

NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

ANNUAL ACCOUNTS 2002

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## FOREWORD FROM THE CHIEF EXECUTIVE

I am pleased to present this publication of the Annual Accounts 2002 for the National Qualifications Authority of Ireland. The Authority was established on 26 February, 2001 under the Qualifications (Education and Training) Act, 1999 and these accounts represent the Authority's second year of operation. The Authority has presented the Annual Accounts 2002 to the Minister for Education and Science and has laid them before the Houses of the Oireachtas.

The Authority's mission is


*"to lead a cultural change, in partnership with stakeholders, with the aim of achieving*

- *wide recognition of outcomes of learning, and*
- *improved access for learners to quality learning opportunities".*

Through the performance of these two principal tasks, the key cultural change sought is to refocus the arrangements for learners accessing learning opportunities and attaining awards on the needs of learners themselves.

In December 2003 the Authority published a Corporate Plan 2003 -2006 which formally incorporated a report on its first two and a half years of work. The Plan also set out the Authority's development and implementation programme for its work over the following three years.

I would like to invite you to follow the progress of the Authority by visiting its website [www.nqai.ie](http://www.nqai.ie).



**Seán Ó Foghlú**  
**Chief Executive**

July 2004



# LETTER OF REPRESENTATION

The Office of the Comptroller and Auditor General  
Dublin Castle  
Dublin 2

## Letter of Representation

Financial Statements for the Period from 1 January 2002 to 31 December 2002

The National Qualifications Authority of Ireland was established under Section 5 of the Qualifications (Education and Training) Act, 1999 and the Qualifications (Education and Training) Act, 1999 (Commencement) Order, 2001 (S.I. No. 57 of 2001). We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other officials of the Authority the following representations given to you in connection with your audit of the financial statements of the Authority for the Period from 1 January 2002 to 31 December, 2002.

- 1 We acknowledge as members of the Authority our statutory responsibility for the fair presentation in the financial statements of the financial position, results of operations and changes in financial principles. All of the accounting records have been made available to you for the purpose of your audit. All other records and related information, including minutes of all Authority meetings have been made available to you.
- 2 We are not aware of any accounts, transactions or material agreements not fairly described and properly recorded in the financial and accounting records.
- 3 There have been no events since the balance sheet date which would require either revision of the amounts included in the financial statements or disclosure in a note thereto.
- 4 There were no contingent liabilities at 31 December, 2002.
- 5 There were no capital commitments at 31 December, 2002.
- 6 All transaction with subsidiary and related companies have been properly reflected in the financial statements.
- 7 All income and expenditure relating to the normal activities of the Authority have been included in the Income and Expenditure Accounts.
- 8 Accounting principles are applied on a basis consistent with stated accounting policies.
- 9 The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There have been no communications concerning non-compliance with requirements of regulatory or tax authorities with respect to any matter.
- 10 We have no plans or intentions that may materially affect the carrying value of classification of assets and liabilities disclosed in the financial statements.
- 11 The Authority has satisfactory title to all assets disclosed in the financial statements and there are no liens or encumbrances on the assets, except as disclosed in the financial statements.
- 12 We confirm that cash balance as shown in the financial statements is accurate.

- 13 Except as disclosed to you, we have no other bank or financing facilities available.
- 14 There are no instances of loss, fraud, or irregularity known to have occurred during the Period from 1 January, 2002 to 31 December, 2002 and to date, whether due to the action or non-action of a person within the Authority or due to an outside agency.

For and on behalf of the National Qualifications Authority of Ireland

*Richard Langford*  
CHAIRPERSON

*Seán Ó Foghlú*  
CHIEF EXECUTIVE

NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

FINANCIAL STATEMENTS PERIOD ENDED 31 DECEMBER 2002

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## INFORMATION

<b>Authority Address:</b>	5th Floor Jervis House Jervis Street Dublin 1
<b>Senior Executive:</b>	Mr Seán Ó Foghlú – Chief Executive Dr Anna Murphy – Director of Framework Development Ms Valerie Beatty – Director of Corporate Affairs
<b>Members of the Authority:</b>	Mr Richard Langford – Chairperson Prof Joyce O' Connor Prof Ciarán Murphy Mr Donal Kerr Ms Inez Bailey Ms Marie O' Mahony Fr Nicholas Flavin Mr Will Priestley Dr Caroline Hussey Ms Caroline Nash Prof Anne Moran Dr Abrar Hasan Mr Seán Ó Foghlú – Chief Executive
<b>Bank:</b>	Bank of Ireland College Green Dublin 2
<b>Solicitors:</b>	Brian Whitaker & Co Solicitors 17 Fitzwilliam Square Dublin 2
<b>Auditors:</b>	The Comptroller and Auditor General Dublin Castle Dublin 2
<b>Website:</b>	<a href="http://www.nqai.ie">www.nqai.ie</a>

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR PRESENTATION TO THE HOUSES OF THE OIREACHTAS

I have audited the financial statements on pages 7 to 12\* under Section 57(2) of the Qualifications (Education and Training) Act, 1999.

### RESPECTIVE RESPONSIBILITIES OF THE AUTHORITY AND THE COMPTROLLER AND AUDITOR GENERAL

The accounting responsibilities of the Authority are set out in the Statement of Responsibilities of the Authority on page 6\*\*. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the Authority and to report on them.

I review whether the statement on pages 4 and 5\*\*\* reflects compliance by the Authority with applicable guidance on corporate governance and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

### BASIS OF AUDIT OPINION

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Authority, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### OPINION

In my opinion, proper books of account have been kept by the Authority and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the National Qualifications Authority of Ireland at 31 December 2002 and of its income and expenditure for the period then ended.



Gerard Smyth

For and on behalf of Comptroller and Auditor General, 20 May 2004

\* pages 15–20 in this publication

\*\* page 14 in this publication

\*\*\* pages 12 and 13 in this publication

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

On behalf of the members of the National Qualifications Authority of Ireland I acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

### KEY CONTROL PROCEDURES

The Authority is taking steps to ensure an appropriate control environment by

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

The Authority is establishing processes to identify and evaluate business risks by

- identifying the nature, extent and financial implication of risks facing the body including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the body's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Authority;
- regular reviews by the Authority of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance.

The National Qualifications Authority of Ireland has put in place an internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Audit Committee and approved by the Authority. At least annually, the Internal Auditor will provide the Authority with a report of internal audit activity. The report includes the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

The Authority's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the Audit Committee which oversees the work of the internal auditor, the Executive within the National Qualifications Authority of Ireland who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

## ANNUAL REVIEW OF CONTROLS

I confirm that in the year ended 31 December 2002 the Authority has agreed a system of internal financial controls which will be reviewed by the internal auditor.

Signed on behalf of the Authority

*Richard Langford*

**CHAIRPERSON**

17 May 2004

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## STATEMENT OF RESPONSIBILITY OF THE AUTHORITY

The National Qualifications Authority was established on 26th February 2001, by the Minister for Education and Science, under Section 5 of the Qualifications (Education and Training ) Act, 1999.

The functions of the National Qualifications Authority are to do all things necessary or expedient in accordance with the Act to further the objects of the Authority.

The objects of the Authority are as follows:

- (a) to establish and maintain a framework, being a framework for the development, recognition and award of qualifications in the State based on standards of knowledge, skill and competence to be acquired by learners.
- (b) to establish and promote the maintenance and improvement of the standards of further education and training awards and higher education and training awards of the Further Education and Training Awards Council, the Higher Education and Training Awards Council, the Dublin Institute of Technology and universities established under section 9 of the Act of 1997.
- (c) to promote and facilitate access transfer and progression.

Section 57 of the Qualifications (Education and Training) Act, 1999 requires the National Qualifications Authority (referred to as the Authority) to prepare financial statements in such form as may be approved by the Minister for Education and Science after consultation with the Minister for Finance.

In preparing those financial statements, the Authority is required to:

- select suitable accounting policies and apply them consistently.
- make judgments and estimates that are reasonable and prudent.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.
- disclose and explain any material departures from applicable accounting standards.

The Authority is responsible for the keeping of proper books of account which disclose with reasonable accuracy at any time its financial position and which enable it to ensure that the financial statements comply with section 57 of the Qualifications (Education and Training) Act, 1999. The Authority is also responsible for safeguarding its assets and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

***Richard Langford***  
**CHAIRPERSON**

***Seán Ó Foghlú***  
**CHIEF EXECUTIVE**

17 May 2004

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## STATEMENT OF ACCOUNTING POLICIES

### BASIS OF PREPARATION

The financial statements are prepared under the accrual method of accounting, except as indicated below, and in accordance with generally accepted accounting principles under the historical cost convention. The Financial Statements are in the form approved by the Minister for Education and Science with the concurrence of the Minister for Finance.

### ACCOUNTING PERIOD

These financial statements cover the year to 31 December 2002. The comparative period relates to the period 26 February 2001 to 31 December 2001.

### STATE GRANTS

Income shown in the financial statements under State Grants represents the actual receipts in the period.

### GRANTS TO AWARD COUNCILS

The amounts shown in the financial statements under Award Council Grants represents the actual payments in the period.

### TANGIBLE ASSETS AND DEPRECIATION

Tangible Assets are stated at their historical cost less accumulated depreciation. Depreciation is charged to the Income and Expenditure Account on a straight line basis, at the rates set out below, so as to write off the assets, adjusted for residual value, over their expected useful lives as follows:-

Leasehold buildings	Over lease term of 25 years
Computer Equipment	33.33%
Office Equipment	20%
Office Furniture	10%

### CAPITAL ACCOUNT

The Capital Account balance represents the unamortised value of income applied for capital expenditure purposes.

### FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated into euro and recorded at the rates of exchange ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date or at forward purchase contract rates where such contracts exist.

### PENSIONS

The Authority is in ongoing discussions with the Department of Education and Science regarding pension arrangements. A draft pension scheme has been developed and is awaiting approval from the Houses of the Oireachtas.

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 DECEMBER 2002

	Note	2002 €	2001 €
<b>INCOME</b>			
State Grant	1	9,518,250	2,239,818
		9,518,250	2,239,818
Transfer to Capital Account	9	(693,019)	(60,818)
		8,825,231	2,179,000
<b>EXPENDITURE</b>			
Award Council Grants	2	7,378,250	1,566,857
Staff Costs	3	591,021	207,005
Premises	4	242,461	95,642
Central Administration and Services	5	345,039	201,343
		8,556,771	2,070,847
<b>SURPLUS FOR THE YEAR</b>		<b>268,460</b>	<b>108,153</b>
<b>BALANCE AT 1 JANUARY</b>		108,153	–
<b>BALANCE AT 31 DECEMBER</b>		376,613	108,153

The Statement of Accounting Policies and notes 1 - 15 form part of these financial statements.

There are no recognised gains or losses, other than those dealt with in this Account.

*Richard Langford*  
**CHAIRPERSON**  
 17 May 2004

*Seán Ó Foghlú*  
**CHIEF EXECUTIVE**  
 17 May 2004

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## BALANCE SHEET AS AT 31 DECEMBER 2002

	Note	2002 €	2001 €
TANGIBLE ASSETS	6	753,837	60,818
CURRENT ASSETS			
Cash on hand and at bank		781,927	58,360
Debtors and prepayments	7	77,834	79,686
		859,761	138,046
CURRENT LIABILITIES			
AMOUNTS FALLING DUE WITHIN 1 YEAR			
Creditors	8	483,148	29,893
NET CURRENT ASSETS		376,613	108,153
NET ASSETS		1,130,450	168,971
REPRESENTED BY:			
Capital Account	9	753,837	60,818
Income and Expenditure Account		376,613	108,153
		1,130,450	168,971

The Statement of Accounting Policies and notes 1 – 15 form part of these financial statements.

*Richard Langford*  
CHAIRPERSON  
17 May 2004

*Seán Ó Foghlú*  
CHIEF EXECUTIVE  
17 May 2004

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 €	2001 €
<b>1 State Grant</b>		
Grant towards Administration	2,140,000	672,961
Grant for the Further Education and Training Awards Council	5,630,250	1,566,857
Grant for the Higher Education and Training Awards Council	1,748,000	0
	<b>9,518,250</b>	<b>2,239,818</b>
Up to 50% of the expenditure from State Grant is funding by the European Social Fund.		
<b>2 Award Council Grants</b>		
Further Education and Training Awards Council	5,630,250	1,566,857
Higher Education and Training Awards Council	1,748,000	0
	<b>7,378,250</b>	<b>1,566,857</b>
In accordance with Section 11 (1) of the Qualifications (Education and Training) Act, 1999 the Authority is provided with a grant each year by the Oireachtas. In accordance with Section 11 (2) of the Act, in each year the Authority may pay out of moneys received under Section 11 (1) a grant or grants to the Higher Education and Training Awards Council and the Further Education and Training Awards Council and in accordance with Section 11(3) of the Act, payments to the Awards Councils are made in such a manner and subject to such conditions as the Authority thinks fit.		
<b>3 Staff Costs</b>		
Salaries and Wages	528,043	161,272
Travel and Subsistence	39,918	24,844
Recruitment Costs	20,015	17,813
Staff Training	3,045	3,076
	<b>591,021</b>	<b>207,005</b>
<b>4 Premises</b>		
Repairs and Maintenance	7,188	4,695
Rent and Rates	154,245	69,786
Insurance	1,247	681
Depreciation	79,781	20,480
	<b>242,461</b>	<b>95,642</b>
<b>5 Central Administration and Services</b>		
Telephone and Postage	22,559	12,994
Accountancy	12,224	9,263
Bank Charges	99	112
Information Technology	1,393	10,700
Staff Development	11,101	347
Audit Fees	8,850	6,000
Advertising	98,124	81,942
Stationery	43,631	32,850
Newspapers and Books	4,489	917
Subscriptions	2,631	1,360
General Office Supplies	51	867
Office Equipment	0	5,583
Meeting Expenses	36,970	3,021
Legal Fees	3,231	8,761
Consultancy Fees	10,285	3,527
Loss on disposal of Office Equipment	2,119	0
Miscellaneous	804	396
Publications	28,426	7,825
Publications Advertising	0	12,230
Seminar expenses	22,478	2,648
Research and Survey Fees	35,574	0
	<b>345,039</b>	<b>201,343</b>

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

6 Tangible Assets	Leasehold Property €	Office F & F €	Office Equipment €	IT Equipment €	Total €
<b>Cost</b>					
At 1 January 2002	0	449	18,147	62,702	81,298
Additions	542,886	163,648	50,018	21,367	777,919
Disposals	0	0	(6,399)	0	(6,399)
<b>At 31 December 2002</b>	<b>542,886</b>	<b>164,097</b>	<b>61,766</b>	<b>84,069</b>	<b>852,818</b>
<b>Depreciation</b>					
At 1 January 2002	0	38	3,025	17,417	20,480
Charge for the period	21,715	16,410	13,633	28,023	79,781
Disposals	0	0	(1,280)	0	(1,280)
<b>At 31 December 2002</b>	<b>21,715</b>	<b>16,448</b>	<b>15,378</b>	<b>45,440</b>	<b>98,981</b>
<b>Net Book Values</b>					
<b>NBV at 31 December 2002</b>	<b>521,171</b>	<b>147,649</b>	<b>46,388</b>	<b>38,629</b>	<b>753,837</b>
<b>NBV at 31 December 2001</b>	<b>0</b>	<b>411</b>	<b>15,122</b>	<b>45,285</b>	<b>60,818</b>
				<b>2002</b>	<b>2001</b>
				<b>€</b>	<b>€</b>
<b>7 Debtors and Prepayments</b>					
Debtors				–	433
Prepayments				77,834	79,253
				<b>77,834</b>	<b>79,686</b>
<b>8 Creditors and Accruals</b>					
Trade Creditors				422,491	2,589
Accruals				60,657	27,304
				<b>483,148</b>	<b>29,893</b>
<b>9 Capital Account</b>					
Balance at 1 January 2002				60,818	–
Allocation from state recurrent grant				771,520	81,298
				<b>832,338</b>	<b>81,298</b>
Release to income (amortisation in line with asset depreciation)				(78,501)	(20,480)
<b>Balance at 31 December 2002</b>				<b>753,837</b>	<b>60,818</b>

# NATIONAL QUALIFICATIONS AUTHORITY OF IRELAND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

### 10 Capital Commitments

There were no capital commitments at 31 December 2002.

### 11 Operating Lease

The Authority holds a 25 year tenancy agreement from 5 December 2002 in respect of the lease of office accommodation in Jervis House. The annual cost of the lease is €219,217.50 with a 5 year rent review.

### 12 Contingent Liabilities

No contingent liabilities existed at 31 December 2002.

### 13 Superannuation

The Authority is in ongoing discussions with the Department for Education and Science regarding pension arrangements. A draft pension scheme has been developed and is awaiting approval from the Houses of the Óireachtas. The scheme in operation is a defined benefit scheme and contributions are 6%.

The average number of employees during the year was 10.

### 14 Corporation Tax

The Authority is not liable for Corporation Tax.

### 15 Approval of Financial Statements

The financial statements were approved by the Authority at its meeting on 29 April 2004.