



Office of Qualifications and Examinations Regulation (Ofqual)

Annual Report and Accounts 2014–15



July 2015

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Office of Qualifications and Examinations Regulation

(Ofqual)

Annual Report and Accounts 2014–15

(For the year ended 31st March 2015)

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Chair's foreword

I am pleased to present Ofqual's fifth Annual Report and Accounts. It sets out our aims and activities in 2014–15 and shows how we spent our income.

As the qualifications and assessments regulator in England, we understand the vital role that qualifications play in both general and vocational education. At the same time we understand that qualifications are the mirror of education, not the education itself. Our regulation has to recognise that qualifications are part of the wider education system.

In 2014–15, we oversaw completion of the first instalments of new GCSEs and A levels; worked on reforms to many categories of vocational qualifications; made plans to withdraw the over-restrictive Qualifications and Credit Framework and replace it with a new framework; commissioned National Reference Tests to increase the number of points of reference available when GCSE standards are set; brought in a new regulatory model more clearly targeted at validity; and a great deal more.

As we continue to mature as a regulator, we are increasing our focus on the parts of the qualification system where the risks are greatest. This risk-based focus helps us to set clear priorities and to manage limited resources effectively. We have restructured our organisation in support of this regulatory approach, and are in the process of mapping out clear governance, responsibility and accountability arrangements alongside a People Strategy to promote leadership, management and individual development.

Overall, I believe this report reflects the quality and value for money we deliver. I thank our staff for their expertise, effort and determination over the year, and thank also the many people outside Ofqual with whom we work and who have contributed to shaping new qualifications and new regulatory models.

Amanda Spielman

Chair

July 2015

Strategic report

Who we are and what we do

We are the qualifications regulator for England and (for vocational qualifications only) Northern Ireland. We regulate so that qualifications are sufficiently valid and trusted. We make clear and considered judgements for the benefit of those who study, and rely on, regulated qualifications.

The government decides the National Curriculum for primary and secondary schools, the qualifications that can be offered, and the accountability framework by which schools are evaluated. Government departments in England and Northern Ireland also determine funding for certain vocational qualifications and apprenticeships delivered in colleges and by employers and training providers. Alongside these, many qualifications that we regulate are bought and used privately, with no government involvement or funding.

We regulate around 160 awarding organisations that offer qualifications in England and those that provide vocational qualifications in Northern Ireland.¹ We list all recognised awarding organisations and the qualifications they offer in a Register of Regulated Qualifications.²

The UK Parliament has determined that we shall be independent; we are constituted as a non-ministerial government department, independent of ministers. We report directly to Parliament, usually through the Education Select Committee. Education and skills policy is devolved and as we regulate we are mindful of the qualifications policy in each administration.

We have five statutory objectives, which are set out in the Apprenticeships, Skills, Children and Learning Act 2009 (as amended by the Education Act 2011). They are:

1. to secure qualifications 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.

¹ As at end of March 2015.

² <http://register.ofqual.gov.uk/Qualification>

We also have a range of statutory duties (see Apprenticeships, Skills, Children and Learning Act 2009, Part 7).³ Together, our statutory objectives and duties require us to maintain the currency and worth of regulated qualifications.

A review of 2014–15

Our Corporate Plan 2014–17 set out our strategic priorities in 2014–15. They included developing the way we regulate – concentrating on the validity of qualifications throughout their life cycle – and improving fairness and transparency in qualification delivery. We also planned to increase our focus on vocational qualifications (including apprenticeships) and to improve other important qualifications.

Developing our regulatory approach

We have moved to put validity at the heart of what we do. We lifted our general accreditation requirement for most qualifications in November 2014, and introduced a new General Condition of Recognition to require all regulated qualifications to appear on our Register of Regulated Qualifications. This has the effect of transferring responsibility for ensuring compliance with our Conditions of Recognition to awarding organisations. We now audit awarding organisations' compliance with our Conditions by undertaking risk-based quality checks to ascertain that qualifications are sufficiently valid and of good quality at the design, delivery and awarding stages; in other words, throughout their life cycle. We have retained an accreditation requirement for GCSEs, AS and A level qualifications, and more generally for awarding organisations in specific circumstances, where we feel more detailed or specific checks need to be undertaken.

Vocational qualifications

We have begun the process to remove the Qualifications and Credit Framework regulatory arrangements (QCF rules), which have not always supported the development and delivery of valid qualifications to the benefit of employers. Subject to further consultation, the rules will expire in summer 2015. After their withdrawal, awarding organisations will continue to be able to deliver and develop qualifications that retain some of the features of QCF qualifications, such as unitisation, credit and mastery, so long as the qualifications are sufficiently valid and otherwise comply with our General Conditions. This will mean awarding organisations will have greater freedom to design assessments based on the skills and knowledge that employers need.

³ www.legislation.gov.uk/ukpga/2009/22/part/7

We will be introducing a simpler, descriptive Framework of Regulated Qualifications in place of the QCF rules. Every qualification regulated by us will be assigned a level and size under this new framework, which will provide clarity on how each qualification relates to another, and a broad indication of the level of challenge of the skills that their holder has demonstrated. We have worked with awarding organisations, their umbrella bodies, Government departments, and regulators in the devolved administrations to prepare for these changes, putting in place transitional arrangements as necessary. Part of our preparation has been to require awarding organisations to review the scope of their recognition so that only those qualifications that they wish to be regulated by us are.

Functional skills qualifications are taken in large numbers each year (see box 1). Following our review of level 2 skills in English and maths qualifications in 2014, we published a report in early 2015 setting out a number of improvements required of awarding organisations. These included improving the quality of assessment materials, reducing the risk of malpractice and maladministration, strengthening standards setting procedures and evaluating better how far qualifications are meeting users' needs. The majority of improvements will be in place by summer 2015 and we will review their progress later in the year.

Box 1: Functional skills

- Functional skills qualifications were introduced in 2010.
- They represent around 7 per cent of all regulated qualifications taken in England each year.
- In the academic year 2013–14, over one million were awarded, compared with 300,000 in 2010–11.
- Functional skills qualifications are available in English, maths and information and communication technology from entry level to level 2.

General qualifications

Validity, fairness and transparency have been central considerations in our contributions to the reform of GCSEs, AS and A levels so that they allow teachers to deliver the curriculum well, with a more level playing field for students. The main features of the new qualifications can be found in boxes 2 and 3.

Much progress has been made over the past year to make sure the first wave of new qualifications is available to be taught from September 2015. As at end of April 2015, all specifications submitted for first teaching in 2015 at GCSE, AS and A level had

been accredited. Work on those for first teaching in 2016 and 2017 is on track. As a result of the reforms, a small number of qualifications will be withdrawn where we believe they are too similar to one or more of the other subjects being taken forward.

Box 2: GCSEs

The main features of the new GCSEs are as follows.

- A new grading scale of 9 to 1 will be used, with 9 being the top grade. This will allow greater differentiation between students' work and will help distinguish the new GCSEs from previous versions.
- Assessment will be mainly by exam, with other types of assessment used only where they are needed to test essential skills.
- There will be new, more demanding content, which has been developed by government and the exam boards.
- Courses will be designed for two years of study – they will no longer be divided into different modules, and students will take all their exams in one period at the end of their course.
- Exams can only be split into 'foundation tier' and 'higher tier' if one exam paper does not give all students the opportunity to show their knowledge and ability.
- Resit opportunities will only be available each November in English language and maths.

Box 3: AS and A levels

The main features of the new AS and A level qualifications are as follows.

- Assessment will be mainly by exam, with other types of assessment used only where they are needed to test essential skills.
- AS and A levels will be assessed at the end of the course. AS assessments will typically take place after one year's study and A levels after two. The courses will no longer be divided into modules and there will be no exams in January.
- AS and A levels will be decoupled – this means that AS results will no longer count towards an A level, in the way they do now.
- AS levels can be designed by exam boards to be taught alongside the first year of A levels.
- The content for the new A levels has been reviewed and updated. Universities played a greater role in this for the new qualifications than they did previously.

A number of our reform decisions have been contentious, most notably our decision to change the assessment arrangements in the science subjects so as to protect the curriculum aims. Although welcomed by science teachers, there are nevertheless concerns about whether students will in future experience sufficient and worthwhile practical science as they study. The changes are designed to promote learning through practical work, and schools will be required to provide sufficient practical work for students. Exam boards will be monitoring delivery in schools, and students will be tested on their understanding of experimentation in their exams.

Another example has been GCSE maths, where public attention has focused on the perceived academic demand of the exam boards' accredited specifications. We initiated a research programme in early 2015 to explore comparative academic demand between the boards and inform any necessary actions.

We have also reviewed the reform timeline where we have felt more time is required to achieve the right outcomes. For example, Ministers accepted our proposal to defer first teaching of the new maths and further maths A/AS levels until September 2017 in order to conclude plans for teaching and assessment of problem solving, and to give those studying reformed maths at GCSE the best possible preparation for A/AS level.

Beyond reform, our review of A level modern foreign languages found deficiencies in a number of areas against which we have taken remedial action. These included exam questions proving ineffective at differentiating between students of different abilities, a lack of clarity in some mark schemes, and inconsistencies in the relationship between students' speaking marks and other elements of the exam (such as listening and writing).

Qualification standards

We think of qualification standards in three ways:

1. content standards (what the student is to learn);
2. assessment standards (how assessments are designed and delivered);
3. performance standards (the standard of candidate achievement, or results).

To be fit for purpose, qualifications must measure what needs to be measured by implementing an assessment procedure. This is known as validity. Qualifications and assessments are sufficiently valid if the results mean what they say and can be relied upon. During the year we have taken action in all three areas.

Content standards

Consistent with our change in regulatory approach, we require all awarding organisations to demonstrate that their qualifications are fit for purpose and kept up to date. In 2014 we began auditing awarding organisations, requiring evidence of their approach to determining and reviewing subject content.

All reformed GCSEs, AS and A levels must be based on core content requirements for the subject in which they are offered. When we consulted on proposals for how subject content requirements could be developed, we did not expect that Government would be involved.⁴ The Department for Education has subsequently confirmed that it would continue to oversee the process for developing core content for subjects being reformed for 2017.

Our consultation established a set of principles (see box 4) to determine whether it would be appropriate to develop core content in any particular subject.

Box 4: Principles for the reform of GCSE, AS and A level subjects

We proposed only to support the development of reformed GCSE, AS and A levels in subjects that:

- are consistent with the primary purpose of a GCSE, AS or A level as defined in our General Conditions of Recognition;
- are capable of securing a comparable level of academic demand to other reformed subjects;
- can secure valid assessment, including reliability and manageability;
- can be assessed in a way that differentiates reliably across the full grade range;
- are based on content that is sufficiently distinct from other reformed subjects.

We applied these principles to proposals submitted by the exam boards to determine those subjects in which core content should be developed. Before the proposed content and assessment requirements for a subject can be finalised, we will need to be satisfied that our principles have been met in full. This means there is still the possibility that some of the subjects initially being taken forward may not be reformed in time for first teaching in 2017.

⁴ www.gov.uk/government/uploads/system/uploads/attachment_data/file/377804/2014-06-24-completing-gcse-as-and-a-level-reform.pdf

Assessment standards

Much of our work on standards this year has again been focused on the assessment standards required for reformed GCSE, AS and A levels. Accreditation for those subjects for first teaching in September 2015 was largely completed by early March 2015. The process began again in April 2015 for those subjects being taught from September 2016.

We conduct a review of awarding after each summer exam series. Our review of the summer 2014 series concluded that exams were generally managed well and problems were rare. Out of thousands of papers, only a handful had errors and the number of security breaches was small. However, we had concerns in some areas.

A particular concern was around quality of marking and an observed increase in the number of enquiries about results (see box 5). The data suggested that very significant grade changes were relatively rare and marking quality was generally good. Nevertheless in order to improve standards further we have required exam boards to improve their training and monitoring of examiners for summer 2015. We also plan to overhaul the enquiries-about-results system in future, so that it can better distinguish between marking errors and differences of opinion between equally skilled professionals, particularly in those subjects where more subjective judgements of the quality of student work are necessary. As any changes will have significant implications for schools and colleges, we are considering very carefully the feasibility of possible options.

Box 5: Enquiries about results

- Changes to qualifications in summer 2014 meant a greater volume of exams were taken compared with recent years with entries up 11 per cent on 2013.
- The number of individual enquiries rose by 48 per cent, from 304,400 last summer, to 451,000 in summer 2014, relating to 414,850 qualification results; this is a 26 per cent increase on 2013 when 329,750 results were challenged.
- In total, 77,400 qualification grades were changed, up from 54,400 in 2013, which is less than 1 per cent of all grades issued and 18.7 per cent of all grades challenged.

Performance standards

We oversaw the awarding of GCSE, AS and A levels in November 2013 and summer 2014. We maintained our established approach with exam boards, and held standards steady.

During 2014 we consulted on possible approaches to setting grade standards in new GCSEs.⁵ Most respondents favoured our current approach over the other known alternatives. We will therefore continue to develop and adapt our current approach.

In late March 2015 we announced that we had selected the National Foundation for Educational Research to develop and deliver new National Reference Tests. The new tests will be introduced in 2017 and will help to provide evidence of any change in performance standards over time in GCSE English language and maths in England at the end of Year 11. The information gathered will be used to inform GCSE awarding alongside other data that is already available.

Rules and enforcement

All awarding organisations must continuously meet Ofqual’s regulatory requirements – the rules we set to make sure qualifications are valid and fit for purpose.

There are two main types of requirements, those that apply to all awarding organisations and all regulated qualifications, and those that apply to specific types of regulated qualification.

We also sometimes place additional requirements on individual awarding organisations; we call these special conditions. For example, we might choose to apply a special condition to make sure an awarding organisation follows through on commitments they made when applying to be recognised by us. All awarding organisations must meet certain rules, regardless of what qualifications they offer. Most of these are set out in our *General Conditions of Recognition*,⁶ and we have published guidance to help awarding organisations understand how to comply with our requirements.

⁵ <http://webarchive.nationalarchives.gov.uk/+http://comment.ofqual.gov.uk/setting-the-grade-standards-of-new-gcses-april-2014/>

⁶ www.gov.uk/government/uploads/system/uploads/attachment_data/file/371266/2014-11-03-general-conditions-of-recognition-november.pdf

There are also additional rules that apply to either all qualifications of a particular type (for example, all GCSEs graded 9 to 1) or individual qualifications (for example, functional skills English). Many of these rules are set out in 'Regulatory Documents'.

When one of the organisations we regulate does something wrong, or has a problem that affects its qualifications, then we may need to take action to put things right. There are several different things we can do, including introducing special conditions, requiring certain undertakings, fining the organisation or withdrawing the organisation's recognition (so it can no longer offer regulated qualifications). During 2014–15, we imposed special conditions on five occasions; four of these related to applications to be recognised for the new GCSE (9 to 1) qualifications and required undertakings on three further occasions.⁷

National Assessments

We have a role to monitor and report on the standards of statutory National Curriculum and Early Years Foundation Stage (EYFS) assessments. These assessments are developed and delivered by the Standards and Testing Agency (STA) on behalf of the Secretary of State. We are in a period of substantial change to these assessments and we are monitoring carefully the implementation of those changes. We are also proposing to update our *Regulatory Framework for National Assessments*, which sets out how we will deliver our objectives in relation to these assessments, and we intend to consult on a revised framework during 2015.

Capacity, capability and communications

During 2014–15 we redesigned and began restructuring our organisation to support our new regulatory approach. We have increased our regulatory focus in every area of the organisation and improved decision-making accountability. A new leadership team was recruited during autumn 2014, and we initiated a period of staff consultation in January 2015 in anticipation of moving to the new structure (see box 6). The restructure aimed to deliver the first of three parts of our target operating model. The others are the development of a people strategy to provide a focus on leadership, management and individual development, and mapping out clear governance, responsibility and accountability arrangements. Work began on both these elements in 2014–15 and will carry on into 2015–16.

⁷ More information can be found on our website: www.gov.uk/government/collections/regulatory-actions-and-interventions-by-ofqual

Box 6: The new organisational structure has four distinct directorates:

1. Strategy, Risk and Research: responsible for our strategic planning, and research and analysis functions to underpin our regulatory approach, decision making and overall strategy;
2. General Qualifications: provides dedicated resources for GCSEs, A levels and equivalent qualifications;
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: this area is responsible for auditing awarding organisations' compliance with our regulations, as well as our business support services, including Human Resources, Information Technology, Finance, Communications and Customer Services.

We have also sought to further advance our transparency and our use of different forms of communication to engage our audience. We will look to build on results from our annual perception survey,⁸ published in September 2014, that showed relatively high awareness of Ofqual among teachers, but markedly lower scores among parents (45 per cent), students (34 per cent) and members of the public (33 per cent).

Our future priorities

Our priorities are unchanged from those of the past twelve months. We will continue to focus on developing our regulatory approach, putting validity at the heart of our work and rooting out non-compliance. We will do this within the context of government policy, advising as necessary on how policy aims can be best met. The outcome of the 2015 general election and comprehensive spending review will influence this path. We will continue to build our capability and capacity in line with our available resources.

The market for qualifications is changing, as the structure and range of publicly funded qualifications change. Some providers have left the market; others have revised their offer. As the operational and financial risks faced by firms alters, so we will continue to flex our risk-based approach to ensure that we target the issues of

⁸ www.gov.uk/government/statistics/perceptions-of-a-levels-and-gcse-wave-12-perceptions-of-heads-of-schools-teachers-the-general-public-parents-and-students

greatest concern to the sustained provision of high-quality qualifications. We will gather further evidence about this evolution over the coming year.

Completion of reforms to GCSEs, AS and A levels will remain an important element of our work. We will determine during the year the detail of how assessments will be conducted for those subjects due for first teaching in 2017. Overseeing award of these qualifications will always be a priority, year on year. We will maintain a keen interest and oversight of performance standards in these qualifications. The introduction of National Reference Tests in 2017 to be taken by a sample of GCSE English and maths students will, over time, provide an additional, important source of data to aid awarding.

We are working with providers of vocational qualifications to develop a system that is responsive to employers' needs and that can provide the knowledge and skills they and their organisations require to succeed. Our role is to regulate qualifications, but in practice we also play a role in defining the skills that are taught. We therefore recognise that we have a responsibility to use that influence carefully and wisely, to support good education and training outcomes. We will continue to consider how this affects the way we regulate and how we can promote a healthy vocational qualifications market.

Our strategy for the next 12 months is set out in our Corporate Plan 2015 to 2018.⁹ It comprises three goals and eight related objectives (see box 7).

Box 7: Our goals and objectives for 2015 to 2018

Goal 1: Regulating and reforming general qualifications

- Objective 1: Regulate for the validity of general qualifications throughout their life cycle
- Objective 2: Oversee the introduction of reformed general qualifications
- Objective 3: Regulate for 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 life cycle
- Objective 5: Promote a healthy vocational qualifications market

Goal 3: Developing our people, resources and systems

- Objective 6: Build our capability and capacity
- Objective 7: Invest in better information management to improve the quality and accessibility of information
- Objective 8: Efficient and effective use of resources

Risk management

We face a range of strategic, operational, financial and external risks. The principal risks are captured on our risk register and action is taken wherever possible to mitigate these risks. These risks are summarised in the Governance Statement section.

Our risk-management strategy involves all our members of staff and our Board. The Governance Statement demonstrates our capacity to manage these risks.

Financial review

The resource budget for the year was £21.009 million (£18.554 million in 2013–14), and our net operating costs were £20.968 million (£18.336 million in 2013–14). The outturn was £41,000 (0.2 per cent) under budget, which is minimal and reflects the effectiveness of the controls we have put in place.

Staff costs account for 65 per cent of the total expenditure and this is higher this year as staff numbers have increased in line with our expanding remit. We continue to employ agency staff where we are unable to meet demand internally and where there is an urgent operational need to do so. Agency staff accounted for 23 per cent of our staffing costs during the year (20 per cent in 2013–14). The increase is in part accounted for by the organisational change, during which there has been a need to recruit to short-term contracts. GCSE, AS and A level reform has also required an increase in staff to manage this activity. These posts were funded by additional specified funding.

The final year of our existing Comprehensive Spending Review settlement is 2015–16, and we have a budget of £22.409 million of which £5.96 million is allocated to deliver the final phase of the GCSE, AS and A level reform programme, and the development of the National Reference Tests.

Social community and human rights

On 31st March 2015, we directly employed 183 staff. The gender breakdown of the staff was as follows.

	Female	Male
Senior civil servants	2	7
Delegated grades	111	63
TOTAL	113	70

We undertake an annual staff survey as part of our commitment to continuously improve the way we manage and develop our people. The purpose of the survey is to seek views about working for us, identify levels of staff engagement and to provide us with a way to benchmark our performance. The response rate of 76 per cent for the survey compares well with previous years’.

Glenys Stacey

Accounting Officer for Ofqual

Date: 1st July 2015

Directors' report

Details of Ofqual directors

The Executive leadership team at Ofqual consists of the following directors.

Name	Directorships and other significant interests during 2014–15
Glenys Stacey, Chief Regulator	No board directorships or other significant interests
Jeremy Benson, Executive Director, Vocational Qualifications	Trustee and Director of Meadowdale Primary Academy
Michelle Meadows, Executive Director Strategy, Risk & Research	No board directorships or other significant interests
Marc Baker, Chief Operating Officer	No board directorships or other significant interests
Ian Stockford, Acting Executive Director, General Qualifications	No board directorships or other significant interests

Board members' directorships

Board members' directorships and other significant interests, including non-executive positions, during the year ended 31st March 2015 are given below.

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

Name	Board directorships and other significant interests during 2014–15
Tim Balcon	Chief Executive, Institute of Environmental Management and Assessment (IEMA) Director, Ashby Interim Management Director Sustainability Training Solutions (wholly owned subsidiary of IEMA)
Dana Ross-Wawrzynski	Director and CEO, Bright Future Educational Trust Chair, National Headteacher Standards Review Group

Name	Board directorships and other significant interests during 2014–15
Ray Coughlin	No board directorships or other significant interests
Philip Fletcher	Member of Archbishops' Council for the Church of England Chair of the Mission and Public Affairs Council of the Church of England Member of the Advisory Council of the European Policy Forum
Maggie Galliers	Chair, National Institute of Adult Continuing Education (NIACE) Board Chair, City College Coventry National Leader of Governance
Anne Heal	Managing Director, Strategy, Openreach, part of BT Director / Charity Trustee, Unicorn School, Kew MD, BT Volunteering
Mike Cresswell	Associate, Alphaplus Temporary part-time employee Scottish Qualifications Authority (SQA) (ceased 31/12/14) Visiting Professor Bristol University (ceased 31/12/14)
Barnaby Lenon	Chairman, Independent Schools Council Director, Lenon Education Ltd. Governor, Chelsea Academy Director, New Schools Network Governor, London Academy of Excellence Consultant, GEMS Ltd (Dubai)
Amanda Spielman	Council Member, Institute of Education Education Advisor, Absolute Return for Kids, ARK Member, ARK Schools Audit and Risk Committee Trustee, STEMNET (from October 2014)
Roger Taylor	Director of Research and Public Affairs, Dr Foster Ltd (ceased 28/03/15) Trustee, the Open Public Services Network at RSA Trustee Co-ordinated Action Against Domestic Abuse
Thomas Taylor	Chief Executive, the Agriculture and Horticultural Development Board (ceased 30/11/14)

Name	Board directorships and other significant interests during 2014–15
	<p>Director, Homegrown Cereals Pension Scheme (ceased 30/11/14)</p> <p>Member Policy Issues Council, Institute of Grocery Development (ceased 30/11/14)</p> <p>Member, Critical Eye Advisory Board (ceased 30/11/14)</p> <p>Member, Allocate Software Healthcare Advisory Board (ceased 30/11/14)</p> <p>Non-executive Director, Meat and Livestock Commercial Service Ltd (ceased 30/11/14)</p> <p>Director, Meat and Livestock Commission Pension Scheme (ceased 30/11/14)</p>
Neil Watts	<p>Public Commissioner, Press Complaints Commission (to September 2014)</p> <p>Independent Press Standards Organisation, Member of the Complaints Committee (from September 2014)</p> <p>Trustee, Spina Bifida Hydrocephalus, Information, Networking, Equality (SHINE)</p> <p>Governor, Great Finborough Primary School</p> <p>Board member, Architects Registration Board</p>
Julius Weinberg	<p>Vice Chancellor, Kingston University</p> <p>Board member, London Higher</p> <p>Board member, St George's, University of London</p> <p>Governor, Latymer Upper School, Hammersmith</p> <p>Member, Health Education South London Board</p> <p>Chair, Access HE (from July 2014)</p> <p>Trustee, National Art and Design Saturday Club Trust (from May 2015)</p> <p>Member, University and Colleges Employers Association Board (from November 2014)</p>

Future developments affecting Ofqual

We are not aware of any external developments that will affect Ofqual. We continue to develop and refine our regulatory approach as outlined in the Strategic Report section.

Complaints about Ofqual

We received seven complaints about us in 2014–15, four of which were made by awarding organisations and were in relation to:

- the quality of our audit report on their organisation, which we upheld, resulting in the report being rewritten and more stringent checks being put in place on reports prior to release;
- oversight by us of adherence of organisations to Guided Learning Hour principles; this case is ongoing;
- perceived differences in academic demand between exam boards' accredited GCSE maths specifications; we initiated a comprehensive research programme to investigate, as discussed in the Strategic Report;
- wording in our Report to Parliament relating to IGCSEs; we agreed and laid an addendum to our report, clarifying the intention of the wording.

The other three complaints were in relation to our regulation of the market. One related to perceived comparability of demand between A level subjects and was dismissed, with the remaining complaints pertaining to delays in announcing which subjects would be reformed for first teaching from 2017. As a result, we decided to phase the implementation of the withdrawal of these legacy qualifications. This will allow those schools and colleges that are already teaching these qualifications, and may need to make changes to what they plan to teach, the opportunity to do so.

Complaints to the Parliamentary Ombudsman

Two complaints relating to us were accepted by the Parliamentary Ombudsman in 2014–15. One of these related to the perceived fairness of the use of moderation in controlled assessment and was dismissed. The second case was related to support offered to a candidate prior to their assessment and is still under consideration.

Whistleblowing disclosures

We did not receive notice of any whistleblowing disclosures about us during the past year.

Customer Services

We aim to acknowledge complaints within two working days and provide a final response within 30 working days of receipt.

During 2014–15, we acknowledged over 99 per cent of complaints within two working days and provided a final response within 30 days in 89 per cent of cases

(77 per cent of cases in 2013–14). The remaining 11 per cent of cases required additional analysis.

Overall we handled 390 enquiries, covering complaints and whistleblowing disclosures about awarding organisations, complaints about us and executive correspondence. Eight complaints about awarding organisations were upheld. We carried out internal reviews in 13 cases, which related to the way we investigated the original complaint. We upheld two of these reviews and reinvestigated the original complaint. We improved our internal procedures as a result.

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 31st March 2015 we employed on average 187.7 whole-time equivalent staff throughout the year compared with our complement of 205. We have significantly reduced external recruitment over the last 12 months to allow us time and flexibility to restructure the organisation around the requirements of our regulatory strategy. We are now emerging from that restructure with a fundamentally different structure, and are looking to address an over-reliance in the organisation on short-term and contractor resource to address long-term resource needs.

We employed 23 temporary staff to cover vacancies, maternity leave and long-term sick leave (41 temporary staff were employed in 2013–14).

Off-payroll appointments

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

Table 1: Off-payroll engagements as of 31st March 2015, for more than £220 per day and that last for longer than six months

	Main department
No. of existing engagements as of 31st March 2015	9
Of which...	
No. that have existed for less than one year at time of reporting	NIL
No. that have existed for between one and two years at time of reporting	5
No. that have existed for between two and three years at time of reporting	3
No. that have existed for between three and four years at time of reporting	1
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 six months' duration, where the annual cost is greater than £58,200, that tax due on contract payments will be paid. As at 31st March 2015 all such contractors engaged by Ofqual met these conditions.
- As at 31st March 2015 only one contract was for an individual engaged directly. This contract ended on 31st March 2015.
- Ofqual does not intend to engage individuals directly in the future. Recruitment will be through an agency where the agency is responsible for obtaining the assurances.

Table 2: New off-payroll engagements, or those that reached six months in duration, between 1st April 2014 and 31st March 2015, for more than £220 per day and that last for longer than six months

	Main Department
No. of new engagements, or those that reached six months in duration, between 1st April 2014 and 31st March 2015	6
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	NIL
No. for whom assurance has been requested	NIL
Of which...	
No. for whom assurance has been received	NIL
No. for whom assurance has not been received	NIL
No. that have been terminated as a result of assurance not being received	NIL

Note:

- Three new engagements were made in 2014–15, all of which were through recruitment agencies and therefore Ofqual did not seek assurances from the individuals directly.
- Three engagements reached the six-month stage, but these were all for individuals funded from additional monies.

Table 3: Off-payroll engagements of board members, and/or senior officials, with significant financial responsibility, between 1st April 2014 and 31st March 2015

	Main department
No. of off-payroll engagements of board members, and/or senior officials, with significant financial responsibility, during the financial year.	2
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.	3

Note

- The only senior appointment in 2014–15 was for the post of interim chief operating officer. The post was filled on a permanent basis from December 2014.
- During 2014–15 the post of chief operating officer was filled by two interims. In both cases the individuals were recruited through a recruitment agency.

Sickness absence

Some 913.5 days were lost to sickness absence in 2014–15 (1,964 days in 2013–14), representing 2.24 per cent of available staff working days. This is an average of 4.9 days per employee (10.9 days per employee in 2013–14). This includes 328 days of long-term sickness absence and 585.5 days of short-term sickness absence. There were five staff on long-term sick leave during 2014–15, with long-term sickness being classed as more than 20 days' absence. This is lower than the latest Civil Service average figure of 7.6 days and the overall public sector average of 8.7 days.

Health and safety

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

There was one reportable incident during the year, an accident requiring minor medical attention.

Diversity and equality

We continue to promote equality for all regardless of gender, race, age, religion, belief, sexual orientation or disability. The gender breakdown of staff as at 31st March 2015 was 114 females and 70 males.

At 31st March 2015, 7 per cent of staff members classified themselves as disabled, and 10.75 per cent classified themselves to be non-white, with a further 22.78 per cent undeclared.

We operate an Equalities Advisory Group (an external group) providing advice and challenge on equalities issues in qualifications and reform activities.

Sustainability

As a small organisation we are below the threshold for producing a sustainability report in accordance with the Financial Reporting Manual (FRoM). However, we do consider sustainability in carrying out our work. We have successfully realised a 70 per cent increase in our recycling of waste compared with 2013–14.

Energy-saving measures in our Coventry office have continued to generate savings, and the installation of new lighting has resulted in reduced usage compared with 2013–14.

Regulatory burden

We follow good regulatory practice, in particular the Better Regulation Executive's principles of good regulation and the seven characteristics set out in the Macrory report *Regulatory Justice: Making Sanctions Effective*.¹⁰

We published an annual statement in March¹¹ on our plans to keep our regulatory functions under review and to not impose or maintain any unnecessary burden.

In 2014 we undertook a fundamental review of our regulatory approach and began to implement changes designed to increase our effectiveness. Rather than rely on more limited checks, we now increasingly expect awarding organisations to demonstrate to us that their qualifications are sufficiently valid from end to end: as they are designed, developed, delivered and evaluated. We have developed our risk framework so that we can better target our audit and other compliance activity to provide assurance about the validity of regulated qualifications.

Following our review we are making significant progress in removing regulatory requirements that we have decided are no longer necessary. For example, we have removed our accreditation requirement for all types of qualifications other than GCSEs, AS and A levels. We are also in the process of removing the detailed design requirements set out in the Qualifications and Credit Framework, and replacing them with more proportionate requirements to secure sufficiently valid qualifications.

Finally we have made changes to recognition to minimise the burden of the process by which an awarding organisation can apply to extend the range of regulated qualifications that it provides.

¹⁰ *Regulatory Justice: Making Sanctions Effective* (November 2006): <http://webarchive.nationalarchives.gov.uk/20121212135622/http://www.bis.gov.uk/files/file44593.pdf>

¹¹ www.gov.uk/government/publications/ofquals-regulatory-burden-statement-2015

Payment of suppliers

We adhere to the Late Payment of Commercial Debts (Interest) Act 1998 and meet the normal terms of payment of invoices of 30 days from receipt, except where different terms have been agreed with suppliers. As a small organisation, the Government's five-day target for small and medium enterprises to receive payment is not mandated, but we continue to pay valid invoices to such firms within 10 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 suppliers within an average of 18.8 creditor days in 2014–15. 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 (2013–14: £0).

Basis of accounts

The accounts for the year ended 31st March 2015 have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

We were the sole entity within our departmental accounting boundary during 2014–15, and are not responsible for any bodies outside our departmental accounting boundary.

Pension liabilities

Our 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.

Going concern

In common with other government departments, the future financing of our liabilities will be met by future Grants of Supply and the application of future income to be approved annually by Parliament. Our resource and expenditure with HM Treasury for 2015–16 and the five-year period 2016–21 will be subject to ratification as part of the comprehensive spending review process.

Accordingly, it is considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

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 Apprenticeships, Skills, Children and Learning Act 2009 appointed the Comptroller and Auditor General as our auditor. He has set a notional £46,000 charge for his audit in 2014–15 (£46,000 in 2013–14).

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

Glenys Stacey

Accounting Officer for Ofqual

Date: 1st July 2015

Departmental data reporting tables

These tables show resources consumed, capital investment and expenditure by country and region.

Public spending

Table 4 shows annual expenditure from 2008–09 (when we were established in interim form as part of the Qualifications and Curriculum Authority) to 2015–16.

Planned net expenditure has been supplemented by the Department for Education which is providing additional funds to cover the costs of reforming GCSEs, AS and A level qualifications and the new National Reference Tests. The Department agreed to provide up to £2.5 million in 2013–14 (of which we requested £1.25 million), up to £4 million in 2014–15 (of which we requested the full £4 million) and, in principle, up to £5.5 million in 2015–16. Additional funding of £420,000 was also provided by the Department for Business Innovation and Skills to develop new IT infrastructure in 2014–15.

Table 4: Public spending

	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16
	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Outturn	Planned
	£000	£000	£000	£000	£000	£000	£000	£000
Consumption of resources								
<i>Regulation of qualifications</i>	13,317	18,651	15,268	16,132	16,749	18,336	20,968	16,503
Total resource DEL	13,317	18,651	15,268	16,132	16,749	18,336	20,968	16,503
Resource AME								
<i>Regulation of qualifications</i>	0	0	0	0	0	0	0	0
Total resource	13,317	18,651	15,268	16,132	16,749	18,336	20,968	16,503
Capital spending								
<i>Regulation of qualifications</i>	96	1,016	2,876	602	11	87	90	0
Total capital	96	1,016	2,876	602	11	87	90	0
<i>of which</i>								
Capital DEL	0	0	2,876	602	11	87	90	0
Total public spending	13,413	19,667	18,144	16,734	16,760	18,423	21,058	16,503

Notes:

- The 2015–16 planned figures include £5.960 million income and expenditure from the Department for Education for reform of GCSEs, AS and A level qualifications, National Reference Tests, and from the Department for Business, Innovation and Skills for IT infrastructure.
- The 2015–16 planned figures include total expenditure of £22.463 million offset by the additional income of £5.960 million to give a net resource total of £16.503 million.

Ofqual's establishment on 1st April 2010 as a non-ministerial government department was treated as a Machinery of Government Change. The 2008–09 and 2009–10 figures were supplied by the Qualifications and Curriculum Authority (QCA), which extracted them from its statements of account. No analysis of expenditure is available for these years. Expenditure for 2009–10 includes both transitional and set-up costs.

Table 5: Public spending control

This table compares our expenditure in 2014–15 with our budgetary control limits.

	2014–15	2013–14
	£000	£000
Net resource (estimates)	21,009	18,554
Net operating cost (accounts)	20,968	18,336
Net resource outturn (accounts)	20,968	18,336
Net resource budget (budget)	21,009	18,554
Net underspend	41	218

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. HM Treasury presents the Main Estimates (the start of the Supply Procedure) to Parliament around the start of the financial year to which they relate. A set of supplementary budgetary information tables reconciles the Estimates to these Departmental Report tables.
- Details of all Estimates can be found on HM Treasury's website.

Table 6: Capital employed

This table shows the capital we employ and plan to employ

	2008–09 Outturn £000	2009–10 Outturn £000	2010–11 Outturn £000	2011–12 Outturn £000	2012–13 Outturn £000	2013–14 Outturn £000	2014–15 Outturn £000	2015–16 Planned £000
Assets and liabilities on the statement of financial position at end of year								
Non-current assets:								
Property, plant and equipment	81	996	3,135	243	178	114	88	28
<i>of which</i> IT	0	0	364	243	178	114	88	28
Intangible assets	7	115	3,499	3,034	2,250	1,541	779	199
Current assets	39	99	996	845	532	457	313	400
Current liabilities (less than one year)	-1,386	-2,570	-2,474	-2,413	-1,429	-2,222	-1,843	-1,900
Total capital employed	-1,266	-1,475	2,021	1,709	1,531	-110	-663	-1,273

Note:

- The movement in capital employed reflects our reducing capital allocation.

Table 7: Programme and administration expenditure

	2010–11 Outturn £000	2011–12 Outturn £000	2012–13 Outturn £000	2013–14 Outturn £000	2014–15 Outturn £000	2015–16 Planned £000
Programme:						
Expenditure						
Pay	51	51	52	728	1,148	714
Other expenditure	1,374	2,368	2,974	2,612	4,192	5,932
Total expenditure	1,425	2,419	3,026	3,340	5,340	6,646
Income	0	0	0	0	0	-5,960
Total programme expenditure and budgeted	1,425	2,419	3,026	3,340	5,340	686
Administration:						
Expenditure						
Pay	10,175	9,617	10,915	12,091	12,428	12,219
Other expenditure	4,799	4,626	3,331	3,357	3,576	3,915
Total expenditure	14,974	14,243	14,246	15,448	16,004	16,134
Income	-1,131	-530	-523	-452	-376	-317
Total administrative expenditure	13,843	13,713	13,723	14,996	15,628	15,817
Grand total	15,268	16,132	16,749	18,336	20,968	16,503

Notes:

- In 2010–11 HM Treasury classified all expenditure as programme expenditure. From 2011–12, the Administrative Cost Regime applies, which requires expenditure to be split between programme and administration in accordance with the FReM 8.3.1. Table 7 shows the programme and administration outturns for 2014–15 and budgets for 2015–16, including the additional monies from the Department for Education as discussed in relation to Table 4.
- This table excludes capital expenditure, which is included in table 4.

Table 8: Staff and temporary staff

	2013–14	2014–15
	Number	Number
Senior civil service		
Payband 2	1	1
Payband 1	7	8
	8	9
Civil servants	183	174
Total civil servants	191	183
Temporary staff	41	23
Consultants	0	0
Total	232	206

Notes:

- The figures in table 8 include employees, interim staff and contractors. Note 3 to the Accounts shows the average number of staff employed during the year.
- In the year to 31st March 2015 we spent £3,107k (2013–14: £2,552k) on temporary staff and £263,000 on consultants (2013–14: £184,000).
- The reduction in temporary staff and civil servants between 2013–14 and 2014–15 reflects the phase in the cycle of the reform programme as we move from development to implementation.

Table 9: Identifiable expenditure on services by country and region

	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15
	£000	£000	£000	£000	£000	£000
England	19,071	17,598	16,220	16,252	17,973	20,681
Scotland	0	0	0	0	0	0
Wales	0	15	22	23	39	25
Northern Ireland	596	531	492	485	411	352
Total UK identifiable expenditure	19,667	18,144	16,734	16,760	18,423	21,058
Outside UK	0	0	0	0	0	0
Total identifiable expenditure	19,667	18,144	16,734	16,760	18,423	21,058
Non-identifiable expenditure	0	0	0	0	0	0
Total expenditure	19,667	18,144	16,734	16,760	18,423	21,058

Notes:

- Expenditure in Northern Ireland relates to our office in Belfast. All other expenditure, including other regulatory expenditure for Northern Ireland, is incurred in England.
- Expenditure in Wales relates to the cost of providing the Welsh qualifications regulator with access to our regulatory system.
- The difference between the total figures reported in tables 7 and 9 is due to the £90,000 capital spend in 2014–15 accounts for the (2013–14: £87,000).

Table 10: Identifiable expenditure on services by country per head and region per head

This table is omitted as expenditure is less than £1 per head.

Table 11: Spending by function or programme by country and region

	Function / Programme 1	Function / Programme 1
	2013–14	2014–15
	£000	£000
England	17,973	20,681
Scotland	0	0
Wales	39	25
Northern Ireland	411	352
Total UK identifiable expenditure	18,423	21,058
Outside UK	0	0
Total identifiable expenditure	18,423	21,058
Non-identifiable expenditure	0	0

Glenys Stacey

Accounting Officer for Ofqual

Date: 1st July 2015

Remuneration 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 five years. The Queen-in-Council on the advice of the Secretary of State for Education appoints the Chief Regulator for a fixed term, currently five 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.

Remuneration policy

Directors are paid in accordance with the civil service pay structure. A new pay and grading structure has been developed for grades AO through to grade 6 and was implemented in July 2014.

Part 2: Subject to audit

The tables below 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.

As a result of proposed changes to our performance management policy no non-consolidated staff bonuses for 2014–15 have been paid.

Remuneration (including salary and payments in kind)

Table 12: Salary entitlements of the most senior members of Ofqual for year ending 31st March 2015

	Salary	Salary	Pension Benefits	Pension Benefits	Total	Total
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
	£000	£000	£000	£000	£000	£000
Amanda Spielman (Chair)	50-55	35-40	-	-	50-55	35-40
Dana Ross-Wawrzynski	5-10	0-5	-	-	5-10	0-5
Tim Balcon	5-10	5-10	-	-	5-10	5-10
Philip Fletcher	5-10	5-10	-	-	5-10	5-10
Maggie Galliers	5-10	5-10	-	-	5-10	5-10
Mike Cresswell	5-10	0-5	-	-	5-10	0-5
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
Julius Weinberg	5-10	5-10	-	-	5-10	5-10
Roger Taylor	5-10	5-10	-	-	5-10	5-10
Thomas Taylor	5-10	5-10	-	-	5-10	5-10
Ray Coughlin	5-10	5-10	-	-	5-10	5-10
Glenys Stacey (Chief Regulator)	140-145	140-145	35	68	175-180	205-210
Jeremy Benson Executive Director Vocational Qualifications from 8 th Sep. <i>(Director of Policy until 7th Sep)</i>	95-100	95-100	46	18	140-145	110-115
Dennis Opposs Standards Chair from 8th Sep. <i>Director Standards until 7th Sep.</i>	105-110	105-110	21	13	125-130	115-120
Tim Leslie Director National Reference Tests Project from 8 th Sep. <i>Director of Strategic Reform until 7th Sep.</i>	90-95	90-95	34	34	125-130	125-130
Marc Baker Chief Operating Officer from 4th Dec <i>Exec Director General Qualifications until 3rd Dec.</i> <i>Programme Director until 7th Sep.</i>	85-90 (95-100)	25-30 (80-85)	32	10	115-120	35-40
Michelle Meadows Exec Director Strategy, Risk and Research from 12th May	90-95 (100-105)	-	34	-	125-130	-
Ian Stockford Interim Exec Director General Qualifications from Jan15	10-15 (75-80)	-	23	-	40-45	-
Catherine Jadhav Interim Director of Research & Evaluation until 12 May	5-10 (80-85)	50-55 (80-85)	29	15	35-40	65-70

Mike Jeacock Interim Chief Operating Officer (Left 30 th May)	45-50*	115-120	-	-	45-50*	115-120
Mike Bird Interim Chief Operating Officer from 19th June (Left 19 th Dec.)	130-135**	-	-	-	130-135**	-
Adrian Long Director of Strategic Communications and Engagement (Left 2 nd Nov.)	55-60 (100-105)	95-100	24	38	80-85	135-140
Jane Farleigh Interim Director of Regulatory Operations (Left 21 st Nov.)	80-85 (85-90)	50-55 (85-90)	22	15	105-110	65-70
Fiona Pethick Director of Regulation (Left 12 th Dec.)	105-110	105-110	9	16	115-120	120-125
David Robson Director of Corporate & Business Services (Left 31 st Oct.)	-	55-60 (95-100)	-	2	-	55-60

Notes:

- 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.
- Pension figures for both Ian Stockford and Catherine Jadhav are for the full year. Salaries are part year only.

* Mike Jeacock was recruited as interim Chief Operating Officer via an agency on a contract that ended in May 2014. This figure includes agency fees and VAT. Excluding these, his salary fell in the £30,000–£35,000 band.

** Mike Bird was recruited as interim Chief Operating Officer via an agency on a contract that ended in December 2014. This figure includes agency fees and VAT. Excluding these, his salary fell in the £90,000–£95,000 band.

*** The 2014–15 salary figure for Jane Farleigh includes a compensation payment in lieu of notice of £24,000. A redundancy payment of £79,000 was also paid in year.

**** The 2014–15 salary figure for Fiona Pethick includes a compensation payment in lieu of notice of £30,000. A redundancy payment of £185,000 was also paid in year.

Pension benefits

Table 13: Pension benefits of the most senior members of Ofqual for the year ending 31st March 2015

	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase in pension and relate lump sum at pension age	CETV at 31-Mar-15	CETV at 31-Mar-14	Real Increase in
	£000	£000	£000	£000	£000
Glenys Stacey	15-20	0-2.5	351	306	34
Dennis Opposs	50-55 Plus lump sum of 155-160	0-2.5 Plus lump sum of 2.5-5	1,182	1,160	20
Fiona Pethick	40-45 Plus lump sum of 120-125	0-2.5 Plus lump sum of 0-2.5	821	778	7
Jeremy Benson	25-30	2.5-5	324	283	22
Adrian Long	5-10	0-2.5	68	49	14
Tim Leslie	5-10	0-2.5	98	63	24
Jane Farleigh	15-20	0-2.5	318	283	19
Marc Baker	0-5	0-2.5	33	8	17
Catherine Jadhav	10-15	0-2.5	112	89	12
Michelle Meadows	0-5	0-2.5	22	0	14
Ian Stockford	0-5	0-2.5	12	0	6

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 2014–15 was £140,000–£145,000 (2013–14, £140,000–£145,000). This was 4.0 times the median remuneration of the workforce, which was £35,511 (2013–14, 3.7 times, £37,336).

In 2014–15, No (2013–14, NIL) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £5,000 to £145,000 (2013–14, £5,000 to £145,000)

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.

Directors remuneration policy

Any change to directors remuneration for the current and future years will reflect the work and recommendations of the Senior Salaries Review Body.

Pension benefits

Pension benefits for employees are provided through Civil Service pension arrangements. From 30th July 2007, civil servants may be in one of four defined benefit schemes; either a 'final-salary' scheme (classic, premium or classic plus); or a 'whole-career' scheme (nuvos). These statutory arrangements are unfunded, with employers' and employees' contributions being paid to the consolidated fund and the cost of benefits being met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are indexed annually in line with increases in the cost of living, using specified indices. Members joining a scheme since October 2002 have been able to opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employees' pension contributions now vary, depending upon the employee's pay band within a range of between 1.5 per cent and 6.8 per cent for the classic scheme and 3.5 per cent and 8.25 per cent for the others. On 1st April 2015 the Civil Service introduced a new pension scheme called Alpha into which eligible employees will be transferred. Pension contributions will be decreasing in line with pension contribution rules.

Benefits in the classic scheme accrue at a rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent of up to three years' initial pension is payable on retirement.

For members of the premium scheme, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service and unlike classic there is no automatic lump sum.

Classic plus is essentially a hybrid, with benefits for service before 1st October 2002 calculated broadly as per the classic scheme, and benefits for service since October 2002 calculated as per the premium scheme.

In *nuvos*, a member builds up a pension based on the pensionable earnings during their period of scheme membership. At the end of the scheme year (31st March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the index for the year.

In each scheme, members may opt to commute their pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension shown in the remuneration table is what 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 schemes, and 65 for members of the *nuvos* scheme.

Further details about Civil Service pension arrangements can be found at: www.civilservice.gov.uk/my-civil-service/pensions/index.aspx.

Cash equivalent transfer value

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

The figures include the value of any pension benefit in another scheme or arrangement 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 in 2014–15 (2013–14 £nil).

Glenys Stacey

Accounting Officer for Ofqual

Date: 1st July 2015

Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Ofqual to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Ofqual and of its net resource outturn, resources applied to objectives, 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 FReM, 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;
- prepare the financial statements on a going-concern basis.

HM Treasury has appointed the Chief Regulator as Accounting Officer. 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.

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 I have carried out these duties and the structure that supported me in the 2014–15 financial year.

The Ofqual Board

During 2014–15 the Board consisted of a chair, twelve ordinary members (one of whom is appointed as Deputy Chair) and the Chief Regulator. Ordinary members are appointed by the Secretary of State for Education for terms no longer than five years. Board members may be reappointed as their terms expire, but there is no automatic right to this.

Table 14: Board members and the committees they served on, during the year ending 31st March 2015

Name	Date of appointment	Term of appointment	Board meetings and committees attendance record	Membership of Board committees				
				Audit and Risk Committee (A&R)	Finance Committee (Fin)	Reform Committee (Ref)	Vocational Advisory Group (VAG)	Standards Advisory Group (SAG)
Amanda Spielman (Chair)	reappointed 14th July 2014	5 years, to 13th July 2019 **	Board (r) 100% Board (a) 100% SAG 100% VAG 100% Ref 100%			✓ *	✓ *	✓ *
Tim Balcon	reappointed 1st April 2014	3 years, to 31st March 2017	Board (r) 71% Board (a) 100% Fin 100% VAG 100%		✓		✓	
Ray Coughlin	reappointed 1st April 2014	1 year, to 31st March 2015	Board (r) 42% Board (a) 0%					
Mike Cresswell	1st October 2013	3 years, to 30th September 2016	Board (r) 71% Board (a) 100% SAG 100% ¹² VAG 50%				✓	✓

¹² Before his appointment to the Board on 1st October 2013 Mike Cresswell was an independent member of the Standards Advisory Group.

Name	Date of appointment	Term of appointment	Board meetings and committees attendance record	Membership of Board committees				
				Audit and Risk Committee (A&R)	Finance Committee (Fin)	Reform Committee (Ref)	Vocational Advisory Group (VAG)	Standards Advisory Group (SAG)
Philip Fletcher ****	reappointed 1st April 2013	3 years, to 31st March 2016	Board (r) 100% Board (a) 100% A&R 100%	✓ *				
Maggie Galliers ****	reappointed 1st April 2013	3 years, to 31st March 2016	Board (r) 100% Board (a) 100% A&R 100% VAG 100% Ref 100%	✓ *		✓	✓	
Anne Heal	1st April 2012	3 years, to 31st March 2015 ***	Board (r) 100% Board (a) 100% A&R 100%	✓				
Barnaby Lenon	1st April 2012	3 years, to 31st March 2015 ***	Board (r) 86% Board (a) 66% SAG 75%					✓
Dana Ross-Wawrzynski *****	1st October 2013	3 years to 30th September 2016	Board (r) 86% Board (a) 66% A&R 50%	✓				
Glenys Stacey (Chief Regulator and Accounting Officer)	1st March 2011	5 years, to 29th February 2016	Board (r) 100% Board (a) 100% SAG 75% VAG 50% Ref 100%			✓	✓	✓
Roger Taylor	1st April 2012	3 years, to 31st March 2015 ***	Board (r) 71% Board (a) 100%					
Thomas Taylor	1st April 2012	3 years, to 31st March 2015 ***	Board (r) 100% Board (a) 66% Fin 100%		✓ *			
Neil Watts	reappointed 1st April 2014	3 years, to 31st March 2017	Board (r) 86% Board (a) 66% Fin 100%		✓			
Julius Weinberg	1st April 2012	3 years, to 31st March 2015 ***	Board (r) 100% Board (a) 100% SAG 75% Ref 100%			✓		✓

Notes:

Board (r) routinely scheduled meetings (seven meetings in 2014–15)

Board (a) additional meetings called at short notice (three meetings in 2014–15)

SAG	Standards Advisory Group (four meetings in 2013–14)
A&R	Audit and Risk Assurance Committee (five meetings in 2014–15)
Fin	Finance Committee (four meetings in 2014–15)
VAG	Vocational Advisory Group (two meetings in 2014–15)
Ref	Reform Committee (one meeting in 2014–15)

* denotes Chair of Committee

** In July 2014 Amanda Spielman was reappointed as Chair for a further five years to 13th July 2019

*** Anne Heal, Barnaby Lenon, Roger Taylor, Tom Taylor and Julius Weinberg have been reappointed for a further three years from 1st April 2015 to 31st March 2018

**** Philip Fletcher ceased being Chair of the Audit and Risk Assurance Committee on 30th November 2014; Maggie Galliers became Chair of the Audit and Risk Assurance Committee on 1st December 2014

***** Dana Ross-Wawrzynski was appointed to the Audit and Risk Committee on 3rd December 2014 and was eligible to attend two 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.

During 2014–15 one board member, Tim Balcon, declared a conflict. The Institute of Environmental Management and Assessment (IEMA) of which he is Chief Executive entered into a contract with City and Guilds (a vocational qualifications provider) to develop two single-unit qualifications on environmental sustainability. Tim has made several undertakings to mitigate the effect of this interest and to declare the presence of the interest when relevant matters have come before the Board. Where the interest amounts to a significant conflict of interest, he has undertaken to withdraw from the meeting for that item.

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 31st March 2015.

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 five times a year, although the committee chair may call additional meetings as necessary.

The Committee consists of up to four members of the Board and an independent financially qualified member, Trevor Robinson, who was initially appointed as a member in March 2011 for a term of three years and at the end of 2013 was reappointed for a further three years to 28th February 2017.

As Accounting Officer I am invited to attend meetings of the Committee. The Senior Manager Financial Accounts and the Chief Operating Officer also attend, as do our internal auditors and the National Audit Office. Other members of Ofqual staff attend where appropriate.

The Committee considers all aspects of internal control and counter-fraud, including reports from the internal and external auditors. During 2014–15 the Committee reviewed the findings of audit reports on the reform programme, the use of subject experts, risk management, regulatory compliance, key financial systems and 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 three times a year and consists of up to four members of the Ofqual Board. Members of the Committee are not members of the Audit and Risk Assurance Committee.

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

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 three times a year. It consists of between two and five members of the Ofqual 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.

During 2014–15, the independent members of the Group were Professor Jo-Anne Baird, Professor Paul Black, Professor Robert Coe, Professor Caroline Gipps, Grace Grima, Dr Tina Isaacs, Jerry Jarvis, Dr Paul Newton (independent appointment ended in October 2014 when he became a member of Ofqual staff), Tim Oates, Dr Michelle Meadows (independent appointment ended in September 2014 when she became a member of Ofqual staff), Professor Roger Murphy, Dr Alastair Pollitt, Alex Scharashkin (appointed 3rd December 2014) and Professor Gordon Stobart.

Meetings are normally attended by the 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. The invitation may be for the entire meeting or for a specific item.

Vocational Advisory Group

The Vocational Advisory Group advises the Board in relation to vocational qualifications and assessments. This includes, but is 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 meets at least three times a year. It consists of between two and six members of the Ofqual 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. During 2014–15, the independent members of the Group were Professor Alan Brown, Professor Kathryn Ecclestone, Norman Gealy, Professor Ewart, Mark Protherough, Professor Gordon Stobart, Professor Lorna Unwin, and Professor Alison Wolf.

Reform Committee

The Board has established a Reform Committee to which it may delegate responsibilities for qualification reform when necessary. The Committee met once in 2014–15 and consists of up to five members of the Ofqual Board.

Further details about the Board and its committees can be found in the Governance Framework available on Ofqual's website.¹³

Committee reporting to the Board

Each committee reports on its work at the Board meeting following the committee meeting. Principal items of committee business in 2014–15 were:

Finance Committee

- reviewing the 2013–14 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 2014–15 business planning process; and
- monitoring financial and procurement aspects of the National Reference Tests

Audit and Risk Assurance Committee

- reviewing the 2013–14 Annual Report and Accounts for recommendation to the Board for approval;
- reviewing the 2014–15 external audit plan and completion report;
- reviewing internal audit reports and monitoring the implementation of audit recommendations;
- overseeing information and records management;
- overseeing risk management including work to develop new risk management processes;

¹³ www.gov.uk/government/organisations/ofqual

- agreeing the 2014–15 Internal Audit plan and monitoring progress against it;
- agreeing the approach and timetable for work to draw up our 2014–15 Annual Report and Accounts; and
- considering cyber security issues.

Standards Advisory Group

Providing advice to Ofqual on:

- non-exam assessment in GCSE science;
- our developing regulatory strategy;
- The approach to setting grade standards in new GCSEs from summer 2017;
- the enquiries about results system;
- inter-subject comparability;
- advice on the grading of vocational qualifications;
- the approach to setting the new GCSE grade 9; and
- a definition of validity for Ofqual.

Vocational Advisory Group

Providing advice to Ofqual on:

- the grading of vocational qualifications;
- the new single qualification framework;
- improving information on qualifications;
- the regulation of apprenticeship end-point assessments; and
- the role of employers/industry in qualifications designed to enable occupational entry.

Reform Committee

- reviewed the application of principles for determining those subjects to be reformed as GCSEs, AS and A levels for first teaching in 2017.

Management control activities

I have delegated responsibility from the Ofqual Board for leading the organisation on a day-to-day basis. I 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. At the start of the year, management control came through the Chief Regulator's Committee (CRC) and the Chief Executive's Committee (CEC). In August 2014 new executive governance arrangements were put in place to support Ofqual's new operating model and the Strategic Management Group (SMG) was established. For a short time during the transition to the new operating model the Strategic Management Group met alongside the Chief Regulator's Committee.

Chief Regulator's Committee

The Chief Regulator's Committee met regularly until September 2014. I attended, together with all directors, the deputy director for policy, and others by invitation. The agenda addressed relevant regulatory matters requested by me or directors and topics referred from directorate management teams and committees of the Board.

Chief Executive's Committee

The Chief Executive's Committee addressed our internal management and met regularly until July 2014. I attended together with all directors and others by invitation. In addition to matters requested by me or directors the agenda contained matters referred from the Finance and Audit and Risk Committees and the Chief Operating Officer.

Revised governance – Strategic Management Group

The Strategic Management Group (SMG) meets weekly. I attend, together with all Executive Directors, the Associate Director for Strategic Policy and Risk, and others by invitation.

The agenda contains rotating and recurring topics, topics requested by me or directors and topics referred from directorate management teams and committees of the Board. It considers regulatory strategy and activity and in particular it:

- develops the strategic direction for Ofqual, including priorities and work plans;
- monitors progress against the corporate, business and financial plans;

- determines matters delegated to it by the Board or escalated to it by any of its sub groups;
- approves the setup of significant new programmes of work or other activities that impact on the resources of the organisation;
- oversees our use of financial and human resources, checking that all resources are used efficiently and effectively;
- conducts ‘horizon scanning’ of external factors affecting the organisation and its work, including regulated bodies, government and other stakeholders;
- oversees the Strategic Risk Register and issues list.

On a monthly basis the SMG focuses specifically on matters related to Regulatory Compliance and Corporate Services. This includes a review of key organisational performance indicators, finance and strategic human resources matters. As at the end of March 2015 the members of the SMG are:

- Glenys Stacey – Chief Regulator;
- Jeremy Benson – Executive Director Vocational Qualifications;
- Michelle Meadows – Executive Director Strategy, Risks and Research;
- Marc Baker – Chief Operating Officer;
- Ian Stockford – Acting Executive Director, General Qualifications;
- Emma Tunley – Associate Director, Strategy Policy and Risk.

The movements in membership of the previous management groups and the current SMG are outlined in the table.

Name	Date of appointment	Member of CRC	Member of CEC	Member of SMG
Glenys Stacey, Chief Regulator	1st March 2011	✓	✓	✓
Jeremy Benson, Executive Director, Vocational Qualifications	8th September 2014	✓		✓
Michelle Meadows, Executive Director Strategy, Risk & Research	8th September 2014			✓
Marc Baker, Chief Operating Officer	3rd December 2014	✓	✓	✓
Ian Stockford, Acting Executive Director, General Qualifications	26th January 2015			✓
Emma Tunley, Associate Director, Strategy Policy & Risk	8th September 2014			✓
Dennis Opposs, Director of Standards	1st April 2010	✓	✓	
Tim Leslie, Director of Strategic Reform	16th April 2012	✓	✓	
Mike Bird, Chief Operating Officer	19th June 2014 Left 19th December 2014	✓	✓	✓
Fiona Pethick, Director of Regulation	1st April 2010 Left December 2014	✓	✓	
Adrian Long, Director of Strategic Communications and Engagement	23rd July 2012 Left 2nd November 2014	✓	✓	
Mike Jeacock, Chief Operating Officer	4th November 2014 Left 30th May 2014	✓	✓	

Notes:

- The date of appointment is the date the individual was appointed to the post not the organisation.
- Mike Bird left 19th December 2014 and was replaced by Marc Baker.

The Director of Legal receives copies of all Strategic Management Group papers and can request to attend Strategic Management Group meetings as relevant to contribute to our discussions and decision making.

Board performance and assessment of its own effectiveness

The Board considered its performance against the standards set out in the *Corporate Governance Code*¹⁴ in May 2015 focusing on five 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;
- 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 understanding stakeholders’ expectations. The constructive working relationship with other stakeholder organisations and networks was acknowledged.

The Board generally 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 the 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 balance between non-executive directors and executive directors is addressed by inviting executive directors to attend Board meetings.

Risk management

Our risk management processes are aligned to our strategic objectives. We manage risks that arise, identifying their likelihood and impact, setting our levels of tolerance

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

for risk and identifying key controls (both mitigations and contingencies) for how to manage them to acceptable levels.

Our risk-management approach is embedded through the organisation. Risk registers are maintained for each Directorate and for major programmes and projects. The most significant risks are escalated to a Strategic Risk Register which is regularly reviewed by SMG. This means that the most significant risks to our corporate objectives are identified and are managed at a senior level with appropriate mitigating actions and controls.

The Audit and Risk Assurance Committee supports the Ofqual Board in reviewing the comprehensiveness, reliability and integrity of Ofqual's internal controls and risk-management processes. In the fourth quarter of 2014, the Committee introduced a process for the regular review of specific strategic risks in depth, using this to scrutinise the risk in detail and seek assurance from risk owners that appropriate controls are in place.

We have significantly strengthened our approach to risk management over the last year. We have rolled out guidance to teams on how to manage and escalate risks and provided a common risk register template, and risk rating system to support this. This has resulted in better risk identification, risks more clearly linked to corporate objectives and clear controls being put in place.

Following on from the Board Strategy Day in early 2015, we have taken our first steps to develop a risk-appetite statement. This sets out, as a regulator, the amount and type of risks we are willing to take in order to meet our strategic objectives. Having established where we are more open, and we are more averse to taking risks, we are aiming to bring this for discussion at the Board over the summer 2015.

Strategic risks

There are currently 12 risks on the Strategic Risk Register. These are:

- Validity of qualifications
- Malpractice
- Market instability as a result of reform
- Regulatory strategy
- Reform of GCSE's, AS and A levels (including accreditation)
- Apprenticeship assessment risks
- Funding (i.e. resources)

- People (i.e. capability and capacity)
- Delivering the National Reference Tests
- Information Management Transformation Programme
- Delivery risks – summer awarding 2015
- Standards risks – summer awarding 2015

Validity of qualifications

During the year our strategic focus has been on the validity of qualifications throughout their life cycle. Validity, fairness and transparency have been central considerations as we reform GCSEs, AS and A levels so that they allow teachers to deliver the curriculum well, with a more level playing field for students.

We are undertaking analysis of risks to validity across different qualifications, using a range of regulatory tools to gain assurance about compliance.

Malpractice

Malpractice in the exam system risks undermining fairness and public confidence in qualifications. We are engaging with the teaching profession to reduce opportunities for, and maximise deterrents to, malpractice.

We have worked with exam boards to improve investigations of allegations of malpractice, and the way they manage conflicts of interest when allegations arise

We also ran a Symposium of Teacher Ethics in Assessment with Oxford University in March 2015, to inform work by Association of School and College Leaders and Chartered Institute of Educational Assessors on an ethical framework.

Market instability as a result of reform

As a result of reform, exam boards may experience financial and market instability, leading to negative impacts on schools and colleges.

We monitor the financial positions of exam boards and are developing an approach to track financial risks that may arise because of market instability. We are talking to exam boards about how they manage these risks, including understanding their future pricing strategies.

Regulatory strategy

We will retain our regulatory interest in the new qualifications throughout their life cycle to be sure that their aims are met. We are implementing new, consistent and

risk-based processes to deliver our regulatory strategy and strengthening our risk modelling and risk-intelligence expertise.

We now increasingly expect awarding organisations to demonstrate to us that their qualifications are sufficiently valid from end to end, and we will audit them to check this.

To improve vocational qualifications, we have decided to withdraw the Qualifications and Credit Framework, as it proved more of a hindrance than a help to the qualifications system. Instead, we propose a simpler, descriptive framework.

Reform of GCSEs, AS and A levels

The reforms are on track, with the first new qualifications being taught from September 2015 and work for those due for first teaching in 2016 and 2017 well in hand.

We are managing the risks of reforms through a programme of consultation with key stakeholders on assessment arrangements, setting clear regulatory conditions and issuing guidance and using a robust accreditation process for new qualifications.

Apprenticeships

There is a risk that policy, delivery and funding arrangements for apprenticeships could create significant uncertainty and delivery risk for apprenticeship assessments. We are discussing these risks and approaches for managing them with the Apprenticeship Unit and others.

Funding

In light of the forthcoming comprehensive spending review, we are preparing for the risk of potential funding pressures. We will continue to effectively review and manage our staff costs, and model the impact of any in-year reduced funding, revising our business plans accordingly.

People

In order to enable us to achieve our goals and objectives we have clear plans in place to develop our people. We are currently embedding changes to our organisational design to recruit to new roles and address skills gaps and are introducing a framework for talent management, skills acquisition and knowledge development of staff.

Alongside this we are introducing specific measures aimed at improving the effectiveness and efficiency of how we work. We are reducing dependence on short-term and interim contracts and our new organisation design will enable us to more flexibly deploy our staff.

National Reference Tests

To aid us in maintaining standards for the delivery and performance of general qualifications we are launching a National Reference Tests, in partnership with the National Foundation of Educational Research (NFER), and are currently managing a range of commercial and delivery risks.

Information Management Transformation Programme

We are investing in better information management to improve the quality and accessibility of information about regulated qualifications. We have made good progress to deliver a unified technology platform and data warehouse, and are now focusing on launching the replacement for the regulatory IT system. We recently launched an alpha online version of Ofqual's new Register of Regulated Qualifications which has been well received by our stakeholders.

Delivery and standards risks – summer awarding

We have oversight of a wide range of delivery and standards risks related to summer awarding of GCSE's, AS and A levels. These include risks to the delivery timetable that may impact on students and potentially the UCAS applications process, and also risks to maintaining standards in GQs. We manage a programme of regular meetings with exam boards to monitor examiner recruitment and progress with marking, and work closely with awarding organisations using a range of modelling and technical approaches to maintain standards in GQs.

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.

Our assessment against the SPF is carried out by the Departmental Security Officer (DSO) and reported each June to Cabinet Office in the Security Risk Management Overview (SRMO). Our assessment is independently verified by Internal Audit and it documents its findings in the SRMO along with a separate report to the Audit and Risk Assurance Committee, which includes their findings and 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 broadly comply with the mandatory requirements. It highlighted some areas where improvements are needed – these areas will be actioned this coming year,

monitored by our Audit and Risk Assurance Committee and our compliance against the SPF reviewed and submitted to Cabinet Office in the June 2015 return.

Our key supplier was assessed as part of our compliance against the SPF. The assessment was based on the Supplier Information Assurance Framework and our findings are reported in the SRMO. The assessment provided the necessary assurance with no actions needed.

Our 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 DSO who is Ofqual's Information Compliance Manager. The SIRO has confirmed to me that the annual Security Risk Management Overview has been completed satisfactorily, and independently reviewed by Internal Audit. The SIRO has also confirmed to me that, to his knowledge, there have not been any instances where assets have been used inappropriately.

We follow the guidelines set out in the SPF to ensure that information is managed and safeguarded correctly throughout its life cycle. Members of staff are made aware of these requirements, which are reinforced through mandatory information security training.

Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2014–15

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

Summary of other protected personal data related incidents in 2014–15¹⁵

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

There have been two incidents where personal email addresses were inadvertently shared through a group email – i.e. emails were sent 'to' all recipients meaning email addresses of recipients were visible to all; they should have been bcc'd so that recipients could not see other people's email addresses – we have addressed this through additional communication activity.

There have been two incidents where a manager left performance management documentation unprotected/unsecured and this information was inadvertently

¹⁵ We log information security incidents and the log is shared with and monitored by the Audit and Risk Assurance Committee; the SIRO reports on actions that have been taken to address any weaknesses identified.

found/discovered by other members of staff – again this has been addressed through communication activity, including using staff team briefings to reinforce the importance of data security.

There has been one incident where a person's personal data was sent to an unintended recipient, this has been addressed through targeted training with the individual and through communications activity.

Internal Audit

Our governance arrangements and risk-management processes are supported by an internal audit function that reviews our procedures and controls. An annual audit programme focuses on our major assessed 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.¹⁶ 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 the effectiveness of our system of internal control annually. My 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 the internal audit reviews and monitors progress against the plan to tackle any identified weaknesses so that the system of internal control is continuously improved.

The internal auditors provide an annual, independent and objective assessment as to whether there are adequate and effective corporate governance, risk-management and internal-controls processes. In April 2014 we changed our auditors from PWC to Grant Thornton.

¹⁶

www.gov.uk/government/uploads/system/uploads/attachment_data/file/207064/public_sector_internal_audit_standards_december2012.pdf

The Internal Audit reviews conducted during 2014–15 highlighted several areas where improvements could be made, and I have taken steps to address their 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.

The programme of work completed by Internal Audit in 2014–15 shows a continuing reduction in the number and seriousness of outstanding actions at the end of the year, compared with previous years.

Table 15: Internal Audit – Outstanding Actions

Finding rating	Trend between current and prior year	Number of findings				
		2014–15	2013–14	2012–13	2011–12	2010–11
Critical	↔	0	0	0	0	0
High	↓	0	0	1	6	16
Medium	↔	4	4	9	16	17
Low	↑	6	5	17	11	14
TOTAL	↑	10	9	27	33	47

Six reviews were conducted during the year with ‘Substantial’ assurance given to key financial systems and security policy framework and ‘Moderate’ assurance given to the reform programme, regulatory compliance and procurement. Limited assurance was given to the use of subject experts. During the year, 30 audit recommendations were made of which 22 were due for implementation by year end. Ten were not fully implemented as shown in the table 15.

Overall our auditors have given a 'Moderate' assurance rating in respect of corporate governance, risk management and internal controls, stating that:

‘Management have put in place appropriate action plans to address weaknesses identified through our work, particularly relating to operational processes around the Use of Experts.’

Assurance to the Accounting Officer

As well as the opinion provided to me by the Head of Internal Audit, I have required each executive director and appropriate associate directors to review the controls that they have in place to manage our 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. Due to the organisational changes that have taken place during the year, I also received part-year letters of assurance where appropriate.

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.

Glenys Stacey

Accounting Officer for Ofqual

Date: 1st July 2015

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 31st March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and Auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government 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 31st March 2015 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 Department's affairs as at 31st March 2015 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic Report and Directors' 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 part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Date: 6th July 2015

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Statement of Parliamentary Supply

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 2014–15

Table 16 below shows the amounts approved in 2014–15 in accordance with Parliamentary Expenditure Limits.

Table 16: Amounts approved in 2014–15 in accordance with Parliamentary Expenditure Limits

Note	Estimate 2014–15			Outturn 2014–15			2014–15	2013–14
	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted outturn compared with estimate: saving £000	
Departmental expenditure limit								Outturn £000
- Resource 2.1	21,009	0	21,009	20,968	0	20,968	41	18,336
- Capital 2.2	100	0	100	90	0	90	10	87
Annually managed expenditure	0	0	0	0	0	0	0	0
Non-budget	0	0	0	0	0	0	0	0
Total	21,109	0	21,109	21,058	0	21,058	51	18,423

Ofqual requests resources to undertake its 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 2 and in the Management Commentary.

Departmental Expenditure Limits cover all programme and administration costs.

Ofqual had no voted or non-voted Annually Managed Expenditure.

Net cash requirement 2014–15

Table 17: Net cash requirement 2014–15

	Note	2014–15			2013–14
		Estimate	Outturn	Outturn compared with estimate: saving	Outturn
		£000	£000	£000	£000
Net cash requirement	4	20,371	20,370	1	16,649

Administration costs 2014–15

Table 18: Administration costs 2014–15

	2014–15		2013–14
	Estimate	Outturn	Outturn
	£000	£000	
Administration costs	15,661	15,628	14,996

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014–15 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 2014–15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SoPS1 accounting convention

The Statement of Parliamentary Supply and related notes are presented consistently with HM Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework, European System of Accounts (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes, have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides

incentives to departments to manage spending well so as to provide high-quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SoPS 2: Net outturn

SoPS 2.1: Analysis of net resource outturn by section

	Net Resource comprise:							2014–15		2013–14
	Outturn							Estimate		Outturn
	Administration			Programme			Total	Total	Total	Net
Spending in Departmental Expenditure Limit	Gross	Income	Net	Gross	Income	Net	Net	Net	Net total outturn compared with estimate: saving	outturn
Voted:	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
A Regulation of qualifications and statutory assessments	16,004	(376)	15,628	5,340	0	5,340	20,968	21,009	41	18,336

Spending in annually managed expenditure

Ofqual has no annually managed expenditure in 2014–15 (2013–14: nil)

SoPS 2.2: Analysis of net capital outturn by section

	2014–15					2013–14
	Outturn			Estimate		Outturn
Spending in Departmental Expenditure Limit	Gross	Income	Net	Net	Net total outturn compared with estimate: saving	Net Outturn
Voted: A Regulation of qualifications and statutory assessments	£000	£000	£000	£000	£000	£000
	90	0	90	100	10	87

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	2.1	21,009	20,968	41
Capital outturn	2.2	100	90	10
<i>Accruals to cash adjustments:</i>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(892)	(878)	(14)
Other non-cash items		(46)	(46)	0
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		0	(144)	144
(Increase)/decrease in payables		200	380	(180)
Net cash requirement		20,371	20,370	1

For the year ending 31st March 2015

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.

		2014–15			2013–14	
		Staff Costs £000	Other Costs £000	Income £000	Total £000	
Programme costs						
Staff costs	3	1,148	0	0	1,148	728
Direct costs	5	0	4,192	0	4,192	2,612
		1,148	4,192	0	5,340	3,340
Administration costs:						
Staff costs	3	12,428	0	0	12,428	12,091
Other costs	4	0	3,576	0	3,576	3,357
Income	6	0	0	(376)	(376)	(452)
		12,428	3,576	(376)	15,628	14,996
Net operating cost for the year ended 31 March 2015		13,576	7,768	(376)	20,968	18,336
Other comprehensive expenditure		0	0	0	0	0
Total comprehensive expenditure for the year ended 31 March 2015		13,576	7,768	(376)	20,968	18,336

The notes on pages 71 to 90 form part of these accounts.

Statement of financial position as at 31st March 2015

	31 March 2015		31 March 2014	
		£000	£000	£000
Non-current assets				
Property, plant and equipment	7	88	114	
Intangible assets	8	779	1,541	
Total non-current assets		867		1,655
Current assets				
Trade and other receivables	13	312	456	
Cash and cash equivalents	12	1	1	
Total current assets		313		457
Total assets		1,180		2,112
Current liabilities				
Trade and other payables	14	(1,842)	(2,222)	
Total current liabilities		(1,842)		(2,222)
Non-current assets plus/less net current assets/liabilities		(662)		(110)
Total assets less liabilities		(662)		(110)
Financed by:				
Taxpayers' equity				
General fund		(662)	(110)	
Total taxpayers' equity		(662)		(110)

The notes on pages 71 to 90 form part of these accounts.

Glenys Stacey

Accounting Officer for Ofqual

Date: 1st July 2015

Statement of cash flows for year ended 31st March 2015

	2014–15	2013–14
Note	£000	£000
Cash flows from operating activities		
Net operating cost	(20,968)	(18,336)
Adjustment for non-cash transactions	4,5 924	908
(Increase)/Decrease in trade and other receivables	144	72
Increase/(Decrease) in trade payables	(380)	793
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	0	1
Net cash outflow from operating activities	(20,280)	(16,562)
Cash flows from investing activities		
Purchase of property, plant and equipment	7 (40)	0
Purchase of intangible assets	8 (50)	(87)
Net cash outflow from investing activities	(90)	(87)
Cash flows from financing activities		
From the Consolidated Fund (Supply) – current year	20,370	16,648
Net financing	20,370	16,648
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund	0	(1)
Payments of amounts due to the Consolidated Fund	0	0
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund	0	(1)
Cash and cash equivalents at the beginning of the period	12 1	2
Cash and cash equivalents at the end of the period	12 1	1

The notes on pages 71 to 90 form part of these accounts.

Statement of changes in taxpayers' equity for the year ended 31st March 2015

	General Fund	Total Reserves
	£000	£000
Balance at 31 March 2013	1,531	1,531
Net Parliamentary Funding – drawn down	16,648	16,648
Net Parliamentary Funding – deemed supply	2	2
Supply payable/(receivable) adjustment	(1)	(1)
Comprehensive Expenditure for the Year	(18,336)	(18,336)
Non-cash adjustments		
Non-cash charges – auditors remuneration	4	46
Balance at 31 March 2014	(110)	(110)
Net Parliamentary Funding – drawn down	20,370	20,370
Net Parliamentary Funding – deemed supply	1	1
Supply (payable)/receivable adjustment	(1)	(1)
Comprehensive Expenditure to 31 March 2015	(20,968)	(20,968)
Non-cash adjustments		
Non-cash charges – auditors remuneration	4	46
Balance at 31 March 2015	(662)	(662)

The notes on pages 71 to 90 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2014–15 Government 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 two additional primary statements. The Statement of Parliamentary Supply and supporting Note 3 shows 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 2014–15 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 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) – three to five years
- purchased computer software – five 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.

1.2.4 Administration and Programme Expenditure

For 2014–15 costs have been separated between Programme and Administration in accordance with the FReM 8.3.1. 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 MyCSP. MyCSP-defined benefit schemes are unfunded. Ofqual recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to MyCSP of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on MyCSP. In respect of the defined contribution schemes, Ofqual recognises the contributions payable for the year. Further pension details are contained in the Remuneration Report and Note 3.

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 one category of operating lease which relates to the payment of rent on our properties.

1.2.7 Financial Instruments

Ofqual does not have any complex financial instruments.

1.2.8 Value Added Tax

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

1.2.9 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.

1.2.10 Financial Assets and Liabilities

Ofqual holds the following financial assets and liabilities:

1. Assets:

- cash and cash equivalents
- trade receivables – current

2. Liabilities:

- trade and other payables – current

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

Financial assets and liabilities are accounted for under IAS 32.

1.3 Impending Application of Newly Issued Accounting Standards Not Yet Effective

Ofqual has considered, in accordance with IAS 8, whether there have been any changes to accounting policies (either voluntary or arising from IFRS and/or the FReM) that are impacting on the current period, have had an impact on a prior period, or may have an effect on future periods.

Ofqual has considered the accounting standards in issue but not yet effective at the reporting date. At this time Ofqual does not anticipate applying any of these new accounting standards.

2. Statement of Operating Costs by Operating Segment

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

The following table presents gross expenditure, income, depreciation and net expenditure regarding Ofqual's operating segments – Regulation, Standards and other Directorates – based on management information produced in accordance with IFRS 8.

	2014–15						Total
	Reform	General Qualifications	Vocational Qualifications	Strategy Risk & Research	Regulatory Compliance	Corporate Services	
	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	4,244	628	2,351	3,052	2,581	7,610	20,466
Income	0	0	(312)	0	0	(64)	(376)
Depreciation	0	0	0	0	0	878	878
Net Expenditure	4,244	628	2,039	3,052	2,581	8,424	20,968

	2013–14 re-stated						Total
	Reform	General Qualifications	Vocational Qualifications	Strategy Risk & Research	Regulatory Compliance	Corporate Services	
	£000	£000	£000	£000	£000	£000	£000
Gross Expenditure	0	819	1,970	3,647	2,673	8,817	17,926
Income	0	0	(332)	0	0	(120)	(452)
Depreciation	0	0	0	0	0	862	862
Net Expenditure	0	819	1,638	3,647	2,673	9,559	18,336

During 2014–15 we carried out a redesign and restructuring of the organisation to better support our regulatory strategy and to ensure clear accountability for decision-making and a regulatory focus in every area of the organisation.

This resulted in the development and move to four distinct directorates:

1. Strategy, Risk and Research: responsible for our strategic planning and research and analysis functions to underpin our regulatory approach, decision making 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: this area is responsible for auditing awarding organisations' compliance with our regulations, as well as our business support services including HR, IT, Finance, Communications and Customer Services.

The results for 2013–14 have been re-stated to reflect the 2014–15 directorate structure.

3. Staff numbers and related costs

3.1 Staff costs comprise:

	Total	2014–15 Permanent staff	Others	2013–14 Total
	£000	£000	£000	£000
Wages and salaries	11,315	8,208	3,107	10,658
Social security costs	724	724	0	689
Pension costs	1,537	1,537	0	1,472
Total net costs	13,576	10,469	3,107	12,819

of which:	Charged to Administration budgets	Charged to Programme budgets	Charged to capital budgets	2014–15 Total
Core departments	12,428	1,148	0	13,576
Total	12,428	1,148	0	13,576

3.2 Average number of staff employed

The following table shows the average number of whole-time equivalent (WTE) persons employed during the year.

	Total	2014–15 Permanent staff	Others	2013–14 Total
	WTE	WTE	WTE	WTE
Resource activities	220.7	187.7	33.0	206.8
Capital projects	0.0	0.0	0.0	0.0
Total	220.7	187.7	33.0	206.8

3.3 Pension costs

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

For 2014–15, employers' contributions of £1.487m were payable to MyCSP (2013–14 £1.442m) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014–15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £46,603 (£29,440 2013–14) were paid to three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. In addition, employer contributions of 0.8 per cent of pensionable pay, were payable to MyCSP to cover the cost of the future provision of lump sum benefits on death in service and ill-health retirement of these employees. Contributions due to the partnership pension providers at the reporting-period date were £3,573. Contributions prepaid at that date were £nil. There were no ill-health retirements during the year funded by Ofqual.

3.4 Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2014–15			2013–14 restated		
	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	7	7	0	0	0
£25,000 – £50,000	0	4	4	0	0	0
£50,000 – £100,000	0	0	0	0	2	2
£100,000 – £150,000	0	0	0	0	1	1
£150,000 – £200,000	0	0	0	0	1	1
Total number of exit packages by type	0	11	11	0	4	4
Total resource cost – £000	0	238	238	0	433	433

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.

4. Other administration costs

	2014–15 Core Department £000	2013–14 Core Department £000
Non-cash items		
Depreciation	0	0
Amortisation	0	0
Auditors remuneration	46	46
	46	46
Other expenditure		
Direct operational expenditure	1,447	1,279
Rent and accommodation	993	1,052
IT	703	560
Recruitment, training and staff related	259	314
Finance and governance	128	106
	3,530	3,311
Total	3,576	3,357

5. Programme costs

	2014–15 Core Department £000	2013–14 Core Department £000
Non-cash items		
Depreciation	66	65
Amortisation	812	797
Auditors remuneration	0	0
	878	862
Other expenditure		
Direct operational expenditure	1,733	1,247
Rent and accommodation	0	0
IT	1,581	503
Recruitment, training and staff related	0	0
Finance and governance	0	0
	3,314	1,750
Total	4,192	2,612

6. Income

	2014–15	2013–14
	£000	£000
Department for Employment & Learning (Northern Ireland)	312	332
Department for Children, Education, Lifelong Learning & Skills (Wales)	24	39
Council for Curriculum, Examinations & Assessment	40	80
Other income	0	1
Total	376	452

7. Property, plant and equipment

	Information technology £000	2014–15 Total £000
Cost or valuation		
At 1 April 2014	502	502
Additions	40	40
At 31 March 2015	542	542
Depreciation		
At 1 April 2014	388	388
Charged in year	66	66
At 31 March 2015	454	454
Carrying amount at 31 March 2015	88	88
Carrying amount at 1 April 2014	114	114
Asset financing		
Owned	88	88
Carrying amount at 31 March 2015	88	88
	Information technology £000	2013–14 Total £000
Cost or valuation		
At 31 March 2014	502	502
Depreciation		
At 1 April 2013	324	324
Charged in year	65	65
At 31 March 2014	388	388
Carrying amount at 31 March 2014	114	114
Carrying amount at 1 April 2013	178	178
Asset financing		
Owned	114	114
Carrying amount at 31 March 2014	114	114

8. Intangible assets

	Software licences £000	2014–15 Total £000
Cost or valuation		
At 1 April 2014	4,186	4,186
Additions	50	50
At 31 March 2015	4,236	4,236
Amortisation		
At 1 April 2014	2,645	2,645
Charged in year	812	812
At 31 March 2015	3,457	3,457
Carrying amount at 31 March 2015	779	779
Carrying amount at 1 April 2014	1,541	1,541
Asset financing		
Owned	779	779
Carrying amount at 31 March 2015	779	779
	Software licences	2013–14 Total
	£000	£000
Cost or valuation		
At 1 April 2013	4,099	4,099
Additions	87	87
At 31 March 2014	4,186	4,186
Amortisation		
At 1 April 2013	1,848	1,848
Charged in year	797	797
At 31 March 2014	2,645	2,645
Carrying amount at 31 March 2014	1,541	1,541
Carrying amount at 1 April 2013	2,251	2,251
Asset financing		
Owned	1,541	1,541
Carrying amount at 31 March 2014	1,541	1,541

9. Capital and other commitments

9.1 Commitments under leases

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

	2014–15 £000	2013–14 £000
Buildings		
Not later than one year	417	417
Later than one year and not later than five years	794	1,192
Later than five years	0	0
	1,211	1,609
Other		
Not later than one year	0	5
Later than one year and not later than five years	0	0
Later than five years	0	0
Net Cash Requirement	0	5

The building operating leases relate to Ofqual's offices in Coventry and Belfast.

The other leases are for vending machines which expired in 2014–15 and are due to be renewed in 2015–16.

10. 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.

10.1 Investments in other public sector bodies

Ofqual has no investments in other public sector bodies.

11. Impairments

There were no impairments in 2014–15 (2013–14 £nil).

12. Cash and cash equivalents

	2014–15	2013–14
	£000	£000
Balance at 1 April 2014	1	2
Net changes in cash and cash equivalent balances	0	(1)
Balance at 31 March 2015	1	1
The following balances were held at:		
Government Banking Services	1	1
Balance at 31 March 2015	1	1
	2014–15	2013–14
	£000	£000
Net cash requirement	(20,370)	(16,649)
From the Consolidated Fund (Supply) – 31 March 2015	20,370	16,648
Increase/(decrease) in cash	0	(1)

13. Trade receivables and other current assets

	2014–15	2013–14
	£000	£000
Amounts falling due within one year		
Trade receivables	0	22
Other receivables	3	8
Prepayments and accrued income	219	248
VAT	90	178
Bad-debt provision	0	0
	312	456

13.1 Intra-government balances

	Amounts falling due within one year	
	2014–15	2013–14
	£000	£000
Balances with other central government bodies	90	182
Balance with local authorities	14	14
Balances with bodies external to government	208	260
Total receivables at 31 March 2015	312	456

14. Trade payables and other current liabilities

	2014–15	2013–14
	£000	£000
Amounts falling due within one year		
Other taxation and social security	208	213
Trade payables	272	383
Other payables	171	185
Accruals and deferred income	1,190	1,440
Amounts issued from the Consolidated Fund supply unspent at year end	1	1
Total at 31 March 2015	1,842	2,222

14.1 Intra-government balances

	Amounts falling due within one year	
	2014–15	2013–14
	£000	£000
Balances with other central government bodies	374	383
Balances with bodies external to government	1,468	1,839
Total at 31 March 2015	1,842	2,222

15. Provisions for liabilities and charges

Ofqual had no liabilities that required a provision in 2014–15 (2013–14 £nil).

16. Contingent liabilities

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

17. Losses and special payments

During 2014–15 Ofqual incurred no losses and made no special payment that required reporting (2013–14 £nil).

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:

- Land and Property Services
- GovNet Communications
- Office for National Statistics.

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

- Department for Children, Education, Lifelong Learning and Skills (Wales);
- Council for Curriculum, Examinations and Assessment (Northern Ireland);
- Department for Employment and Learning (Northern Ireland).

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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