steps necessary and have sought assurance from the Ofqual management team that I have been made aware of any relevant audit information and to establish that Ofqual's auditors are also made aware of that information.

I have reviewed the assurances provided by the Ofqual management team and confirm that the annual report and accounts as a whole are fair, balanced and understandable and I take personal responsibility based on the written assurances provided to me, including from the Chief Operating Officer and Jeremy Benson as Interim Accounting Officer in the period before I joined, for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.



Sally Collier
Chief Regulator, Accounting Officer for Ofqual
4 July 2017

Governance statement

Scope of responsibility

As Accounting Officer, I am responsible for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives, whilst safeguarding the public funds and our assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. This governance statement describes how these duties have been carried out by the previous Accounting Officer and the supporting structure in the 2016–17 financial year.

Dame Glenys Stacey left Ofqual on 29 February 2016 at the end of her period of appointment, Amanda Spielman, the Ofqual Chair, took over as Interim Chief Regulator until 25 April 2016, when I joined Ofqual as the Chief Regulator. In the intervening period Jeremy Benson, Executive Director Vocational Qualifications took on the role of Accounting Officer.

Ofqual Board

During 2016–17 the Board consisted of a Chair, 12 ordinary members (1 as Deputy Chair) and the Chief Regulator. Ordinary members are appointed by the Secretary of State for Education for terms no longer than 5 years. Board members may be reappointed as their terms expire, but there is no automatic right to this. Amanda Spielman left Ofqual on 30 November. The role of Chair was taken up by Roger Taylor from January 2017. The Deputy Chair Julius Weinberg covered the role during December 2016.

Table 7: Board members and the committees on which they served on, during the year ending 31 March 2017

Name	Date of appointment	Term of appointment	Membership of Board committees				
			Board (routinely scheduled) - 7 meetings	Audit and Risk Committee (A&R) - 5 meetings including 1 joint meeting	Finance Committee (Fin) - 5 meetings including 1 joint meeting	Vocational Advisory Group (VAG) - 1 meeting	Standards Advisory Group (SAG) - 3 meetings
Amanda Spielman (Chair)	reappointed 14 July 2014	5 years, to 13 July 2019	71% *			100%	67%
Julius Weinberg (Deputy Chair)	reappointed 1 April 2015	3 years, to 31 March 2018	85%				100% *
Tim Balcon	reappointed 1 April 2014	3 years, to 31 March 2017	100%		100%	100%	
Mike Cresswell	Reappointed 1 October 2016	3 years, to 30 September 2019	71%			100%	67%
Maggie Galliers	reappointed 1 April 2016	1 year, to 31 March 2017	100%	100% *		100%	
Anne Heal	reappointed 1 April 2015	3 years, to 31 March 2018	100%	100%			
Barnaby Lenon	reappointed 1 April 2015	3 years, to 31 March 2018	85%	40%			67%
Dana Ross-Wawrzynski	1 October 2013	3 years to 30 September 2016	42%	40%			
Terri Scott	1 April 2015	3 years to 31 March 2018	71%				
Roger Taylor	reappointed 1 January 2017	3 years, to 31 December 2019	100% *	80%		*	
Tom Taylor	reappointed 1 April 2015	3 years, to 31 March 2018	100%		80% *		
Neil Watts	reappointed 1 April 2014	3 years, to 31 March 2017	71%		80%		

Notes

* denotes Chair of Committee

Amanda Spielman stood down as Chair on 30 November 2016. She took on the role of Chief Inspector, Ofsted from January 2017.

Roger Taylor became Chair of Ofqual in January 2017

Roger Taylor stood down from the Audit and Risk Assurance Committee on 15 March 2017 and was eligible to attend three meetings.

Chairmanship of VAG was passed to Roger Taylor to commence from 9 September 2016 meeting

Chairmanship of SAG was passed to Julius Weinberg to commence from 14 October 2016 meeting

Barnaby Lennon was appointed to the Audit & Risk Assurance Committee from 1 October so was able to attend three meetings

Dana Ross-Wawrzynski term ended on 30 September 2016. She was able to attend four board meetings and two Audit & Risk Assurance Committee meetings

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

Board and committee members are required to declare potential conflicts of interest on appointment and at the beginning of each meeting they attend. They must confirm annually that the register of their interests is up to date. Where actual or potential conflicts of interests are identified, board members take no part in any discussion and are not involved in any decisions that relate to those interests.

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

The Board had the following committees during the year ended 31 March 2017.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee provides advice and assurance to the Board and to me, as Accounting Officer, on the adequacy and effectiveness of internal controls, risk management processes and our governance arrangements. It also oversees internal and external audit arrangements covering both financial and non-financial systems. The committee normally meets 4 times a year, although the committee chair may call additional meetings as necessary.

The committee consists of up to 4 members of the Board and an independent financially qualified member, Trevor Robinson, who was initially appointed as a member in March 2011 for a term of 3 years and at the end of 2013 was reappointed for a further 3 years to 28 February 2017. This appointment was extended until the final accounts are signed in June 2017.

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

where appropriate.

The committee considers all aspects of internal control including risk management (strategic and systemic), information security and counter-fraud, supported by reports from the internal and external auditors. During 2016–17 the committee reviewed the findings of audit reports on regulatory compliance, risk management, health and safety, National Reference Test contract management, business planning, key financial systems and our security policy framework.

Finance Committee

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

The Committee meets at least 3 times a year and consists of up to 4 members of the Board. Members of the Committee are not members of the Audit and Risk Assurance Committee. The Chair is also invited to attend all meetings.

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

Standards Advisory Group

The Standards Advisory Group advises the Board on qualification and assessment standards. This includes, but is not limited to, matters concerning comparability between regulated qualifications, international comparisons, validity, reliability, predictability and standards.

The Advisory Group meets at least 3 times a year. It consists of between 2 and 5 members of the Board and a number of independent members. The independent members are appointed to bring specific expertise to the Group. A Board member is nominated by the Board to chair the Standards Advisory Group.

The Advisory Group has established a National Reference Test sub group to support Ofqual's work in introducing and using the Tests. The Advisory Group met once this year. It was attended by members of the Board and a number of independent members.

Meetings are normally attended by the Chief Regulator, Executive Director Strategy, Risk and Research and relevant senior members of the Standards and Research Directorate. Other members of staff may attend meetings as appropriate.

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

During 2016–17, the independent members of this group were:

- Dr Rebecca Allen, Director, Education Datalab
- Professor Jo-Anne Baird, Pearson Professor and Director of the Oxford Centre for Educational Assessment
- Ian Bauckham, Executive Headteacher, Bennett Memorial Diocesan School
- Professor Paul Black, King's College London
- Tom Bramley, Deputy Director, Research Division, Cambridge Assessment
- Professor Robert Coe, Durham University
- Professor Caroline Gipps, former Vice Chancellor, University of Wolverhampton
- Dr Grace Grima, Director of Research, Pearson UK.
- Dr Tina Isaacs, Programme Leader, MA in Educational Assessment, Institute of Education
- Jerry Jarvis, former Chief Executive Edexcel
- Professor Roger Murphy, The University of Nottingham
- Tim Oates, Group Director of Assessment

Research and Development, Cambridge Assessment

- Dr Alastair Pollitt, Cambridge Exam Research
- Alex Scharaschkin, Director of Research, AQA
- Professor Gordon Stobart, University of London

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

Vocational Advisory Group

The Vocational Advisory Group advised the Board in relation to vocational qualifications and assessments. This included, but was not limited to, matters concerning appropriate forms of assessment, comparability between regulated qualifications, international comparisons, validity, reliability, predictability and setting standards in vocational assessment.

The Advisory Group met once this year. It consisted of between 2 and 6 members of the Board and a number of independent members. The independent members were appointed to bring specific expertise to the Group. A Board member was nominated by the Board to chair the Vocational Advisory Group.

The meeting was attended by the Executive Director Vocational and Technical Qualifications and relevant members of the Vocational Qualifications Directorate.

It was agreed by the Board in late March 2017 that the Advisory Group would be disbanded in its current form in favour of a more flexible approach to sourcing external vocational expertise. We are going to expand the expertise of SAG to include individuals with vocational expertise. This will support a more rounded discussion of vocational and general qualifications standards issues. We are also going to convene separate group of external vocational stakeholders to ensure we are in touch with their views.

During 2016–17, the independent members of the Group were:

- Andrew Boyle, Director, AlphaPlus
- Professor Alan Brown, The University of Warwick
- Norman Gealy, Director, Network Exams Ltd
- Ann Gravells, Education Consultant
- Professor Ewart Keep, University of Oxford
- Tim Oates, Group Director of Assessment Research and Development, Cambridge Assessment
- Mark Protherough, Executive Director, Learning and Professional Development, ICAEW
- Professor Gordon Stobart, University of London
- Isabel Sutcliffe, Independent Consultant
- Professor Lorna Unwin, University of London
- Professor Alison Wolf, King's College London

Committee's reporting to the Board

Each committee reports on its work at the Board meeting following the committee meeting. Principal items of committee business in 2016–17 were:

Finance Committee

- reviewing the 2015–16 Annual Report and Accounts;
- monitoring Ofqual's management accounts;
- scrutiny of the proposals for the award of the contract for the maintenance and support of the regulatory platform;
- reviewing the 2016–17 business planning process;
- reviewing staff resource and development issues; and
- the Spending Review submission.

Standards Advisory Group

Providing advice to Ofqual on:

- issues associated with the validity of qualifications;
- research to compare reformed GCSE maths sample exam papers;
- policy options around inter-subject comparability;
- setting standards in future GCSEs, AS and A levels; and
- options for the award of grades 8 and 9 in reformed GCSEs.

Audit and Risk Assurance Committee

- reviewing the 2015-16 Annual Report and Accounts for recommendation to the Board for approval;
- reviewing internal audit reports and monitoring the implementation of audit recommendations;
- overseeing information and records management;
- overseeing risk management;
- monitoring progress against the 2016–17 Internal Audit plan;
- agreeing the 2016–17 Internal Audit plan;
- reviewing the 2016–17 external audit plan and audit completion report;
- agreeing the approach and timetable for work to draw up our 2016–17 Annual Report and Accounts;
- reviewing the 2017–18 Business Plan; and
- considering cyber security issues.

Vocational Advisory Group

Providing advice to Ofqual on:

- setting standards in vocational qualifications;
- comparability between vocational qualifications and general qualifications; and
- qualifications purposes.

Management control activities

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

Strategic Management Group

The Strategic Management Group meets weekly and is attended by the Chief Regulator and the executive directors. The Director of Legal, Associate Director for Strategic Policy and Risk, Associate Director Communications and Private Secretary attend meetings as observers. Other staff attend by invitation.

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

- developing the strategic direction for Ofqual, including priorities and work plans;
- considering issues related to recruitment and prioritisation, the introduction of a talent management approach and identifying improvements to staff engagement.
- monitoring progress against the corporate, business and financial plans;
- advising the Chief Regulator on matters delegated to her by the Board or escalated by any of its sub-groups;
- approving the setup of significant new programmes of work or other activities that impact on the resources of the organisation;
- overseeing our use of financial and human

resources, with a particular focus on efficiency and effectiveness in how we use our resources;

- conducting 'horizon scanning' of external factors affecting the organisation and its work, including regulated bodies, government and other stakeholders; and
- overseeing the Strategic Risk Register and issues list.

The Strategic Management Group reviewed key organisational performance indicators, finance, information technology and strategic human resources matters on a monthly basis. During the year to March 2017 the members of the Group were:

- Sally Collier – Chief Regulator;
- Michelle Meadows – Executive Director Strategy, Risk and Research, Deputy Chief Regulator;
- Phil Beach – Executive Director, Vocational Technical Qualifications;
- Julie Swan – Executive Director, General Qualifications;
- Marc Baker – Chief Operating Officer;
- Jeremy Benson – Executive Director, Special Projects and Senior Advisor.

Board performance and assessment of its own effectiveness

The Board considered its performance against the standards set out in the *Corporate Governance Code*²⁶ in April 2016 focusing on 5 key areas: core business, trust and support, contribution and execution, engagement with stakeholders, and board leadership. Identified strengths were:

- the Board is clear as to its purpose and Ofqual's statutory objectives;

²⁶ www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf

- board members behave corporately and do not limit their contributions to their own specialist areas;
- the Board is kept up to date and is fully informed about any sensitive or difficult issues;
- the work of the Board reflects current national issues and policies; and
- the leadership of the Board has a positive impact on its performance.

Engagement with stakeholders was identified as an area for development, particularly awareness of stakeholders' views about Ofqual and of staff attitudes. The fact that board members draw on their experiences and relationships with stakeholders in board meetings was recognised.

The Board acknowledged the positive impact of its leadership. It also agreed that the quality and quantity of information it receives helps it to perform effectively and that the papers presented were of good quality and helped Board members to prepare for discussion.

Where appropriate, our corporate governance framework also follows the Corporate Governance Code. The main difference is that with the exception of the Chief Regulator, all other board members are non-executives. The executive directors are invited to attend Board meetings and update the Board on the work of their Directorates.

Risk management

Risks managed in each of Ofqual's directorates and in major programmes and projects are escalated to the Strategic Risk Register where these have a direct impact on Ofqual's statutory objectives or put at risk delivery of our Corporate Plan. The Strategic Risk Register is reviewed regularly both by the Strategic Management Group, and the Board. It is scrutinised in detail by the Audit and Risk Committee of the Board. This maintains active monitoring of our key risks, and the effectiveness of our mitigations.

We make continuous improvements in our approach and the processes for risk identification, assessment and management. In particular, we made enhancements to our identification and management of systemic risk during 2016–17. These are risks that impact multiple qualifications, or multiple awarding organisations.

In all dimensions of risk, we look at both the likelihood and the impact of the risk materialising. At the end of March 2017, a number of strategic risks were rated as both high probability and high impact. These risks are actively managed, with a broad range of mitigation actions undertaken. At end March 2017, the main risks on our Strategic Risk Register included:

Accreditation of GCSEs, AS and A levels

The risk is getting the new GCSEs, AS and A levels accredited in time for them to be taught from September 2017. New qualifications submitted by Exam Boards must meet the required criteria and be designed to minimise long-term risks to standards in order to be accredited. Where submissions do not meet the criteria, we have taken further steps to mitigate the risk that qualifications are not available to teachers in a timely way to enable them to prepare to teach. We have improved the timeliness of our feedback, and where we have seen problems, we have in place regular engagement with senior exam board representatives to raise issues.

Quality of marking

There remains public concern regarding aspects of quality of marking. We continue to manage risks both to public confidence in marking, and risks related to the sufficiency of exam board controls and processes that contribute to quality of marking. We have conducted research into marking reliability as well as audits into the quality of marking, and examiner recruitment. We continue to survey public perceptions of marking and engage broadly with stakeholders to deepen our understanding of concerns.

GCSE, AS & A level delivery and standards risks

We have oversight of a wide range of risks to delivery and standards related to summer awarding of GCSEs, AS and A levels. These have been reviewed in light of the first awarding of reformed GCSEs, AS and A levels. They include risks to the timetable for delivery of results that may affect students and potentially the UCAS applications process, risks relates to question paper production, errors in question papers and malpractice. We conducted an audit of exam marker capacity in advance of the Summer 2017 exam series and the preparedness of Exam Boards and the risk mitigations they had in place to minimise the likelihood and impact of events occurring. We continue to monitor exam boards' examiner capacity and progress with marking. We use a range of modelling and technical approaches to maintain standards in general qualifications.

Organisational change within exam boards

In light of an extended period of reform in GCSEs, AS and A levels, we remain mindful of the shifts in market share, policy pressures and operational and organisational change faced by exam boards. We meet with exam boards regularly to explore any concerns, and monitor the risks and issues arising at each stage of reform. We have reviewed exam boards' readiness to implement the reformed qualifications in light of organisational changes.

Changes to GCSE grading and to accountability measures

New GCSEs are being awarded in parallel with changes to school accountability. This includes the introduction of the new grading system for GCSEs. This presents risks to public confidence as a range of stakeholders adjust to both new grades, and new accountability measures. We have engaged in extensive communications on the nature of the changes to GCSE grading, and potential outcomes at awarding this year. We have worked closely with our key stakeholders, including Ofsted, to promote system wide understanding.

Malpractice

Malpractice in the exam system risks undermining fairness and public confidence in qualifications. Where malpractice arises we monitor awarding organisations' response to ensure risks are mitigated, fair outcomes secured and the appropriate penalties are applied. We are continuing with our communications strategy to encourage malpractice reporting and have updated our whistleblowing policy.

National Reference Test – delivery and use in GCSE awarding

We have used thorough contract management processes to mitigate risk in the delivery of the new National Reference Test (NRT), with successful first delivery in 2017. We will continue to manage a range of risks both to the delivery and the potential effective use of the NRT over time, including through dialogue with stakeholders and exam boards.

National Assessments

We continue to focus on threats to validity, rather than delivery, in National Assessments. As government consults on changes to National Assessments, we will continue to be mindful of the risks that creates and the evidence we will need to gather to assess and advise on those risks. We have increased our senior management and research resource dedicated to National Assessments.

Vocational awarding organisations' quality assurance of centres

Awarding organisations' ability to effectively quality assure centres' assessment activities is a key component of effective qualification delivery. If ineffective, it builds risk of delivery failures, increased levels of malpractice and problems with standards, validity and public confidence. We have completed audits of a sample of awarding organisation centre controls, and are now undertaking a number of programmes of work to analyse risks in the relationship between awarding organisations and

centres, particularly in relation to moderation and verification of certification.

Apprenticeship assessment

Where we are invited to provide External Quality Assurance (EQA) for reformed apprenticeship assessments, we have set up internal processes to review risks to their validity so that these are mitigated from the outset. We are working in close partnership with the Institute for Apprenticeships to identify and mitigate systemic risks as the operational arrangements for reformed apprenticeships, specifically end-point assessment and EQA, are confirmed and implemented.

Technical education qualifications

We are working with the Department for Education to contribute to and establish our role in the reform of technical education qualifications in response to the Sainsbury Review and the Technical and Further Education Bill. We will monitor potential impacts on and risks to the qualifications market as government policy is implemented.

As new reformed qualifications are developed, we continue to monitor and review existing qualifications used in performance tables and which support progression to higher education, mindful of public confidence in these qualifications.

Functional Skills

This year we will commence up-front evaluation of reformed Functional Skills to mitigate risk in these new qualifications before they reach the market. We will work closely with stakeholders to put in place optimal arrangements for initial and ongoing regulation of the reformed qualifications.

Review of marking, moderation and appeals

Having introduced new rules regarding reviews of marking and appeals, we are managing risks to their successful implementation to ensure that the rules support public confidence in the arrangements. We are evaluating the pilot areas for the new arrangements, and have reviewed exam board

compliance with the new rules. We expect to see improvements in the arrangements for the summer 2017 exam series.

Board Transition

With the recent appointment of a new Chair and four new Board members, we are putting in place tailored induction programmes for each to equip them to be effective in their role.

Funding pressures on Ofqual

We continue to improve our efficiency in light of year-on-year budget reductions agreed in the Spending Review. We plan to increase value for money through tightly managing all staff and non-staff costs, providing additional training for budget holders, improving our procurement processes and reducing further our reliance on contract staff.

Our people

Securing and then maintaining the right capacity and capability is critical to our success, particularly in specialist roles. We are now implementing our talent management and succession planning approach. Our work continues on supporting skills acquisition and knowledge development of staff, in alignment with our strategic priorities.

Ofqual office accommodation

The lease on our office at Spring Place, Coventry expires at the end of March 2018, and there are a variety of staffing and logistical risks should we move location. We have presented a business case to the Government Property Unit and Department for Education with our preferred office accommodation solution following expiry of the current lease.

Information risk

We assess our information risk against the requirements set out in the government's Security Policy Framework (SPF). This sets out the standards, best-practice guidelines and approaches required to protect government assets (people, information

and infrastructure). It focuses on the outcomes that are required to achieve a proportionate and risk-managed approach to security that enables government business to function effectively, safely and securely. We have used the Information Assurance Maturity Model as our primary tool for assessing our compliance with the SPF, along with CESG's 10 steps to cyber security.

We report our assessment against the SPF to the Cabinet Office each June in the Departmental Security Health Check (DSHC) return. Our assessment is independently verified by Internal Audit and its findings are documented in the DSHC along with a separate report to the Audit and Risk Assurance Committee, which includes actions for Ofqual. The Committee monitors the progress we make in addressing these actions.

This year's assessment of our compliance against the SPF showed that we comply with the mandatory requirements and a Report Rating of 'Substantial Assurance' was returned in the DSHC against the SPF Security Outcomes. Some minor areas for improvement are being actioned, and monitored by our Audit and Risk Assurance Committee.

The Chief Operating Officer is Ofqual's Senior Information Risk Officer (SIRO). The SIRO is responsible for ensuring that information risks are assessed and controlled to an acceptable level. The SIRO is supported by the Departmental Security Officer (DSO) who is Ofqual's Information Assurance Manager. The SIRO has confirmed to me that the annual Departmental Security Health Check (DSHC) has been completed satisfactorily. The SIRO has also confirmed to me that, to his knowledge, there have not been any instances where assets have been used inappropriately.

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

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

Summary of other protected personal data related incidents

There have been four non-reportable incidents during this period.

All incidents were resolved and appropriate controls were put in place where necessary.

Internal audit

Our governance arrangements and risk-management processes are supported by an internal audit function that reviews our procedures and controls, this is currently contracted to Grant Thornton. An annual audit programme focuses on areas assessed as significant internal risks. Both the Strategic Management Group and the Audit and Risk Assurance Committee agree the annual audit programme and review the individual reports and recommendations.

Internal Audit works to the Public Sector Internal Audit Standards. All audit reports include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of Ofqual's system of internal control together with any recommendations for improvement. Where weaknesses in controls are identified, we take action to strengthen the controls.

Effectiveness of the internal control framework

As Accounting Officer, I review and my predecessors reviewed the effectiveness of our system of internal control annually. This review is informed by the work of the internal auditors, by feedback from senior managers who have responsibility for the development and maintenance of the internal control framework, and by comments made by the National Audit Office in their Audit Completion Report and other reports. Comments and recommendations made by the Education Select Committee are also taken into account.

The Audit and Risk Assurance Committee advises on the implications of internal audit reviews and monitors progress against the plan to tackle any identified weaknesses so that the system of

internal control is continuously improved. Our internal auditors provide an annual, independent and objective assessment as to whether there are adequate and effective corporate governance, risk-management and internal-controls processes. A “substantial” opinion was given for these by the Head of Internal Audit in 2016-17.

The internal audit reviews conducted in the past 12 months were very positive with 5 of the 6 audits undertaken receiving a substantial assurance rating and one audit a moderate assurance rating. Improvements identified were medium and low priority and I have taken steps to address the recommendations. Progress in implementing these

recommendations is reported to the Strategic Management Group on a monthly basis, and the Audit and Risk Assurance Committee reviews progress when it meets. In addition to the individual reviews, Internal Audit undertakes a review of all closed audit actions to assess whether there is sufficient evidence to justify the closure.

In 2016–17 the auditors reported that a high number of actions identified have been addressed in-year with a small number outstanding as at the end of March.

Table 8: Internal audit – outstanding actions

Finding Rating	Trend between current and prior year	Number of findings				
		2016–17	2015–16	2014–15	2013–14	2012–13
Critical	↔	0	0	0	0	0
High	↔	0	0	0	0	1
Medium	↓	3	4	4	4	9
TOTAL	↓	3	4	4	4	10

Six reviews were conducted during the year, 24 audit recommendations were made of which 21 were addressed during the year, with 3 outstanding.

Table 9: Internal audit – report ratings

Audit Area	Report Rating	Informs opinion on		
		Governance	Risk Management	Internal Control
Cloud project	Substantial	✓	✓	✓
Data protection compliance	Substantial	✓	✓	✓
NRT Contract management	Substantial	✓	✓	✓
Human Resources – recruitment	Substantial	✓	✓	✓
Key financial systems	Substantial	-	✓	✓
Customer complaints and whistleblowing	Moderate	-	✓	✓
Follow-up of previous recommendations	N/A	-	✓	✓

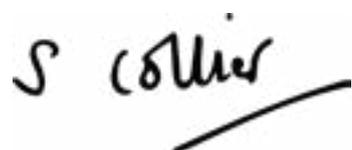
Ofqual has put in place appropriate measures to address the areas for improvement identified by internal audit during the year and will monitor the application of those measures to assess their effectiveness in achieving the desired outcomes.

Assurance to the Accounting Officer

As well as the opinion provided to me by internal audit, each executive director and appropriate associate directors have been required to review the controls that they have in place to manage governance, risk and control arrangements and to report by way of written assurance to me at the end of the financial year that these controls were effective. This supplements the regular reporting to the Strategic Management Group on the stewardship of risk. I also received assurances from Jeremy Benson (acting as Interim Accounting Officer from the start of the financial year until the date I joined), that all appropriate controls had been observed.

These letters of assurance support the preparation of this Governance Statement. I identified no additional risks from these letters of assurance.

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

A handwritten signature in black ink that reads "S Collier". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Sally Collier
Chief Regulator, Accounting Officer for Ofqual
4 July 2017



Remuneration and staff report

Part 1: Not subject to audit

Ministers

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

Ofqual

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

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

Unless otherwise stated, the staff covered by this report hold permanent civil service appointments.

Further information about the work of the Civil Service Commission is available at: www.civilservicecommission.org.uk.

The Chief Regulator, board members and directors are covered by the Civil Service Management Code, and potential and actual conflicts of interest are managed in accordance with this code. The directors' report includes a list of the directorships and other significant interests held by these individuals.

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

Directors Remuneration policy

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



Other staff information: not subject to audit

Off-payroll appointments

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

Table 10: Off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months

	Main Department
No. of existing engagements as of 31 March 2017	2
Of which...	
No. that have existed for less than one year at time of reporting.	1
No. that have existed for between one and two years at time of reporting.	1
No. that have existed for between two and three years at time of reporting.	NIL
No. that have existed for between three and four years at time of reporting.	NIL
No. that have existed for four or more years at time of reporting.	NIL

Note:

- Government departments are required to obtain assurances from individuals on contracts of more than 6 months' duration, where the annual cost is greater than £58,200, that tax due on contract payments will be paid. As at 31 March 2017 all such contractors engaged by Ofqual met these conditions.

Table 11: New off-payroll engagements, or those that reached 6 months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than 6 months

	Main Department
No. of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	3
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	1
No. for whom assurance has been requested	3
Of which...	
No. for whom assurance has been received	3
No. for whom assurance has not been received	NIL
No. that have been terminated as a result of assurance not being received	NIL

Note:

- Ofqual holds contracts with the agency not the individual. The agencies were asked to seek assurances from the individuals before they were engaged by Ofqual. The agencies have provided evidence of clauses included within the agency contract with the individual stating the individual should ensure they correctly account for their tax and NI liability.
- One of the contracts ended 31 March 2017.

Table 12: Off-payroll engagements of board members, and/or senior officials, with significant financial responsibility, between 1 April 2016 and 31 March 2017

	Main Department
No. of off-payroll engagements of board members, and/or senior officials, with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll who have been deemed 'board members, and/or senior officials, with significant financial responsibility', during the financial year. This figure should include both on payroll and off-payroll engagements.	1



Part 2: Subject to audit

The tables on page 70 show gross salary and other taxable allowances. Full-year salary equivalents for those who served part of the year are shown in brackets.

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

Remuneration (including salary and payments in kind)

Table 13: Salary entitlements of the most senior members of Ofqual for year ending 31 March 2017. The figures in brackets are the full year equivalent salary costs.

Board members	Salary	Salary	Pension Benefits	Pension Benefits	Total	Total
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	£000	£000	£000	£000	£000	£000
Amanda Spielman (Chair to November 2016)	40-45 (55-60)	55-60	-	-	40-45 (55-60)	55-60
Roger Taylor (Chair from January 2017)	10-15 (40-45)	-	-	-	10-15 (40-45)	-
Roger Taylor	0-5 (5-10)	5-10	-	-	0-5 (5-10)	5-10
Julius Weinberg (Interim Chair December 2016)	5-10	5-10	-	-	5-10	5-10
Tim Balcon	5-10	5-10	-	-	5-10	5-10
Maggie Galliers	5-10	5-10	-	-	5-10	5-10
Mike Cresswell	5-10	5-10	-	-	5-10	5-10
Neil Watts	5-10	5-10	-	-	5-10	5-10
Anne Heal	5-10	5-10	-	-	5-10	5-10
Barnaby Lenon	5-10	5-10	-	-	5-10	5-10
Tom Taylor	5-10	5-10	-	-	5-10	5-10
Terri Scott	5-10	5-10	-	-	5-10	5-10
Dana Ross-Wawrzynski	0-5 (5-10)	5-10	-	-	0-5 (5-10)	5-10
Philip Fletcher	-	5-10	-	-	-	5-10
Senior staff	Salary	Salary	Pension Benefits	Pension Benefits	Total	Total
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
	£000	£000	£000	£000	£000	£000
Sally Collier (Chief Regulator) (From 25th April 2016)	145-150 (155-160)	-	113	-	255-260	-
Marc Baker Chief Operating Officer	95-100	95-100	38	37	135-140	130-135
Michelle Meadows Exec Director Strategy, Risk and Research	105-110	105-110	42	41	150-155	145-150
Julie Swan Exec Director General Qualifications	90-95	25-30 (80-85)	36	9	130-135	35-40
Phil Beach Exec Director Vocational and Technical Qualifications (from Aug16)	60-65 (95-100)	-	24	-	85-90	-
Jeremy Benson Executive Director Vocational Qualifications (to Aug16)	95-100	95-100	38	63	135-140	160-165
Amanda Spielman (Interim Chief Regulator to April 2016)	10-15 (95-100)	5-10	-	-	10-15 (95-100)	5-10
Glenys Stacey (Chief Regulator) (Left 29th Feb 2015)	-	130-135 (140-145)	-	35	-	165-170
Ian Stockford Executive Director General Qualifications (Left 14th Dec 2015)	-	75-80	-	30	-	105-110

Notes

- Amanda Spielman left the role of Ofqual chair in November 2016. She was replaced by Roger Taylor from January 2017. Julius Weinberg covered the role in the interim period.
- Amanda Spielman covered the role of Chief Regulator for April 2016 when she was replaced by the new Chief Regulator Sally Collier.
- Phil Beach was appointed Interim Executive Director Vocational and Technical Qualifications in August 2016, replacing Jeremy Benson. He was confirmed as the permanent appointment in January 2017.
- Jeremy Benson remains part of the Senior Management Team. His workload is focused on specific projects which include work with DfE.
- The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- No benefits in kind were paid during the year.
- Figures in brackets are annual equivalent salaries.

Pension benefits

Table 14: Pension benefits of the most senior members of Ofqual for the year ending 31 March 2017

	Accrued pension at pension age as at 31/3/17 and related lump sum	Real increase in pension and relate lump sum at pension age	CETV at 31-Mar-17	CETV at 31-Mar-16	Real Increase in CETV
	£000	£000	£000	£000	£000
	40-45	5-7.5			
Sally Collier	plus lump sum	lump sum	693	609	70
	110-115	7.5-10			
Marc Baker	5-10	0-2.5	93	63	21
Michelle Meadows	5-10	0-2.5	78	50	19
Julie Swan	15-20	0-2.5	204	172	19
Jeremy Benson	35-40	0-2.5	429	395	13
Phil Beach	0-5	0-2.5	59	41	14

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

Fair pay in the public sector

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

The banded remuneration of the highest-paid director in Ofqual in the financial year 2016–17 was £155,000–£160,000 compared to 2015–16, £170,000–£175,000 (annual equivalent salary). This was 4.10 times the median remuneration of the workforce, which was £38,380 (2015–16, 4.62 times, £37,368).

In 2016–17, (2015–16, NIL) no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £5,000 to £160,000 (2014–15, £5,000 to £175,000). The range starts at £5,000 due to payments made to the non-executive directors, for permanent employees the range starts at £13,500.

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

Cash equivalent transfer value (CETV)

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension

arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

No compensation for loss of office was paid to senior members of staff included in the remuneration report in 2016–17, (2015–16, NIL). Payments to other staff are included in the table on Reporting of Civil Service and other compensation schemes – exit packages.

Pension costs

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

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

3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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

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

opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

For 2016–17, employers' contributions of £1.70m were payable to MyCSP (2015–16 £1.54m) at 1 of 4 rates in the range 20.0% to 24.5% (2015–16: 20.0% to 24.5%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every 4 years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016–17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employers' contributions of £26,660 (£30,100 2016–17) were paid to one or more of the panel of three appointed stakeholder pension providers. Contributions due to the partnership pension providers at the reporting period date were £2,133. Contributions prepaid at that date were £nil. There were no ill-health retirements during the year funded by Ofqual.

Staff costs

Staff costs for 2016–17 were £12.08 million (2015–16: £11.56 million) of which £0.89 million (2015–16: £1.25 million) related to agency/contract staff. Details are shown in Note 3 of the accounts.

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

Table 15:
Average whole time equivalent (WTE) persons employed during the year

	2016-17		2015-16	
	Total	Permanent staff	Others	Total
	WTE	WTE	WTE	WTE
Resource activities	197.95	188.53	9.42	202.30
Capital projects	0.0	0.0	0.0	0.0
Total	197.95	188.53	9.42	202.30

Table 16:
Average headcount employed during the year

The following table shows the average headcount for the year.

	2016-17	2015-16
	Headcount	Headcount
Senior Civil Service		
Payband 3	1	1
Payband 1	13	10
	<hr/>	<hr/>
	14	11
Civil Servants	180	173
Total Civil Servants	194	184
Temporary Staff	9	19
Consultants	0	0
TOTAL	203	203

In the year to 31 March 2017 we spent £892k (2015-16: £1,247k) on temporary staff and £26k on consultants (2015-16: £126K).

Table 17:
Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2016-17			2015-16		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	0	0	0	0	0
£10,000 – £25,000	0	2	2	0	0	0
£25,000 – £50,000	0	0	0	0	2	2
£50,000 – £100,000	0	0	0	0	2	2
£100,000 – £150,000	0	1	1	0	1	1
£150,000 – £200,000	0	0	0	0	0	0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total number of exit packages by type	0	3	3	0	5	5
Total resource cost – £000	0	145	145	0	330	330

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

Sickness absence

Some 1,833 days were lost to sickness absence (1047.5 days in 2015-16), representing 3.95% of available staff working days. This was due to an increase in the numbers of staff who were long term sick (9 staff) who accounted for 1,226 days of absence. This is an average of 9.54 days per employee (6.57 days per employee in 2015-16).

Health and safety

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

Diversity and equality

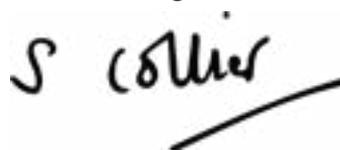
Ofqual continued to promote equality for all regardless of gender, race, age, religion, belief, sexual orientation or disability during 2016–17. The gender breakdown of staff (which includes both permanent and fixed term contracts) as at 31 March 2017 was 117 females and 79 males.

	Female	Male
Senior civil servants	7	7
Delegated grades	110	72
TOTAL	117	79

At 31 March 2017, 6.5% of staff members classified themselves as disabled, and 12.6% classified themselves to be non-white, with a further 17.5% undeclared. Ofqual operates an Equalities Advisory Group (an external group) providing advice and challenge on equalities issues in qualifications and reform activities.

This year we elected to take part in the Civil Service People Survey. The purpose of this survey is to seek views about working for Ofqual, identify levels of staff engagement and to provide us with a way to benchmark our performance against the rest of the Civil Service. In 2016, the response rate was 89%, which compares well with the overall Civil Service response rate of 65%. Our staff engagement results

improved by 2% to 60% which is in line with the Civil Service average.



Sally Collier
Chief Regulator, Accounting Officer for Ofqual
4 July 2017

Parliamentary accountability and audit report

Statement of Parliamentary Supply: subject to audit

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

Summary of resource and capital outturn for 2016–17

Table 18: Amounts approved in 2016–17 in accordance with parliamentary expenditure limits

	Note	Estimate 2016-17			Outturn 2016-17			2016-17 Voted outturn compared with estimate: saving	2015-16 Outturn
		Voted	Non-Voted	Total	Voted	Non-Voted	Total		
		£000	£000	£000	£000	£000	£000		
Departmental expenditure limit									
- Resource	1.1	19,696	0	19,696	18,922	0	18,922	774	22,432
- Capital	1.2	0	0	0	0	0	0	0	35
Annually managed expenditure		0	0	0	0	0	0	0	0
Non-budget		0	0	0	0	0	0	0	0
Total		19,696	0	19,696	18,922	0	18,922	774	22,467
Total Resource		19,696	0	19,696	18,922	0	18,922	774	22,432
Total Capital		0	0	0	0	0	0	0	35
Total		19,696	0	19,696	18,922	0	18,922	774	22,467



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

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

Explanations of variances between estimate and outturn are given in SoPS Note 1.1.

Departmental expenditure limits cover all programme and administration costs.

Net cash requirement 2016–17

Table 19: Net cash requirement 2016–17

	Note		2016–17		2015–16
	SOPS	Estimate	Outturn	Outturn compared with estimate: saving	Outturn
		£000	£000	£000	£000
Net cash requirement	3	19,640	19,470	170	20,386

Administration costs 2016–17

Table 20: Administration costs 2016–17

	2016–17		2015–16
	<i>Estimate</i>	<i>Outturn</i>	<i>Outturn</i>
	£000	£000	
Administration costs	15,542	14,048	13,547

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2016–17 government FReM issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2016–17 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SoPS 1: Net outturn

SoPS 1.1: Analysis of net resource outturn by section

Spending in Departmental Expenditure Limit	Staff costs comprise:							2016-17		2015-16
	Administration			Programme			Total	Estimate	Total	Outturn
	Gross expenditure	Income	Net expenditure	Gross expenditure	Income	Net expenditure	Net expenditure	Net expenditure	Net total outturn compared with estimate: saving	Net outturn
Voted:	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
A Regulation of qualifications and statutory assessments	14,083	(35)	14,048	4,874	0	4,874	18,922	19,696	774	22,432

The underspend of £774,000 against the estimate of £19.70 million is 4% of the total budget and is largely due to lower project spend on accreditation. In addition, we have generated efficiencies and postponed recruitment. The underspend has been adjusted for £25,000 payable to the consolidated fund. This is in relation to a small grant payment, which was outside Ofqual's ambit.

Spending in annually managed expenditure

Ofqual had no annually managed expenditure in 2016–17 (2015–16: £nil)

SoPS 1.2: Analysis of net capital outturn by section

	2016-17					2015-16
	Outturn			Estimate		Outturn
Spending in Departmental Expenditure Limit	Gross	Income	Net	Net	Net total outturn compared with estimate: saving	Net Outturn
Voted:	£000	£000	£000	£000	£000	£000
B Additions	0	0	0	0	0	35

SoPS 2: Reconciliation of Outturn to net operating expenditure

		2016-17	2015-16
		£000	£000
		Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply			
	Budget	1.1	18,922
Less:	Income payable to Consolidated Fund	(25)	(192)
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure		18,897	22,240

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

		Estimate	Outturn	Net total outturn compared with Estimate
	SOPS	£000	£000	£000
Resource Outturn	1.1	19,696	18,922	774
Capital Outturn	1.2	0	0	0
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(10)	(8)	(2)
Other non-cash items		(46)	(46)	0
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		0	(37)	37
(Increase)/decrease in payables		0	639	(639)
Use of provisions				
		19,640	19,470	170

SoPS 4: Income payable to the consolidated Fund

SoPS 4.1: Analysis of income payable to the consolidated fund

In addition to income retained by Ofqual, the following income was paid into the consolidated fund.

	Outturn 2016–17		Outturn 2015–16	
	£000	£000	£000	£000
	<i>Income</i>	<i>Receipts</i>	Income	Receipts
Income outside the ambit of the Estimate	25	(25)	0	0
Excess cash surrenderable to the Consolidated Fund	0	(192)	192	0
Total Amount Payable to the Consolidated Fund	25	(217)	192	0

£192,000 is the additional funding from the Northern Ireland Department of Education and Learning (NI DEL). Ofqual could only retain income up to its 2015–16 admin income threshold of £402,000 with the balance being payable to the consolidated fund. NI DEL announced its intention to transfer regulation of vocational qualifications in Northern Ireland to CCEA from April 2016 resulting in the closure of Ofqual's NI office. NI DEL agreed to fund the costs of closure. This income was paid to the Consolidated Fund in April 2016.

Ofqual secured a one-off grant from CESG (Communications-Electronics Security Group), the information assurance and security arm of GCHQ to take part in a trial of new technology and security measures. Income of £25,000 was received in 2016–17 which could not be retained by Ofqual and was therefore paid over to the consolidated fund in March 2017.

SoPS 4.2 Consolidated fund income

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

	2016–17 £000	2015–16 £000
Fines & Penalties	139	0
Other Income	0	0
Amount payable to the consolidated fund	139	0
Balance held at start of year	0	0
payments into the consolidated fund	(139)	0
Balance held at the end of the year	0	0

£139,000 receipts received from two awarding organisations were not included in the original estimate and ambit for 2016–17. Ofqual was therefore required to pay these amounts to the consolidated fund.

Losses and special payments: subject to audit

During 2016-17 Ofqual incurred a fruitless payment of £26k due to early termination on an IT contract (2015-16 £NIL).

Special payments: subject to audit

During 2016-17 Ofqual made two severance payments totalling £21k (2015-16 £48k).

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

I certify that I have audited the financial statements of the Office of Qualifications and Examinations Regulation for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statement of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 Statement of Parliamentary Supply and the related notes, and the information in the remuneration and staff report that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2017 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Office of Qualifications and Examinations Regulation affairs as at 31 March 2017 and of the Department's 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 parts of the Remuneration and Staff Report and Parliamentary and Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns;
or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

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

10 July 2017

FINANCIAL STATEMENTS

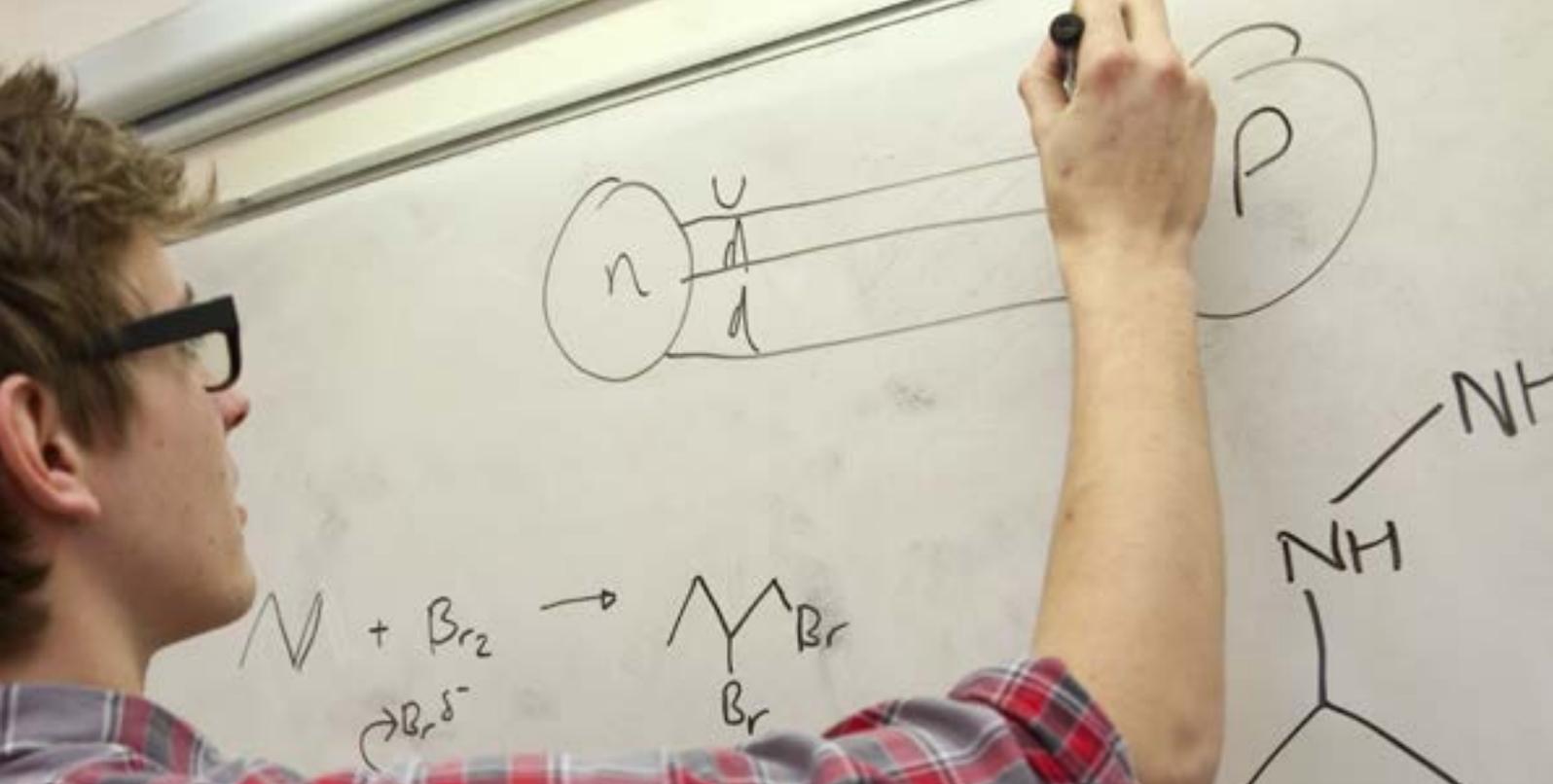
For the year ending 31 March 2017

Statement of comprehensive net expenditure

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2016-17	2015-16
		Total	Total
	Note	£000	£000
Other Operating Income	6	(60)	(669)
		(60)	(669)
Staff Costs	3	12,083	11,556
Purchase of Goods & Services		4,324	8,123
Depreciation & Impairment Charges	5	8	871
Other Operating Expenditure		2,542	2,359
		18,957	22,909
Net operating cost for the year ended 31 March 2017		18,897	22,240
Other Comprehensive Expenditure		0	0
		18,897	22,240
Total comprehensive expenditure for the year ended 31 March 2017		18,897	22,240

The notes on pages 90 to 101 form part of these accounts.



Statement of financial position as at 31 March 2017

	Note	31 March 2017		31 March 2016	
		£000	£000	£000	£000
Non-Current Assets					
Property, plant and equipment	7	23		31	
Total non-current assets			23		31
Current Assets					
Trade and other receivables	10	444		673	
Cash and Cash Equivalents	9	6		1	
Total current assets			450		674
Total assets			473		705
Current liabilities					
Trade and other payables	11	(2,541)		(3,367)	
Total current liabilities			(2,541)		(3,367)
Total Assets less current liabilities			(2,068)		(2,662)
Total assets less total liabilities			(2,068)		(2,662)
Financed by:					
Taxpayers' equity					
General fund			(2,068)		(2,662)
Total Taxpayers' Equity			(2,068)		(2,662)

S Collier

Sally Collier
Chief Regulator, Accounting Officer for Ofqual
4 July 2017

The notes on pages 90 to 101 form part of these accounts.

Statement of cash flows for year ended 31 March 2017

	2016-17	2015-16
	Note	£000
Cash flows from operating activities		
Net operating cost		(18,897)
Adjustment for non-cash transactions	4,5	54
(Increase)/Decrease in trade and other receivables		229
Increase/(Decrease) in trade payables		(826)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		187
Net cash outflow from operating activities		(19,253)
Cash flows from Investing activities		
Purchase of property, plant and equipment	7	0
Purchase of intangible assets	8	0
Net cash outflow from investing activities		(35)
Cash flows from financing activities		
From the Consolidated Fund (Supply) – current year		19,475
Machinery of Government Transfer		0
Non Resource Machinery of Government Transfer		0
Net Financing		19,475
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund		222
Payments of amounts due to the consolidated fund		(217)
Total		5
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund		5
Cash and cash equivalents at the beginning of the period	9	1
Cash and cash equivalents at the end of the period	9	6

The notes on pages 90 to 101 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31 March 2017

		General Fund £000	Total Reserves £000
Balance at 31 March 2015		(662)	(662)
Net Parliamentary Funding – drawn down		20,386	20,386
Net Parliamentary Funding – deemed supply		1	1
Supply (payable)/receivable adjustment		(193)	(193)
Comprehensive Expenditure for the Year		(22,240)	(22,240)
Non-cash adjustments			
Non-cash charges - auditors remuneration	4	46	46
Balance at 31 March 2016		(2,662)	(2,662)
Net Parliamentary Funding – drawn down		19,475	19,475
Net Parliamentary Funding – deemed supply		(5)	(5)
CFERS payable to the Consolidated Fund		(25)	(25)
Comprehensive Expenditure to 31 March 2017		(18,897)	(18,897)
Non-cash adjustments			
Non-cash charges – auditors remuneration	4	46	46
Balance at 31 March 2017		(2,068)	(2,068)

The notes on pages 90 to 101 form part of these accounts.

Notes to the accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2016–17 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Ofqual for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofqual are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires Ofqual to prepare an additional primary statement. The Statement of Parliamentary Supply and supporting notes showing outturn against parliamentary estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting convention

These financial statements have been prepared under 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 2016–17 FReM. No revaluation adjustments have been made in these accounts.

1.2 Accounting policies

1.2.1 Valuation of non-current assets

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

1.2.2 Depreciation and amortisation

Depreciation and amortisation are provided on all non-current assets over £10,000 in value on a straight-line basis to write off cost (less any estimated residual value) evenly over the asset's anticipated useful life.

Asset lives are in the following ranges:

- information technology (hardware) – 3 to 5 years
- purchased computer software – 5 years.

1.2.3 Operating and other income

Operating and other income includes grant income received from the Department of Employment and Learning (Northern Ireland) for funding Ofqual's Northern Ireland office and for charges levied by Ofqual on its directly provided services, on a full-cost basis. Operating income is stated net of VAT. Further detail is provided in Note 6.

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

provided the following criteria are met:

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

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

In 2016-17 Ofqual received income from fines and penalties. This is the first year this type of income has been collected by Ofqual. This income is outside the ambit. Ofqual is acting as an agent and therefore the income is not included in the Statement of Parliamentary Supply and the Financial Statements. All income received has been paid over to the consolidated fund as shown in SoPS4.2 in line with consolidated budgeting guidance 2016-17.

1.2.4 Administration and programme expenditure

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

1.2.5 Pensions

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

1.2.6 Leases

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

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

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

1.2.7 Financial instruments

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

1.2.8 Financial Assets

Ofqual holds the following financial assets:

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

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

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

1.2.9 Financial Liabilities

- trade and other payables – current

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

1.2.10 Value Added Tax

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

1.2.11 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 and included in the Parliamentary and Accountability Report.

1.3 Impending application of newly issued accounting standards not yet effective

In accordance with IAS 8, Ofqual has reviewed the IFRSs in issue but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable.

Ofqual has considered the accounting standards in issue but not yet effective at the reporting date. Our assessment is that changes will be required in future years due to updates to the following standards: IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, and IFRS 16 leases. The details and timing are still being considered by the Financial Reporting Advisory Board and HM Treasury.

1.4 Judgment and Estimates

The preparation of financial statements requires Ofqual to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Information about such judgements and estimates is contained in the accounting policies or the notes to the financial statements.

2. Statement of operating costs by operating segment

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

The following table presents gross expenditure, income, depreciation and net expenditure regarding our operating segments, regulation, standards and other directorates, based on management information produced in accordance with IFRS 8.

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

	2015-16 re-stated							Total £000
	National Reference Test	General Qualifications	Vocational Qualifications	Strategy Risk & Research	Regulatory Compliance	Corporate Services		
	£000	£000	£000	£000	£000	£000		
Gross Expenditure	3,318	2,923	3,093	2,329	1,277	9,098	22,038	
Income	0	0	(276)	0	0	(393)	(669)	
Depreciation	0	0	0	0	0	871	871	
Net Expenditure	3,318	2,923	2,817	2,329	1,277	9,576	22,240	

We implemented a new organisation structure in May 2015 with 4 distinct directorates:

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

In September 2016, we made additional changes to our structure including moving the Legal team from the Vocational and Technical Qualifications directorate into the Strategy Risk and Research directorate to improve accountabilities.

The National Reference Test (NRT) project is also shown separately this year. This had been included under the Reform heading in previous years. 2015-16 figures have also been re-stated to show NRT separately. The other areas previously reported under Reform are now included within the directorates to which they relate ie Accreditation and GQ Reform are now included within General Qualifications and IT Strategy is now reported within Corporate Services.

3. Staff costs comprise:

	2016-17			2015-16
	Total	Permanent staff	Others	Total
	£000	£000	£000	£000
Wages and salaries	9,461	8,567	894	9,282
Social security costs	934	934	0	697
Pension costs	1,688	1,688	0	1,577
Total net costs	12,083	11,189	894	11,556

of Which:	Charged to Administration budgets	Charged to Programme budgets	Charged to capital budgets	2016-17 Total
Core departments	10,298	1,785	0	12,083
Total	10,298	1,785	0	12,083

4. Other administration costs

	2016-17 Core Department £000	2015-16 Core Department £000
Non-cash items		
Auditors remuneration	46	46
	46	46
Other expenditure		
Direct Operational Expenditure	1,343	907
Rent and Accommodation	937	947
IT	1,045	1,612
Recruitment, Training and Staff Related	361	530
Finance and Governance	54	105
	3,740	4,101
Total	3,786	4,147

5. Programme costs

	Core Department £000	Core Department £000
Non-cash items		
Depreciation	8	57
Amortisation	0	814
	8	871
Other expenditure		
Direct Operational Expenditure	2,757	4,614
IT	324	1,721
	3,081	6,335
Total	3,089	7,206

The decrease in direct operational expenditure is due mainly to the National Reference Test moving from the design and development phase in 2015-16 to the delivery phase in 2016-17.

6. Income

	2016-17 £000	2015-16 £000
Department for Employment & Learning (Northern Ireland)	23	539
Department for Children, Education, Lifelong Learning, & Skills (Wales)	0	15
Department for Business, Innovation and Skills	0	30
Council for Curriculum, Examinations, & Assessment	3	85
GCHQ	25	0
Other income	9	0
Total	60	669

7. Property, plant and equipment

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

	Information Technology	2015–16 Total
	£000	£000
Cost or valuation		
At 1 April 2015	542	542
Additions	0	0
At 31 March 2016	542	542
Depreciation		
At 1 April 2015	454	454
Charged in year	57	57
At 31 March 2016	511	511
Carrying amount at 31 March 2016	31	31
Carrying amount at 1 April 2015	88	88
Asset financing		
Owned	31	31
Carrying amount at 31 March 2016	31	31

8. Intangible assets

	Software Licenses £000	2016–17 Total £000
Cost or valuation		
at 1 April 2016	4,271	4,271
Additions	0	0
at 31 March 2017	4,271	4,271
Depreciation		
at 1 April 2016	4,271	4,271
Charged in year	0	0
at 31 March 2017	4,271	4,271
Carrying amount at 31 March 2017	0	0
Carrying amount at 1 April 2016	0	0
Asset financing		
Owned	0	0
Carrying amount at 31 March 2017	0	0

	Software Licenses £000	2015–16 Total £000
Cost or valuation		
at 1 April 2015	4,236	4,236
Additions	35	35
at 31 March 2016	4,271	4,271
Depreciation		
at 1 April 2015	3,457	3,457
Charged in year	814	814
at 31 March 2016	4,271	4,271
Carrying amount at 31 March 2016	0	0
Carrying amount at 1 April 2015	779	779
Asset financing		
Owned	0	0
Carrying amount at 31 March 2016	0	0

9. Cash and cash equivalents

	2016-17	2015-16
	£000	£000
Balance at 1 April 2016	1	1
Net changes in cash and cash equivalent balances	5	0
Balance at 31 March 2017	6	1

The following balances were held at:

Government Banking Services	6	1
Balance at 31 March 2017	6	1

10. Trade receivables and other current assets

	2016-17	2015-16
	£000	£000
Amounts falling due within one year		
Trade receivables	0	71
Trade receivables - to be paid to the consolidated fund	0	192
Other receivables	0	18
Prepayments and accrued income	381	345
VAT	63	47
Bad debt provision	0	0
Total at 31 March 2017	444	673

11. Trade payables and other current liabilities

	2016-17	2015-16
	£000	£000
Amounts falling due within one year		
Other taxation and social security	232	212
Trade payables	253	239
Other payables	2	176
Accruals and deferred income	2,048	2,547
Consolidated Fund – Extra receipts due to be paid to the Consolidated Fund receivable	0	192
Amounts issued from the Consolidated Fund supply unspent at year end	6	1
Total at 31 March 2017	2,541	3,367

12. Capital and other commitments

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

	2016–17	2015–16
	£000	£000
Buildings		
Not later than one year	397	402
Later than one year and not later than five years	0	397
Later than five years	0	0
	397	799
Other		
Not later than one year	21	7
Later than one year and not later than five years	21	9
Later than five years	0	0
	42	16

The building operating lease relates to Ofqual's Coventry office. The current lease at our offices in Spring Place is due to expire in March 2018. We have submitted a business case to the Government Property Unit to confirm our accommodation strategy for the next 5 years and are awaiting approval. Once that is agreed, the new lease commitments will be recorded accordingly.

Other leases relate to vending machines which were renewed in 2015–16 and the franking machine lease which was renewed in 2016–17. A new lease agreement was agreed in 2016-17 for the multifunctional devices which started May 2017.

13. Financial instruments

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

14. Investments in other public sector bodies

Ofqual has no investments in other public sector bodies.

15. Impairments

There were no impairments in 2016–17 (2015–16 £nil).

16. Provisions for liabilities and charges

Ofqual had no liabilities that required a provision in 2016–17 (2015–16 £nil).

17. Contingent liabilities

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

18. Related-party transactions

18.1 Other government transactions

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

- Government Legal Department;
- Land and Property Services (Northern Ireland); and
- Cabinet Office.

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

- Council for Curriculum, Examinations and Assessment (Northern Ireland);
- Department for Employment and Learning (Northern Ireland); and
- Communications-Electronics Security Group (CESG).

No board member, key management staff or other related party has undertaken any material transactions with the department during the year. The Remuneration Report (Table 12) lists all members of the management board having authority or responsibility for directing or controlling the major activities of the entity during the year.

19. Third-party assets

Ofqual holds no third-party assets.

20. Entities within the department boundary

Ofqual is the only body within its department boundary.

21. Events after the reporting period

The Annual Report and Financial Statements were authorised for issue on the date of certification by the Comptroller and Auditor General. There have been no events after the reporting period up to the date the Annual Report and financial statements were authorised for issue requiring an adjustment to the financial statements.



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