



CYFRIFON BLYNYDDOL

2017/18

ANNUAL
ACCOUNTS



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Performance Report

1. Overview

1.1 Introduction and Scope of Responsibility

Qualifications Wales regulates recognised awarding bodies offering non-degree qualifications in Wales. We were established in August 2015, through the Qualifications Wales Act and assumed our duties and powers in September of that year. This year, April 2017 to March 2018, is our second full financial year of operation.

In addition to our Annual Accounts we produce an Annual Report which gives more information about our work and how we are fulfilling our Principal Aims. Our Annual Report provides a comprehensive account of each of our operational priorities and the activities we have conducted throughout the year in order to fulfil them. We published our second Annual Report in December 2017 covering the period September 2016 to August 2017 and this was scrutinised by the National Assembly for Wales.

This set of Annual Accounts covers the period from 1 April 2017 to 31 March 2018.

1.2 Statutory background and functions

Under the Qualifications Wales Act (2015) we have two Principal Aims:

1. *Ensuring that qualifications, and the Welsh qualification system, are effective for meeting the reasonable needs of learners in Wales; and*
2. *Promoting public confidence in qualifications and in the Welsh qualifications system.*

This means that we place the learner at the heart of our activities. It also means that we have responsibilities to look across the qualifications system to make sure it is working in the interest of learners and to act or advise others to do so if necessary. Amongst other things, this means ensuring that qualifications within the system are valued, secure and internationally respected. We have powers and duties to regulate awarding bodies and we can make positive interventions to secure improvements to the qualifications system.

Learners are the ultimate beneficiaries of our work, but we also consider the needs of employers, the higher education sector and the professions. We protect the value of qualifications, ensuring that standards are maintained, and grades awarded appropriately, and that qualifications continue to be developed as learner needs change.

We have to pay regard to eight 'matters' in deciding how we go about our work:

"In considering what is appropriate for the purpose of achieving its principal aims, the matters to which Qualifications Wales is to have regard include (among other things):

- (a) *The desirability of promoting sustainable growth in the Welsh economy;*

- (b) *The desirability of promoting and facilitating the use of the Welsh language, including through the availability of assessment arrangements that provide for assessment through the medium of the Welsh language, and of qualifications that otherwise promote or facilitate the use of the Welsh language;*
- (c) *The range and nature of qualifications available, and their assessment arrangements;*
- (d) *The reasonable requirements of employers, higher education institutions and the professions regarding education and training (including as to required standards of practical competence);*
- (e) *Whether the knowledge, skills and understanding required to be demonstrated for the purpose of determining whether a person is to be awarded a qualification reflect current knowledge and best practice;*
- (f) *Whether qualifications indicate a consistent level of attainment with that indicated by whatever Qualifications Wales considers to be comparable qualifications, whether awarded in Europe or elsewhere;*
- (g) *Whether qualifications are provided efficiently and so as to secure value for money; and*
- (h) *The respective roles played by, and responsibilities of, each of the following persons in respect of the Welsh qualification system (including by reference to cooperation between those persons, and their effectiveness in performing their roles);*
 - (i) *Awarding bodies, learning providers, Qualifications Wales and the Welsh Ministers;*
 - (ii) *Any other persons exercising functions that Qualifications Wales considers relevant for the purpose of the Welsh qualification system.*

Qualifications Wales Act (2015)

1.3 What we do

Acting on behalf of learners in Wales we carry out the following activities.

We recognise awarding bodies that apply for recognition and who meet our Criteria for Recognition. Once recognised, awarding bodies must comply with our Conditions of Recognition in respect of all regulated qualifications that they award in Wales. Recognised awarding bodies may also submit qualifications for us to approve or designate as eligible for use on publicly funded programmes of learning.

We also review and monitor the activities of awarding bodies. This includes, for example, how they set question papers, award grades, quality assure non-exam assessment, and how well they support schools, colleges and other examination centres. If necessary, we can take a range of enforcement action.

We develop and publish policies that explain how we work and requirements that recognised awarding bodies must adhere to.

We consider whether the qualifications provided for a given subject, industry sector, progression path, or age group meet those learners' needs. In doing this we:

- Carry out research to inform our decisions;
- Work with and listen to a wide range of stakeholders, learners, and subject experts;
- Consult on major decisions; and
- Work with Welsh Government and other education partners to understand longer term policy developments, trends within the economy and the implications for qualifications.

Where we determine that changes are needed we may commission the development of qualifications on behalf of Wales. We can use powers to restrict the number of awarding bodies that can offer a particular qualification if we consider this is better for learners or makes commissioning more viable.

We may provide grants to support the qualifications system and learners' needs, for example, to secure the availability of Welsh-medium assessment or to fund specific activities to support the implementation of new qualifications.

We deliver a range of communications to share information and improve understanding amongst schools, colleges, universities, employers and other bodies. We provide support to centres (schools, colleges and work-based learning providers where qualifications are taken) across Wales.

As the recognised expert in qualifications we are required, if requested, to provide Welsh Ministers with advice on specific issues.

Our operation is supported by corporate functions including Finance, Human Resources (HR), Information Technology (IT), Procurement, Facilities, Communications and Corporate Governance. We buy in our legal services, audit, translation and payroll services.

1.4 Performance Summary

We have five operational priorities:

Operational Priority 1 - Deliver the general qualifications aspects of our work

General qualifications such as GCSE, AS, A level qualifications and the Welsh Baccalaureate are monitored to ensure that they are fit for purpose, valued, and the public has confidence in results.

Operational Priority 2 - Deliver the vocational qualifications aspects of our work

Vocational qualifications that we reform or monitor are effective in meeting the needs of employers and provide learners with progression routes to employment or to the next stage of learning.

Operational Priority 3 - Deliver the core regulatory aspects of our work

Awarding bodies that we recognise are monitored for compliance with our Conditions of Recognition.

Operational Priority 4 - Engage with and support the Welsh qualifications system

The qualifications system in Wales is improved through research and effective engagement and collaboration with stakeholders, resulting in increased public confidence.

Operational Priority 5 - Continue to develop our corporate capabilities and capacity

Qualifications Wales is confident that it is effective and efficient in fulfilling its Principal Aims and is continually evolving to add value to the education system in Wales.

Our 2017-18 business plan identified our focus for the year and listed a number of sub-priorities that we intended to deliver in support of our Operational Priorities.

This Performance Summary section outlines our main achievements across the year. Further detail is provided in the Performance Analysis section.

Commentary from the Chief Executive of Qualifications Wales

Key achievements this year

This year I was pleased to report to the Board that we had delivered against our operational priorities. I highlighted the following main achievements:

General Qualifications (GQ) activities

- Published our General Qualifications Strategic Plan;
- Oversaw the delivery and award of GCSEs and A levels, many being Wales-only qualifications awarded for the first time. We monitored their delivery closely, ensuring they were awarded fairly so their standards can be carried forward appropriately;
- Published our research into early and repeat entries for GCSEs;
- Completed a review of the Skills Challenge Certificate and its place within the Welsh Baccalaureate, ready for publication in April 2018.

Vocational Qualifications (VQ) activities

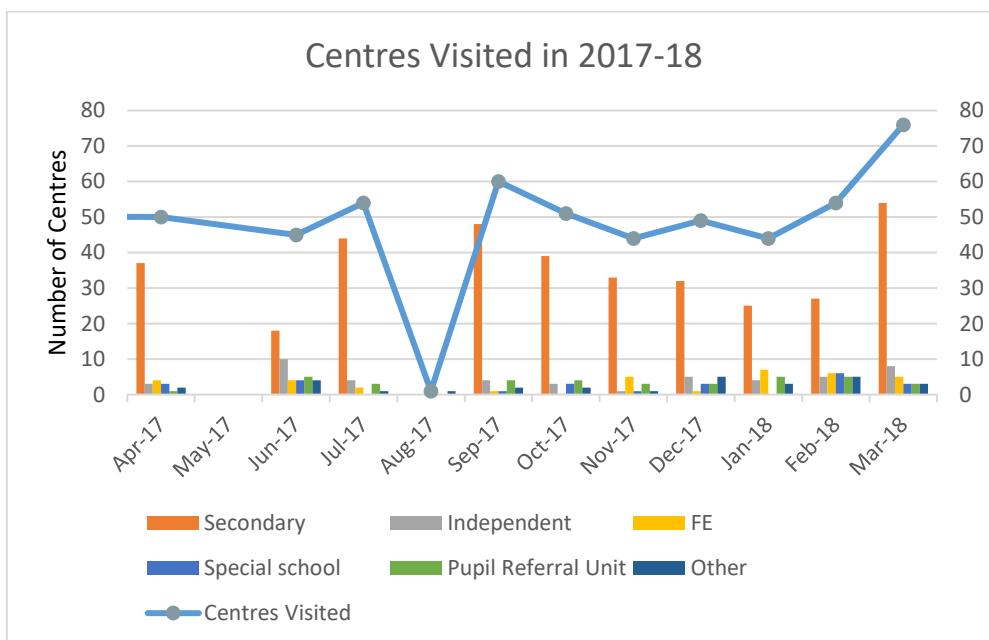
- Published our sector review in Construction and Built Environment and as a result launched a consultation on proposals for reform of the qualifications in this sector;
- Acted on the main findings of last year's review of the Health and Social Care (including Childcare) sector, using our powers to restrict qualifications to a new suite of qualifications commissioned for Wales through an open competitive process;
- Delivered a development programme for quality assurance personnel who work with Health and Social Care qualifications;
- Commenced our VQ monitoring programme, monitoring First Aid qualifications which as a result has led to us securing undertakings from all awarding bodies involved to act on our findings;
- Published an evaluation and subsequent action plan, of the implementation of the Essential Skills suite of qualifications to identify the extent to which they are meeting learner needs;
- Completed the fieldwork for the ICT review.

Core regulatory activities

- Published our regulatory framework and approach, including consulting on and publishing our regulatory outcomes that we use to describe and focus our work;
- Commenced a review of our Conditions of Recognition;
- Recognised two new Awarding Bodies;
- Conducted our first regulatory thematic audits of awarding bodies, covering their IT systems;
- Introduced an on-line version of the annual Statement of Compliance;
- Designated 503 qualifications as eligible for public funding.

Supporting the qualifications system

- Managed grant schemes to support the availability of Welsh-medium qualifications;
- Established a Memorandum of Understanding with the Welsh Language Commissioner;
- Ran a summer communications campaign to support the award of the new Wales only qualifications – including spotlight articles, media briefing and blogs;
- Supported Welsh Government's development of the new curriculum by working closely with Estyn and other stakeholders, providing observers to the majority of Areas of Learning and Experience (AoLE) groups;
- Presented our research on early and repeat entries and our Sector Review approach at international conferences;
- Supported good practice in centres, (a school, college, training provider or employer that delivers assessments to learners on behalf of awarding bodies) undertaking 585 visits to centres throughout the year.



Developing our corporate capability

- Published our Qualifications Wales Strategy;
- Published our Corporate Capability strategic plan;
- Continued to invest in our staff through a learning and development programme. Our first cohort completed the level 3 Institute of Leadership and Management (ILM) course;
- Launched our refreshed organisational values;
- Delivered a programme of Board development training and completed a review of our Board and Committee's effectiveness;
- Established the technical infrastructure and capability to collect learner data. Collected and published our first statistical data on general qualifications awarded in Wales;
- Delivered an internal audit programme; all audits achieving substantial or satisfactory assurance.

Philip Blaker

Accounting Officer

19 July 2018

2 Performance Analysis

2.1 Progress against our Operational Priorities for 2017-18

The 2017-18 operational priorities built on last year's plan, reflecting the maturing nature of the organisation. Being in our second year of operation we moved the focus from 'building' to 'maturing' across all our functions. Our Senior Leadership Group reported progress against these priorities monthly, using a Red/Amber/Green rating system. This enabled us to report progress at each Board meeting. The table below shows what we have achieved over the year:

Operational Priority 1 – Deliver the general qualifications aspects of our work	
Sub-priorities	
	<ul style="list-style-type: none">• Oversee the setting and maintenance of appropriate standards for reformed general qualifications awarded in Wales;• Monitor the delivery of the summer and winter examination series (legacy and reformed);• Monitor reformed qualifications;• Evaluate the impact of qualification reform.
Progress	
	<ul style="list-style-type: none">• We published the General Qualifications Strategic Plan;• We monitored the delivery of the Summer 2017, November 2017 and January 2018 examination series;• We commissioned and completed a detailed review of the Skills Challenge Certificate and its place within the Welsh Baccalaureate, ready for publication in April 2018;• We worked with awarding bodies including WJEC, Regional Consortia and Welsh Government, and provided grant funding to enable the development and continued provision of qualifications through the medium of Welsh, bilingual resources and change management activities.• We ran an online ('Have your say') questionnaire for students and teachers to gather views on the new GCSE, AS and A level qualifications, which led to valuable feedback on how the exams were received;• We published our research into early and repeat entries for GCSEs, which investigated the reasons for the growing trend in the practice of students sitting their GCSE exams early (and often more than once before they reach the end of year 11) and whether this was in the interest of all learners. This led to the Cabinet Secretary making changes to the way schools performance measures are calculated;• Commenced a programme of evaluation of reformed qualifications;

- We commissioned research to look at the fees charged by awarding bodies for services related to GCSEs and A levels.

Operational Priority 2 - Deliver the Vocational Qualification (VQ) aspects of our work**Sub-priorities**

- Deliver the VQ monitoring programme for 2017-18;
- Deliver Sector Reviews;
- Implement commitments from the Health and Social Care and Childcare review.

Progress

- We published our sector review in Construction and Built Environment and as a result launched a consultation on proposals for reform of the qualifications in this sector. The review included interviews with 200 stakeholders, engagement with over 100 employers, discussions with over 900 students, an online survey, a review by contracted subject experts of 23 qualifications across the sector and a desktop comparison with other Countries;
- Completed the fieldwork for the ICT review;
- We acted on the main findings of last year's review of the Health and Social Care (including Childcare) sector, using our powers to restrict qualifications to a new suite of qualifications commissioned for Wales through an open competitive process. In August 2017, we awarded a contract to a consortium of WJEC and City & Guilds London Institute to develop the new suite of qualifications. We have worked closely with the awarding body consortium and with Social Care Wales and the NHS and have made good progress in developing content and assessment. This has been consulted on with a wide range of stakeholders;
- We delivered a development programme ('Quality Matters'), for quality assurance personnel who work with the current suite of Health and Social Care qualifications, following on from our 'Strengthening Assessment' workshops in the previous year;
- We commenced our VQ monitoring programme, monitoring First Aid qualifications which led to us securing undertakings from awarding bodies to act on our findings;
- We published an evaluation and subsequent action plan, of the implementation of the Essential Skills suite of qualifications to identify the extent to which they are meeting learner needs.

Priority 3 – Deliver the core regulatory aspects of our work**Sub-priorities**

- Develop and communicate our regulatory framework and approach;
- Monitor awarding body compliance;
- Develop regulatory systems and procedures;
- Process applications for recognition and surrender.

Progress

- We published our regulatory framework and approach document which summarises how we currently regulate awarding bodies and qualifications in Wales. We also consulted on and published regulatory outcomes that we will use to describe what we want to achieve through our regulatory activities and actions, and as such, outline our vision;
- We have developed new and reviewed existing policies and a number of regulatory documents. Since April 2017 we have published the following: Joint Working Statement, Provision of Services Statement, Designation Policy, Conditions of Approval and Approval Criteria document. We have also reviewed and consulted on our Whistleblowing policy, Fee Capping policy, Taking Action When Things Go Wrong, and Complaints about Awarding Bodies;
- We commenced a review of our Conditions of Recognition to further develop our regulatory approach, working closely with awarding bodies to understand their views. We invited qualification regulators from England and Northern Ireland to join us in this activity;
- We received five applications from organisations wanting to become awarding bodies recognised by us; we recognised two of these organisations as awarding bodies;
- We conducted our first regulatory thematic audits with two awarding bodies, covering IT. These audits covered Information Security, GDPR readiness and information systems governance (including, where relevant, systems developments). This provided each awarding body with valuable insight to enable them to further develop their services;
- We introduced an on-line version of the annual Statement of Compliance making it easier for awarding bodies to undertake their annual submission to us;
- 112 awarding bodies submitted Statements of Compliance to us in 2017. We reviewed all of them and our summary report will be published in April 2018;
- In 2016 we reviewed our approach to designation to make sure the requirements we place on awarding bodies wanting to offer designated qualifications are appropriate and clear. We have taken forward the recommendations from the review and in February 2018 published a revised policy and new rules for designation;
- We designated 503 qualifications as eligible for public funding.

Priority 4 - Engage with and support the Welsh qualifications system	
Sub-priorities	
<ul style="list-style-type: none">• Regulate for a bilingual nation;• Enhance our digital channels and strengthen our external engagement;• Support schools and colleges and other learning providers (centres);• Informing forward planning for qualifications and the qualifications system in Wales.	
Progress	
<ul style="list-style-type: none">• We continued to encourage awarding bodies to offer Welsh-medium qualifications and assessment. We awarded grants to eight awarding bodies to deliver Welsh-medium assessment of qualifications;• We have completed our action plan to support the Welsh-medium and bilingual qualifications policy, and are now reviewing our policy which we intend to publish in 2019;• Both our GQ and VQ strategies outline our commitment to increasing the availability of Welsh-medium and bilingual qualifications and our Regulatory Welsh-Medium and Bilingual Qualifications Policy outlines the qualifications that must normally be available in Welsh. During the last year, we have increased support for awarding bodies and the qualifications system to increase the availability of qualifications and assessors, and have convened and led many forums and networks with awarding bodies and school leaders;• We have set up a range of communication channels and established good working relationships with our stakeholders to enable regular and meaningful dialogue;• We ran a summer communications campaign to support the award of the new Wales-only qualifications – including ‘spotlight’ articles, media briefings and blogs;• We ran a campaign publicising the changes to GCSEs in Wales, reinforcing the message that they would continue to be graded A*-G. Specially designed posters and leaflets were sent to all secondary schools in Wales, backed up by social media activity, web articles and press releases;• In May 2017 we worked with UCAS to organise two conferences in Llandudno and Swansea for teachers and advisors helping students to apply for university places;• We launched our new website, involving awarding bodies and other stakeholders in user testing;• We have supported Welsh Government’s development of the new curriculum by working closely with Estyn and other stakeholders, with staff attending all the Areas of Learning and Experience (AoLE) groups;	

- We continue to support schools, colleges and other learning providers to ensure that examinations are delivered effectively, fairly and securely. In 2017-18 our Centre Support Team made 585 visits, advising school examination officers and delivering training.
- We presented our research into early entry at the International Association of Educational Assessment conference and the European Association of Educational Assessment. We also presented our work on Sector Reviews at the European Association of Educational Assessment conference;
- We commenced phase two of our longitudinal research study into public confidence in qualifications and the qualifications system. This will be published in 2018.
- We sponsored the Wales VQ Awards;
- We held our annual Awarding Body Forum.

Priority 5 – Continue to develop our own corporate capabilities and capacity

Sub-priorities

- Continue to develop the maturity of each of the finance and corporate services functions, to support and challenge the organisation to maximise use of its resources while maintaining compliance and safeguarding our reputation;
- Develop the Workforce Strategy;
- Deliver the data collection and statistical publications project;
- Ensure readiness to comply with the Welsh language standards.

Progress

- The maturity of our corporate services functions continues to develop. This year we have approved our Procurement Strategy. Our workforce strategy has been drafted, which focuses on how we build, develop and enhance our capability to deliver our strategic aims. This will be published in 2018, after discussion with our staff;
- We delivered the first phase of our project to establish the capability to collect and publish learner statistical data. We completed development of the technical infrastructure and capability to collect the data, and collected and published our first statistical data on general qualifications awarded in Wales;
- We have taken a proactive approach to the Welsh Language Standards. Despite not being required to comply, we have undertaken a self-assessment against each of the standards and subsequently developed an action plan. We have also conducted an internal audit on our readiness to comply with the Standards, which received satisfactory assurance;
- We awarded 52 contracts following a tender or quotation process, including a major procurement exercise to award a concession contract to develop Health and Social Care, and Childcare qualifications for Wales;

- We ran 13 recruitment schemes and conducted an internal audit which received substantial assurance;
- We issued our electronic newsletters regularly: we issued ten editions of 'The Slate' newsletter to schools and colleges and six editions of the Examiner to awarding bodies;
- We gained re-accreditation of the Cyber Essentials Plus Accreditation (information security assurance), commissioned an independent penetration test and completed a smooth transfer to a new telephony system;
- The Local Democracy and Boundary Commission for Wales (LDBCW) have confirmed they wish to set up a shared services arrangement for us to provide advice and support on IT services during 2018;
- We delivered a programme of training with our Board and completed a review of our Board and Committee's effectiveness;
- With the inception of the General Data Protection Regulations (GDPR) in May 2018, we have been ensuring that we are able to comply. We commissioned an external audit of our readiness to comply with the new law which returned a conclusion of 'reasonable' assurance. This assurance is comparable to a 'satisfactory' rating from our own internal auditors;
- We have reviewed and agreed our medium-term finance plan;
- We ran our annual staff survey, and were pleased to gain a completion rate of 94% and an employee engagement result of 76%, with scores for learning and development and internal communication having increased – these being the focus areas from last year's survey;
- We have continued to ensure our office environment remains fit for purpose for our staff and visitors and have started work on developing our wellbeing plan.

Philip Blaker
Accounting Officer
19 July 2018

2.2 Main risks

The main risks that we managed during the year are described below. They remain live and we continue to monitor them closely.

Exam series

This year many of the GCSEs and A levels reformed for Wales were awarded for the first time. This presented challenges to ensure that standards were maintained, and learners were not advantaged or disadvantaged. The risk was that any issues with the awarding process would negatively impact public confidence in the results.

We mitigated this by monitoring awarding meetings for all the newly reformed qualifications along with the Maths and English qualifications reformed the previous year. We also worked closely with Ofqual (the regulator in England) and CCEA (the Northern Ireland regulator) to ensure that standards for GCSEs and A levels across the jurisdictions were upheld. We also provided technical briefing to journalists, Ministers, Welsh Government officials and published a series of 'spotlight' articles to explain the new qualifications and the awarding process. This supported our earlier communications campaign to explain that the A*-E grading system in Wales was not changing.

Review of the Welsh Baccalaureate

The Welsh Baccalaureate (Welsh Bacc) is awarded upon passing a Skills Challenge Certificate and gaining other appropriate qualifications, depending on the level. The Skills Challenge Certificate was reformed in 2015 and Welsh Government currently has a policy of moving towards universal adoption in all schools and colleges. During 2017-18 we commissioned a detailed review of the design and assessment of the qualification and the findings will be published in April 2018. We have found aspects that can be improved, but this will take some time to achieve. There is a risk that our work to identify and address issues could undermine public confidence in the existing qualification, if not properly explained.

We continue to mitigate this by keeping stakeholders well informed of our approach, sharing early findings with Welsh Government, the awarding body, unions and our Head Teacher Reference Group. We have also prepared a communications handling plan. We are engaging directly with universities to help them to use the Advanced Welsh Baccalaureate effectively in their admissions offers.

VQ monitoring

This year we carried out a detailed monitoring of First Aid qualifications. This was the first of a planned series of reviews of vocational qualifications that are awarded in high numbers in Wales. Where we identified issues, we wrote to each awarding body and successfully

obtained undertakings by them to carry out our required actions. Our report is now ready for publication. The main risk in carrying out this work is balancing the need for transparency with care not to undermine public confidence.

We mitigated this by working closely with awarding bodies to address issues promptly and encouraging them to proactively consider whether any lessons learned might be applied to other qualifications – prior to our work in 2018 to monitor Food Safety and Health and Safety qualifications.

Health and Social Care – new qualifications

We have commissioned two awarding bodies (working as a consortium) to develop new Health and Social Care qualifications for all levels up to degree level. We began developing the qualifications in 2017-18, working closely with awarding bodies, centres and employers. Some of these qualifications will be used for workforce registration, so we are working closely with Social Care Wales (the workforce regulator) and the NHS Wales' Workforce, Education and Development Services (WEDS) to achieve high-quality qualifications that meet their needs. One of our challenges has been to manage expectations and gain consensus, without causing delay to the timeline.

We continue to mitigate this risk by giving stakeholders membership of the project board, by establishing a six-weekly review meeting between stakeholders at CEO level, and by close project management.

Market resilience

Having WJEC as a sole supplier of general qualifications in Wales brings both opportunities and risks. We are making sure that we maximise the benefits of having one provider, which include the availability of Welsh-medium assessment and more straightforward standard-setting. However, if WJEC were to fail, the impact would be high, so we continue to carry out more detailed reviews. This year we completed an audit of WJEC's IT systems, which included consideration of their plans to move to a new IT platform. We also commissioned a review of WJEC's fees and support for centres in comparison to other GQ awarding bodies.

System risks

We also look across the qualifications system and keep a close eye on what is happening around us. There are three developments that we are monitoring closely:

a) T levels

The UK Government is introducing T levels for England, which will replace many vocational qualifications and will be restricted to a single awarding body per sector. There is a risk that some awarding bodies may no longer find it viable to offer current qualifications in Wales if

they have lost the market in England. There is also a risk that the qualification element of the T levels will not be available in Wales.

b) Apprenticeships

Qualifications are still required in publicly funded apprenticeships in Wales. However, they are not required in England, where over 400 new apprenticeship standards have been developed with end-point-assessments. Welsh Government continues to develop its apprenticeship policy and has established a Wales Apprenticeship Advisory Board, of which we are a member. There is a risk that the qualifications currently offered in apprenticeships in Wales may be discontinued by awarding bodies if they are no longer required in England. Therefore, we are closely monitoring the availability of apprenticeship qualifications and liaising with Welsh Government over their future plans, with a view to identifying how our role in relation to the qualifications used in apprenticeships should be enacted in future. We are also in regular discussions with the UK Department of Education and the Institute of Apprenticeships, as well as with the awarding bodies involved.

c) New curriculum

Welsh Government is developing a new curriculum for learners aged 3-16. It is likely that this will require reforms to the current GCSEs. For qualifications to be reformed for first teaching in 2025, certain education policy decisions need to be taken soon by Welsh Government. If this does not happen, there is a risk that delivery will be delayed, or that implementation will be rushed. We are working closely with Welsh Government so that we can make sure any changes to qualifications happen smoothly without causing unnecessary disruption.

If the new curriculum means that there is a need to reform all the qualifications currently taken by 14-16 year-olds in Wales, there is a risk that we will not have the resources to deliver this alongside our existing work plans and commitments. We are mitigating this by working closely with Welsh Government and by detailed resource planning for various scenarios.

2.3 Financial review

Qualifications Wales is funded by a Welsh Government grant. 2017-18 is our second full financial year of operation.

We set a budget each year that earmarks funding for the activities we plan to undertake in accordance with our remit and Operational Plan, functionally split into the following broad areas:

Pay costs	Based on the staffing complement necessary to undertake our core functions
Grants to other bodies	We provide grant funding to other bodies to support the availability of Welsh-medium assessment or to fund specific activities associated with qualification reform, for which a robust award and validation process is in place.
Programme activities	These budgets mainly enable us to commission the external support we anticipate is needed to deliver our programme of sector reviews, monitoring activity, approval activity, development and commissioning activity, and includes research projects.
Running costs	These budgets include corporate functions such as HR, Legal, ICT, Facilities, Governance, Communications, Translation, etc

Our budgets carry differing degrees of 'spend-certainty', depending on whether they are recurring / non-recurring commitments, or whether they provide for activities where the actual level of activity / cost / timing is still to be firmed up / is difficult to determine. A significant element of our annual budget plan is non-recurring / set each year based on our planned operational activities. A number of our core programme and running cost activities contribute to longer term objectives that span financial years, and while we make every effort to match budget provision to the specific elements of planned activity for that period, we recognise that this can require flexibility as plans evolve.

We equally recognise that we have limited funding available to us, and we regularly update our Medium-Term Finance Plan to ensure we can continue to demonstrate our ability to manage our anticipated activities and spending commitments within the total funding available.

We have also established in-year budget monitoring arrangements that regularly review planned activity and associated spends, identify variances, and regularly update the Board and Welsh Government with spend forecasts.

We were awarded Welsh Government 'grant in aid' of £8.042m for 2017-18.

As the year progressed and we became clearer on our commitments and the timing of certain activities, we identified that some of the £8.042m grant allocation would not be required in 2017-18. This position was regularly reviewed by our Board and the relevant committees and discussed with the Sponsor Unit within Welsh Government.

Our outturn position for the year was £7.495m, largely in accordance with our forecast, £547k less than the £8.042m allocation. This is an increase in spend of £348k from 2016-17 and is generally consistent with our Medium-Term Finance Plan iterations, which demonstrate how some of our costs, grow as we mature.

The reasons for this 2017-18 variance can largely be attributed to the characteristics of our budgets identified above:

Pay costs	Our actual pay costs have increased by £402k from 2016-17. This level of increase was recognised in our medium term finance plan, and is attributable to pay increment progression and the 2017-18 pay award (which matches that awarded by Welsh Government). We did start the year with some vacancies, and experienced additional staff turnover later in the year. We also took the opportunity to review our staffing needs, and made some changes. The overall result was some slippage between the anticipated and actual appointment dates, which created an underspend in this area against the 2017-18 budget.
Grants to other bodies	Whilst this total spend is largely in line with the budget, it is an area that has fluctuated during the year, due to us being completely dependent on external bodies claiming reimbursements in accordance with their grant awards. At one point during the year, we were expecting spend in this area to exceed the initial budget (to be funded from slippage identified elsewhere), but despite regular communication and engagement it emerged late in the financial year that not all funded bodies were going to claim their full allocations.
Programme activities	We have underspent in this area due to: a) The actual costs of engaging external support being lower than originally anticipated; b) An underspend in our 'externally commissioned' research budget; and c) Some activities and associated costs commencing in 2017-18 but carrying over to the beginning of the new financial year.
Running costs	We have underspent in this area due to: a) Lower than budgeted spends in some areas where we have held provisional sums, e.g. legal costs, training costs; b) Contract renewals successfully delivering savings in some areas, e.g. telephony and broadband costs; c) Some activities and associated costs not being fully achieved by 31 March 2018 and therefore carrying over to the beginning of the new financial year.

We continue to develop our understanding of our variable costs and develop our approach to budgeting for our many activities that are longer term and span financial years. This has enabled us to refine our budget and operational planning process for 2018-19.

The tables below summarise our outturn position and illustrate how this reconciles to the 'Comprehensive Net Expenditure' figure quoted in the 'Statement of Comprehensive Net Expenditure' (SOCNE), once capital qualifying expenditure and depreciation/amortisation charges have been accounted for.

We recognised a £500k reserve on our balance sheet at the end of 2016-17 to enable us to cover the costs of our three-year ICT renewals programme and cover the costs of our Learner Data Collection Project. We have drawn a modest amount from this in 2017-18 but anticipate a more significant use of this in 2018-19.

We also took the opportunity this year to correct a small overclaim of grant in previous years, which is represented in the table below by the utilisation of £10k from the General Fund to contribute to the funding required in 2017-18. We are required to recognise Welsh Government grant to match all our liabilities, including any longer-term provisions and our 'annual leave accrual' (which acknowledges the liability associated with the annual leave earned but not taken by staff as at 31 March 2018). The element of our 2017-18 grant claim relating to our annual leave accrual was £10k less than the accrual itself, on the basis that we were carrying a surplus in the general fund where we had previously overclaimed.

Note – the '2017-18 Budget' column in this table reflects the final budget for each of the key activity areas at 31 March 2018, i.e. it reflects the approved budget transfers that took place during the year.

Budget Area	2016-17 Outturn £'000	2017-18 Budget £'000	Outturn £'000	Variance £'000
Pay	3,995	4,525	4,397	128
Grants	1,366	991	992	-1
Programme	478	1,000	747	253
Running	1,308	1,526	1,359	167
Total Outturn Position	7,147	8,042	7,495	547
Funded by				
Total Grant In Aid claimed			7,473	
Use of earmarked reserve			12	
Use of general fund			10	
Total Funding			7,495	

Reconciliation of Outturn to SOCNE	
Outturn	7,495
Net increase once capital qualifying expenditure has been removed (including elements of staff costs), and Depreciation / Amortisation charges added	54
Comprehensive Net Expenditure for the year	7,549

Our Medium-Term Finance Plan continues to demonstrate the need for our current level of funding as we continue to mature over the next few years.

The cash balance at 31 March 2017 was £1.023m, of which £590k was earmarked to meet accrued expenditure. The balance (£433k) represents 5% of our total gross budget, and this is within 6% carry over limit set by Welsh Government.

As in 2016-17, we again paid 98% of our invoices within 30 days in 2017-18, but we did see a drop in the percentage of invoices paid within 10 days, from 71% to 65%. We will review this to establish whether this can be improved in 2018-19.

Due regard has been given to the regularity and propriety of the organisation's expenditure, and appropriate internal processes and controls are deemed to be in place.

As we continue to be funded by Welsh Government, we continue to prepare our accounts on a 'going concern' basis.

2.4 Sustainability

Qualifications Wales occupies an area of 11,329 feet within the Q2 Building, in a single shared office located to the west of Newport. The building is easily accessible by car although less easily by public transport. We are committed to sustainable development, working with our staff, suppliers and contractors to minimise our energy consumption and the impact we have on the environment. We have an Environmental Policy Statement in place and require our suppliers and contractors to ensure, where appropriate, that goods and services procured adhere to our policy. We minimise our impact as follows:

Information technology

A modern and flexible approach has been taken to IT, using the latest technologies. Our employees access cloud services through a 'two-in one' detachable tablet, which avoids duplication of desktops, laptops and video/telephone equipment. The IT infrastructure is mainly cloud-based, meaning that we do not require large on-site servers. The tablets are used seamlessly at desks, in meetings or outside the office. Investment in good audio

equipment has made video-conferencing and document-sharing effective, allowing us to work and communicate flexibly in various locations, reducing unnecessary travel.

Lighting

During the fit out of the building, in 2015, LED lights were installed in our meeting rooms. In December 2017, as part of our sustainability commitment, we installed LED lighting in all other areas within Qualifications Wales, retaining our movement sensors. LED lighting has a lifetime of 50,000 hours, which equates to approximately 20 years of use at 10 hours a working day. LED lights use less electricity and do not require maintenance. Typical carbon reduction is in the region of 30%.

Waterless urinals

In November 2017 we installed waterless urinals. These use less water and incur lower maintenance costs. Waterless urinals can save between 57,000 and 170,000 litres of water per urinal per year, as well as reducing carbon emissions.

Centralised Waste

No individual waste bins are provided at workstations. Centralised waste areas allow us to maximise the dry mixed recycling that we produce and minimise the proportion of waste that we send to landfill. All bins are clearly labelled to assist staff in making the correct decision when disposing of recycled and non-recyclable items.

The table below shows our carbon footprint. We have compared this to last year's result. Our annual energy consumption has increased slightly this year – owing to the adverse winter weather. The newly installed LED light fittings will help us to reduce usage in future years. Our water usage has reduced by 26 units as a result of the recently installed waterless urinals, and we will see the full year reduction in 2018-19. Waste figures show an increase in recycling of 2%. This improvement is likely to be due to centralised waste and the education of staff in accurate waste segregation. Going forward, we will continue our commitment to sustainability, by working to implement an Environmental Management System (EMS), benchmarking our environmental performance and setting objectives and targets for improvement where appropriate.

Scope	Non-financial Information	Financial Information	Greenhouse Gas Emissions
Scope 1 - Direct emissions:	N/A	N/A	N/A
Scope 2 (Energy indirect):	Electricity 98,420.3 kwh	£12,948.86	34601 kg CO2e
Scope 3:	Water 280 units (*) Sewerage 265 units Total 545 units Waste General Waste 1278kg (31%) Mixed Recycling 2091kg (51%) Food Waste 728kg (18%) Total 4097kg Business Travel Car/Taxi Staff – 65,357 miles Board Members – 9,382 miles Total 74,739 miles Rail Staff – 45,691 miles Board Members – 7,696 miles Total 53,387 miles Air Staff – 4,785 miles Board Members – nil Total 4,785 miles	£399.06 £543.10 Total £942.16 Waste General Waste £463.63 Mixed Recycling £279.86 Food Waste £936.00 Total £1679.49 Car/Taxi Staff – £29,475.66 Board Members – £5027.15 Total £34,502.81 Rail Staff – £17,291.90 Board Members - £3282.16 Total £20,574.06 Air Staff – £1093.77 Board Members - nil Total £1093.77	96.32kg CO2e 187.62kg CO2e Total 283.94kg CO2e Waste General Waste 27.42kg CO2e Mixed Recycling 44.85kg CO2e Food Waste 15.63kg CO2e Total 87.9kg CO2e Car/Taxi (**) Staff – 18,956 kg CO2e Board Members – 2,721 kg CO2e Total 21,677 kg CO2e Rail Staff - 2,137.42kgCO2e Board Members 360.02 kgCO2e Total 2,497.44 kg CO2e Air Staff –1279.70 CO2e Board Members - 0 kg CO2e Total 1279.70 kg CO2e

Table Explanatory notes

Scope 1 - Direct emissions: These are emissions that arise directly from sources that are owned or controlled by Qualifications Wales, for example from fuels used in our boilers, or the vehicles that departments and Estate Management own.

Scope 2: Emissions released into the atmosphere associated with the consumption of purchased electricity, heat, steam and cooling.

Scope 3: These emissions are a consequence of the activities of an organisation but occur from sources not owned or controlled by the organisation. This includes emissions associated with waste, water, business travel, commuting and procurement.

(*) figures for water usage and costs for Quarter 4 have been estimated based on run rate as this utility is billed on a six-month basis.

(**) Figures for car CO₂ calculated using UK Government GHG Conversion Factors for Company Reporting – based on an Upper Medium Car type.

Accountability Report

3 Corporate Governance report

3.1 Directors' report

The Qualifications Wales Board is constituted of the Chair, Chief Executive and between eight and ten members. Its role is to:

- Provide effective leadership for Qualifications Wales; defining and developing strategic direction, and setting objectives;
- Provide effective leadership for the operation of the organisation; holding the Chief Executive to account for ensuring that Qualifications Wales' activities are conducted efficiently and effectively;
- Monitor performance to ensure that Qualifications Wales fully meets its aims, objectives and performance targets; and
- Promote high standards of public finance; upholding the principles of regularity, propriety and value for money.

At the end of 2017-18, the Board was made up of the following members:



Ann Evans
Chair



Philip Blaker
Chief Executive



Dr Caroline Burt



Robert Lloyd
Griffiths OBE



Alun Llwyd



Angela Maguire-
Lewis



Rheon Tomos



Isabel Nisbet



Dr Arun Midha



Claire Morgan



David Jones



Ellen Donovan

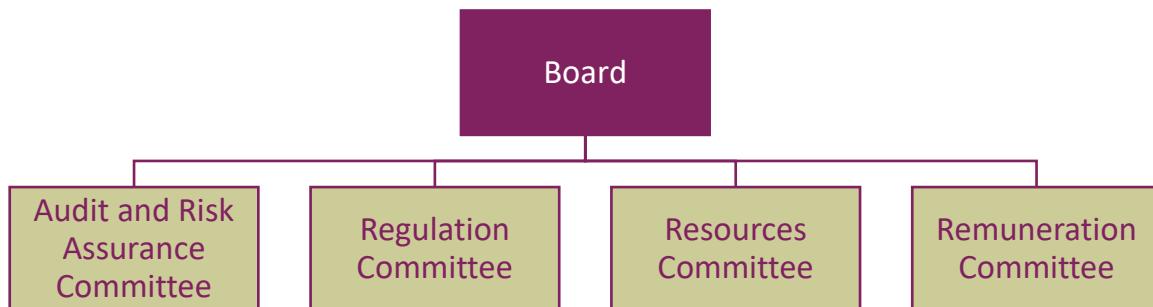
David Jones and Arun Midha's terms commenced on 14 and 21 May 2017 respectively. Alun Llwyd's term ended on 4 March 2018.

The Chair of Qualifications Wales

The Chair of Qualifications Wales, Ann Evans, answers to the National Assembly for Wales for our activity and conduct, and the exercise of our statutory functions as set out in the Act.

Board Committees

The Board has designated four committees charged with supporting the Board in the delivery of its duties. The committees are as follows:



The role of each committee, together with attendance, can be seen within the Governance Statement section.

The Board and its committees and the Management Board are supported by the Head of Corporate Governance.

Board Member Conflicts of Interest

All members of staff and Board members have completed a conflicts/declarations of interest form. Qualifications Wales publishes an active register of Board interests which can be viewed [here](#).

All Related Party Transactions have been noted and can be seen in Note 18 of this document, on pages 77 and 78.

The Chief Executive Officer and Accounting Officer

As Accounting Officer of Qualifications Wales, the Chief Executive, Philip Blaker, is personally responsible for:

- The proper stewardship of the public funds;
- Day-to-day operations and management of Qualifications Wales; and

- Ensuring compliance with the requirements of 'Managing Welsh Public Money'.

The Chief Executive Officer has several direct accountabilities to the Board of Qualifications Wales; as well as acting as Principal Officer for Ombudsman Cases. More detail about these aspects of the role can be viewed in the Qualifications Wales Framework Document [here](#).

The Qualifications Wales **Executive** team comprises:



Philip Blaker
Chief Executive



Kate Crabtree,
Executive
Director, Policy
and Research



Alison Standfast,
Executive
Director, Finance
and Corporate
Services



Jo Richards,
Executive Director,
Regulation

The **Management Board**, including the Associate Directors for both General and Vocational Qualifications, the Head of Communications, the Head of Corporate Governance and the Head of Finance, support the Chief Executive and the wider Executive team in the exercise of their responsibilities.

As covered in the Governance Statement, Qualifications Wales has no personal data incidents to report.

3.2 Statement of Accounting Officer's Responsibilities

Under Schedule 1, Part 1, para 32 and 33 of the Qualifications Wales Act 2015, Welsh Ministers, with the consent of the Treasury, have directed Qualifications Wales to prepare for each financial year our statement of account in the form and basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Qualifications Wales and of its net resource outturn, application of resources, changes in 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 Welsh Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis, unless it is inappropriate to assume Qualifications Wales will continue in operation.

The Principal Accounting Officer for the Welsh Ministers has designated me as Chief Executive to be the Accounting Officer for Qualifications Wales. The responsibilities of an Accounting Officer include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Qualifications Wales' assets, and are set out in the Accounting Officer's Memorandum, Framework Document and Managing Welsh Public Money.

In producing these accounts, I have taken into account comment and assurance from the Qualifications Wales Management Board, Audit and Risk Assurance Committee, Internal Auditors and members of the wider staff team.

As the Accounting Officer for Qualifications Wales, I confirm that:

- the annual report and accounts as a whole for the period 1 April 2017 to 31 March 2018 are fair, balanced and reasonable;
- I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and reasonable;
- as far as I am aware, there is no relevant audit information of which our auditors are unaware; and
- I have taken all reasonable steps to make myself aware of any relevant audit information, and to establish that our auditors are aware of that information.

Philip Blaker
Accounting Officer
19 July 2018

3.3 Governance statement

Introduction and Scope of Responsibility

This Governance Statement sets out an account of the corporate governance structure for Qualifications Wales together with an overview of the risk management arrangements and a description of the principal risks the organisation faces.

As the Accounting Officer, I am personally responsible for the Governance Statement which outlines how I have discharged my responsibility to manage and control the resources of Qualifications Wales during the course of the period.

My designation as the Accounting Officer is set out in the Designation letter sent on behalf of the Principal Accounting Officer from the Welsh Government on an annual basis. My full responsibilities as the Accounting Officer are set out in the Qualifications Wales Framework Document.

Corporate Governance

Corporate Governance is the system within which the organisation's work is directed and controlled. Equally important, governance concerns itself with 'how' business is done and the way in which decisions are made. The CEO is responsible for ensuring that a sound system of internal control is maintained to support the achievement of policies, aims and objectives and for regularly reviewing the effectiveness of the system.

The Board of Qualifications Wales provides leadership and direction to the organisation and has a key role in ensuring that the organisation has a sound and appropriate governance structure in place that allows the Board to scrutinise the performance of the Executive team and therefore the organisation's delivery of its principal aims and business plan.

The Board is made up of a Chair, the Chief Executive and a minimum of eight and maximum of ten other members, all of whom, with the exception of the Chief Executive, are appointed by the Welsh Ministers.

Governance Framework

We use the *Corporate Governance in Central Government Departments (2017)* as our principal reference point for good practice in Governance. As the Accounting Officer, I have reviewed the Code and have provided an overview, within the governance statement, of how I believe we comply with this code.

Overview of the Qualifications Wales Governance Framework

The Board and its four committees have operated since Qualifications Wales was established. The committees have key roles in relation to the system of governance and assurance, scrutiny, development discussions, assessment of current risks and also performance monitoring. All

committees are chaired by a Board member, are attended by relevant members of the Executive team and serviced by the Head of Corporate Governance. All committees report directly to the Board with all minutes available to all Board members. Below is an overview of the activity of the Board and its committees during the year.

The Board

The Board has met five times during the period (May, July, October, January and March). Minutes of Board meetings are made available through the Qualifications Wales website once they have been approved.

The key decisions taken by the Board during the period include the approval of:

- The 2017-18 business plan and budget allocation and staffing resource levels;
- The annual report for the period September 2016 to August 2017;
- The annual financial accounts for the period April 2016 to March 2017;
- The annual Equalities report for the period April 2016 to August 2017;
- Relevant policies, including the corporate complaints policy;
- The risk appetite;
- Revisions to the Board's scheme of delegation;
- Expenditure over £100k to put in place a contract for third party ICT continuity support for the regulatory database (QiW) and a contract with Ofqual to provide data collection services;
- An increase in the number of posts in the organisational structure;
- The Qualifications Wales Strategy, Corporate Capability strategic plan and the General Qualifications Strategic Plan;
- Revised terms of reference for the Resources, Audit and Risk Assurance and Regulation Committees;
- The decision to publish our report and commence consultation on our preferred options for the Construction and Built Environment sector review;
- Qualifications Wales' position in relation to our research report on Early Entry, including approval to publish the report and narrative;
- Consultations for Construction and the Built Environment sector review, Regulatory Outcomes and the Complaints, Whistleblowing and Enforcement policies;
- Qualifications Wales' response to consultations on T Levels (Department for Education, Central Government) and Post Compulsory Education and Training (Welsh Government);
- Qualifications Wales' Wellbeing of Future Generations objectives;
- Our Memorandum of Understanding with the Welsh Language Commissioner; and
- The minutes of its previous meetings.

At some of its meetings (where appropriate) the Board also received or considered:

- Updates from the Chief Executive and Chair;
- Risk Management reports and risk registers;
- Monitoring of operational plan delivery and financial activity;
- Updates from each of its committees;
- Progress of the Health and Social Care and Childcare project;
- Apprenticeship developments across the UK;

- Progress of the Welsh Bacc research;
- Progress of work to support Welsh Government's curriculum development;
- An update on GDPR readiness; and
- The staff survey outcomes.

The Board held two separate development days (May and September 2017) where it considered the QW strategy framework, public confidence, corporate values and legal and policy developments and received training in relation to the awarding process for the examination series.

Any ex-Committee discussions and decisions are recorded in Board papers and the relevant minutes.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee supports the Board and Accounting Officer (the Chief Executive) by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment, the integrity of financial statements and the annual accounts. It is for the Board to define and communicate the organisation's risk appetite. How it manages key risks and responsibility for risk management and internal control lies with the Board. However, the oversight of this has been delegated to the Audit and Risk Assurance Committee.

The terms of reference for the Audit and Risk Committee can be seen on our [website](#).

The Audit and Risk Committee met four times in the period (June, July, October and February). Minutes of these meetings have been provided to the Board. Our internal and external auditors also attend this Committee.

During this period, the Committee has:

- Reviewed the draft annual accounts for 2016-17 and provided an assurance report to the Board and Accounting Officer;
- Reviewed all the internal audit reports carried out in the period (except the Welsh Language review, which will be reviewed at its May 2018 meeting);
- Overseen the monitoring of all internal audit recommendations;
- Reviewed reports in relation to fraud, bribery, gifts and hospitality management;
- Received risk management reports, reviewed relevant aspects of the corporate risk register and conducted deep-dives into the risks related to the Data Collection project, the organisation's approach to data management and compliance with the General Data Protection Regulations (GDPR);
- Received information security updates throughout the year;
- Received financial update reports throughout the year and scrutinised the processes used for forecasting;
- Received reports on any departures from the procurement procedures; and
- Completed its governance health check, reviewed its terms of reference and considered its schedule of future meetings.

Closed meetings will be held with the internal and external auditors at the Committee's May 2018 meeting.

No issues of concern were raised to the Board.

Resources Committee

This committee provides an environment for detailed discussion on financial and business planning matters, and several human resources areas. The Committee has also been delegated the authority to approve HR policies on behalf of the Board. A summary of its terms of reference are available on our [website](#).

Accountability for the financial strategy and policies of the organisation lies with the Board: the CEO and Executive have responsibility for managing finances within these parameters. The Resources Committee met three times in the period (July, October and February). The minutes of these meetings have been provided to the Board.

During this period, the Resources Committee has:

- Reviewed the 2017-18 six-month progress report on the operational plan and financial position;
- Reviewed the draft 2018-19 business plan and budget;
- Reviewed the medium term financial plan;
- Reviewed and approved a range of HR based policies including Disciplinary and Family Friendly HR policies¹;
- Reviewed the process in place for declaring and managing conflicts of interest for the Board and senior staff;
- Reviewed proposals for changes to staffing permanent headcount within specific areas of the organisation;
- Completed its governance health check and reviewed its terms of reference; and
- Considered its schedule of future meetings.

Regulation Committee

The purpose of this Committee is to consider and provide recommendations to the Board on issues arising from Qualifications Wales' regulatory approach. Its recommendations must be endorsed by the Board before any action is taken. A summary of the Committee's terms of reference are available on the [website](#).

The Regulation Committee met five times in the period (April, June, September, December and February). Minutes of these meetings have been provided to the Board. The Committee held a further meeting discussing the Transfer Conditions policy.

During this period, the Committee has considered:

¹ In October 2016, the Board delegated the approval of HR policies to the Resources Committee

- Strategic policy updates and reviewed several policies. Policy reviews included the Complaints about Awarding Bodies Policy, Whistleblowing Policy, Taking Action When Things Go Wrong Policy, Monetary Penalties Policy, Fee Capping Policy and the Recognition Policy;
- Risk management reports and reviewed the regulatory risk register;
- The Construction and the Built Environment sector review;
- The General Qualifications strategic plan;
- Monitoring plans for the Summer and Winter examination series;
- Reports on monitoring and compliance, recognition and approval activities;
- Its governance health check and reviewed its terms of reference; and
- Its schedule of future meetings.

Remuneration Committee

The purpose of this committee is to consider and provide recommendations on the remuneration of staff and Board members. Its recommendations must be endorsed by the Board before any action is taken, and any substantial changes to terms and conditions must be agreed by the Cabinet Secretary for Education. A summary of its terms of reference are available on the [website](#).

The Committee met twice in the period (November 2017 and January 2018). During its meetings, the Committee considered:

- Executive pay;
- CEO recruitment framework;
- Board performance;
- CEO and Executive Director performance;
- Its governance health check and reviewed its terms of reference; and
- Its schedule of future meetings.

Board Performance and Effectiveness Review

During 2016-17, the Board considered the methods it wished to use to evaluate its own performance and the effectiveness of its Committees. The Board decided to use a variety of methods including a review of its own effectiveness, one to one reviews and a health-check of each Committee. In 2017-18 we have carried out the following activities:

Committee Governance health checks - A health check was conducted with all four committees. The health check asked each committee to consider areas such as Committee administration, performance, the committee's relationship with the Board, the relationship with staff and any areas for future consideration.

Board Member one-to-one sessions - The Chair met separately with each Board member during the year to conduct an annual review meeting. The main findings from these activities are being developed into a Board Action Plan for 2018-19.

Chair's Review – During the year the review process for the Chair of the Board was further developed. Each Board member, Executive Director and the Head of Corporate Governance had

the opportunity to provide their views of the Chair's performance during the year. The Chair completed a self-assessment and then all information was collated and presented to the Chair in a feedback report. In addition, the Chair had an annual review meeting with the Cabinet Secretary for Education in August 2017.

Learning and development – In addition to regular meetings and its own effectiveness review, the Board undertook a range of learning and development opportunities including training in relation to the GQ awarding process and a three-day Board development programme which covered governance, assurance, leadership and high performing boards. The Board development programme was delivered by an external facilitator.

Board effectiveness – In 2016-17 an external review was conducted which we reported in the 16-17 annual accounts. We have decided to undertake an external review of that nature every two-years. During the year between external reviews, we will undertake an internal review of performance. This will be formulated from information collected through Board member reviews, the Chair's review and committee health checks together with other sources of feedback to inform a Board discussion. This in turn will formulate the Board's annual action plan.

During 2017-18 we invited an external observer with significant Board and governance experience to one of our Board meetings; a review report was produced and will act as further information in developing our Board action plan. The report covered administration/conduct of the business; chairing of the meeting; group discussion; board member behaviour; diversity; role of the Executive; relationship between the Chair and Chief Executive; and individual contributions. The report was very positive, whilst providing useful prompts for future consideration.

Attendance at Board and Committee meetings (1 April 2017 to 31 March 2018)

	Board	ARAC	Regulation Committee	Resources Committee	Remuneration Committee
Number of Meetings held	5	4	5	3	2
Board Member Name	Attendance				
Ann Evans (Chair)	5	N/A	5	2	2
Philip Blaker (CEO)	5	(4)	5	3	(1)
Caroline Burt	4	N/A	5	N/A	N/A
Ellen Donovan	5	N/A	N/A	3	1
Robert Lloyd Griffiths	5	N/A	N/A	3	2
Alun Llwyd	4	N/A	N/A	3	N/A
Angela Maguire-Lewis	5	4	N/A	3	N/A
Claire Morgan	4	N/A	5	N/A	N/A
Isabel Nisbet	5	4	5	N/A	N/A
Rheon Tomos	5	4	N/A	N/A	2
David Jones	3 (of 4)*	2	N/A	N/A	N/A
Arun Midha	4 (of 4)*	N/A	4 (of 4)*	N/A	N/A

(*) indicates attendance but not as a member

*Reflects time of joining Board

Internal Audit - the system of internal control

Our system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurances of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place for the period ended 31 March 2018 and up to the date of approval of the annual accounts. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. In doing so I am informed by the work of the internal auditors and the Directors within the organisation who have responsibility for the development and maintenance of the internal control framework.

We outsource our internal audit services and have appointed KPMG, through a competitive tender, as our internal auditors.

During 2017-18, five internal audits have been completed as follows:

Audit Name	Assurance Rating	Number of Recommendations
Qualifications Approvals	Substantial	1
IT Change Management	Satisfactory	2
Payroll & Pensions	Satisfactory	6
Recruitment	Substantial	3
Welsh Language	Satisfactory	4

The Audit and Risk Assurance Committee have given oversight to the Internal Audit plan and the audit reports and will continue to monitor the implementation of recommendations raised during the year. The table below provides a summary of the recommendations raised:

Recommendations raised	Priority				Total
	High	Medium	Low		
Recommendations raised in 2015-16	-	6	9		15
Recommendations raised in 2016-17	1	4	15		20
Recommendations raised in 2017-18	-	3	13		16
Total	1	13	37		51

A monitoring and tracking system was introduced that reported to the Audit and Risk Committee. KPMG, our Internal Auditors, also reviewed the recommendations at the end of the financial year to ensure compliance and provide assurance to the Accounting Officer and Audit and Risk Assurance Committee. The table below provides an overview on the status of recommendations:

Priority	Status						Total
	Implemented or superseded	Overdue – in progress	Overdue – not yet started	Not yet due	Not implemented		
High	-	1	-	-	-		1
Medium	10	3	-	-	-		13
Low	28	1	-	6	2		37
Total	38	5	-	6	2		51

As at 31 March 2018, one high-priority recommendation, three medium-priority recommendations and one low-priority recommendation had passed their initial due dates; all of these are in progress. In summary the recommendations are:

- High-priority (one): covers two issues, internal user administration (which was quickly addressed) and the controls over access to our finance system by the provider's help desk in the event of troubleshooting. Our actions are all complete but we are seeking further assurance from the system provider over its controls before closing the risk;
- Medium-priority (three): two of these relate to the IT change management audit and putting in place relevant segregation of duties and an approval flowchart. The other recommendation covers the same issue as the 'high' recommendation; for it to be closed either requires the provider to confirm a date for introducing help desk tracking software or to confirm more detail of its manual controls;
- Low-priority (one): relates to ensuring there are SMART grant objectives in place for the next award of the Welsh for Adults grant.

All internal audit recommendations are tracked and reported at each Audit and Risk Assurance Committee meeting.

The purpose of the Head of Internal Audit opinion is to contribute to the assurances available to the Accounting Officer and the Board which underpin the Board's own assessment of the effectiveness of the system on internal control. The report below is provided by our Head of Internal Audit from KPMG.

Head of Internal Audit Opinion

Our opinion is set out as follows:

- Basis for the opinion;
- Overall opinion; and
- Commentary.

The basis for forming our opinion is as follows:

- An assessment of the design and operation of the risk management framework;
- An assessment of the range of individual assurances arising from our risk-based internal audit assignments that have been reported throughout the period. This assessment has taken account of the relative materiality of these areas; and

Our overall opinion for the period 1 April 2017 to 31 March 2018 is:

Satisfactory Assurance

There are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives. However, if not addressed the weaknesses could increase the likelihood of strategic risks occurring.

Commentary

The commentary below provides the context for our opinion and together with the opinion should be read in its entirety.

Our opinion covers the period 1 April 2017 to 31 March 2018 inclusive, and is based on the 5 audits that we completed in this period.

The design and operation of the Assurance Framework and associated processes

Overall our review found that the Assurance framework in place is founded on a systematic risk management process and provides appropriate assurance to the Board. The risk management framework and associated reporting reflects the key objectives and risks and is reviewed by the Board.

The range of individual opinions arising from risk-based internal audit assignments, contained within our risk-based plan that have been reported throughout the year

We issued no 'limited' and no 'no' assurance opinions in respect of our 2017-18 assignments.

We raised no high risk recommendations.

KPMG LLP

Chartered Accountants
Cardiff

14 May 2018

Risk management and control framework

The Board has overall responsibility for the organisation's risk management and has risk as a standing agenda item at each Board either for discussion or information. The Board is supported by the Audit and Risk Committee (ARAC), which has responsibility for providing advice and assurance on the organisation's approach to risk management and satisfying itself of the way that risk is managed within the organisation. ARAC also has risk management as a standing agenda item as part of its core business.

During the year, we have further developed the maturity of our risk management and reporting. The risk register is split into two main themes: Regulatory and Corporate, which helps us to refer the right risks to the appropriate committee or group for review.

The Executive team, via the Management Board, are responsible for maintaining the risk register (Regulatory and Corporate) and supporting team/project risk registers. 'Deep dive' sessions are held where existing risks are scrutinised, and new risks identified.

The Board committees actively discuss risk and review relevant risk registers as follows:

- Audit and Risk Assurance Committee (ARAC) review specific aspects of the corporate risks;
- Regulation Committee review the Regulatory risks.

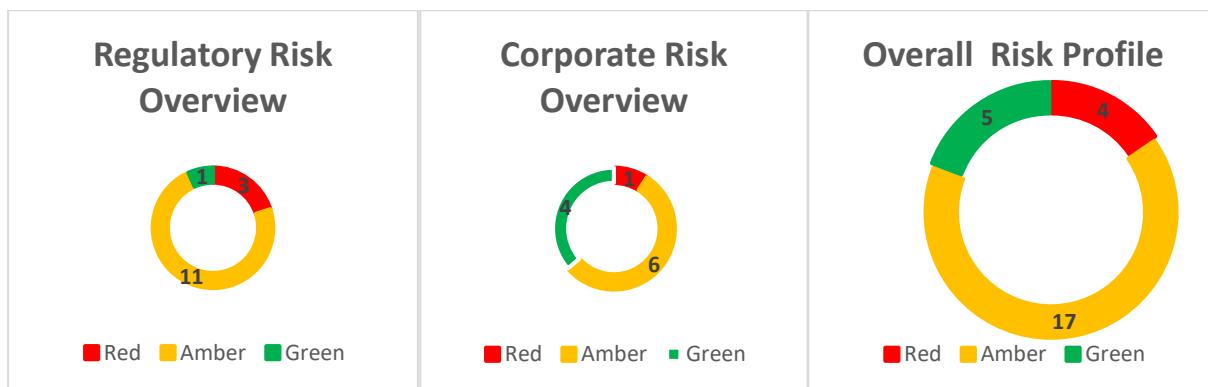
The role of the committees is to provide both support and challenge to the Executive team. Committees also have a role to provide assurance to the Board that risk is being actively considered within committee discussions and managed appropriately.

The Board reviewed its risk appetite in October 2017 making relevant changes in accordance with the maturity of the organisation.

The Board have determined that risks will be formally considered by the Board itself three times every year with the risk report and organisational risk register available at every meeting.

Strategic Risk profile

Qualifications Wales managed strategic risks during 2017-18 relating to our corporate and regulatory functions. At the end of March 2018, 26 risks were present on the organisational risk register (15 regulatory and 11 corporate). The charts below provide a summary of the number and level of risks in each area. The colours relate to the residual risk scores.



The Regulatory risks relate to the regulatory aspects of our work. The red rated risks relate to the Welsh Baccalaureate review and its impact on public confidence, the development of new qualifications for the Health and Social Care Sector and the new Curriculum for Wales whilst the amber risks are a mix of medium- and long-term risks relating to the emerging changes to the qualifications system in England, the provision of Welsh-medium qualifications and general controls in the monitoring and overseeing of the qualification system. The green risk relates to incident management.

The corporate risks identified are linked to the continual development of the organisation as it moves from creation to maturity and ensuring we have the resources required to support the new Curriculum for Wales. Examples of these risks include information management security, the medium-term financial position, communication, Board and Chair succession planning and the future implementation of the Welsh Language Standards. The number and level of risks on the corporate risk register have significantly reduced during the financial year as our corporate functions have continued to mature.

All risks are actively considered on a regular basis and reviewed in line with the Board's risk appetite.

Procurement and departures from procurement procedures

Our published Procurement Policy aligns to the Wales Procurement Policy Statement and we therefore openly advertise opportunities over £30k (including VAT) on Sell2Wales.gov and consider how to make our opportunities available for SMEs to successfully tender.

Our Procurement policy is delivered via our Procurement Strategy and supported by tendering and quotation procedures in which all budget holders have been given training.

Our procedures require that (unless we are using existing contracts or collaborative framework agreements such as those let by the National Procurement Service):

- Three quotes are obtained for goods and services between £6,000 and £29,999;
- An invitation to tender is issued for goods and services over £30,000 and below the EU threshold; and
- An advert is issued to the Official Journal of the European Union for tenders over the EU threshold.

A departure process is in place to allow the effective management of any deviation from these procurement procedures. In the majority of cases, goods and services are purchased only after competitive tenders/quotations have been sought following advice from the Procurement Department. In certain circumstances, this may not be possible. When such a circumstance arises, the approval of the Chief Executive must be given.

In order that appropriate justification is provided, the template 'Request for approval for a departure from procurement procedures' is completed. The request is logged on the quotation / tender register.

The Head of Procurement reviews the request and if the request is justified, will forward to the Chief Executive for approval. For all contracts, including those resulting from a departure, where the value is £100,000 or above, prior approval for the expenditure must have been sought from the Board prior to commencing procurement activity.

Any departures are reported to both the internal Management Board and the Audit and Risk Assurance Committee. During the period 1 April 2017 to 31 March 2018, nine departures were approved with a combined value of £171,166.

Information governance

We have an Information Security Policy that sets out the roles and responsibilities of all employees in relation to IT and Information Security. The policy is supported by a number of guidance documents including Information Classification and Information Handling Guidelines.

The Executive Director for Finance and Corporate Services is the Senior Information Risk Officer (SIRO) and overall accountable officer to the Accounting Officer and the Board for information and data governance. The Head of IT is responsible for developing, maintaining and implementing relevant IT policies whilst the Head of Corporate Governance is responsible for data management policies and Freedom of Information requests. The Data and Systems Manager is the Data Protection Officer and responsible for compliance with the General Data Protection Regulations.

We are committed to openness and transparency in the way we do business. Our Publications Scheme commits us to making certain relevant information routinely available to the public and is available on our [website](#).

We have prepared for the introduction of the General Data Protection Regulation (GDPR) to ensure that the organisation is ready to comply with the new regulations that come into effect from 25 May 2018. Staff have completed on-line training, as well as receiving briefings. We also commissioned an external audit company to carry out an audit of our readiness to comply with the new law which returned a conclusion of 'reasonable'. This assurance rating is comparable to a 'satisfactory' assurance rating from our internal auditors. The audit recommended three low-risk actions to ensure we remain on track to comply.

We have established an Information Risk Appetite statement categorising data into the following areas, applying a risk ranking, stating our risk appetite and setting associated management actions:

- Public information;
- Internal Corporate;
- Sensitive Personal Information about Staff and Third Parties;
- QiW (our regulatory database) in and
- Social Media.

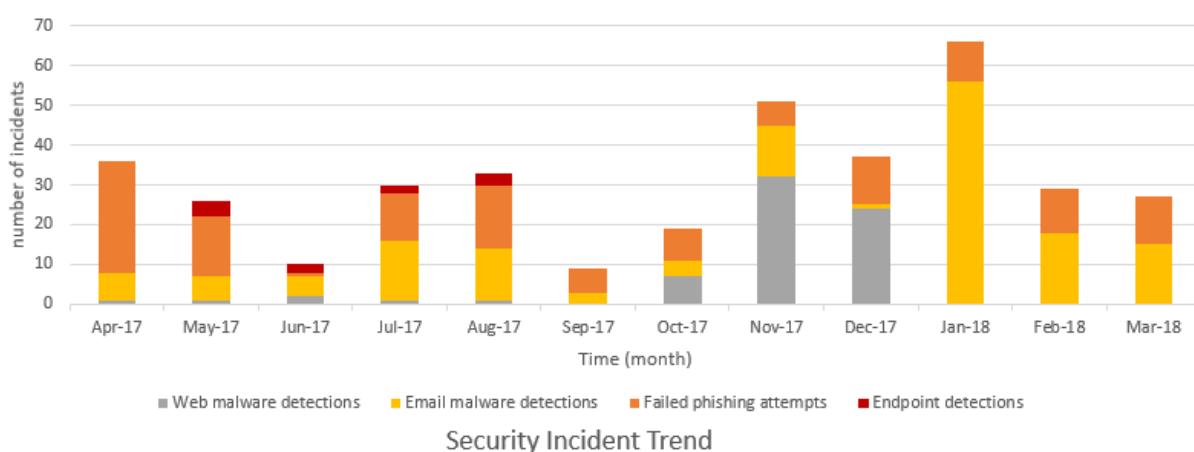
The Head of IT is responsible for regularly reviewing our risk appetite statement and proposing updates to the Management Board. Our IT infrastructure was subjected to an IT Health Check, the results were used to define an Information Security action plan, which was approved by Board in 2015-16.

Cyber Security

In this financial year, there were no successful breaches of our IT security or data losses. We reported one near-miss incident to our Audit and Risk Assurance Committee relating to a degradation in our ability to connect to secure internet sites. The issue was resolved within three hours and there was minimal impact to our operations.

We refreshed our Cyber Essentials Plus accreditation in January 2018.

The chart below summarises our known incident attempts over the year.



We still consider email 'phishing' to be one of our top threat vectors. Our email filters have been upgraded during the year to include proactive protection against malicious links and attachments.

Other activities we have undertaken during the year to counter the threat from phishing include:

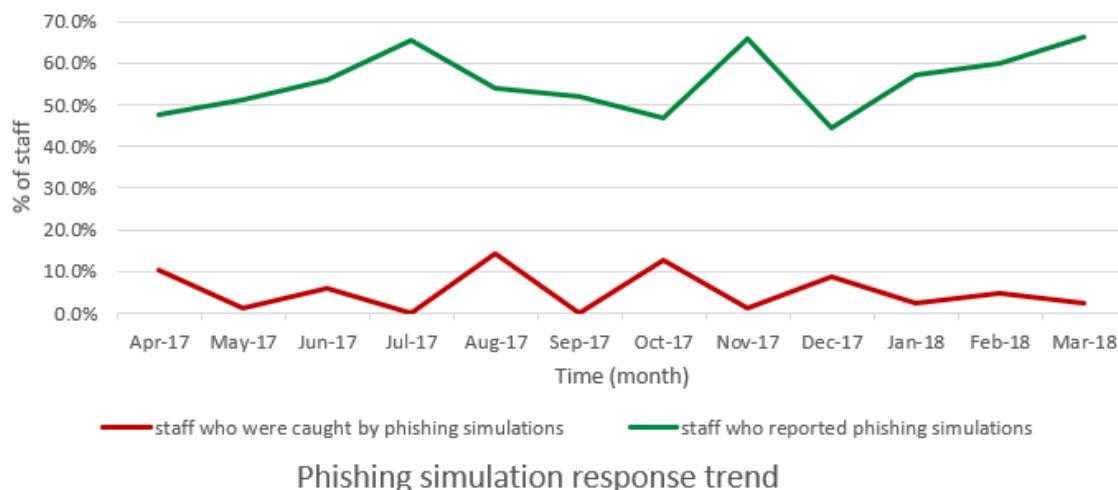
- Providing staff with an easy means from within their email client to report suspect emails;

- Running 12 simulated phishing attacks on our staff to test their response and alert them to the dangers; and
- Putting all staff through an interactive online awareness training to remind them how to identify and deal with phishing emails and malicious links.

These are the results our actions have achieved:

- The number of staff caught out by the simulated attacks has continued to drop, evidencing the effectiveness of the awareness training;
- Staff reporting rates for the simulated attacks have continued to rise;
- 20% of our staff have experienced and reported real suspect emails preventing 137 external phishing attacks.

The results of simulated phishing attacks are shown in the chart below: (staff responses not shown on the graph relate to emails unopened or deleted without reporting).



Personal data reported incidents

Qualifications Wales has no personal data incidents to report.

Freedom of Information requests

We received eight requests for information during the year, all of which were responded to in accordance with the appropriate timescales.

Whistleblowing

Qualifications Wales has a Whistleblowing Policy which provides details to our staff about the policy purpose and process for raising any concerns. No concerns have been raised within this period.

Well-Being of Future Generations (Wales) Act 2015 (FGA)

Qualifications Wales is committed to sustainable development. Although we are not currently subject to the Well-being of Future Generations (Wales) Act 2015 (FGA) we consider that our role supports its purpose and that its requirements are compatible with how we work.

We have therefore voluntarily chosen to adopt the FGA Act provisions to underpin how we deliver our functions. It is natural for us to work in this way as education necessarily requires a long-term view.

We have developed well-being objectives which were published in April 2018 and can be seen on our [website](#). We will be reporting progress against them.

Our work particularly supports long-term economic prosperity by ensuring that qualifications are fit for purpose, and by considering how well they meet the needs of employers and further and higher education establishments. This supports academic progression and employability, and, therefore, prosperity and economic growth. Good education makes a difference to long-term life chances and it is important to be able to demonstrate achievement through robust and meaningful qualifications.

Welsh Language Standards

We communicate with our stakeholders bilingually, as appropriate. Although we are not yet subject to the Welsh Language Standards, we have chosen to voluntarily work towards many of them and have engaged positively with the Welsh Language Commissioner's Office. We have an action plan and our focus is on embedding the standards throughout the organisation, with an emphasis on our engagement with the general public. During 2017-18 we undertook an internal audit of our readiness to deliver the Welsh Language Standards. The audit returned a satisfactory assurance rating with four low rated recommendations which we have accepted.

Promoting and supporting Welsh-medium and bilingual qualifications

Both our GQ and VQ strategies outline our commitment to increasing the availability of Welsh-medium and bilingual qualifications and our Regulatory Welsh-Medium and Bilingual Qualifications Policy outlines when qualifications must normally be available in Welsh. During the last year, we have increased support for awarding bodies and the qualifications system to increase the availability of qualifications and assessors and have convened and led forums and networks with awarding bodies and school leaders.

We provide extensive grant funding to help support the availability of Welsh-medium qualifications and assessment for both general qualifications (GCSEs and A levels) and vocational qualifications, including the Welsh for Adults qualifications.

Over the coming year, we are reviewing our approach and will engage with stakeholders on the way forward as part of this review.

Equality Act

We comply with the general duties under the Equality Act 2010, and we have taken care to consider equality issues in all our activities. Examples of our approach include the design of our office, our recruitment practices, our website design standards and the organisation of our events. Equality considerations are built into the design of our policies and the delivery of our services, and they are kept under review.

As a regulator, we also monitor how well awarding bodies meet their equalities duties. We have adopted the principles of 'Fair Access by Design' as guidance for the awarding bodies that we regulate, the three-country policy that seeks to ensure that the design of qualifications has no in-built discrimination. Our conditions of recognition require that learners receive reasonable adjustments and we monitor awarding body compliance. Our Centre Support Team also provide guidance to examination invigilators who are responsible for implementing access arrangements. We are in discussions with Welsh Government about our being designated as the 'Appropriate Regulator' in relation to this role of awarding body regulation referred to in the Equalities Act.

We have published our annual equality report in relation to our Strategic Equality Plan and we will continue to monitor and review this on an annual basis. New equality objectives will be published in autumn 2018.

Conclusion

As the Accounting Officer for Qualifications Wales, I confirm that the statements made in this report are correct for the period from 1 April 2017 to 31 March 2018. There have been no significant internal control or governance issues and I confirm that there were sound systems of internal control in place to support the delivery of the organisation's policy aims and objectives.

Philip Blaker

Accounting Officer

19 July 2018

4 Remuneration and staff report

Remuneration policy

Qualifications Wales employees are employed on terms and conditions agreed by the Board. Remuneration is aligned with Welsh Government pay bands and scales. Progression through the pay scales is on an annual increment basis, subject to satisfactory performance. Changes to salary structure for all employees (including the Executive) are reviewed annually by the Remuneration Committee and any changes to our approach to pay must be approved by the Cabinet Secretary for Education.

The remuneration package includes membership of the Civil Service Pension scheme. Upon appointment employees are offered a choice of two types of pension 'Alpha' (a career average scheme) and 'Partnership' which is a defined contribution arrangement. Details of the Civil Service Pension Scheme can be found at <http://www.civilservicepensionscheme.org.uk>.

Board fees and travel costs are paid in accordance with Welsh Government rates for Public Appointments.

Remuneration (including Salary) and Pension Entitlements – Senior Officials and Board Members

The following tables provide details of the remuneration and pensions interests, for the period from 1 April 2017 to 31 March 2018, of the senior officials and Board Members who have authority or responsibility for directing or controlling our major activities.

Single total figure of remuneration						
Non-executive Board Members	2017-18			2016-17		
	Fees (banded)	Pension Benefits	Total	Fees (banded)	Pension Benefits	Total
	£'000	£	£'000	£'000	£	£'000
Chair Ann Evans	25-30	-	25-30	25-30	-	25-30
Angela Maguire-Lewis	5-10	-	5-10	5-10	-	5-10
Caroline Burt	10-15	-	10-15	10-15	-	10-15
Claire Morgan	0-5	-	0-5	0-5	-	0-5
Isabel Nisbet	5-10	-	5-10	10-15	-	10-15
Paul Croke (Left QW Board 3/11/16)	0	-	0	0-5	-	0-5
Ellen Donovan	5-10	-	5-10	5-10	-	5-10
Rheon Tomos	5-10	-	5-10	5-10	-	5-10
Robert Lloyd Griffiths	5-10	-	5-10	5-10	-	5-10
Alun Llwyd (Left QW Board 4/03/18)	5-10	-	5-10	0-5	-	0-5
Arun Midha (Joined QW Board 21/05/17)	5-10	-	5-10	0	-	0
David Jones (Joined QW Board 14/05/17)	5-10	-	5-10	0	-	0

'Fees' include the reimbursement of travel expenses as these, in accordance with HMRC requirements, are treated as taxable benefits.

This table is subject to audit.

Single total figure of remuneration						
Executive Officials	2017-18			2016-17		
	Salary (banded)	Pension Benefits (to the nearest £1000)	Total	Salary (banded)	Pension Benefits (to the nearest £1000)	Total
£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Philip Blaker	125-130	46,000	170-175	120-125	45,000	165-170
Executive Director - Policy and Development Kate Crabtree	75-80	14,000	90-95	75-80	57,000	135-140
Executive Director - Regulation Jo Richards	80-85	32,000	110 - 115	75-80	31,000	110-115
Executive Director - Finance and Corporate Services Alison Standfast	80-85	61,000	140-145	75-80	25,000	100-105

This table is subject to audit.

Salary includes gross salary and any other allowances subject to UK taxation. The report is based on accrued payments made and thus recorded in these accounts.

There were no benefits in kind or bonus payments made in 2017-18.

The 'Pensions benefits' figures above are calculated for disclosure purposes, by our pensions administrators. These figures are calculated as the 'real increase in pension' (see 'Senior Employees Pension Benefits' table below) multiplied by 20, plus the real increase in any lump sum, less contributions made by the employee during the period.

Senior Employees Pensions Benefits					
Officials	Total accrued pension at pension age as at 31 March 2018 £'000	Real increase in pension at pension age £'000	CETV at 31 March 2018 £'000	CETV at 31 March 2017 £'000	Real increase in CETV £'000
Chief Executive Philip Blaker	5-10	2.5-5	105	72	21
Executive Director - Policy and Development Kate Crabtree	40-45	0-2.5	816	754	13
Executive Director - Regulation Jo Richards	10-15	7.5-10	124	27	-8
Executive Director - Finance and Corporate Services Alison Standfast	20-25	2.5-5	340	279	39

This table is subject to audit.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or ‘alpha’, 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: Three 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 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% 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 8% and 14.75% (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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (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, 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.

Fair pay disclosures

We are also required to disclose the relationship between the remuneration of the highest-paid director in the organisation and the median remuneration of the organisation's workforce. This is shown below.

Median Remuneration		2017-18	2016-17
Band of highest earner's Remuneration (£'000)		125-130	120-125
Median Total Remuneration		39,750	37,600
Ratio		3.21	3.26

This table is subject to audit.

Staff Report

Since we last reported our headcount, our structure has been relatively stable. Our headcount at 31 March 2018 was 77 (76.14 FTE), a difference of 1 compared to the same point last year (76). Our average number of employees over the financial year was 78.5 (72 in 2016-17), (77 FTE) and our turnover was 14% (14.24% FTE). We recruited to 12 roles in the last year; of these, four were new roles in our structure, seven were due to turnover (some of which were attributable to

internal moves resulting from external recruitment) and one was fixed term. We currently advertise all permanent opportunities externally and internal candidates apply via that route. We operate an approach of a guaranteed interview for applicants who meet the minimum score for consideration at interview and indicate that they are disabled. We run internal exercises for short-term development opportunities which cover maternity leave or specific project work. The decision to recruit is taken by our Management Board. At this point, we consider whether we have sufficient internal candidates to warrant a competitive internal exercise, to date this has not been the case and external recruitment has continued to provide us with strong candidates. The recruitment exercises in the last 12 months have been across all three Directorates within the organisation: Finance and Corporate Services, Policy and Research and Regulation.

Our workforce comprises 95% of employees on permanent contracts (compared to 84% at 31 March 2017). Other contract types include an apprenticeship (two-year fixed-term contract). We also have three secondment agreements in place; this figure has halved in comparison with 2016-17, all are due to conclude in the Summer of 2018 and recruitment is in hand to replace these posts. Secondment agreements were initially used at the establishment of our organisation to facilitate transfer of knowledge from Welsh Government. Two of the agreements that ended in the last year were part of that initial arrangement and staff have since become permanent Qualifications Wales employees. Secondment agreements will continue to be used where they offer the opportunity to interchange with other organisations and to make the best use of skills, particularly in areas of professional expertise.

	Female	Male	
Apprenticeship	1	0	
Secondment	1	2	
Permanent	43	30	
	45	32	77

Following the introduction of IR35 (intermediaries' legislation) we review all appointments with those contracted to ensure compliance.

Learning and development

We are committed to our employee development, specific needs are either identified through our business planning, our senior managers or through individual performance discussions. Individual requirements might be met with formal training, for others it might be best met through access to different opportunities or working across teams within our organisation.

Some of our training meets a corporate or statutory need and is delivered across the organisation; this year we have run Fire Safety, First Aid, GDPR and IT security (the latter two via e-learning). We also re-ran Equality and Diversity and 'Kick off Cymraeg' training that we had

developed during the previous financial year to capture new employees and those that had not been able to attend previously.

We have supported Welsh language learning through funding individuals in personal study at local colleges as well as the promotion of the online learning modules developed by the National Centre for Learning Welsh. Three of our employees also attended residential sessions delivered by the National Centre for Learning Welsh that immerse learners in the language to either build on existing language skills or start individuals on their Welsh language journey. At the end of the year we delivered 'Gloywi laith' training which focuses on developing written Welsh.

We have continued to focus on building leadership capability at all levels. Following the success of our inaugural Institute of Leadership and Management (ILM) Level 3 programme in Leadership and Development we offered the programme for a second year. This is aimed at employees in Bands 1-3 and has been tailored based on feedback from our first cohort. This will complete in late Spring 2018. Managers in the organisation have also attended training in Essential Skills for Managers, Emotional Intelligence, Having Difficult Conversations and Coaching. Our Executive team, along with our Associate Directors has taken part in a development programme focussing on effectiveness.

We support personal development and in the last year have funded six employees in Higher Education courses, including a Professional Doctorate in Education a Postgraduate Certificate in Special Educational Needs (SEN), three Postgraduate Certificates in Educational Assessment and Examinations, and an employee who completed this in the previous year has gone on to undertake a short course in Assessment Research. Employees have also attended external training and conferences to develop and enhance their professional skills and maintain their CPD in fields such as Procurement, Corporate Governance, HR, Finance and Communications.

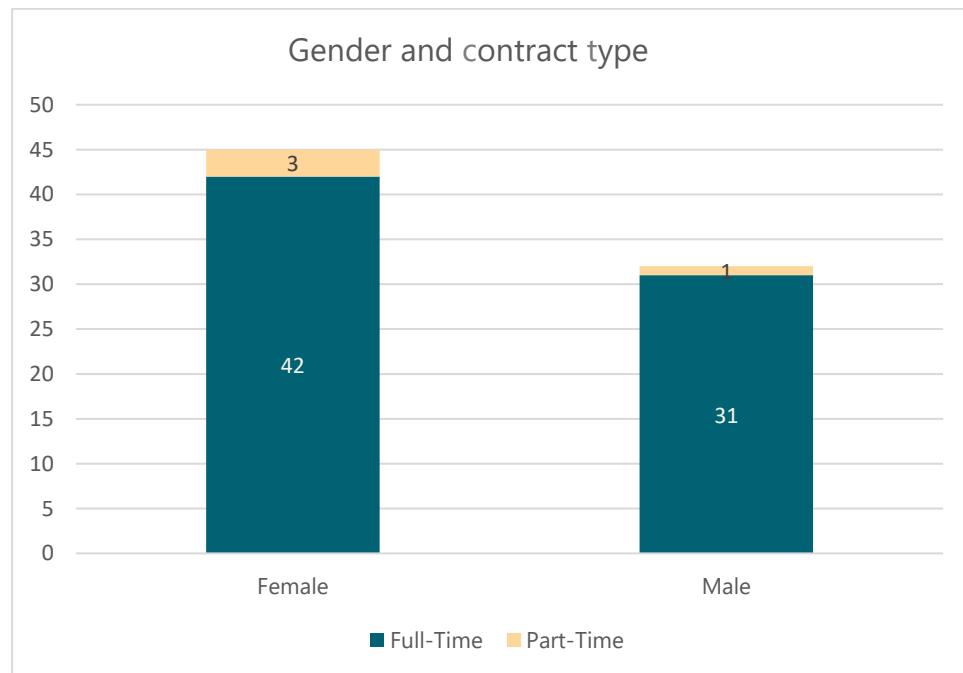
During the latter months of the year we also invested in training to help employees understand their Civil Service Pension following feedback received and in readiness for this year's annual benefit statement exercise.

Pay Band and gender

The following tables outline our employee composition as at 31 March 2018, by their substantive band, gender, age, contract type (full-time hours are 37 hours per week, part-time contracts are those agreed with fewer than 37 hours).²

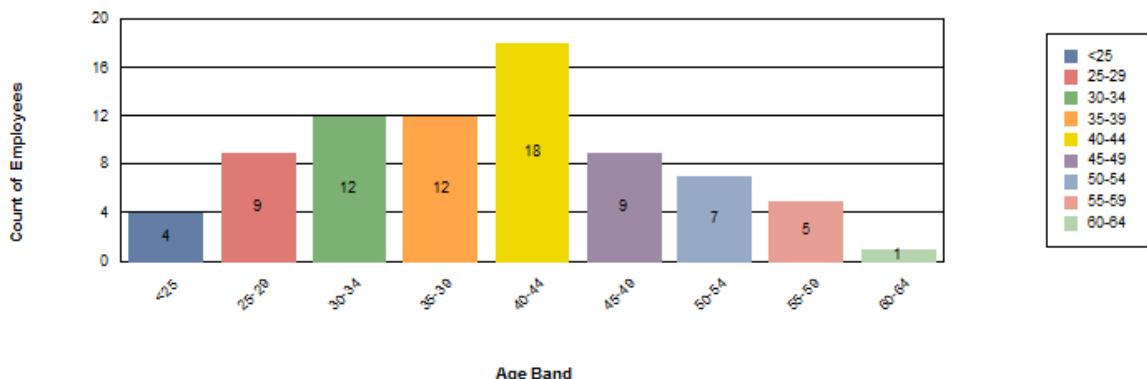
Band	Female Full-Time	Female Part-Time	Male Full- Time	Male Part- Time	Total
1	2	0	2	0	4
2	9	0	3	0	12
3	7	0	10	0	17
4	16	1	7	0	24
5	3	2	6	1	12
6	2	0	2	0	4
7	2	1	0	0	3
8	0	0	1	0	1
Total	41	4	31	1	77

Gender and contract type



² The table indicates an employee's substantive (contracted) band. It does not reflect when an employee may be temporarily working at a higher band, and therefore conflicts with the table on p61 which is based on an employee's actual pay in this year.

Age



Sickness absence

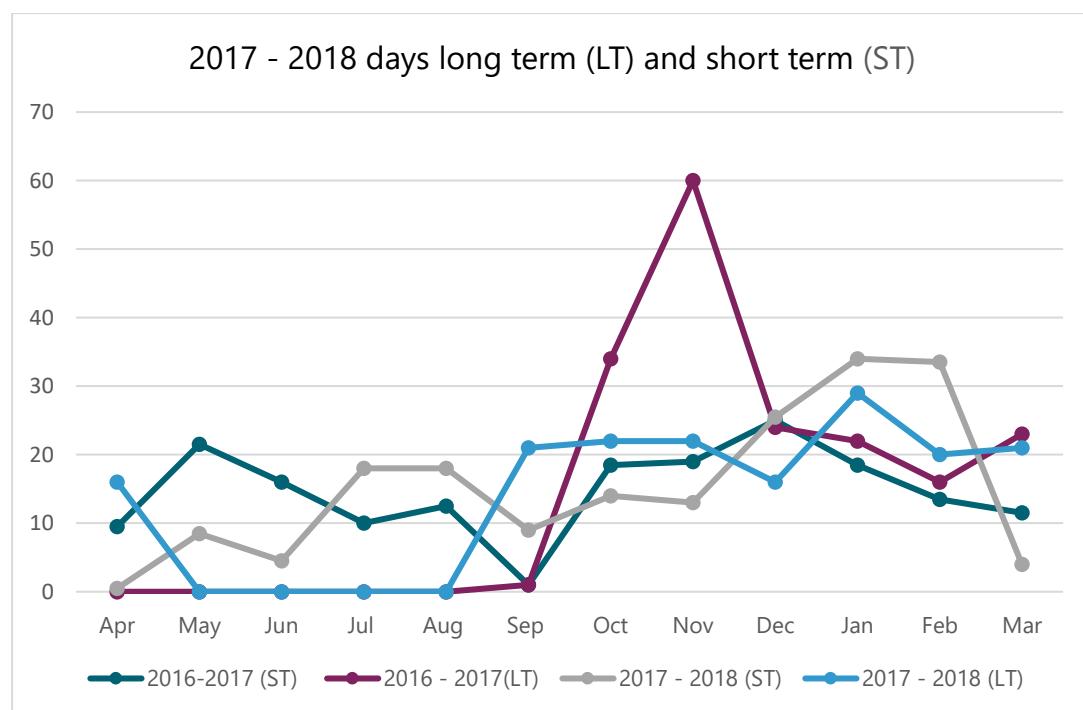
Our sickness absence rates have decreased over the last 12 months, and in total 349.5 working days were lost. The Chartered Institute of Personnel and Development (CIPD) Health and Wellbeing at Work Survey reports the 2017 yearly average for the public sector remains at 8.5 days per employee whilst the private sector has increased from 5.2 days in 2016 to 5.6 days per employee in the last year. We use these figures as a benchmark. Our annual average level of absence is 4.4 days (calculated using the annual average number of employees, which in 2017-18 was 78.5). Our annual average FTE is 77 which adjusts our average to 4.5 days - a reduction compared with last year's figure of 5 days.

During the last 12 months we experienced more consistent short-term absence with an increase during the Winter months which decreased substantially as we entered Spring. Our long-term absence trend appears similar to last year, but was consistent during the last six months of the year and we did not observe the spike experienced last Autumn.

The tables below outlines our sickness statistics in more detail.

Sickness absence totals by month

Month	2016-2017 (ST)	2016 - 2017(LT)	2017 - 2018 (ST)	2017 - 2018 (LT)
Apr	9.5	0	0.5	16
May	21.5	0	8.5	0
Jun	16	0	4.5	0
Jul	10	0	18	0
Aug	12.5	0	18	0
Sep	1	1	9	21
Oct	18.5	34	14	22
Nov	19	60	13	22
Dec	25	24	25.5	16
Jan	18.5	22	34	29
Feb	13.5	16	33.5	20
Mar	11.5	23	4	21
Total	176.5	180	182.5	167



We are committed to encouraging a healthy lifestyle and a good work/life balance. We contract an Occupational Health provider to help us, and to:

- Offer assistance and advice to employees;
- Support attendance at work; and
- Facilitate successful return to work after a long-term absence.

We offered employees access to flu vaccinations in the Autumn of 2017 to build organisational resilience. We had cases of flu in early 2018 but it is impossible to ascertain whether our absence levels would have been higher had we not offered this initiative. We currently intend to make similar arrangements for this coming Winter.

We also give employees access to an Employee Assistance Programme which can offer advice and support on a range of issues. This is available initially via a telephone service or via the internet at any time of day or night and is completely confidential.

We promote and encourage a healthy work/life balance through the support services provided and organisational policies. In our 2017 People Survey 85% of employees stated that they could achieve a good balance between work and private life. Our sickness absence statistics are reviewed by our Management Board monthly to review trends and concerns and to mitigate and manage where possible. We consulted on, and published, our Attendance Management Policy in this year and ran internal training sessions for all employees on the policy and effective management of absence.

Summary of 2017-18 staff costs

	2017-18					2016-17					
	Permanently Employed Staff		Others		Total	Permanently Employed Staff		Others		Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Wages and Salaries	3005	74	177	-	3256	2532	79	405		3,016	
Social Security Costs	334	7	20	-	361	279	10	45		334	
Other Pension Costs	627	26	35	-	688	535	17	84		636	
Agency Costs	-	-	-	43	43	-	-	-	9	9	
Total	3,966	107	232	43	4,348	3,346	106	534	9	3,995	

This section is subject to audit.

There were no 'off payroll' engagements made in 2017-18.

There were no exit packages in 2017-18.

Qualifications Wales incurred the following consultancy costs during 2017-18:

Consultancy - 2017-18		
Consultant	Consultancy Work Undertaken	Total £
Adatis	Development of Microsoft Azure / data warehousing technical options, design specifications, and cost estimates linked to the Learner Data Collection Project	19,173

Equalities

Our [Strategic Equality plan](#) outlines the objectives that we have set ourselves to underpin our commitment to equality. The plan covers all aspects of our operations including staff, facilities, expenditure, qualifications development and regulation, stakeholder engagement and monitoring. This includes monitoring our performance on equal pay between genders. The table below outlines our position on equal pay at the end of March 2017.³

³ The table reflects an employee's actual pay in this financial year; it therefore takes account of additional remuneration received for temporarily working up to a higher band. Numbers are therefore different to those in the table on page 54.

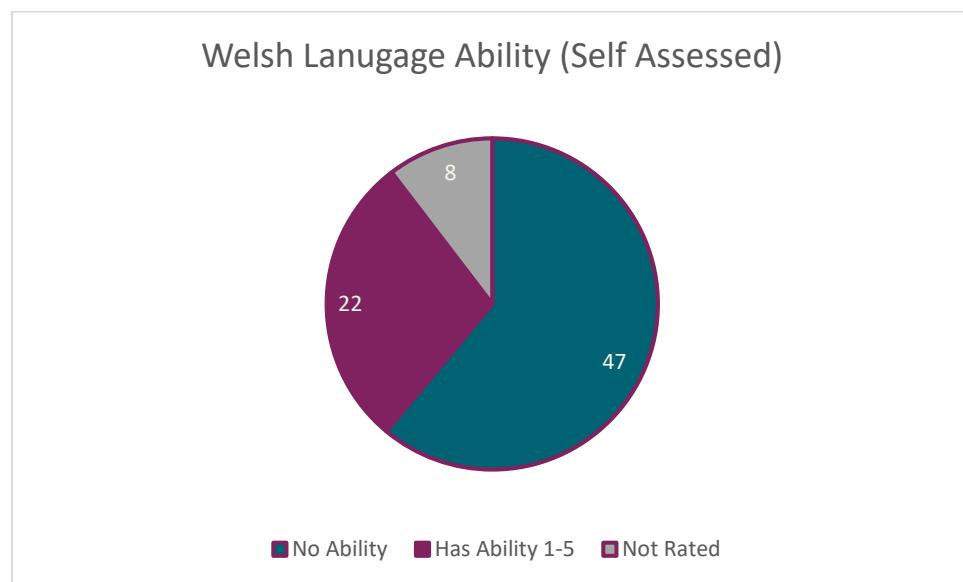
	Pay Band	Women	Men	2017/18 Remuneration Gap (- if women paid less)	2016/17 Remuneration Gap (- if women paid less)	Difference	2017/18 Remuneration gap as a % of male (- if women paid less)	2016/17 Remuneration Gap as a % of male (-if women paid less)	Change
mean	1	£17,200.00	£19,350.00	-£2,150	-£663.50	-£1,487	-11%	-3%	↓
median		£17,200.00	£19,350.00	-£2,150	-£663.50	-£1,487	-11%	-3%	↓
mean	2	£26,303.13	£24,050.00	£2,253	£1,875.00	£378	9%	11%	↓
median		£27,400.00	£23,625.00	£3,775	£2,250.00	£1,525	16%	13%	↑
mean	3	£32,688.89	£33,826.78	-£1,138	£416.67	-£1,555	-3%	3%	↓
median		£32,900.00	£35,541.00	-£2,641	£0.00	-£2,641	-7%	0%	↓
mean	4	£42,385.29	£43,137.78	-£752	-£2,546.57	£1,794	-2%	-6%	↑
median		£41,850.00	£44,950.00	-£3,100	-£2,100.00	-£1,000	-7%	-5%	↓
mean	5	£59,624.80	£55,266.00	£4,359	£2,629.88	£1,729	8%	5%	↑
median		£58,185.00	£54,150.00	£4,035	£2,570.00	£1,465	7%	5%	↑
mean	6	£76,052.50	£71,475.00	£4,578	-£1,675.00	£6,253	6%	5%	↑
median		£76,052.50	£71,475.00	£4,578	-£1,675.00	£6,253	6%	5%	↑
mean	Exec	£81,800.00							
median		£81,800.00							
mean	CEO		£127,587.00						
median			£127,587.00						

Bands 1-6 have scale points within them which employees move up annually, subject to satisfactory performance, on an incremental basis. Consequently, all employees can expect to be at the maximum of their current band within two years (Bands 1 and 2) and within three years (Bands 3 – 6). Bands 7 and 8 are our Executive (our equivalent to the Welsh Government Senior Civil Service). Figures in this table are based on gross salary and include allowances paid. Where employees are working at a higher band temporarily we have reported based on that higher salary.

Following a positive shift in the last financial year where there were changes from negative to positive figures we see an increase, a negative widening, of the gender pay gap at the bottom of our pay structure where a gap already existed and new negative gap in Band 3, although it is worth noting that more men are employed within this Band. Within Band 4 we have seen marginal improvements where the percentage gap has decreased in terms of the mean figure whilst the median increased. The changes in Bands 5 and 6 are positive in terms of female pay but indicate a widening in the difference between male and female pay, albeit minor. There is no change at the Executive level within the organisation.

Welsh language

We review the level of our employees' Welsh language ability as part of our approach to Welsh language and our development of skills. Employees self-assess their ability and rate themselves on a scale of 1 (Fluent) – 5 (No ability) against reading, speaking, understanding and writing. At 31 March 2018 22 employees (29%) rated themselves as having Welsh language skills and 47 (61%) indicated that they did not, 10% employees have not assessed their ability. Of those that do have skills 12 consider themselves fluent across all measures.



In 2016-17, we developed and delivered 'Kick off Cymraeg' training in anticipation of the application of the Welsh Language Standards to Qualifications Wales. The aim of the one-day training was to raise awareness of the Welsh language, its place in the workplace and its meaning to employees. Individuals charted their own journey with the Welsh language and the training encouraged staff to consider how they could alter their approach the Welsh language in relation to their own role and how that could benefit learners and stakeholders. This session was delivered again in the last year to capture new employees and those unable to attend one of the initial sessions. Following on from this we have continued to support employees who wish to learn by funding training, provision of access to e-learning modules as well as informal, practical support within the office environment from fluent speakers who encourage and unofficially mentor those who are learning.

Philip Blaker
Accounting Officer
19 July 2018

The Certificate and independent auditor's report of the Auditor General for Wales to the National Assembly for Wales**Report on the audit of the financial statements****Opinion**

I certify that I have audited the financial statements of Qualifications Wales for the year ended 31 March 2018 under paragraph 33(2) of Schedule 1 of the Qualifications Wales Act 2015. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of Qualifications Wales's affairs as at 31 March 2018 and of its net expenditure for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Qualifications Wales Act 2015.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Accounting Officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information 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 report.

Opinion on regularity

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Report on other requirements

Opinion on other matters

In my opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers' directions made under the Qualifications Wales Act 2015.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Governance Statement (included within the Accountability Report) for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with Welsh Ministers' guidance; and
- the information given in the Performance Report and Accountability Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with Welsh Ministers' guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report (which includes the Governance Statement).

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

- proper accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns;

- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Responsibilities

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Qualifications Wales Act 2015 and Welsh Ministers' directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Anthony J Barrett
For and on behalf of the Auditor General for Wales
23 July 2018
24 Cathedral Road, Cardiff, CF11 9LJ.

Financial Statements

5 Statement of Comprehensive Net Expenditure

Statement of Comprehensive Net Expenditure		Notes	2017-18	2016-17
			£'000	£'000
Total Operating Income			-	-
Expenditure				
Staff Costs	**		4,348	3,995
Programme Costs				
Grants	2		992	1,366
Other	3		747	478
Other operating expenditure	4		1,197	1,200
Provision expense	10		42	57
Depreciation and Amortisation	5 & 6		223	221
Total Operating Expenditure for year ended 31 March 2018			7,549	7,317
Net Operating Expenditure			7,549	7,317
Net Expenditure for the year			7,549	7,317
Comprehensive net expenditure for the year			7,549	7,317

** See remuneration report on page 57 for a breakdown of staff costs

All activities are continuing.

There are no recognised gains or losses for the period to 31 March 2018.

The notes on pages 68-79 form part of these accounts.

6 Statement of Financial Position

The notes on pages 68-79 form part of these accounts.

Statement of Financial Position		2017-18	2016-17
	Notes	£'000	£'000
Non-current assets			
Property, plant and equipment	5	247	286
Intangible assets	6	461	475
Total non-current assets		<u>708</u>	<u>761</u>
Current assets			
Cash and cash equivalents	8	1,023	1,146
Trade and Other Receivables	7	427	315
Total current assets		<u>1,450</u>	<u>1,461</u>
Total assets		2,158	2,222
Current liabilities			
Trade and other payables	9	(702)	(733)
Provisions within one year	10	(38)	-
Total current liabilities		(740)	(733)
Total assets less current liabilities		1,418	1,489
Non-current liabilities			
Provisions	10	(213)	(208)
Total assets less total liabilities		1,205	1,281
Taxpayers' equity and other reserves			
General Fund		717	781
Usable Reserve		488	500
Total assets less total liabilities		1,205	1,281

Philip Blaker
Accounting Officer
19 July 2018

7 Statement of Cash Flows

Statement of Cash Flows		2017-18	2016-17
	Notes	£'000	£'000
Cash flows from operating activities			
Net operating cost		(7,549)	(7,317)
Adjustments for non-cash transactions			
Depreciation	5 & 6	223	221
(Increase) / Decrease in trade and other receivables	7	(112)	675
Increase / (Decrease) in trade and other payables	9	(31)	(214)
Movement in provisions	10	42	57
Net cash outflow from operating activities		(7,427)	(6,578)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(68)	(50)
Purchase of intangible assets	6	(101)	-
Net cash outflow from investing activities		(169)	(50)
Cash flow from financing activities			
Funding from Welsh Government		7,473	7,647
Net increase in cash and cash equivalents		(123)	1,019
Cash and cash equivalents at the beginning of the period	8	1,146	127
Cash and cash equivalents at the end of the period	8	1,023	1,146

The notes on pages 68-79 form part of these accounts.

8 Statement of Changes in Taxpayers' Equity

Statement of Changes in Taxpayers' Equity		Note	General Fund	Usable Reserve	Total
			£'000	£'000	£'000
Balance as at 31 March 2016			951	-	951
Grant in aid from Welsh Government			7,647	-	7,647
Comprehensive net expenditure for the year			(7,317)	-	(7,317)
Transfers between reserves			(500)	500	-
Balance as at 31 March 2017			781	500	1,281
Grant in aid from Welsh Government			7,473		7,473
Comprehensive net expenditure for the year			(7,549)		(7,549)
Transfers between reserves			12	(12)	-
Balance as at 31 March 2018			717	488	1,205

The notes on pages 68-79 form part of these accounts.

In recognition of our need for additional funding to cover our three-year ICT renewals programme, and our 'Learner Data Collection' project, Welsh Government gave their approval in 2016-17 to create a £500k 'usable reserve'. This has been partly utilised in 2017-18.

Notes to the Accounts for the year ended 31 March 2018

1. Statement of accounting policies

(a) Basis of accounting

These accounts are prepared in accordance with a direction issued by Welsh Ministers, in exercise of the powers conferred by paragraph 32(2) of schedule 1 of the Qualifications Wales Act 2015.

The Direction requires compliance with the Government Financial Reporting Manual (FReM). The accounting policies contained within the FReM apply International Financial Reporting Standards (IFRS) for the public-sector context and are issued by HM Treasury.

Where the FReM permits a choice of accounting policy, the policy which is judged to be the most appropriate to our particular circumstances for the purpose of giving a true and fair view has been selected. They have been applied consistently in dealing with items that are considered material to the accounts.

(b) Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of certain assets and liabilities to fair value as determined by the relevant accounting standards, and subject to the interpretations and adaptations of the Financial Reporting Manual standards.

(c) Going concern

As Qualifications Wales receives its funding from Welsh Government it is expected to remain in existence for the foreseeable future. It has accordingly adopted the 'going concern' basis for the preparation of these financial statements.

(d) Funding

Qualifications Wales receives funding from Welsh Government (known as the Grant allocation) to finance its revenue and capital activities. These amounts are regarded as financing rather than income and are credited to the General Fund in the financial year to which they relate.

(e) Property, plant and equipment

Property, plant and equipment are carried at fair value. Depreciated historic cost is used as a proxy for fair value for all classes of assets, as all have either short useful lives, low value, or both. All property plant and equipment are essentially grouped into one of three classes, Property, IT assets or Fixtures, Furniture and Equipment (F+E).

During the initial set up phase, IT and F+E assets were purchased by Welsh Government on behalf of Qualifications Wales, totalling £378,800. These assets were all transferred over to Qualifications Wales, and an invoice was raised by Welsh Government in 2015/16 to recover these costs. All these initial costs have been capitalised.

Thereafter, IT assets costing £500 or more, and F+E assets costing £1000 or more, are capitalised.

The premises are leased, but it is possible for internal or external adaptations to be carried out following discussion with the landlord. Any such works over £10,000 will be capitalised.

Depreciation is provided for on all these assets at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, shown below. A full year's depreciation is charged in the year the asset is brought into use.

Surface Pros / Notebooks, and associated equipment	3 years
Room Screens, video conferencing facilities, and associated peripherals	4 years
LAN / Servers and associated peripherals	5 years
Fittings, Furniture and equipment	10 years
Property	The shorter of the remaining life of the lease or the life of the work

(f) Intangible fixed assets

An intangible asset is an identifiable non-monetary asset without physical substance. Qualifications Wales will capitalise intangible assets in excess of £10,000, including software licences of a duration in excess of one year, and software developments. They are valued at historic cost less accumulated amortisation and impairment losses as a proxy for depreciated replacement cost.

Where intangible assets have a finite useful life, they are amortised in equal instalments over their anticipated useful economic life. A full year's amortisation is charged in the year the asset is brought into use.

Qualifications Wales currently has one intangible asset, i.e. the QIW database. This was developed during 2015-16, went live on 1 April 2016, and has initially been amortised over five years. This amortisation period will be reviewed annually.

Where intangible assets are assessed as having an indefinite useful life, they are not amortised. This position will also be reviewed annually.

(g) VAT

Qualifications Wales is not VAT registered. Consequently, all transactions in the accounts are stated inclusive of any attributable VAT.

(h) Operating leases

Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure in the year to which they relate. Annual operating lease charges could vary in accordance with the lease agreement, whereas the annual economic benefit derived from the lease remains constant. This applies to the lease in place for the building. In these circumstances IAS 17 allows the charge to the Statement of Comprehensive Net Expenditure to be adjusted to 'equalise' the annual lease charges, through the creation of, or utilisation of, a provision.

(i) Cash and cash equivalents

Cash and cash equivalents solely comprise the balances Qualifications Wales holds with the Government Banking Service.

(j) Financial instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. IFRS 7 requires an organisation to present and disclose information on the possible impact of financial instruments on its financial position and performance, and on the extent of its risk exposure. Given the nature of Qualifications Wales' funding arrangements, i.e. funded entirely by Welsh Government grant, and its contract arrangements, i.e. for the supply of non-financial items in line with expected purchasing and usage requirements, it is not considered to be exposed to any significant level of credit, liquidity or interest rate risk.

(k) Segmental reporting

IFRS 8 requires entities to disclose information about their operating segments, products and services, the geographical areas in which they operate, and their major customers. Information is based on internal management reports, both in the identification of operating segments and measurement of disclosed segment information. Qualifications Wales is not deemed to have operating segments as defined but provides supplementary spend information in support of the Statement of Comprehensive Net Expenditure.

(l) Provisions

A provision is recognised in the financial statements when Qualifications Wales considers it has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefit will be required to settle the obligation.

As noted above in (h) Operating Leases, Qualifications Wales utilises a provision for the Building lease, where annual operating lease costs vary, but where the economic benefit

derived is constant. This will equalise the annual charge to the Statement of Comprehensive Net Expenditure.

Where a general provision is created, and cash flows are expressed at current prices, costs are discounted in accordance with HM Treasury Guidance. A general provision has been created to meet the dilapidation provision contained within the building lease.

(m) Grants payable

Qualifications Wales has the power to make grants to external bodies where this is consistent with its Principal Aims.

Grant claim reimbursements are charged to the Statement of Comprehensive Net Expenditure in the period in which the expenditure is incurred.

(n) Employee benefits

Salaries and National Insurance contributions for current employees are recognised in the Statement of Comprehensive Net Expenditure as the employee's services are rendered. Qualifications Wales accounts for short term compensated absences (paid annual leave) as a liability (accrued expenses) where the compensation for absence is due to be settled within twelve months after the end of the period.

(o) Pension costs

Employers pension costs are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) arrangements. In accordance with the FReM Qualifications Wales has treated this scheme as a defined contribution plan and has accordingly recognised the Employer's contributions due in 2017-18. A summary of the total Employer's pension contributions is shown in the table on page 57.

(p) Inventories

IAS 2 defines inventories as assets held for sale in the ordinary course of business (finished goods), assets in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials). IAS 2 also prescribes the accounting treatment for inventories. Qualifications Wales does not have any inventory items as defined by this standard.

2. Summary of grant expenditure

	Summary of Grant Expenditure		2017-18	2016-17
	£'000	£'000		
Support for Welsh medium assessment				
WJEC	530	515		
Pearson	17	93		
Oxford Cambridge and RSA Examinations	2	3		
Agored Cymru	18	4		
City and Guilds of London Institute	35	5		
Construction Industry Training Board	-	6		
Royal Life Saving Society UK	-	6		
The Prince's Trust	-	1		
British Canoeing	8	-		
NCFE	11	-		
Vocational Training Charitable Trust	50	-		
sub-total	671	633		
Support for Qualification Reform				
Colegau Cymru	28	115		
WJEC	89	213		
Central South Consortium Joint Education Service	7	93		
'Education through Regional Working' Consortium	6	43		
'School Effectiveness and Improvement Service for North Wales' Consortium	12	38		
sub-total	142	502		
Welsh for Adults Qualifications Support				
WJEC	179	133		
Essential Skills Wales Qualification Development				
Agored Cymru	-	57		
City and Guilds of London Institute	-	9		
Pearson	-	7		
WJEC	-	25		
sub-total	-	98		
Overall Total	992	1,366		

3. Summary of other programme expenditure

Summary of Other Programme Expenditure	2017-18	2016-17
	£'000	£'000
Use of subject experts / stakeholder engagement	386	149
Health and Social Care Sector Review	-	105
Research Costs	258	102
Consultancy	-	69
Communications Activities	103	53
Overall Total	747	478

4. Summary of other operating costs

Summary of 'Other Operating Expenditure'	2017-18	2016-17
	£'000	£'000
Facilities related costs	274	282
HR Related Costs	155	178
ICT Related Costs	267	321
Board Costs	112	93
Legal Support Costs	74	70
External Audit Fees	20	19
Other professional support *	136	85
Travel and Subsistence	106	93
Admin and Office costs	53	59
Overall total	1,197	1,200

* Other professional support includes internal audit fees, translation costs, etc.

5. PPE analysis

Property, Plant and Equipment	Furniture and Fittings	Information Technology	Information Technology Under Development	Buildings	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2017	175	281	-	26	482
Additions in the period	5	13	24	26	68
Disposals in the period	-	(1)	-	-	(1)
At 31 March 2018	180	293	24	52	549
Depreciation					
At 1 April 2017	34	159	-	3	196
Charged in the year	18	83	-	6	107
Disposals for the period	-	(1)	-	-	(1)
At 31 March 2018	52	241	-	9	302
Carrying Value at 31 March 2017	141	122	-	23	286
Carrying Value at 31 March 2018	128	52	24	43	247

6. Intangible assets

Intangible Assets	Information Technology	£'000
Cost		
At 1 April 2017	594	
Additions in the period	101	
Transfers from 'under development'	-	
Disposals in the period	-	
At 31 March 2018	695	
Amortisation		
At 1 April 2017	119	
Charged in the year	115	
Disposals for the period	-	
At 31 March 2018	234	
Carrying Value at 1 April 2017	475	
Carrying Value at 31 March 2018	461	

During 2017-18, a number of enhancements were made to the QiW database and, in accordance with IAS 38, the associated costs have been treated as 'additions'. Also, an obsolescence review has concluded that this database will remain technologically viable for a further 5 years, and an amortisation charge has been calculated based on this revised useful life. Had the remaining useful life not been changed, the amortisation charge in 2017-18 would have been £139k

7. Trade and other receivables

Trade and other receivables	2017-18	2016-17
	£'000	£'000
<u>Amounts falling due within one year</u>		
Trade Receivables	-	-
Other Receivables		
Prepayments	71	29
WG Grant allocation	356	286
Total	427	315

The Welsh Government (WG) allocation relate to WG funding to cover long-term liabilities. The amounts have been agreed with WG and the monies can be drawn down at any point.

8. Cash and cash equivalents

Cash and cash equivalents	2017-18	2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
	£'000	£'000	£'000
Balance at start of period	1,146	127	-
Net change in cash and cash equivalent balances	(123)	1,019	127
Balance as at 31 March	1,023	1,146	127

This is all held with the Government Banking Service.

The balance held at 31 March 2018 was within the level approved by Welsh Government and related to both accrued expenditure scheduled for payment early in the new financial year, and to enable the creation of the usable reserve, further information on which is provided in the 'Statement of Changes in Taxpayers Equity', shown on page 67.

9. Trade payables and other current liabilities

Trade payables and other current liabilities	2017-18	2016-17
	£'000	£'000
<u>Amounts falling due within one year</u>		
Trade Payables	87	444
Accruals	609	289
Receipts in advance	6	-
Total	702	733

10. Provisions for liabilities and charges

Provision for liabilities and charges	Dilapidation condition within Building Lease	Annualised Building Costs	Total
	£'000	£'000	£'000
<u>Analysis of the expected timings of the future liabilities</u>			
Balance as at 1 April 2017	122	86	208
Provided in the year	-	43	43
Utilised / released in the year	-	-	-
Balance as at 31 March 2018	122	129	251
<u>Not later than one year</u>			
Not later than one year	-	38	38
Later than one year and not later than five years	-	68	68
Later than 5 years	122	23	145
Total	122	129	251

The 'Dilapidation' provision has been set up to recognise the condition within the building lease to restore the premises to their original state upon termination of the lease. The current lease term ends on 17 May 2025. An approximate 'cost per square foot' was obtained, from an independent source, on which to base this calculation. The Annualised Building Lease costs provision has been set up in recognition that the actual (fluctuating) annual lease costs do not match the annual economic benefit, which remains constant. Consequently, a provision has been set up to allow the 'equalising' of charges to the Statement of Comprehensive Net Expenditure. This has created a provision that will now be utilised over the remaining life of the lease.

11. Capital commitments

Qualifications Wales had capital commitments of £12k as at 31 March 2018, to complete an ICT upgrade that commenced at the end of 2017-18 (£nil at 31 March 2017).

12. Commitments under leases

Obligations under operating lease comprise:	2017-18			2016-17		
	Lease Costs	Service Charges	Total	Lease Costs	Service Charges	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Buildings						
Not later than one year	190	38	228	110	27	137
Later than one year and not later than five years	677	150	827	704	109	813
Later than 5 years	346	80	426	509	85	594
Total	1,213	268	1,481	1,323	221	1,544

13. Related Party Transactions

The FReM confirms that IAS 24 (Related Party Transactions) applies. The objective of this Standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position may have been affected by the existence of related parties and by transactions with such parties. A related party is a person or entity that is 'related' to the entity that is preparing its financial statements, (Qualifications Wales), i.e. has control, significant influence, or is a key member of management.

A related party transaction is a transfer of resources, services or obligations between a reporting entity, i.e. Qualifications Wales, and a related party.

As Qualifications Wales is a Welsh Government Sponsored Body, the Welsh Government is regarded as a related party. During the year, we had a number of material transactions with Welsh Government, which is regarded as the parent department:

- We recognised a grant funding of £7.473m from Welsh Government (£7.647m in 2016-17), of which £71k was accrued (£75k in 2016-17);
- We made payments to Welsh Government, mainly for staff seconded by them to Qualifications Wales and to reimburse them for our payroll costs. Actual payments of £3.957m were made (£4.089m in 2016-17), and further costs of £403k were accrued (£5k in 2016-17);

We also made payments to the Department for Business, Energy and Industrial Strategy of £7k (£nil in 2016-17) and further costs of £14k were accrued (£nil in 2016-17) to cover costs of

seconded staff and made payments of £84k to the Office for National Statistics of (£62k in 2016/17), again in relation to staff secondments.

The FReM also confirms that Related Parties include 'the composition of the management board (including advisory and non-executive members). This means those who have influence upon the decisions of the entity as a whole.'

Whilst paragraph 11 of IAS 24 confirms that two entities are not related simply because they have a director or other member of key management personnel in common, we have listed below the transactions that have taken place with entities with whom we share Board Members, or senior officers, or members of their immediate family.

Amount £	Organisation and Nature of Payment	Nature of Related Party
1,518.86 (£3,248.27 in 2016-17)	Oxford Cambridge and RSA (OCR) – a subsidiary of Cambridge Assessment – for reimbursement of Welsh medium translation costs	The partner of Caroline Burt, Board Member, is a Board Director of OCR and Board Member of Cambridge Assessment.
4,857 (£nil in 2016-17)	Urdd Gobaith Cymru – for participation in the Urdd Eisteddfod	Rheon Tomos, Board Member, is the Treasurer and Trustee for Urdd Gobaith Cymru

Qualifications Wales has a 'Conflicts of Interest' Policy and maintains a register of other interests (as defined) relating to staff and directors. This policy prevents board members / senior management from participating in decisions involving organisations with whom they also have an interest.

Finally, in delivering its principal aims, Qualifications Wales has made grant payments during the year to third party organisations (see disclosure note 2), but again does not regard these as being related parties.

14. Third party assets

Qualifications Wales does not hold any third-party assets. (£nil at 31 March 2017).

15. Events after the reporting period

There were no events since the date of the statement of financial position that affect the understanding of these financial accounts.

16. Impact of standards not yet effective

Qualifications Wales has considered the impact of standards and interpretations which have been issued but are not yet effective and which have not been adopted early.

With the exception of IFRS 16 Leases, it is not considered that the adoption of these standards will have a material impact on the financial statements.

IFRS 16 has been issued by the IASB but has not yet been adopted. The new standard, which is expected to apply from 2019-20, largely removes the current classifications of finance and operating leases and introduces a single lessee accounting model. A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value on the Statement of Financial Position.

HM Treasury, with the assistance of a cross government technical working group, are reviewing the new standard, and guidance is expected from them on its application to Financial Accounts prepared in accordance with the FReM. It is likely to affect the way Qualifications Wales recognises transactions relating to its buildings lease, and this will be further assessed once HM Treasury guidance is issued.

As the Accounting Officer for Qualifications Wales, I confirm that the statements made in this report are correct for the period from 1 April 2017 to 31 March 2018.

Philip Blaker

Accounting Officer
19 July 2018