



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

Annual Report and Accounts 2015 to 2016



July 2016

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**Office of Qualifications and  
Examinations Regulation**

**(Ofqual)**

**Annual Report and Accounts 2015 to  
2016**

**(For the year ended 31 March 2016)**

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

Annual Report and Accounts presented to the House of Lords by Command of Her  
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## **Chair's foreword**

I am pleased to present Ofqual's sixth Annual Report and Accounts. It sets out our aims and activities in 2015 to 2016 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 2015 to 2016, we oversaw the development of the second instalment of new GCSEs, AS and A levels and began work to reform the rules covering the exam board marking review and appeal systems; changed our approach to regulating National Assessments; worked on reforms to functional skills qualifications and advised the Government on assessment within reformed apprenticeships; withdrew the over-restrictive Qualifications and Credit Framework and replaced it with a new descriptive framework; continued developing the National Reference Test for GCSE standard-setting; launched a more informative register of qualifications; completed restructuring our organisation to best support our regulatory strategy; and a great deal more.

We continue to focus on the parts of the qualification system where the risks are greatest. This helps us to set clear priorities and to manage limited resources effectively.

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. I offer particular thanks to Dame Glenys Stacey, our former Chief Regulator and Accounting Officer, who provided wise direction and strong leadership during her five-year tenure and the future is bright following the arrival of our new Chief Regulator, Sally Collier, at the end of April. Jeremy Benson, our Executive Director for Vocational Qualifications, took on the role of Accounting Officer during the intervening period.

Finally, I would like to thank the many people outside Ofqual with whom we work and who have contributed to shaping new qualifications and new regulatory models.

Amanda Spielman

Chair

June 2016

# Performance Report

## Overview

### Our role

Ofqual is the independent qualifications regulator for England, and until late spring 2016, for vocational qualifications in Northern Ireland.<sup>1</sup>

We regulate GCSEs, AS and A levels, National Curriculum assessments, and vocational qualifications, many of which are used in publicly-funded apprenticeships and adult training. Many regulated qualifications support government policy objectives, but some are only studied privately.

### Our statutory objectives and duties

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

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

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

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<sup>1</sup> We ceased regulating most vocational qualifications offered in Northern Ireland in spring 2016, reflecting a decision of the Department for Employment and Learning; the responsibility has passed to the Council for the Curriculum, Examinations and Assessment in Northern Ireland.

## Performance and activities in 2015 to 2016

Our work in 2015 was informed by the goals and objectives set out in our Corporate Plan 2015 to 2018.<sup>2</sup>

### Goal 1: Regulating and reforming general qualifications

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

Objective 2: Oversee the introduction of reformed general qualifications

Objective 3: 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 lifecycle

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

## Goal 1: General qualifications

### Context

Ofqual regulates GCSEs, AS and A levels in England within the context of government policy.

A programme to reform and redevelop these qualifications has been under way since 2013. Exam boards are producing new subject specifications which we are reviewing to make sure they are of the right standard. The changes being made to GCSEs will mean they are more engaging and worthwhile to teach and to study, and that they compare well with similar qualifications internationally. The changes at A

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<sup>2</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/419223/2015-03-30-ofqual-corporate-plan-2015-18.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/419223/2015-03-30-ofqual-corporate-plan-2015-18.pdf)

level will ensure they remain a highly respected qualification both domestically and internationally.

We have also provided advice to Government on policy matters related to National Assessments, where there is significant change in the arrangements for testing.

## **Regulatory activity**

### **GCSE, AS and A level results**

Ofqual is responsible for maintaining standards in GCSE, AS and A levels in England over time. There were relatively few changes across these qualifications in summer 2015 and we adopted the same approach to awarding as in summer 2014.

As previously, exam boards used data from the entire cohort's performance in earlier exams or tests to predict how the group would perform in the summer series, and to check whether awards were in line with expectations. For AS and A level, exam boards used predictions based on students' prior achievement at GCSE. And for GCSEs, they used predictions based on students' achievement in Key Stage 2 tests taken in year 6. Key Stage 2 data was also used by exam boards awarding International GCSEs. Overall entry patterns and results at GCSE, AS and A level in England were broadly stable.

We routinely perform and publish analyses on the variation in school and college GCSE and A level outcomes. We did not see any unusual patterns in 2015; overall, the degree of centre-level variability<sup>3</sup> was similar to previous years.

### **Quality of marking**

The responsibility for marking GCSEs, AS and A levels lies with exam boards. Ofqual monitors their work and oversees awarding.

In early 2014 we published the results of a year-long investigation into the quality of GCSE, AS and A level marking in England. We concluded that the exam boards' marking systems were well organised, tightly controlled and ones in which the public should have confidence. However, we identified room for improvement in several areas. In late 2014 we asked exam boards to take a number of actions ahead of the summer 2015 series. These included developing action plans for the improvement of marking for any exam papers that typically received high numbers of significant grade changes on appeal, and to consider how live monitoring of marking quality could be improved to prevent large grade changes from occurring. In addition, we said that we would look to develop standardised quality of marking indicators for

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<sup>3</sup> Variation in school results from one year to the next could be because of many different factors, including differences in the mix of students entered for particular subjects, different teaching approaches, changes in staff or teaching time.



reformed GCSEs, AS and A levels from 2017, and pursue longer-term research into how the design of mark schemes could affect the quality of marking.

### **Marking reviews and appeals**

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

The number of enquiries made by schools and students about marks and grades has risen sharply over recent years; individual enquiries rose 27%, from 451,000 last summer, to 572,350 in summer 2015. The number of instances where results and grades have been changed has also increased. In total, 90,950 qualification grades were changed in 2015, up from 77,700 in 2014. We know that some of these are marking errors that must be corrected, but others reflect the substitution of one legitimate mark for another, based on differing professional opinion between markers. It is therefore inappropriate to use the volume of enquiries as a summary statistic or proxy measure for the quality of marking.

During 2015 we conducted research to inform proposals to revise the arrangements exam boards operate for schools and students to appeal their GCSE, AS or A level marks such that only marking errors are corrected. At the same time, we consulted on the removal of the Code of Practice that contained the existing rules for reviewing marks and appeals as it had become convoluted and outdated. In its place we proposed to introduce new rules for the procedures exam boards should follow when setting grade boundaries for these qualifications in future.

### **Working with other regulators**

A natural consequence of the devolution of education policy is that qualifications and regulation have developed and diverged between jurisdictions. The GCSE, AS and A level titles are used across England, Wales and Northern Ireland. Some of the reforms that are being made to these qualifications in England are not being adopted by other countries.

There are no formal arrangements to monitor or require alignment of grade standards between countries, and this will be more challenging in future since the qualifications will not necessarily be alike. We recognise the difficulties this divergence presents to students and qualification users, such as employers and universities. We are working with other regulators to make sure that all students have access to a good range of qualifications even if they are not offered by a provider in their home country, and that there is information available to explain the

different approaches. Ofqual signed a Memorandum of Understanding with Qualifications Wales in March 2016 as part of this work.

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

### **Regulatory action**

Ofqual conducts audits and other work to help achieve its statutory objectives. In early 2015 we conducted a ‘mystery shopping’ exercise to assess the appropriateness of information being provided by exam boards to attendees of their training events. We looked separately at the arrangements exam boards have with publishers. We also reviewed exam boards’ contract arrangements with third-party suppliers in 2015 and looked at their online training provision for markers. We intend to publish reports on these audits later in 2016.

We imposed Special Conditions on all four exam boards in respect of our ongoing research into GCSE maths, which required them to delay publication of revised sample exam papers.

### **Qualifications reform**

A programme to reform and redevelop GCSEs, AS and A levels in England has been under way since 2013. The new qualifications are being phased in over a number of years. The first new subjects began to be taught in September 2015. Ofqual’s work is focused on ensuring assessment standards and validity of the new qualifications; the Department for Education is responsible for determining new subject content.

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

consultation.<sup>4</sup> We completed more than 30 consultations related to reform over the period.

### **Accreditation**

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

We accredited 122 reformed qualifications across 3 GCSE and 13 AS and A level subjects in 2014/15. In April 2015 we began the process to accredit specifications for first teaching in September 2016. In total 156 specifications were submitted for accreditation across 20 GCSE and 11 AS and A level subjects. None of the specifications were accredited on first submission. In all, around 60% had been accredited by 31 March 2016.

Progress during 2015 was certainly not at the pace we had hoped, although even with unaccredited qualifications, schools have been able to access content and associated resource materials for their preferred exam board in order to prepare for the new school year. There have been particular challenges with religious studies specifications, for which the content has changed substantially. It is also a subject where agreement amongst stakeholders has historically proved more challenging. More generally, we must ensure that all GCSEs see an uplift in the level of demand. A levels languages and geography must also reflect the advice of the A-level Content Advisory Board. We are reviewing the general themes for rejection that might inform the accreditation process for subjects to be taught from 2017.

### **GCSE and A level awarding in future**

New GCSEs are intended to be more demanding than those currently taken. In 2014 Ofqual announced that a new, numerical grading scale would be introduced to allow greater discrimination between the very best students.

We recognise that it will take time for teachers to adapt their teaching to new GCSEs, AS and A levels and this could impact student performance in the years immediately after their introduction. During 2015 we confirmed our intention to accommodate this through statistically-driven awarding and in spring 2016 we published detailed proposals for how awarding of new GCSEs will be undertaken. In summary, in the first year after the introduction of reformed subjects, students will be awarded the grades they would have been expected to receive had they taken the current syllabuses. In other words, roughly the same proportion of students will

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[https://www.gov.uk/government/publications?departments%5B%5D=ofqual&publication\\_filter\\_option=consultations](https://www.gov.uk/government/publications?departments%5B%5D=ofqual&publication_filter_option=consultations)

receive a grade 7 in the new qualification as received a grade A on the old syllabus. And we will do the same at the equivalent of the current grades C and G. We intend to revert to the pre-reform approach to awarding in subsequent years, which is based on a mixture of statistics and examiner judgement.

It is anticipated that GCSE awarding will in future be supplemented with the results of a new National Reference Test. It is planned that tests in English and maths will be taken by a sample of year 11 students from 2017. Each year, around 300 schools will take part in the tests. As the test questions will remain largely the same over time, the overall performance of each school-year cohort can be compared to others that have sat the tests previously. The results will be available to exam boards to inform their awarding decisions, and subsequently published towards the end of August each year. During 2015 we completed initial field trials of the test, and a full-cohort trial was conducted in March 2016.

Unlike GCSEs, performance standards for new AS and A levels are to remain the same and the current grading systems are being retained. However, the removal of the link between AS and A levels will change the way that some grade boundaries are calculated.

Existing A level grade boundaries are set in different ways. Grades E and A are key grade boundaries. They are set by exam boards based on senior examiner judgement of student work, statistical predictions and other evidence. Grades B, C and D are arithmetic grade boundaries. They are set by dividing the difference in marks between grades A and E equally. Students who achieve an A grade overall and 90% of the UMS marks<sup>5</sup> on their A level marks receive an A\*.

In the first year of new A level awards in any subject, awarding will be based primarily on statistical predictions from the cohort's prior attainment at GCSE. Grades E and A will continue to be key grade boundaries and set in a way similar to existing key grade boundaries, but awarders will be asked to review scripts around the grade A and E boundaries to make sure they consider them acceptable. The grade A\* will be set using statistical predictions only, while other grade boundaries will be set arithmetically, as now, but reviewed against statistical predictions.

### **Market impact**

Many of the changes being introduced as part of GCSE, AS and A level reform, such as greater emphasis on assessment by written examination, will have impact on the size and distribution of the marker workforce. Other pressures on delivery come from the inclusion of a wider variety of script items, new content, and potential shifts in

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<sup>5</sup> A Uniform Mark Scale, or UMS, is a way of standardising marking across different exam boards.

market share between exam boards. We encouraged exam boards to consider marker capacity such that they can assure us that appropriate numbers of examiners are identified, recruited and retained. In particular, we asked that they consider afresh their employment arrangements and how they can contribute to achieving positive outcomes.

### **National Assessments**

Ofqual has an objective to promote reliable and consistent National Assessments, and we reconsidered our approach to regulating them during 2015. We concentrated previously on delivery, but concluded it adds little value, risks blurring accountability, and diverts resources from our main focus.

In future we will concentrate on meeting our standards and public confidence objectives by keeping a system-wide view and review the validity and reliability of National Assessment outcomes. We discussed the implications of this change in approach with the Standards and Testing Agency (STA) and we will make amendments to our regulatory framework during 2016.

Ofqual monitored STA's delivery of the 2015 test series, which was the first in which all test papers were marked on screen. We had no concerns about the delivery of the test, marking or standard setting and results were reported to schools on time in July. However, there were a number of incidents during the 2016 series. The STA, which is an executive agency of the Department for Education, is responsible for dealing with these incidents. We have been in contact with the STA and are content that they have taken appropriate action.

## **Goal 2: Vocational and other qualifications**

### **Context**

Ofqual regulated around 160 awarding organisations providing about 13,000 live qualifications at the end of March 2016. Most of these were vocational qualifications or qualifications other than GCSEs, AS and A levels.

The market for qualifications is changing as Government policy develops and as skills funding decisions are increasingly devolved to regions and employer-led bodies. Ofqual is providing advice on the role and effective use of assessment and qualifications to support good education and training outcomes as the Government reforms apprenticeships and develops its approach to technical and professional education, particularly for those aged 16 to 19.

We continue to take a flexible risk-based approach, targeting the issues of greatest concern to the sustained provision of high-quality qualifications as the operational and financial risks faced by firms alter.

## **Regulatory activity**

### **Withdrawal of QCF and introduction of RQF**

Many of the awarding organisations Ofqual regulates offer qualifications developed under the Qualifications and Credit Framework (QCF) rules. In December 2014 we announced that we intended to remove the QCF rules because they did not allow enough flexibility for awarding organisations to innovate in their design of qualifications to meet users' needs. The rules were removed on 30 September 2015.

As we removed the QCF rules we revised our General Conditions of Recognition and introduced a new descriptive framework for regulated qualifications (RQF). Under the new approach, which came into effect on 1 October 2015, all qualifications regulated by us sit within a single framework with their level and size determined by the awarding organisation. We retained levels commonly understood within the education sector and, following consultation, adopted Total Qualification Time as the measure of size.

### **Functional skills**

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

During 2015 we worked with Government and the Education and Training Foundation on plans to reform functional skills qualifications to improve their content, relevance and recognition by employers. The intention is for new qualifications to be available from 2018.

We reported on our own review of level 2 functional skills qualifications in English and maths in January 2015. As a result, awarding organisations offering these qualifications committed to improve the quality of their assessment materials, reduce the risk of malpractice and maladministration, strengthen their standard setting procedures and evaluate better how far the qualifications are meeting user needs. These improvements are designed to make the qualifications more reliable, and allow students to demonstrate better their breadth and depth of skills. We expected the majority of the improvements to be in place by summer 2015. We initiated an audit in autumn 2015, finishing in spring 2016, and will report our findings later in 2016.

## **Apprenticeships**

The Government committed to increase both the quantity and quality of apprenticeships over the current Parliament, with a target for three million starts by 2020. It has also encouraged greater private-sector involvement and investment by establishing so-called ‘trailblazer’ groups, consisting mainly of employers. Their responsibility is to develop new apprenticeship standards, including proposals on how they should be assessed. Ofqual has not been given a specific role in these developments, but we advised the Government on the need for appropriate quality assurance mechanisms for such assessments, alongside good governance and regulation.

Employers are not obliged to include qualifications in their apprenticeships and their chosen assessment organisation does not need to be an awarding organisation regulated by us. However, some trailblazers included regulated qualifications as part of their proposed standards and they can choose Ofqual regulation as the mechanism for providing ‘external quality assurance’ of their end-point assessments. We are considering our regulatory approach to such assessments.

## **Regulatory strategy**

Ofqual’s regulatory strategy is focused on identifying risks to the provision of valid qualifications and targeting effectively our regulatory compliance activity. Typically, awarding organisations with higher risk profiles are subject to greater scrutiny. We also base our decisions on the number of qualifications certified and the potential impact of any issues on the wider education and training sector.

All awarding organisations must meet certain rules regardless of the qualifications they offer. Most of these are set out in our General Conditions of Recognition. We require awarding organisations to provide an annual statement describing their levels of compliance with these Conditions.

## **Regulatory action**

Ofqual has a range of regulatory powers available should an awarding organisation fail to comply, or notify us that it may fail to comply, with our Conditions. These powers include issuing directions, undertakings of corrective action, subjecting qualifications to an accreditation requirement, applying a Special Condition of Recognition, withdrawing recognition or imposing a fine.

During 2015 we accepted one undertaking, from City & Guilds, which recognised that it had failed to comply with our Conditions in respect of its arrangements for the endorsement of course materials. We imposed Special Conditions on eight occasions. Four of these were in respect of our ongoing research into GCSE maths, and two were issued to awarding organisations to ensure they retained documents in advance of a potential investigation. The other two were issued to awarding

organisations to provide quarterly statements of compliance, following their annual statement of compliance returns. While we did issue a number of Special Conditions in 2015, we took the view that their publication would be neither necessary nor proportionate. We did not issue any fines during 2015.

The delivery of qualifications in the security industry during 2015 was an area of particular focus for us, journalists and other stakeholders. Through audits and other supervisory actions, we identified concerns about the quality of some assessments, and in particular a lack of control over their delivery by some centres. Where we looked into these issues we, in many cases, found other problems, such as poor management of incidents and weak procedures for handling malpractice. We have already directed one organisation to take particular actions, and received undertakings from another. Other organisations have been required to carry out checks on their processes, and provide assurance about controls. We will report more fully in summer 2016.

We continued to look closely at qualifications offered to non-EU citizens seeking to obtain a Tier 4 visa to study in England. We published a report in early 2014 setting out serious concerns relating to the subject content being taught and assessment standards in some cases. Where issues were identified we either supported remedial actions by awarding organisations or prevented certificates being issued. We continued to monitor the market during 2015 and we will publish a follow-up report later in 2016.

We conducted a range of other audit work during 2015, including looking into external quality assurance processes for the delivery of vocational qualifications in schools and colleges in England. We intend to publish a report on our findings in this area in autumn 2016.

### **Qualifications market**

Ofqual has a responsibility to maintain a register of all regulated qualifications. We launched a new prototype register in June 2015 that provides more information about the data we hold and reflects the introduction of our new descriptive framework for qualifications. The new register went live in spring 2016, and awarding organisations will have until December 2017 to provide the additional information on the size of each qualification they offer.

### **Informing our regulatory approach**

Ofqual seeks feedback from stakeholders on an ongoing basis to inform and develop our regulatory approach. During 2015 we worked with the RNIB and National Autistic Society to assess how exam papers could be made more accessible to blind, partially sighted or autistic students. We also continued to chair the Access Consultation Forum, which brings stakeholders together to support our



understanding of matters that affect the assessment of disabled students. In particular, the Forum discussed proposals from the UK Association of Accessible Formats to develop and introduce new minimum standards for the accessibility of electronic exam papers.

## **Goal 3: Organisational development**

### **Capability and capacity**

Ofqual employed 184 FTE staff at the end of March 2016, following a significant organisational restructure. The new structure better supports our regulatory strategy and provides clear accountability for decision-making and regulatory focus in every area of the business. The new structure has four directorates:

1. Strategy, Risk and Research: responsible for our strategic planning, research and analysis that underpins our regulatory approach, decision-making and overall strategy;
2. General Qualifications: responsible for regulating GCSEs, AS and A levels and other similar qualifications;
3. Vocational Qualifications: responsible for regulating vocational and other qualifications, and also houses a number of cross-cutting regulatory functions;
4. Regulatory and Corporate Services: responsible for auditing awarding organisations' compliance with our regulatory requirements, managing regulatory processes - such as recognition and accreditation - and also contains HR, IT, Finance, Communication and Customer Service teams.

We have brought additional skills into the business where we identified capability gaps and have also made a significant investment in developing existing staff. We made around 30 external appointments during 2015-16, recruited two apprentices and brought in a teacher on secondment to provide additional insight and challenge to our thinking. A number of our recruits have been research professionals of standing from awarding organisations and universities.

### **Information management**

We initiated a project to replace our regulatory IT system during 2015. The new platform will make the submission of information by awarding organisations easier, reduce regulatory burden and improve our subsequent management and use of content. It will also reduce our annual support costs from around £650,000 to less than £50k and improve the speed we are able to make changes to the system.

## **Our future priorities**

Our work during 2016 to 2017 will be driven by the goals and objectives set out in our Corporate Plan 2016 to 2019:<sup>6</sup>

### **Goal 1: Regulating and reforming general qualifications**

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

Objective 2: Oversee the introduction of reformed general qualifications

Objective 3: Evaluate the validity of National Assessments

### **Goal 2: Regulating vocational and other qualifications**

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

Objective 5: Promote public confidence in regulated vocational qualifications

### **Goal 3: Developing our people, resources and systems**

Objective 6: Build our capability and develop our people

Objective 7: Use our resources efficiently and effectively

## **Key issues and risks**

Ofqual faces 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 section headed Governance Statement.

## **Financial review**

Ofqual's resource budget for the year 2015 to 2016 was £22.653 million (£21.009 million in 2014 to 2015), of which £6 million was allocated to deliver the final phase of the GCSE, AS and A level reform programme, and the development of the National Reference Test. Our net operating costs were £22.432 million (£20.968 million in 2014 to 2015). The outturn was £221,000 (1%) under budget, which is

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[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/513152/Ofqual\\_corporate\\_plan\\_2016\\_to\\_2019.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/513152/Ofqual_corporate_plan_2016_to_2019.pdf)

minimal and reflects the effectiveness of the controls we have put in place. This includes an adjustment of £192,000 in relation to NI DEL funding payable to HMT.

Staff costs for the year account for 52% of total expenditure compared to 65% in 2014 to 2015. This reduction reflects the time taken to recruit to the new organisation structure. We used the underspend in staff costs to make a significant one-off investment in our IT infrastructure during the year. 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 11% of our staffing costs during the year, down from 23% in 2014 to 2015. The decrease is in part accounted for by the organisational change and also reflects the timing of expenditure on the reform programme which moved from the development and planning phase into delivery. The majority of agency staff have been employed on activities to support GCSE, AS and A level reform and we expect this to tail off over the next 12 months as we finish GQ reform activity. The costs of these posts were covered by additional funding for reform provided by Department for Education.

### **Accounting Officer**

Dame Glenys Stacey, the Chief Regulator and Accounting Officer, left the organisation at the end of February 2016. The new Chief Regulator, Sally Collier, joined the organisation at the end of April 2016. In the intervening period Jeremy Benson, the Executive Director for Vocational Qualifications, took on the role of Accounting Officer.

Sally Collier

Accounting Officer for Ofqual

Date: 28 June 2016

## Performance Analysis

### 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 2011 to 2012 through to 2019 to 2020.

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 Test. The Department agreed to provide up to £2.5 million in 2013 to 2014 (of which we requested £1.25 million), up to £4 million in 2014–15 (of which we requested the full £4 million) and, £6 million in 2015 to 2016. Of this, £3.36 million was allocated for the development of the National Reference Test including the pilot test which took place in March 2016.

The 2016 to 2017 plan includes £4 million programme funding for reform. This is in line with the planned profile for subjects that will be accredited for first teaching in September 2017. It also reflects the completion of the development phase of the National Reference Test.

Table 4: Public spending

	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
	Outturn	Outturn	Outturn	Outturn	Outturn	Planned	Planned	Planned	Planned
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Consumption of resources									
<i>Regulation of qualifications</i>	16,132	16,749	18,336	20,968	22,432	19,552	17,677	17,102	17,227
Total resource DEL	16,132	16,749	18,336	20,968	22,432	19,552	17,677	17,102	17,227
Resource AME									
<i>Regulation of qualifications</i>	0	0	0	0	0	0	0	0	0
Total resource	16,132	16,749	18,336	20,968	22,432	19,552	17,677	17,102	17,227
Capital spending									
<i>Regulation of qualifications</i>	602	11	87	90	35	0	0	0	0
Total capital	602	11	87	90	35	0	0	0	0
<i>of which</i>									
Capital DEL	602	11	87	90	35	0	0	0	0
Total public spending	16,734	16,760	18,423	21,058	22,467	19,552	17,677	17,102	17,227

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 Estimates can be found on HM Treasury's website.

Table 5 shows the annual expenditure split between administrative and programme classifications. In 2010 to 2011 HM Treasury classified all expenditure as programme expenditure. From 2011 to 2012, the Administrative Cost Regime applies, which requires expenditure to be split between programme and administration.

The reduction in administrative expenditure between 2016 to 2017 and 2019 to 2020 reflects the agreed CSR settlement. We plan to achieve this through a combination of efficiencies and savings in non-staff budgets.

The increase in pay costs for 2016 to 2017 compared to 2015 to 2016 reflects the recruitment of staff since the restructure in 2015 and our reduced dependency on short-term agency staff.

Table 5: Programme and administration expenditure.

	2011–12 Outturn £000	2012–13 Outturn £000	2013–14 Outturn £000	2014–15 Outturn £000	2015–16 Outturn £000	2016–17 Planned £000	2017–18 Planned £000	2018–19 Planned £000	2019–20 Planned £000
<b>Programme:</b>									
<b>Expenditure</b>									
Pay	51	52	728	1,148	1,754	1,111	224	224	224
Other expenditure	2,368	2,974	2,612	4,192	7,206	2,899	2,186	1,886	2,286
<b>Total expenditure</b>	<b>2,419</b>	<b>3,026</b>	<b>3,340</b>	<b>5,340</b>	<b>8,960</b>	<b>4,010</b>	<b>2,410</b>	<b>2,110</b>	<b>2,510</b>
Income	0	0	0	0	-75	0	0	0	0
<b>Total programme expenditure and budgeted</b>	<b>2,419</b>	<b>3,026</b>	<b>3,340</b>	<b>5,340</b>	<b>8,885</b>	<b>4,010</b>	<b>2,410</b>	<b>2,110</b>	<b>2,510</b>
<b>Administration:</b>									
<b>Expenditure</b>									
Pay	9,617	10,915	12,091	12,428	9,802	11,408	11,522	11,522	11,522
Other expenditure	4,626	3,331	3,357	3,576	4,147	4,189	3,745	3,470	3,195
<b>Total expenditure</b>	<b>14,243</b>	<b>14,246</b>	<b>15,448</b>	<b>16,004</b>	<b>13,949</b>	<b>15,597</b>	<b>15,267</b>	<b>14,992</b>	<b>14,717</b>
Income	-530	-523	-452	-376	-402	-55	0	0	0
<b>Total administrative expenditure</b>	<b>13,713</b>	<b>13,723</b>	<b>14,996</b>	<b>15,628</b>	<b>13,547</b>	<b>15,542</b>	<b>15,267</b>	<b>14,992</b>	<b>14,717</b>
<b>Grand total</b>	<b>16,132</b>	<b>16,749</b>	<b>18,336</b>	<b>20,968</b>	<b>22,432</b>	<b>19,552</b>	<b>17,677</b>	<b>17,102</b>	<b>17,227</b>

## Notes:

- The level of income will reduce as a result of the closure of our Northern Ireland office.
- We have no capital budget in 2016 to 2017 or future years

## Sustainability

Ofqual is below the threshold for producing a sustainability report in accordance with the Financial Reporting Manual (FRM). However, we do consider sustainability in our work. Over the last 12 months we have refreshed our IT infrastructure and replaced all desktops with laptops and monitors. This has contributed to an overall reduction in consumption of electricity.

Energy-saving measures in our Coventry office have continued to generate savings, and the installation of new lighting has contributed to the reduced electricity consumption.

We have prioritised investment on 'at desk' video conferencing together with the introduction of video conferencing in all meeting rooms as part of our efficiency

objective. Over the next 12 to 24 months we should see the impact of this on business travel costs. We are also planning for a significant increase in the amount of flexible working that is undertaken by staff which will reduce the volume of home to office car journeys.

**Costs:**

£	2012/13	2013/14	2014/15	2015/16
<b>Electricity</b>	43,629	44,058	49,858	45,561
<b>Gas</b>	14,388	8,830	15,613	11,480
<b>Water</b>	4,365	4,666	5,049	4,924
<b>Waste Management</b>	237	696	563	1,743

**Consumption:**

	2012/13	2013/14	2014/15	2015/16
<b>Total Carbon</b>	206	183	188	186
<b>Elec (kWh)</b>	268,894	299,315	274,379	251,583
<b>Elec (tCO<sub>2</sub>)</b>	148	133	136	124
<b>Gas (kWh)</b>	311,843	268,574	285,339	331,492
<b>Gas (tCO<sub>2</sub>)</b>	58	50	53	61
<b>Water (m<sup>3</sup>)</b>	1,018	1,087	1,240	1,155
<b>Waste (tonnes)</b>	28.81	21.91	36.99	31.34

**Business Travel:**

£	2012/13	2013/14	2014/15	2015/16
<b>Rail</b>	80,504	135,989	116,436	83,051
<b>Hotel</b>	13,320	32,124	22,998	25,523
<b>Air/Ferry</b>	18,654	23,653	14,564	15,924
<b>TOTAL</b>	112,478	191,766	153,998	124,498

We have achieved an increase in our recycling of waste compared with previous years. This has been delivered by improved categorisation of waste disposed and more efficient use of photocopiers with the introduction of locked printing significantly reducing spend on paper. We have also invested in tablets and are using these to manage meetings more effectively and reduce the amount of paper generated in the organisation. Our initial estimate is that these measures will together save up to 40% in printing costs over the next 12 months.

## Regulatory burden

Ofqual follows 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*.<sup>7</sup>

In March 2015 we published our annual statement<sup>8</sup> on how we plan to keep our regulatory functions under review and to not impose or maintain any unnecessary burden.

Following our fundamental review of our regulatory approach in 2014 we now expect awarding organisations to demonstrate to us that their qualifications are sufficiently valid over their lifecycle: as they are designed, developed, delivered and evaluated. Our risk framework now better targets our audit and other compliance activity to provide assurance about the validity of regulated qualifications.

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

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. We also continue to review the process by which exam boards submit reformed GCSEs and A levels for accreditation. Our internal auditors have provided assurance that this was working effectively.

## Payment of suppliers

We adhere to the Late Payment of Commercial Debts (Interest) Act 1998 and meet the normal terms of payment for invoices of 30 days from receipt, except where different terms have been agreed with suppliers. As a small organisation, the Government's 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

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<sup>7</sup> *Regulatory Justice: Making Sanctions Effective* (November 2006): <http://webarchive.nationalarchives.gov.uk/20121212135622/http://www.bis.gov.uk/files/file44593.pdf>

<sup>8</sup> [www.gov.uk/government/publications/ofquals-regulatory-burden-statement-2015](http://www.gov.uk/government/publications/ofquals-regulatory-burden-statement-2015)



all suppliers in an average of 17.6 creditor days in 2015 to 2016 (18.8 days in 2014 to 2015). 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 (2014 to 2015: £0).

### **Basis of accounts**

The accounts for the year ended 31 March 2016 have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000.

Ofqual was the sole entity within our departmental accounting boundary during 2015–16, and are not responsible for any bodies outside our departmental accounting boundary.

In common with other government departments the funding needs of Ofqual will be met in the main by future Grants of Supply to be approved annually by Parliament. The 2016 to 2021 Comprehensive Spending Review will see Ofqual's core administration and programme funding reduce. We have set a budget that achieves this objective and are presenting these financial statements on a going concern basis.

### **Pension liabilities**

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

### **Events after the reporting period**

There have been no events after the reporting period which require an adjustment to the financial statements, nor any non-adjusting events. The result of the referendum held on 23 June to determine whether the UK should remain a member of the European Union resulted in a majority vote in favour of leaving. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

### **Auditor**

The Government Resources and Accounts Act 2000 appointed the Comptroller and Auditor General as Ofqual's auditor. He has set a notional £46,000 charge for his audit in 2015 to 2016 (£46,000 in 2014 to 2015).

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

any relevant audit information and establish that the Comptroller and Auditor General is aware of that information.

Sally Collier

Accounting Officer for Ofqual

Date: 28 June 2016

# Accountability Report

## Corporate Governance Report

### The directors report

Details of Ofqual directors

Ofqual's executive leadership team consists of the following directors:

Name	Directorships and other significant interests during 2015–16
Dame Glenys Stacey, Chief Regulator (to 29 February 2016) <sup>[1]</sup>	Board Member, Association of Chief Executives
Amanda Spielman, Interim Chief Regulator (from 1 March 2016 to 25 April 2016)	Council Member, Institute of Education (ceased 30/9/15) Education Advisor, Absolute Return for Kids, ARK Member, ARK Schools Audit and Risk Committee Trustee, STEMNET
Jeremy Benson, Executive Director, Vocational Qualifications	Trustee and Director of Meadowdale Primary Academy
Michelle Meadows, Executive Director Strategy, Risk & Research	Honorary Research Fellow at Oxford University
Marc Baker, Chief Operating Officer	No board directorships or other significant interests
Ian Stockford, Executive Director, General Qualifications (to 31 December 2015)	No board directorships or other significant interests
Julie Swan, Acting Executive Director, General Qualifications (from 22 December 2015)	Governor, University of Worcester Board Member, Committee of the Bar Standards Board's Qualifications Committee Auditor (ad-hoc basis), Association of Personal Injury Lawyers

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<sup>[1]</sup> Dame Glenys Stacey left Ofqual on 29 February 2016 at the end of her term of appointment. Amanda Spielman took the position of Interim Chief Regulator on 1 March 2016 until the new permanent Chief Regulator, Sally Collier started in April 2016.

## Board members' directorships

Board members' directorships and other significant interests, including non-executive positions, during the year ended 31 March 2016 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 2015 to 2016
Tim Balcon	Chief Executive, Institute of Environmental Management and Assessment (IEMA) Director, Ashby Interim Management (dormant) Director Sustainability Training Solutions (wholly owned subsidiary of IEMA)
Dana Ross-Wawrzynski	Director and CEO, Bright Future Educational Trust Governor, Regent College, Independent School and Sixth Form College Member of the Future Leaders Trust Project Board
Philip Fletcher	Member of Archbishops' Council for the Church of England Chair of the Mission and Public Affairs Council of the Church of England
Maggie Galliers	Chair, National Institute of Adult Continuing Education (NIACE) Board (ceased 31/12/2015) Chair, Learning and Work Institute (from 1/1/16) Chair, City College Coventry National Leader of Governance
Anne Heal	Managing Director, Strategy, Openreach, part of BT (ceased June 2015) Managing Director BT Volunteering (ceased December 2015) Director / Charity Trustee, Unicorn School, Kew (ceased March 2016) Chair, Thames Water Customer Challenge Group (from Sept 2015) Chair, Volunteering Matters (from October 2015) Lay Adviser, Royal College of Pathologists (from March 2016) Trustee, National Council for Voluntary Organisations (from December 2015) Trustee, Balletboyz (from September 2015)

Name	Board directorships and other significant interests during 2015 to 2016
Mike Cresswell	Associate, Alphaplus
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) (ceased – Sept 2015) Governor, Bellerbys College Director, Centre for Social Mobility
Amanda Spielman	Council Member, Institute of Education (ceased 30/9/15) Education Advisor, Absolute Return for Kids, ARK Member, ARK Schools Audit and Risk Committee Trustee, STEMNET Board Member, Floreat Education Academies Trust Council Member, Brunel University London
Dame Glenys Stacey	Board Member, Association of Chief Executives
Roger Taylor	Trustee, the Open Public Services Network at RSA Trustee Safe Lives
Thomas Taylor	Member, Critical Eye Advisory Board Commercial Director, Institute of Environmental Management and Assessment (IEMA) (from 13/4/15) Chair, Consumer Council for Water (from 1/10/15)
Neil Watts	Independent Press Standards Organisation, Member of the Complaints Committee Trustee, Spina Bifida Hydrocephalus, Information, Networking, Equality (SHINE) Governor, Great Finborough Primary School

Name	Board directorships and other significant interests during 2015 to 2016
	Board member, Architects Registration Board Member of the Interim Executive Board, Martlesham Primary School (from 13/4/15) Member of the Interim Executive Board, Long Melford Primary School (from August 2015)
Julius Weinberg	Vice Chancellor, Kingston University Board member, London Higher Governor, Latymer Upper School, Hammersmith Trustee, National Art and Design Saturday Club Trust Member, University and Colleges Employers Association Board- Member, University Alliance Board
Terri Scott	Principal/Chief Executive, Northern Regional College Board member, Maze/Long Kesh Development Corporation

### Future developments affecting Ofqual

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

### Complaints about Ofqual

Ofqual received nine complaints in 2015 to 2016, two of which were made by awarding organisations and were in relation to regulatory decisions made by Ofqual.

Of the other six complaints, five were in relation to decisions made by us during the reform of GCSEs and A levels. None of these complaints were upheld. The other complaint related to the provision of a reference from a former Ofqual member of staff. This complaint was partially upheld and as a result improvements were made to our processes by the HR team responsible for issuing references.

## **Complaints to the Parliamentary Ombudsman**

One complaint relating to Ofqual was investigated by the Parliamentary Ombudsman in 2015 to 2016. This related to our handling of a complaint about marking and appeals and was dismissed.

## **Whistleblowing disclosures**

Ofqual did not receive notice of any whistleblowing disclosures during the past year.

## **Customer Services**

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

During 2015 to 2016, we acknowledged over 98% of complaints within two working days and provided a final response within 30 days in 67% of cases, down from 89% of cases in 2014 to 2015. The average number of days to close a complaint was 25 days.

This fall was primarily due to the team operating below capacity for most of the year. The team is now operating at full capacity.

Overall we handled 209 complaints and whistleblowing disclosures about awarding organisations, complaints about us (see above) and executive correspondence. We upheld six complaints about awarding organisations. We carried out internal reviews in 14 cases, which related to the way we investigated the original complaint. We upheld one of these reviews and we improved our internal procedures as a result.

## **Financial Governance**

Ofqual restructured its Finance team in 2015 to address issues identified with financial expertise and capability both across the business and within the team itself. We introduced two new senior manager posts into the team and devolved financial accountability to individual directorates. In addition, we revised financial management and reporting processes and trained staff on financial reporting systems. We recruited a permanent Procurement and Contracts Manager in June 2016 to strengthen our governance in this area.

## **Recruitment**

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

As at 31 March 2016 we employed 183.8 whole-time equivalent staff throughout the year compared with our establishment figure of 201 whole-time equivalent.

We employed 23 temporary staff to cover vacancies, maternity leave and long-term sick leave (23 temporary staff were employed in 2014 to 2015).

Sally Collier

Accounting Officer for Ofqual

Date: 28 June 2016



## Statement of Accounting Officer's responsibilities

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

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

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

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

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

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

Sally Collier

Accounting Officer for Ofqual

Date: 28 June 2016

## Governance Statement

### Scope of responsibility

As Accounting Officer I am responsible for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives, whilst safeguarding the public funds and our assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*. This governance statement describes how these duties have been carried out by the previous Accounting Officers and the supporting structure in the 2015–16 financial year.

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

### Ofqual Board

During 2015 to 2016 the Board consisted of a chair, twelve ordinary members (one as Deputy Chair) and the Chief Regulator. Dame Glenys Stacey left the Board on 29 February 2016 when her term as Chief Regulator expired. 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 on which they served on, during the year ending 31 March 2016

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 14 July 2014	5 years, to 13 July 2019	Board (r) 100% Board (a) 100% SAG 100% VAG 100% Ref 100%			✓ *	✓ *	✓ *
Tim Balcon	reappointed 1 April 2014	3 years, to 31 March 2017	Board (r) 86% Board (a) 100% Fin 100% VAG 50%		✓		✓	
Mike Cresswell	1 October 2013	3 years, to 30 September 2016	Board (r) 86% Board (a) 100% SAG 100%				✓	✓

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)
			VAG 50%					
Philip Fletcher	reappointed 1 April 2013	3 years, to 31 March 2016	Board (r) 86% Board (a) 100% A&R 100%	✓				
Maggie Galliers	reappointed 1 April 2013	3 years, to 31 March 2016	Board (r) 100% Board (a) 100% A&R 100% VAG 100% Ref 100%	✓ *		✓	✓	
Anne Heal	reappointed 1 April 2015	3 years, to 31 March 2018	Board (r) 100% Board (a) 100% A&R 100%	✓				
Barnaby Lenon	reappointed 1 April 2012	3 years, to 31 March 2018	Board (r) 86% Board (a) 100% SAG 100%					✓
Dana Ross-Wawrzynski	1 October 2013	3 years to 30 September 2016	Board (r) 71% Board (a) 100% A&R 80%	✓				
Terri Scott	1 April 2015	3 years to 31 March 2018	Board (r) 71% Board (a) 100%					
Dame Glenys Stacey (Chief Regulator and Accounting Officer to 29 February 2016)	1 March 2011	5 years, to 29 February 2016	Board (r) 100% Board (a) 100% SAG 66% VAG 0% Ref 100%			✓	✓	✓
Roger Taylor	reappointed 1 April 2015	3 years, to 31 March 2018	Board (r) 86% Board (a) 100% A&R 66%	✓ ***				
Thomas Taylor	reappointed 1 April 2015	3 years, to 31 March 2018	Board (r) 86% Board (a) 100% Fin 100%		✓ *			
Neil Watts	reappointed 1 April 2014	3 years, to 31 March 2017	Board (r) 86% Board (a) 100% Fin 80%		✓			
Julius Weinberg	reappointed 1 April 2015	3 years, to 31 March 2018	Board (r) 71% Board (a) 100% SAG 100% Ref 100%			✓		✓

Notes:

Board (r)	routinely scheduled meetings (seven meetings in 2015 to 2016)
Board (a)	additional meetings called at short notice (one meeting in 2015 to 2016)
SAG	Standards Advisory Group (three meetings in 2015 to 2016)
A&R	Audit and Risk Assurance Committee (six meetings in 2015 to 2016 including one joint meeting with the Finance Committee)
Fin	Finance Committee (five meetings in 2015 to 2016 including one joint meeting with the Audit and Risk Assurance Committee)
VAG	Vocational Advisory Group (two meetings in 2015 to 2016)
Ref	Reform Committee (two meetings in 2015 to 2016)

\* denotes Chair of Committee

\*\* Dame Glenys Stacey left Ofqual on 29 February 2016 and was eligible to attend one Vocational Advisory Group meeting.

\*\*\* Roger Taylor was appointed to the Audit and Risk Assurance Committee on 23 September 2015 and was eligible to attend 3 meetings.

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

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

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

The Board had the following committees during the year ended 31 March 2016.

## **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 28 February 2017.

Accounting Officers are invited to attend meetings of the Committee. The Associate Director Finance and the Chief Operating Officer also attend, as do our internal auditors and the National Audit Office. Jeremy Benson in his short term role as Accounting Officer attended the March Audit and Risk Committee meeting. Other members of Ofqual staff attend where appropriate.

The Committee considers all aspects of internal control including risk management, information security and counter-fraud, supported by reports from the internal and external auditors. During 2015 to 2016 the Committee reviewed the findings of audit reports on the accreditation process, risk management, Health and Safety, National Reference Test contract management, business planning, key financial systems and our security policy framework.

## **Finance Committee**

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

The Committee meets at least three times a year and consists of up to four members of the Board. Members of the Committee are not members of the Audit and Risk Assurance Committee.

The Accounting Officer, together with the Chief Operating Officer, the Associate Director of Finance and the Senior Manager Strategic Reporting and Engagement attend meetings.

## **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 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 2015–16, the independent members of the Group were Dr Rebecca Allen, Professor Jo-Anne Baird, Ian Bauckham, Tom Bramley (from February 2016), Professor Paul Black, Professor Robert Coe, Professor Caroline Gipps, Dr Grace Grima, Dr Tina Isaacs, Jerry Jarvis, Tim Oates (to end January 2016), Professor Roger Murphy, Dr Alastair Pollitt, Alex Scharashkin and Professor Gordon Stobart.

The Advisory Group has established a National Reference Test sub group to support Ofqual's work in introducing and using the Tests. Members of the sub group are Mike Cresswell (Chair), Professor Jo-Anne Baird and Peter Kent.

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 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 to 2015, the independent members of the Group were Andrew Boyle (from February 2016), Professor Alan Brown, Professor Kathryn Ecclestone (to end February 2016), Norman Gealy, Professor Ewart, Tim Oates (from February 2016), Ann Gravells (from February 2016), Mark Protherough, Professor Gordon Stobart, Isabel Sutcliffe (from February 2016), Professor Lorna Unwin, and Professor Alison Wolf.

Meetings are normally attended by the Executive Director Vocational Qualifications and relevant members of the Vocational Qualifications 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.

### **Reform Committee**

The Board has established a Reform Committee to which it may delegate responsibilities for qualification reform when necessary. The Committee met twice in 2015 to 2016 and consists of up to five members of the Board.

Further details about the Board and its committees can be found in the Governance Framework available on our website.<sup>9</sup>

### **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 2015 to 2016 were:

#### *Finance Committee*

- reviewing the 2014 to 2015 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 2015 to 2016 business planning process;
- the Comprehensive Spending Review submission; and
- the review of Ofqual's Standing Financial Instructions

#### *Audit and Risk Assurance Committee*

- reviewing the 2014 to 2015 Annual Report and Accounts for recommendation to the Board for approval;

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<sup>9</sup> [www.gov.uk/government/organisations/ofqual](http://www.gov.uk/government/organisations/ofqual)



- reviewing internal audit reports and monitoring the implementation of audit recommendations;
- overseeing information and records management;
- overseeing risk management;
- monitoring progress against the 2014 to 2015 Internal Audit plan;
- agreeing the 2015 to 2016 Internal Audit plan;
- reviewing the 2015 to 2016 external audit plan and audit completion report;
- agreeing the approach and timetable for work to draw up our 2015 to 2016 Annual Report and Accounts; and
- considering cyber security issues.

#### *Standards Advisory Group*

Providing advice to Ofqual on:

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

#### *Vocational Advisory Group*

Providing advice to Ofqual on:

- setting standards in vocational qualifications;
- comparability between vocational qualifications and general qualifications;
- qualifications purposes;
- potential research areas around vocational assessment; and
- promoting public confidence in vocational qualifications.

### *Reform Committee*

- exam board proposals for subjects to be reformed for first teaching in September 2017; and
- GCSE Religious Studies conditions and guidance.

### **Management control activities**

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

### **Strategic Management Group**

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

The agenda includes one off and recurring strategic and operational 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.

The Senior Management Group focuses specifically on matters related to Regulatory Compliance and Corporate Services on a monthly basis. This includes reviewing key organisational performance indicators, finance, information technology and strategic human resources matters. As at the end of March 2016 the members of the Group were:

- Amanda Spielman – Interim Chief Regulator;
- Jeremy Benson – Executive Director, Vocational Qualifications;
- Michelle Meadows – Executive Director Strategy, Risk and Research;
- Marc Baker – Chief Operating Officer;
- Julie Swan – Acting Executive Director, General Qualifications;

Note: Amanda Spielman has since been replaced by Sally Collier as Chief Regulator and Julie Swan has been appointed as Executive Director, General Qualifications

### **Board performance and assessment of its own effectiveness**

The Board considered its performance against the standards set out in the *Corporate Governance Code*<sup>10</sup> in April 2016 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 of staff attitudes.

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<sup>10</sup>

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/220645/corporate\\_governance\\_good\\_practice\\_july2011.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220645/corporate_governance_good_practice_july2011.pdf)

The fact that board members draw on their experiences and relationships with stakeholders in board meetings was recognised.

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

Where appropriate, our corporate governance framework also follows the *Corporate Governance Code*. The main difference is that with the exception of The Chief Regulator, all other board members are non-executives. The balance between non-executive directors and executive directors is addressed by inviting executive directors to attend Board meetings.

### **Risk management**

Ofqual maintains risk registers for each directorate and for major programmes and projects that set out the likelihood and impact of risks materialising. The most significant risks are escalated to a Strategic Risk Register which is regularly reviewed by the Strategic Management Group and the Board. This provides regular evaluation and scrutiny of our risks, the controls in place (mitigations and contingencies), and an assessment of their effectiveness.

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. The Committee regularly reviews specific risks and seeks assurance that controls are in place.

During 2015 to 2016 we enhanced our common risk register template and issued risk management guidance to directorates. This has resulted in improved risk identification, and the establishment of clearer controls.

As at the end of March, a number of strategic risks were rated as high probability and high impact, all of these are being actively managed and mitigation activity undertaken.

### **Strategic risks**

At end March 2016 the main risks on our Strategic Risk Register included:

### **Accreditation of GCSEs, AS and A levels**

Our programme to accredit new GCSEs, AS and A levels for first teaching in September 2016 started in summer 2015, and followed our work to develop, consult on and publish the regulatory requirements for each new qualification. We were disappointed not to be able to accredit any of the specifications when they were first submitted by the exam boards. All of the specifications had to be revised by the

exam boards, some several times, before we could be sufficiently confident their proposed approach would provide a qualification that properly covered the content published by the government and that would be properly assessed.

At the same time, we were developing the regulatory requirements for the qualifications that will first be taught from September 2017. The accreditation programme for these qualifications will start in June 2016.

### **Quality of marking**

There has been increasing public concern regarding aspects of quality of marking. There are two risks we are managing. The first is public confidence in marking and results falls. The second is exam boards do not have sufficient controls around quality of marking itself. We continue to undertake a range of work to address these risks. We published decisions on a review of marking and appeals and have commissioned a detailed audit of Exam Board approaches in this area to make sure there is a fair and open process by which teachers and students can challenge marks awarded. We are also developing an engagement and communications plan to provide relevant information to stakeholders.

### **Delivery and standards risks**

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

### **Changes to GCSE grading and to accountability measures**

Changes to school accountability will coincide with the introduction of reformed GCSEs and the new Ofqual grading system for GCSE. The change to accountability at GCSE, in relation to our approach to awarding in 2017, poses a potential risk to public confidence in qualifications. We have ongoing discussions with Department for Education, Ofsted and school leaders to address these risks. We are updating our publications on the reforms and have included information on projected proportions of students achieving each new grade as part of our GCSE grading consultation.

## **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 monitored exam boards' improvements to investigations of allegations of malpractice, and the way they manage conflicts of interest when allegations arise including auditing all exam board arrangements centre arrangements. We are conducting communication and engagement work with stakeholders on how to identify and report malpractice, and reviewing our statutory guidance on conditions related to malpractice. We have recently launched a postcard and online campaign on identifying malpractice and detailing how to report it.

## **National Reference Test – delivery and use in GCSE awarding.**

To aid us in maintaining standards for the delivery and performance of general qualifications we are developing a National Reference Test (NRT). Ofqual has contracted with the National Foundation for Educational Research (NFER) to develop and deliver the test, and we are currently managing a range of commercial and delivery risks during the development. We are also engaging with stakeholders about the design of the NRT and how results will be used in GCSE awarding. We will use the information we gained from the full-scale trial of the test in March to assess readiness to proceed with the annual delivery of the NRT in 2017. To assist with the administration of the test, the Government has introduced legislation that makes it mandatory for schools, when they have been included in the annual sample, to take part in the test. We are also addressing the impact of the changes to Data Protection reforms which come into effect in May 2018.

## **Organisational change within Exam Boards**

There is a risk that a combination of the pace of qualification reform, changes to market share and wider policy pressures may lead to significant organisational change within exam boards. We meet with exam boards regularly to explore their concerns, and monitor the risks and issues arising from changes in the current market model. We have undertaken audits into the Quality of Marker monitoring, Third Party Contractual arrangements, Identification and Management of Risk, Malpractice, on line standardisation and Appeals.

## **National Assessments**

We have a statutory role to play in regulating National Assessments. There are a number of policy changes taking place and so we continue to monitor risks to validity in National Assessments. We maintain risk-based oversight of National Assessment delivery. We have increased our senior management resource in this area and engaged in dialogue with the Government and Standards and Testing Agency (STA) about managing these risks.

## **Vocational Awarding organisations' capability and capacity**

There is a risk that some vocational Awarding Organisations do not have the capability and capacity to design, deliver and award good qualifications, which are sufficiently valid. We are undertaking a range of targeted audits both thematic and based on risk indicators and undertake investigative work where enforcement action is required. Completed audits in the past year have included reviews of 14 to 19 vocational provision, the security sector and functional skills. We continue to look at Awarding Organisations where we judge there are particular risks.

## **Vocational Awarding Organisations' quality assurance of centres**

There is a risk that Awarding Organisations are not able to effectively manage quality assurance of centre assessment activities, particularly where external requirements create conflicts and pressures on control mechanisms. This may lead to delivery failures, increased levels of malpractice and problems with standards, validity and public confidence.

Teaching delivery is outside Ofqual's direct scope but we working closely with other departments and agencies to review overall checks and controls and consider additional controls where risks are identified as high. We are also commissioning an audit of centre controls across Awarding Organisations.

## **Apprenticeship assessment**

There is a risk that policy, delivery and funding arrangements for reformed apprenticeships could create significant uncertainty and delivery risk for apprenticeship assessments. We are discussing these risks and approaches for managing them with the Apprenticeship Directorate and others. We will be regulating qualifications used as part of new apprenticeships, and some end point assessments. We have supported the development of Trailblazers to ensure understanding of validity expectations and have continuing discussions with the Joint Apprenticeship Unit to review delivery issues and risks. We are undertaking risk analysis of the qualification market related to continuing Specification of Apprenticeship Standards for England (SASE) frameworks.

## **Funding pressures on Ofqual**

In light of our settlement from the comprehensive spending review, we have produced a budget for 2016 to 2017 and a plan of expenditure for 2017 to 2021. We will continue to improve our efficiency through the increased use of digital channels and maintain management controls to reduce our expenditure. We plan to increase value for money through our use of third party suppliers, tightly managing all staff and non-staff costs and reducing our reliance on contract staff. To deliver our activity within budget our business plans focus on priority areas in accordance with our strategy. A model of proposed expenditure for 2017 to 2021 is aligned to achieve the

revised 2020 target expenditure through targeted efficiency gains of approx. 5% per annum.

### **Our people**

We are only able to deliver our goals if we have the people we need with the appropriate skills and capabilities. We are currently embedding changes to our organisational design by continuing to recruit to new roles and address skills gaps. We are introducing a framework for talent management, skills acquisition and knowledge development of staff.

We have reduced dependence on short-term and interim contracts and our new organisation design is enabling us to more flexibly deploy our staff to respond to workload demands.

### **Ofqual office accommodation**

The lease on our office at Spring Place, Coventry expires at the end of March 2018, and there are a variety of staffing and logistical risks should we move location. We are engaging with the Government Property Unit, Department for Education Property team and other Government departments based in the Coventry area to examine all viable accommodation options.

### **Information Management Transformation Programme**

We have continued to invest in our IT, adopting “cloud first”, in line with government policy. This investment has enabled Ofqual to remove legacy and redundant software applications, delivering an initial 50% reduction in IT total cost of ownership (TCO) in 2016 to 2017. This will pave the way for a 3% year-on-year reduction in core IT operating costs from 2017 to 2018.

Ofqual’s new IT platform provides a way to enable remote working for staff, regardless of location; to implement Ofqual’s any device, anytime, anywhere Information Management strategy. “Cloud first” has also improved Ofqual’s disaster recovery capability and, in the future, will make any move of office location much more straight forward.

The project to replace the Regulatory IT System (RITS) and the Register of Regulated Qualifications (Register) started last financial year and will be launched in 2016. Together they provide a flexible platform on which to collaborate digitally with awarding organisations and stakeholders underpinning effective regulation.

### **Information risk**

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



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

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

This year's assessment of our compliance against the SPF showed that we broadly comply with the mandatory requirements and a response of 'No concerns' was returned in the DSHC against the SPF Security Outcomes. Some minor areas for improvement were identified and these are being actioned, and monitored by our Audit and Risk Assurance Committee.

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 Assurance Manager. The SIRO has confirmed to me that the annual DSHC 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.

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

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

### **Summary of other protected personal data related incidents <sup>11</sup>**

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

The nature of the incidents varied and some were as a consequence of our transfer to Office 365 and migration of data from SharePoint 2007 to SharePoint 2013. All incidents were resolved and appropriate controls were put in place where necessary.

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<sup>11</sup> We log information security incidents and the log is shared with and monitored by the Audit and Risk Assurance Committee; the Senior Risk Information Officer reports on actions that have been taken to address any weaknesses identified.

## **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.<sup>12</sup> 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 and my predecessors review the effectiveness of our system of internal control annually. This review is informed by the work of the internal auditors, by feedback from senior managers who have responsibility for the development and maintenance of the internal control framework, and by comments made by the National Audit Office in their Audit Completion Report and other reports. Comments and recommendations made by the Education Select Committee are also taken into account.

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

Our internal auditors, Grant Thornton, provide an annual, independent and objective assessment as to whether there are adequate and effective corporate governance, risk-management and internal-controls processes.

The internal audit reviews conducted in the past 12 months highlighted areas where improvements could be made, and we 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.

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<sup>12</sup>

[www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/207064/public\\_sector\\_internal\\_audit\\_standards\\_december2012.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207064/public_sector_internal_audit_standards_december2012.pdf)

As a result of our focus on addressing actions that are identified, we have reduced the number of outstanding actions to a low level in line with the last two years.

Table 15: Internal audit – outstanding actions

Finding rating	Trend between current and prior year	Number of findings outstanding at year end				
		2015–16	2014–15	2013–14	2012–13	2011–12
Critical	↔	0	0	0	0	0
High	↔	0	0	0	1	6
Medium	↔	4	4	4	9	16
TOTAL	↔	4	4	4	10	22

Eight reviews were conducted during the year with ‘substantial’ assurance given to key financial systems, accreditation and the security policy framework and ‘moderate’ assurance given to risk management, National Reference Test, business planning and performance management. Limited assurance was given to our approach to health and safety. During the year, 31 audit recommendations were made of which 27 were addressed during the year with 4 outstanding.

Table 16: Internal audit – report ratings

Audit Area	Report Rating	Informs opinion on		
		Governance	Risk Management	Internal Control
Risk management	Moderate	✓	✓	✓
Health and Safety	Limited	✓	✓	✓
NRT Contract management	Moderate	✓	✓	✓
Business planning	Moderate	✓	✓	✓
Key financial systems	Substantial	-	✓	✓
Performance management	Moderate	-	✓	✓
Accreditation process	Substantial	-	✓	✓
Security Policy Framework	Substantial	✓	✓	✓
Follow-up of previous recommendations	N/A	-	✓	✓

Overall our internal 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 the processes around Health and Safety and the management of key third party suppliers in this respect.'*

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

### **Assurance to the Accounting Officer**

As well as the opinion provided to me by internal audit, each executive director and appropriate associate directors have been required to review the controls that they have in place to manage governance, risk and control arrangements and to report by way of written assurance to me at the end of the financial year that these controls were effective. This supplements the regular reporting to the Strategic Management Group on the stewardship of risk.

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.

Sally Collier

Accounting Officer for Ofqual

Date: 28 June 2016

## Remuneration and staff report

### Part 1: Not subject to audit

#### Ministers

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

#### Ofqual

The Chair and other non-executive board members are appointed by the Secretary of State for Education for renewable terms of not more than 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/](http://www.civilservicecommission.org.uk/) .

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

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

#### Directors Remuneration policy

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

### 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.

## Remuneration (including salary and payments in kind)

Table 12: Salary entitlements of the most senior members of Ofqual for year ending 31 March 2016. The figures in brackets are the full year equivalent salary costs.

	Salary 2015-16	Salary 2014-15	Pension Benefits 2015-16	Pension Benefits 2014-15	Total 2015-16	Total 2014-15
	£000	£000	£000	£000	£000	£000
Amanda Spielman (Chair)	55-60	50-55	-	-	55-60	50-55
Amanda Spielman (Interim Chief Regulator)	5-10	-	-	-	5-10	-
Dana Ross-Wawrzynski	5-10	5-10	-	-	5-10	5-10
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	5-10	-	-	5-10	5-10
Neil Watts	5-10	5-10	-	-	5-10	5-10
Anne Heal	5-10	5-10	-	-	5-10	5-10
Barnaby Lenon	5-10	5-10	-	-	5-10	5-10
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
Terri Scott	5-10	-	-	-	5-10	-
Ray Coughlin	-	5-10	-	-	-	5-10
Glenys Stacey (Chief Regulator) (Left 29th Feb 2015)	130-135 (140-145)	140-145	35	35	165-170	175-180
Jeremy Benson Executive Director Vocational Qualifications	95-100	95-100	63	46	160-165	140-145
Marc Baker Chief Operating Officer	95-100	85-90 (95-100)	37	32	130-135	115-120
Michelle Meadows Exec Director Strategy, Risk and Research	105-110	90-95 (100-105)	41	34	145-150	125-130
Julie Swan Acting Exec Director General Qualifications from 14th Dec15	25-30 (80-85)	-	9	-	35-40	-
Ian Stockford Executive Director General Qualifications (Left 14th Dec 2015)	75-80	10-15 (75-80)	30	23	105-110	40-45
Cath Jadhav Interim Director of Research & Evaluation until 12 May 14	-	5-10 (80-85)	-	29	-	35-40
Mike Jeacock Interim Chief Operating Officer (Left 30 <sup>th</sup> May 2014)	-	45-50	-	-	-	45-50
Mike Bird Interim Chief Operating Officer from 19th June 2014 (Left 19 <sup>th</sup> Dec 2014)	-	130-135	-	-	-	130-135
Adrian Long Director of Strategic Communications and Engagement (Left 2nd Nov 2014)	-	55-60 (100-105)	-	24	-	80-85
Jane Farleigh	-	-	-	22	-	105-110

Interim Director of Regulatory Operations (Left 21st Nov 2014)		80-85 (85-90)				
Fiona Pethick Director of Regulation (Left 12 <sup>th</sup> Dec 2014)	-	105-110	-	9	-	115-120

Notes:

- The Ofqual chair Amanda Spielman covered the role of Chief Regulator for the period 1 March 2016 to 31 March 2016 (covered by this set of accounts), and for April 2016. This is shown as a separate line in the table. The full time equivalent costs of covering the post on an interim basis are shown in the fair pay section below.
- Ray Coughlin was replaced by Terri Scott in 2015
- Dennis Opposs and Tim Leslie were part of the Senior Management Team in 2014 to 2015 only, so have been taken out of the table for 2015 to 2016.
- Cath Jadhav was Interim Director of Research and Evaluation in the first two months of 2014 to 2015 until the permanent postholder was recruited.
- Mike Jeacock covered the role of Interim Chief Operating Officer for the first two months of 2014 to 2015. He was replaced by Mike Bird who covered the role from June to December 2014 when a permanent Chief Operating Officer was recruited.
- 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 bonus payments were made during the year.
- No benefits in kind were paid during the year.

## Pension benefits

Table 13: Pension benefits of the most senior members of Ofqual for the year ending 31 March 2016

	Accrued pension at pension age as at 31/3/16 and related lump sum	Real increase in pension and relate lump sum at pension age	CETV at	CETV at	Real Increase in CETV
			31-Mar-16	31-Mar-15	
	£000	£000	£000	£000	£000
Dame Glenys Stacey	25-30	0-2.5	391	351	33
Jeremy Benson	40-45	2.5-5	395	324	28
Marc Baker	0-5	0-2.5	63	33	19
Michelle Meadows	0-5	0-2.5	50	22	17
Ian Stockford	0-5	0-2.5	24	12	7
Julie Swan	10-15	0-2.5	172	156	4

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 2015 to 2016 was £170,000 to £175,000 (annual equivalent salary) compared to 2014 to 2015 when it was £140,000 to £145,000. This was 4.62 times the median remuneration of the workforce, which was £37,368 (2014 to 2015, 4.0 times, £35,511). The increase over 2014 to 2015 is due to a temporary change in remuneration to cover the Chair taking on the role of Interim Chief Regulator for an 8-week period starting 1 March 2016. Note, we are required to report on the annualised equivalent salary assuming this level of remuneration applied to the full year hence what appears at first sight to be a significant increase.

In 2015 to 2016, (2014 to 2015, NIL) no employees received remuneration in excess of the highest-paid director. Remuneration ranged from £5,000 to £175,000 (2014 to 2015, £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.

### **Cash equivalent transfer value (CETV)**

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

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

### **Real increase in CETV**

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

### **Compensation for loss of office**

No compensation for loss of office was paid to senior members of staff included in the remuneration report in 2015 to 2016, (2014 to 2015, NIL). Payments to other staff are included in the table on Reporting of Civil Service and other compensation schemes – exit packages.

### **Pension Costs**

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

Superannuation ([www.civilservicepensionscheme.org.uk/about-us/resource-accounts/](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/))

Alpha was introduced from 1 April 2015, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80 of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60 of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a

similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

For 2015 to 2016, employers' contributions of £1.54m were payable to MyCSP (2014–15: £1.487m) at one of four rates in the range 20.0 per cent to 24.5 per cent (2014 to 2015: 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 2015 to 2016 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employers' contributions of £33,100 (£46,603: 2014 to 2015) were paid to one or more of the panel of three appointed stakeholder pension providers. Contributions due to the partnership pension providers at the reporting period date were £2,650. Contributions prepaid at that date were £nil. There were no ill-health retirements during the year funded by Ofqual.

## Staff Costs

Staff costs for 2015 to 2016 were £11.56 million (2014 to 2015: £13.58 million) of which £1.25 million (2014 to 2015: £3.1 million) related to agency/contract staff. Details are shown in Note 3 of the accounts.

## Average number of staff employed

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

	Total	2015-16 Permanent staff	Others	2014-15 Total
	WTE	WTE	WTE	WTE
Resource activities	202.3	183.8	18.5	220.7
Capital projects	0.0	0.0	0.0	0.0
<b>Total</b>	<b>202.3</b>	<b>183.8</b>	<b>18.5</b>	<b>220.7</b>

## Breakdown of Headcount

The figures in the table below show headcount for employees, interim staff and contractors during the year.

	2015-16 Number	2014-15 Number
<b>Senior Civil Service</b>		
Payband 2	1	1
Payband 1	10	8
	11	9
Civil Servants	173	174
<b>Total Civil Servants</b>	<b>184</b>	<b>183</b>
Temporary Staff	19	23
Consultants	0	0
<b>TOTAL</b>	<b>203</b>	<b>206</b>

The increase in Senior Civil Service staff reflects the recruitment of two stakeholder directors to cover general and vocational qualifications.

In the year to 31 March 2016 we spent £1,247k (2014 to 2015: £3,107k) on temporary staff and £126k on consultants (2014 to 2015: £263,000).

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

Exit package cost band	2015–16			2014–15		
	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	0	0	0	7	7
£25,000 – £50,000	0	2	2	0	4	4
£50,000 – £100,000	0	2	2	0	0	0
£100,000 – £150,000	0	1	1	0	0	0
£150,000 – £200,000	0	0	0	0	0	0
<b>Total number of exit packages by type</b>	<b>0</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>11</b>	<b>11</b>
<b>Total resource cost – £000</b>	<b>0</b>	<b>330</b>	<b>330</b>	<b>0</b>	<b>238</b>	<b>238</b>

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.

### Other Staff Information: Not Subject to Audit

#### Off-payroll appointments

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

Table 1: Off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months

	<b>Main Department</b>
<b>No. of existing engagements as of 31 March 2016</b>	<b>2</b>
Of which...	
No. that have existed for less than one year at time of reporting.	1
No. that have existed for between one and two years at time of reporting.	1
No. that have existed for between two and three years at time of reporting.	NIL
No. that have existed for between three and four years at time of reporting.	NIL
No. that have existed for four or more years at time of reporting.	NIL

Note:

- Government departments are required to obtain assurances from individuals on contracts of more than six months' duration, where the annual cost is greater than £58,200, that tax due on contract payments will be paid. As at 31 March 2016 all such contractors engaged by Ofqual met these conditions.
- Recruitment is through an agency only where the agency is responsible for obtaining the assurances.

Table 2: New off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months

	<b>Main Department</b>
<b>No. of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016</b>	<b>1</b>
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:

- One new engagement was made in 2015–16 through a recruitment agency and therefore Ofqual did not seek assurances from the individuals directly.

Table 3: Off-payroll engagements of board members, and/or senior officials, with significant financial responsibility, between 1 April 2015 and 31 March 2016

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

### **Sickness absence**

Some 1,047.5 days were lost to sickness absence in 2015 to 2016 (913.5 days in 2014 to 2015), representing 2.56% of available staff working days. This is an average of 6.57 days per employee (4.9 days per employee in 2014 to 2015). This includes 579 days of long-term sickness absence and 468.5 days of short-term sickness absence. There were seven staff on long-term sick leave during 2015 to 2016, with long-term sickness being classed as more than 20 days' absence. This is consistent with the latest Civil Service average figure of 7.4.

### **Health and safety**

Ofqual is 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

Ofqual continued to promote equality for all regardless of gender, race, age, religion, belief, sexual orientation or disability during 2015 to 2016. The gender breakdown of staff as at 31 March 2016 was 106 females and 78 males.

	Female	Male
<b>Senior civil servants</b>	<b>4</b>	<b>7</b>
<b>Delegated grades</b>	<b>102</b>	<b>71</b>
<b>TOTAL</b>	<b>106</b>	<b>78</b>

At 31 March 2016, 6.5% of staff members classified themselves as disabled, and 9.2% classified themselves to be non-white, with a further 32% undeclared.

Ofqual operate an Equalities Advisory Group (an external group) providing advice and challenge on equalities issues in qualifications and reform activities. 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. In 2015 the response rate was 76%, which compares well with previous years.

Sally Collier

Accounting Officer for Ofqual

Date: 28 June 2016



## Parliamentary accountability and audit report

### Statement of Parliamentary Supply: Subject to Audit

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

### Summary of resource and capital outturn for 2015-2016

Table 16: Amounts approved in 2015-2016 in accordance with Parliamentary Expenditure Limits

Note	Estimate 2015–16			Outturn 2015–16			2015–16	2014–15
	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted outturn compared with estimate: saving £000	Outturn £000
Departmental expenditure limit								
- Resource 1.1	22,653	0	22,653	22,432	0	22,432	221	20,968
- Capital 1.2	35	0	35	35	0	35	0	90
Annually managed expenditure	0	0	0	0	0	0	0	0
Non-budget	0	0	0	0	0	0	0	0
<b>Total</b>	<b>22,688</b>	<b>0</b>	<b>22,688</b>	<b>22,467</b>	<b>0</b>	<b>22,467</b>	<b>221</b>	21,058

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

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

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

Departmental Expenditure Limits cover all programme and administration costs.

We had no voted or non-voted Annually Managed Expenditure in 2015-2016.

## Net cash requirement 2015-2016

Table 17: Net cash requirement 2015-2016

	Note	2015-16			2014-15
		Estimate	Outturn	Outturn compared with estimate: saving	Outturn
		£000	£000	£000	£000
Net cash requirement	3	21,771	20,386	1,385	20,370

## Administration costs 2015-2016

Table 18: Administration costs 2015-16

	2015-16		2014-15
	Estimate	Outturn	Outturn
	£000	£000	£000
Administration costs	15,782	13,547	15,628

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2015-2016 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 2015-2016 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

## SoPS 1: Net outturn

### SoPS 1.1: Analysis of net resource outturn by section

	Net Resource comprise:							2015-16		2014-15
	Outturn							Estimate		Outturn
Spending in Departmental Expenditure Limit	Administration			Programme			Total	Total	Total	Net
	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	13,949	(402)	13,547	8,960	(75)	8,885	22,432	22,653	221	20,968

The underspend of £221k against the estimate of £22,653k is 1% of the total budget and is largely due to the lower number of permanent staff in the organisation compared to what was expected. The underspend has been adjusted for the £192k payable to the consolidated fund. This is a portion of the income received from NI DEL towards the costs of closure of Ofqual's Northern Ireland office and is in excess of Ofqual's 2015-2016 admin income threshold of £402k.

### Spending in annually managed expenditure

Ofqual had no annually managed expenditure in 2015-2016 (2014-2015: nil)

### SoPS 1.2: Analysis of net capital outturn by section

	2015-16						2014-15
	Outturn			Estimate			Outturn
Spending in Departmental Expenditure Limit	Gross	Income	Net	Net	Net total outturn compared with estimate: saving	Net Outturn	
Voted:	£000	£000	£000	£000	£000	£000	
B Additions	35	0	35	35	0	90	

### SoPS 2: Reconciliation of Outturn to net operating expenditure

		SOPS	2015-16 £000	2014-15 £000
			Outturn	Outturn
Total resource outturn in Statement of Parliamentary Supply				
	Budget	1.1	22,432	20,968
			22,432	20,968
Less:	Income payable to Consolidated Fund		(192)	0
			22,240	20,968
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			22,240	20,968

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

		Estimate	Outturn	Net total outturn compared with Estimate
	SOPS	£000	£000	£000
Resource outturn	1.1	22,653	22,432	221
Capital outturn	1.2	35	35	0
Accruals to cash adjustments:				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(871)	(871)	0
Other non-cash items		(46)	(46)	0
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in receivables		0	169	(169)
(Increase)/decrease in payables		0	(1,333)	1,333
Net cash requirement		<b>21,771</b>	<b>20,386</b>	<b>1,385</b>

### SoPS 4: Income payable to the consolidated Fund

#### SoPS 4.1: Analysis of income payable to the consolidated fund

In addition to income retained by Ofqual, the following income is payable to the consolidated fund

	Outturn 2015-16		Outturn 2014-15	
	£000		£000	
	Income	Receipts	Income	Receipts
Excess cash surrenderable to the Consolidated Fund	192	0	0	0
<b>Total Amount Payable to the Consolidated Fund</b>	<b>192</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

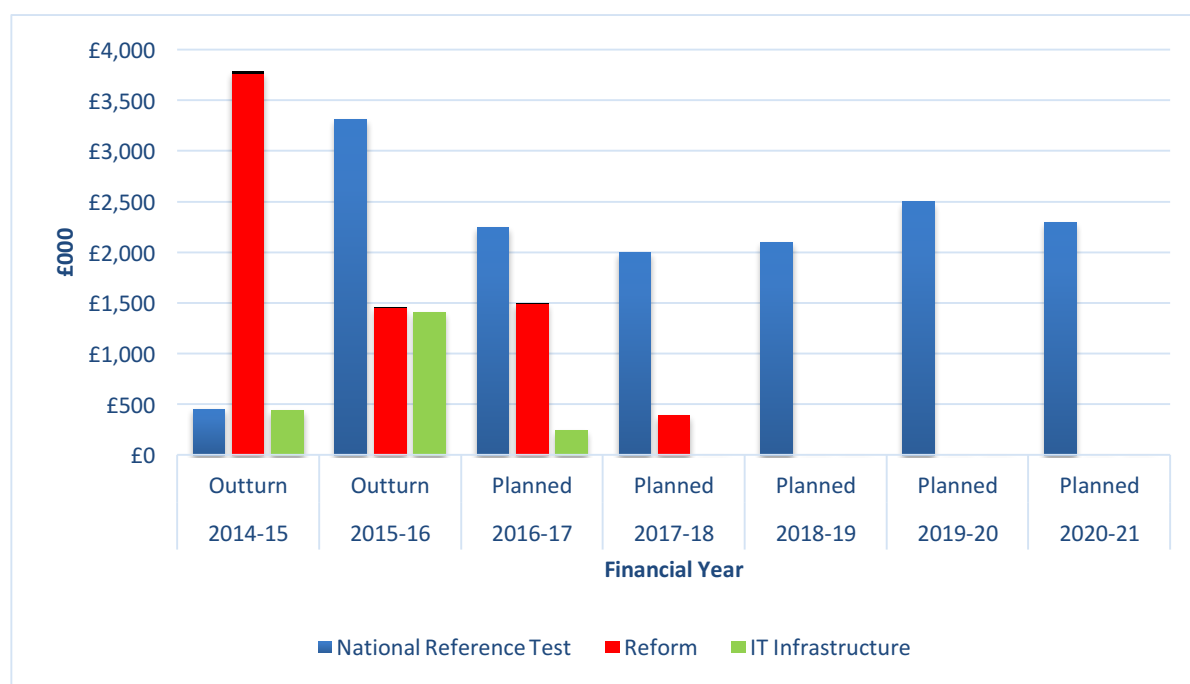
## Losses and special payments: Subject to Audit

During 2015–16 Ofqual incurred special payments of £48,000 (2014–15 £nil).

## Long-term Expenditure Trends

Table 19 shows the planned incidence of funding for major programmes that Ofqual are implementing. The IT infrastructure costs peaked in 2015-16 with the 2016-17 expenditure associated with the release of the Awarding Organisation portal which is the replacement for the Regulatory IT System (RITS). The assumption is that further incremental changes to the platform will be funded from Administration funding. The timetable for incidence of expenditure on Reform reflects that the majority of GCSE and A Level reform will be completed by the end of the financial year 2016-17. The National Reference test funding peak in 2019-20 is due to the proposed timetable for re-contracting the service. Further information on each can be found in the Performance Report.

Table 19: Expenditure on major programmes



Programme	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Planned £000	2017-18 Planned £000	2018-19 Planned £000	2019-20 Planned £000	2020-21 Planned £000
National Reference Test	460	3,317	2,250	2,000	2,100	2,500	2,300
Reform	3,784	1,459	1,500	400	0	0	0
IT Infrastructure	445	1,415	250	0	0	0	0
<b>TOTAL</b>	<b>4,689</b>	<b>6,191</b>	<b>4,000</b>	<b>2,400</b>	<b>2,100</b>	<b>2,500</b>	<b>2,300</b>

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

I certify that I have audited the financial statements of the Office of Qualifications and Examinations Regulation for the year ended 31 March 2016 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in those reports 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 circumstances of the Office of Qualifications and Examinations Regulation and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource

and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2016 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 affairs of the Office of Qualifications and Examinations Regulation as at 31 March 2016 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Date 1 July 2016

Comptroller and Auditor General

National Audit Office

157–197 Buckingham Palace Road

Victoria

London

SW1W 9SP



# Financial Statements

## For the year ending 31 March 2016

### 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.

		2015-16	2014-15
	Note	Total £000	Total £000
Other Operating Income	6	(669)	(376)
		<b>(669)</b>	<b>(376)</b>
Staff Costs	3	11,556	13,576
Purchase of Goods & Services		8,123	4,533
Depreciation & Impairment Charges		871	878
Other Operating Expenditure		2,359	2,357
		<b>22,909</b>	<b>21,344</b>
<b>Net operating cost for the year ended 31 March 2016</b>		<b>22,240</b>	<b>20,968</b>
<b>Other Comprehensive Expenditure</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive expenditure for the year ended 31 March 2016</b>		<b>22,240</b>	<b>20,968</b>

The notes on pages 73 to 86 form part of these accounts.

## Statement of financial position as at 31 March 2016

	31 March 2016		31 March 2015	
		£000	£000	£000
<b>Non-current Assets</b>				
Property, plant and equipment	7	31		88
Intangible assets	8	<u>0</u>		<u>779</u>
<b>Total non-current assets</b>			<b>31</b>	867
<b>Current Assets</b>				
Trade and other receivables	10	673		312
Cash and Cash Equivalents	9	<u>1</u>		<u>1</u>
<b>Total current assets</b>			<b><u>674</u></b>	<u>313</u>
<b>Total assets</b>			<b>705</b>	1,180
<b>Current liabilities</b>				
Trade and other payables	11	(3,367)		<u>(1,842)</u>
<b>Total current liabilities</b>			<b><u>(3,367)</u></b>	<u>(1,842)</u>
<b>Non-current assets plus/less net current assets/liabilities</b>			<b><u>(2,662)</u></b>	<u>(662)</u>
<b>Total assets less liabilities</b>			<b><u>(2,662)</u></b>	<u>(662)</u>
<b>Financed by:</b>				
<b>Taxpayers' equity</b>				
General fund			<b><u>(2,662)</u></b>	<u>(662)</u>
<b>Total Taxpayers' Equity</b>			<b><u>(2,662)</u></b>	<u>(662)</u>

The notes on pages 73 to 86 form part of these accounts.

Sally Collier

Accounting Officer for Ofqual

Date: 28 June 2016

Ofqual 2016

## Statement of cash flows for year ended 31 March 2016

	2015-16	2014-15
Note	£000	£000
<b>Cash flows from operating activities</b>		
Net operating cost	(22,240)	(20,968)
Adjustment for non-cash transactions	4, 5      917	924
(Increase)/Decrease in trade and other receivables	(361)	144
Increase/(Decrease) in trade payables	1,525	(380)
Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	0	0
<b>Net cash outflow from operating activities</b>	<b>(20,159)</b>	<b>(20,280)</b>
<b>Cash flows from Investing activities</b>		
Purchase of property, plant and equipment	7      0	(40)
Purchase of intangible assets	8      (35)	(50)
<b>Net cash outflow from investing activities</b>	<b>(35)</b>	<b>(90)</b>
<b>Cash flows from financing activities</b>		
From the Consolidated Fund (Supply) – current year	9      20,386	20,370
<b>Net Financing</b>	<b>20,386</b>	<b>20,370</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Consolidated Fund</b>	<b>192</b>	<b>0</b>
Payments of amounts due to the consolidated fund	(192)	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund</b>	<b>0</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the period</b>	9      1	1
<b>Cash and cash equivalents at the end of the period</b>	9      1	1

The notes on pages 73 to 86 form part of these accounts.

## Statement of changes in taxpayers' equity for the year ended 31 March 2016

		General Fund £000	Total Reserves £000
		<hr/>	<hr/>
<b>Balance at 31 March 2014</b>		(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 for the Year		(20,968)	(20,968)
<b>Non-cash adjustments</b>			
Non-cash charges – auditors remuneration	4	46	46
		<hr/>	<hr/>
<b>Balance at 31 March 2015</b>		<b>(662)</b>	<b>(662)</b>
Net Parliamentary Funding – drawn down		20,386	20,386
Net Parliamentary Funding – deemed supply		1	1
Supply (payable)/receivable adjustment		(193)	(193)
Comprehensive Expenditure to 31 March 2016		(22,240)	(22,240)
<b>Non-cash adjustments</b>			
Non-cash charges – auditors remuneration	4	46	46
		<hr/>	<hr/>
<b>Balance at 31 March 2016</b>		<b>(2,662)</b>	<b>(2,662)</b>

The notes on pages 73 to 86 form part of these accounts.

## Notes to the Accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply IFRS as adapted or interpreted for the public sector. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Ofqual for the purpose of giving a true and fair view has been selected. The particular policies adopted by Ofqual are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

#### 1.1 Accounting Convention

These financial statements have been prepared under the historical cost convention. Ofqual has a small asset base, and property, plant, equipment and intangible assets are held at depreciated historic cost as a proxy for current value, as permitted by the 2015–16 FReM. No revaluation adjustments have been made in these accounts.

#### 1.2 Accounting Policies

##### 1.2.1 Valuation of Non-Current Assets

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

##### 1.2.2 Depreciation and Amortisation

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

Asset lives are in the following ranges:

- information technology (hardware) – 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

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

### 1.2.5 Pensions

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

### 1.2.6 Leases

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

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

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

#### 1.2.7 Financial Instruments

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

#### 1.2.8 Financial Assets

Ofqual holds the following financial assets and liabilities:

- cash and cash equivalents
- trade receivables – current

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

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

#### 1.2.9 Financial Liabilities

- trade and other payables – current

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

#### 1.2.10 Value Added Tax

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.

#### 1.2.11 Contingent Liabilities and Contingent Assets

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

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

#### 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 our operating segments – regulation, standards and other directorates – based on management information produced in accordance with IFRS 8.

	2015-16						Total £000
	Reform	General Qualifications	Vocational Qualifications	Strategy Risk & Research	Regulatory Compliance	Corporate Services	
	£000	£000	£000	£000	£000	£000	
Gross Expenditure	4,777	1,464	3,356	2,329	1,277	8,835	<b>22,038</b>
Income	0	0	(539)	0	0	(130)	<b>(669)</b>
Depreciation	0	0	0	0	0	871	<b>871</b>
<b>Net Expenditure</b>	<b>4,777</b>	<b>1,464</b>	<b>2,817</b>	<b>2,329</b>	<b>1,277</b>	<b>9,576</b>	<b>22,240</b>

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

We implemented a new organisation structure in May 2015 with 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.

### 3. Staff costs comprise:

	Total	2015-16 Permanent staff	Others	2014-15 Total
	£000	£000	£000	£000
Wages and salaries	9,282	8,035	1,247	11,315
Social security costs	697	697	0	724
Pension costs	1,577	1,577	0	1,537
<b>Total net costs</b>	<b>11,556</b>	<b>10,309</b>	<b>1,247</b>	<b>13,576</b>

of which:	Charged to Administration budgets	Charged to Programme budgets	Charged to capital budgets	2015-16 Total
Core departments	9,802	1,754	0	11,556
<b>Total</b>	<b>9,802</b>	<b>1,754</b>	<b>0</b>	<b>11,556</b>

#### 4. Other administration costs

	2015-16 Core Department £000	2014-15 Core Department £000
<b>Non-cash items</b>		
Depreciation	0	0
Amortisation	0	0
Auditors remuneration	46	46
	<b>46</b>	46
<b>Other expenditure</b>		
Direct Operational Expenditure	907	1,447
Rent and Accommodation	947	993
IT	1,612	703
Recruitment, Training and Staff Related	530	259
Finance and Governance	105	128
	<b>4,101</b>	3,530
<b>Total</b>	<b>4,147</b>	3,576

#### 5. Programme costs

	2015-16 Core Department £000	2014-15 Core Department £000
<b>Non-cash items</b>		
Depreciation	57	66
Amortisation	814	812
Auditors remuneration	0	0
	<b>871</b>	878
<b>Other expenditure</b>		
Direct Operational Expenditure	4,614	1,733
IT	1,721	1,581
	<b>6,335</b>	3,314
<b>Total</b>	<b>7,206</b>	4,192

## 6. Income

	<b>2015-16</b>	2014-15
	<b>£000</b>	£000
Department for Employment & Learning (Northern Ireland)	<b>539</b>	312
Department for Children, Education, Lifelong Learning, & Skills (Wales)	<b>15</b>	24
Department for Business, Innovation and Skills	<b>30</b>	0
Council for Curriculum, Examinations, & Assessment	<b>85</b>	40
<b>Total</b>	<b>669</b>	376

## 7. Property, plant and equipment

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

	Information Technology	2014-15 Total
	£000	£000
<b>Cost or valuation</b>		
At 1 April 2014	502	502
Additions	40	40
<b>At 31 March 2015</b>	<b>542</b>	<b>542</b>
<b>Depreciation</b>		
At 1 April 2014	388	388
Charged in year	66	66
<b>At 31 March 2015</b>	<b>454</b>	<b>454</b>
<b>Carrying amount at 31 March 2015</b>	<b>88</b>	<b>88</b>
Carrying amount at 1 April 2014	114	114
<b>Asset financing</b>		
Owned	88	88
<b>Carrying amount at 31 March 2015</b>	<b>88</b>	<b>88</b>

## 8. Intangible assets

	SW Licenses £000	2015-16 Total £000
<b>Cost or valuation</b>		
At 1 April 2015	4,236	4,236
Additions	35	35
<b>At 31 March 2016</b>	<b>4,271</b>	<b>4,271</b>
<b>Depreciation</b>		
At 1 April 2015	3,457	3,457
Charged in year	814	814
<b>At 31 March 2016</b>	<b>4,271</b>	<b>4,271</b>
<b>Carrying amount at 31 March 2016</b>	<b>0</b>	<b>0</b>
Carrying amount at 1 April 2015	779	779
<b>Asset financing</b>		
Owned	0	0
<b>Carrying amount at 31 March 2016</b>	<b>0</b>	<b>0</b>

	SW Licenses £000	2014-15 Total £000
<b>Cost or valuation</b>		
At 1 April 2014	4,186	4,186
Additions	50	50
<b>At 31 March 2015</b>	<b>4,236</b>	<b>4,236</b>
<b>Depreciation</b>		
At 1 April 2014	2,645	2,645
Charged in year	812	812
<b>At 31 March 2015</b>	<b>3,457</b>	<b>3,457</b>
<b>Carrying amount at 31 March 2015</b>	<b>779</b>	<b>779</b>
Carrying amount at 1 April 2014	1,541	1,541
<b>Asset financing</b>		
Owned	779	779
<b>Carrying amount at 31 March 2015</b>	<b>779</b>	<b>779</b>

Accelerated depreciation charges of £195,000 were incurred in 2015-16. (2014–15 £nil). This was due to the decommissioning of the old Regulatory IT platform.

## 9. Cash and cash equivalents

	2015–16	2014–15
	£000	£000
Balance at 1 April 2015	1	1
Net changes in cash and cash equivalent balances	0	0
<b>Balance at 31 March 2016</b>	<b>1</b>	<b>1</b>
The following balances were held at:		
Government Banking Services	1	1
<b>Balance at 31 March 2016</b>	<b>1</b>	<b>1</b>

## 10. Trade receivables and other current assets

	2015-16	2014-15
	£000	£000
<b>Amounts falling due within one year</b>		
Trade receivables	71	0
Trade receivables - to be paid to the consolidated fund	192	0
Other receivables	18	3
Prepayments and accrued income	345	219
VAT	47	90
Bad debt provision	0	0
<b>Total at 31 March 2016</b>	<b>673</b>	<b>312</b>

## 11. Trade payables and other current liabilities

	2015-16	2014-15
	£000	£000
<b>Amounts falling due within one year</b>		
Other taxation and social security	212	208
Trade payables	239	272
Other payables	176	171
Accruals and deferred income	2,547	1,190
Consolidated Fund – Extra receipts due to be paid to the Consolidated Fund receivable	192	0
Amounts issued from the Consolidated Fund supply unspent at year end	1	1
<b>Total at 31 March 2016</b>	<b>3,367</b>	<b>1,842</b>

## 12. Capital and other commitments

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

	2015-16	2014-15
	£000	£000
<b>Buildings</b>		
Not later than one year	402	417
Later than one year and not later than five years	397	794
Later than five years	0	0
	<b>799</b>	<b>1,211</b>
<b>Other</b>		
Not later than one year	7	0
Later than one year and not later than five years	9	0
Later than five years	0	0
	<b>16</b>	<b>0</b>

The building operating leases relate to Ofqual's offices in Coventry and the first quarter of 2016-2017 only for the Northern Ireland office.

The other leases are for vending machines which were renewed in 2015–16.



### **13. Financial instruments**

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

### **14. Investments in other public sector bodies**

Ofqual has no investments in other public sector bodies.

### **15. Impairments**

There were no impairments in 2015-16 (2014-15 £nil).

### **16. Provisions for liabilities and charges**

Ofqual had no liabilities that required a provision in 2015-16 (2014-15 £nil).

### **17. Contingent liabilities**

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

### **18. Related-party transactions**

#### **18.1 Other government transactions**

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

- Land and Property Services
- GovNet Communications
- Cabinet Office.

We 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).
- Department for Business, Innovation and Skills.

### **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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