

**Qualifications Wales
Annual Accounts 2016-17**

Contents

Performance Report	3
1. Overview	3
1.1 Introduction and Scope of Responsibility	3
1.2 What we do	4
1.3 Performance Summary.....	5
2. Performance Analysis	8
2.1 Progress against our Operational Priorities for 2016/17	8
2.2 Main Risks	19
2.3 Financial Review	21
2.4 Sustainability	24
Accountability Report	29
3. Corporate Governance Report.....	29
3.1 Directors Report.....	29
3.2 Statement of Accounting Officer’s Responsibilities	31
3.3 Governance Statement.....	33
4. Remuneration and Staff Report	52
Financial Statements	69
5. Statement of Comprehensive Net Expenditure	69
6. Statement of Financial Position	70
7. Statement of Cash Flows	71
8. Statement of Changes in Taxpayers’ Equity	72
Notes to the Accounts for the year ended 31 March 2017	73

Performance Report

1. Overview

1.1 Introduction and Scope of Responsibility

Qualifications Wales was established on 6 August 2015, through the Qualifications Wales Act (2015), as the regulator of non-degree qualifications in Wales. We are a Welsh Government Sponsored Body. Last year we posted accounts for the eight months from August 2015 to March 2016. This year, April 2016 to March 2017, is our first 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. We published our first Annual Report in December 2016 covering the period September 2015 to August 2016 and this was scrutinised by the National Assembly for Wales.

This set of Annual Accounts covers the period from 1 April 2016 to 31 March 2017.

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 main end point 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)

1.2 What we do

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

We recognise awarding bodies who apply for recognition and who meet our Criteria for Recognition. Once recognised, awarding bodies must comply with our Standard 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 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.

1.3 Performance Summary

We have four Strategic Priorities:

Strategic Priority 1 - A strategically regulated qualifications system in Wales

A demand-led qualifications system where there is optimal breadth of opportunity for learners.

Strategic Priority 2 - Quality assured supply

Learners in Wales take qualifications that are valid with outcomes that are fair and reliable and are respected widely as a result of rigorous independent regulation.

Strategic Priority 3 - Build Qualifications Wales's capability 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.

Strategic Priority 4 - Deliver public confidence

Qualifications Wales is recognised widely as an expert independent body and engenders public and professional confidence.

Our 2016/17 business plan identified our focus for the year and listed **20 operational priorities** that we intended to deliver in support of our Strategic 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

- Monitored the summer and winter examinations, including the first award of new AS levels in the summer and new GCSEs in Maths and English Literature units in the winter;
- Consulted on the requirements for new GCSEs and A levels for first teaching in September 2017; and
- Approved 7 GCSEs and 6 A levels, successfully concluding the GQ reform programme.

Vocational Qualifications (VQ) activities

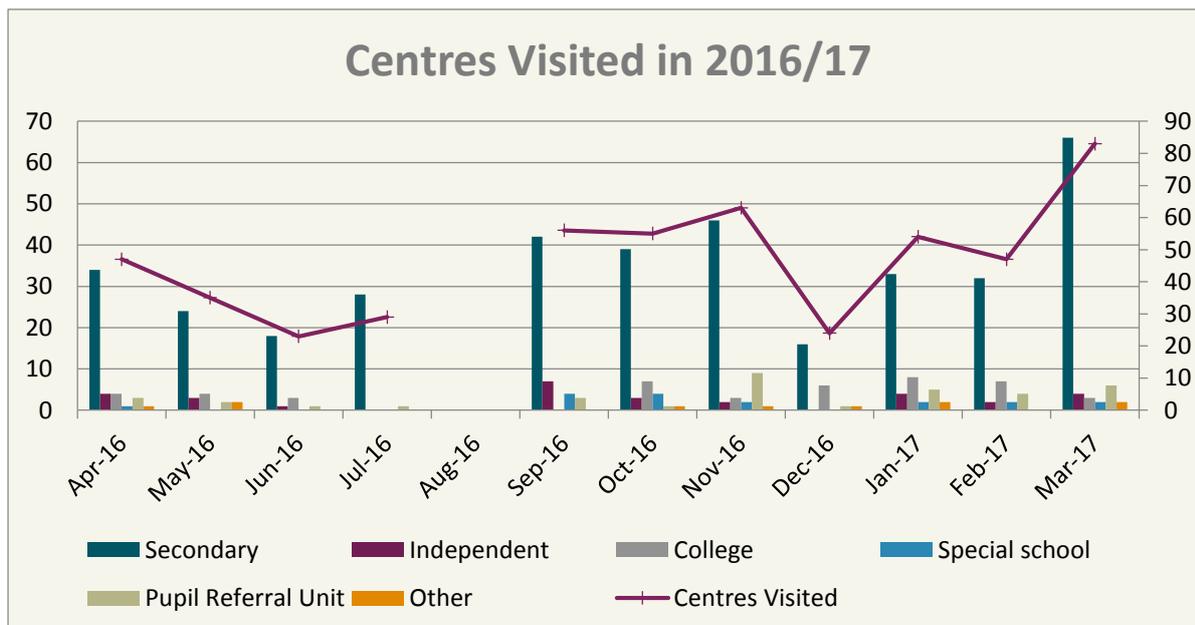
- Published our sector review in Health and Social Care (including childcare and play work), and as a result:
 - Started the process to commission one or more awarding bodies, appointed through a competitive process, to develop a new suite of qualifications;
 - Held a series of workshops for assessors delivering current qualifications in the sector;
- Published our Vocational Qualifications Strategy;
- Carried out extensive stakeholder engagement with employers, learning providers and learners, as part of our sector review of Construction and the Built Environment;
- Commenced our monitoring programme, looking at First Aid qualifications; and
- Started our ICT sector review.

Core Regulatory activities

- Managed grant schemes to support the availability of Welsh-medium qualifications and the introduction of qualification reforms;
- Developed our regulatory approach and framework, and considered the use of regulatory outcomes to focus our work;
- Improved how we monitor awarding bodies' compliance with our regulations;
- Published our policies on Restricted Priority Qualification, Recognition, Regulatory Appeals, Consultation and Welsh-medium and Bilingual; and
- Designated 552 qualifications as eligible for public funding.

Working with the Qualifications System

- Set up a range of communication channels and established good working relationships with our stakeholders to enable regular and meaningful dialogue;
- Held our first awarding body conference;
- Carried out research activity; and
- Supported good practice in centres, undertaking 516 visits to centres throughout the year.



Developing our Corporate Capability

- Published our first Annual Accounts for 2015/16;
- Published our first Annual Report (to August 2016), which was scrutinised by the National Assembly for Wales’ Children Young People and Education Committee;
- Recruited our research and statistics function;
- Invested in our staff, using a learning and development programme and staff deployment approach to increase capability and flexibility across the organisation;
- Gained Cyber Essentials Plus with IASME accreditation (information security assurance);
- Ran our first staff survey, with a completion rate of 96% and an employee engagement result of 78%, and agreed a subsequent action plan with staff;
- Introduced an IT based Customer Relationship Management (CRM) system, and started using it in our performance management of contracts; and
- Were shortlisted as a finalist in the British Computer Society & Computing UK IT industry awards 2016 for Project Excellence in the Best Not for Profit IT project category for our development of QiW (our bespoke regulatory database).

Philip Blaker
 Accounting Officer
 20 July 2017

2. Performance Analysis

2.1 Progress against our Operational Priorities for 2016/17

In setting our 2016/17 Operational Priorities we looked at how we could strengthen our functions in regulation, policy and research, grants, stakeholder engagement and corporate services – these priorities were in addition to our core regulatory activities. Our Senior Leadership Team reported progress against these priorities on a monthly basis 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 (the comments in the progress column do not all align to the objectives column but are intended to describe the overall progress):

General Qualifications Reform	
Priority 1 (link SP1, SP4)	Deliver the 2017* GQ reform programme to the agreed timeline (*Qualifications for first teaching in September 2017)
Priority 2 (link SP1, SP4)	Continue to consider the impact of qualification reform on examination centres and work with partners in the education system to facilitate clear and effective support
Priority 1 and 2 Objectives	Progress
<ul style="list-style-type: none"> • Develop and publish subject approval criteria; • Work with WJEC to ensure that reformed qualifications are submitted for each stage of a robust approval process in a timely manner; • Support reform implementation by facilitating the work of stakeholders including WJEC, Welsh Government and Regional Consortia to provide teacher support materials and training including Welsh medium materials; and • Evaluate the impact of current qualification reform on teachers, lecturers, work based learning providers and examination centres – and the effectiveness of the various support mechanisms - and 	<ul style="list-style-type: none"> • We published our Approval Criteria in July 2016 following public consultation. We also published designation criteria for GCSEs and A levels in other subjects; • Using these approval criteria, we approved all the new GCSEs and A levels by 31 March 2017, as planned, ready for first teaching in September 2017; • We worked with WJEC, Welsh Government and the Regional Consortia to agree how they will support the introduction of the new qualifications; • For each new qualification, we published an overview of the training and resources available, to help teachers prepare for and teach the new qualifications; and

develop a Qualifications Wales policy towards support for reform in the future.	<ul style="list-style-type: none"> We reviewed and refined our approach to qualifications approval, which led to more timely approval decisions and earlier involvement of stakeholders in the process to help support their introduction.
VOCATIONAL QUALIFICATIONS REFORMS	
Priority 3 (link SP1, SP4)	Establish and communicate our VQ Strategy and 10-year reform programme
Priority 3 Objectives	Progress
<ul style="list-style-type: none"> Develop a Vocational Qualifications strategy to underpin the delivery of our principal aims in relation to VQs; Further develop and embed the model for conducting sectoral reviews, evaluating and learning from the lessons of the first review; Develop and consult on a schedule of sector reviews; Effectively communicate the VQ strategy to stakeholders to build confidence in our approach; and Ensure that Qualifications Wales embeds an effective approach to VQs across its core activities. 	<ul style="list-style-type: none"> We published our VQ strategy in January 2017 and raised awareness of it amongst employers and other stakeholders; Building on the lessons learned from Health and Social Care, the VQ strategy set out our improved approach to, and our proposed sequence of, Sector Reviews; We explained how we would monitor VQs; We set up a VQ Strategy Delivery Board to provide sound governance for the delivery of the VQ strategy; and We commenced our programme of focused monitoring, starting with a comprehensive review of First Aid qualifications.
Priority 4 (link SP1, SP4)	VQ programme – continue with the programme of Sector Reviews
Priority 4 Objectives	Progress
<ul style="list-style-type: none"> Manage the effective transition from Analysis to Solutions phase of the Health and Social Care sector review including the development of a high-level action plan for the delivery of the recommendations; and Initiate and progress the Analysis phase of the sector reviews of Construction and ICT. 	<ul style="list-style-type: none"> We have made good progress in delivering the commitments that we made in the Health and Social Care Review; and The Construction and the Built Environment Sector Review is progressing well. The ICT review was rescheduled, but is progressing according to the revised timeline.
Priority 5 (link SP1, SP4)	Consult on the best way to ensure the development of new priority qualifications in Health and Social Care and implement agreed actions
Priority 5 Objectives	Progress

<ul style="list-style-type: none"> • Consult on the development of new 'approved' Health and Social Care qualifications for Wales to inform the most effective approach; • Proceed with phase 2 - Solutions for the Health and Social Care review; and • Commence phase 3 - the Implementation phase of the Health and Social Care review in relation to qualification development. 	<ul style="list-style-type: none"> • We consulted on the options for delivering the commitments of the Health and Social Care Review. We have since issued our decision to restrict provision and are well underway in procuring provider(s) to deliver new qualifications. Development of the subject content for these new qualifications is also well underway.
<p>CROSS CUTTING QUALIFICATION REFORMS</p>	
<p>Priority 6 (link SP1, SP4)</p>	<p>Welsh BaccaLaureate and Essential Skills Wales (ESW) – continue to closely review implementation of these Wales specific qualifications</p>
<p>Priority 6 Objectives</p>	<p>Progress</p>
<ul style="list-style-type: none"> • Monitor action plans developed by awarding bodies to address recommendations made by Qualifications Wales; • Where appropriate, issue grants to fund specific support activities delivered by partners such as the Regional Consortia; • Undertake a further review of the Welsh BaccaLaureate after the summer 2016 series; and • Undertake a review of the fitness for purpose of the ESW qualification for work based learning. 	<ul style="list-style-type: none"> • We established a Welsh BaccaLaureate Working Group to monitor action plans developed following our implementation review; • We established an Essential Skills Steering Group to monitor awarding bodies' progress and to identify any other issues of concern; • We provided grant funding to the four awarding bodies delivering Essential Skills to support the initial roll-out of tasks and tests; • We provided grant funding to each of the regional consortia and ColegauCymru to support the introduction of the Welsh BaccaLaureate; • We commissioned work to review the design and assessment model of the Welsh BaccaLaureate Skills Challenge Certificate. This review will complete in autumn 2017 and will include interviews with teachers and learners; and • We met with work based learning providers to identify issues with ESW and to inform our Steering Group.
<p>REGULATION DEVELOPMENT</p>	
<p>Priority 7 (link SP2, SP4)</p>	<p>Establish and maintain appropriate standards for general qualifications including co-regulated qualifications; facilitating reforms and managing increased divergence from English qualification policy</p>
<p>Priority 7 Objectives</p>	<p>Progress</p>

<ul style="list-style-type: none"> • Continue to work with other regulators on setting standards for three country qualifications; • Agree methodologies and approaches to setting standards in approved qualifications via the Standards and Awarding Group; and • Monitor and manage progress, risks and issues in the development of procedures for awarding approved qualifications. 	<ul style="list-style-type: none"> • We attended regular three country standards meetings and contributed to the development of exam series specific regulatory documents; • We held monthly standards and awarding group meetings with WJEC to identify risks to the awarding of reformed qualifications, agree awarding methodologies and confirm awards; • We held quarterly meetings with WJEC to identify risks to the delivery of each examination series and ensure appropriate mitigation steps were taken; and • There were no significant issues during the three examinations series: summer 2016, November 2016 and January 2017.
Priority 8 (link SP2, SP4)	Deliver our monitoring programme for reformed GQs (including Welsh Baccalaureate and ESW) and vocational qualifications and establish targeted risk based monitoring of Awarding Bodies and qualifications
Priority 8 Objectives	Progress
<ul style="list-style-type: none"> • Monitor the awarding of the summer 2016 examinations; • Observe awarding body meetings and report on findings; • Monitor implementation of new Welsh Baccalaureate, ESW and general qualifications; • Consult with learners and centres; and • Implement risk based awarding body and vocational qualifications monitoring. 	<ul style="list-style-type: none"> • We completed a comprehensive monitoring programme for the summer and winter examinations series; • We attended all award meetings for reformed qualifications and a significant number of question paper development meetings for future exams; • We recruited a pool of subject experts to support our monitoring work; • We observed all Welsh Baccalaureate moderator and awarding meetings; • We played key role in ensuring availability of ESW assessments for revised qualifications; and • We ran a 'Have your say' learner survey on the summer 2016 exams.
Priority 9 (link SP2, SP4)	Amend our Statement of Compliance (SoC) process to improve the quality of returns, building intelligence about Awarding Bodies (AB) and ensuring that issues are better understood
Priority 9 Objectives	Progress
<ul style="list-style-type: none"> • Develop effective SoC process for 2016 focused on key areas of compliance; • Communicate revised SoC process to awarding bodies; 	<ul style="list-style-type: none"> • We revised and improved the SoC process for 2016; • We reviewed submissions from all awarding bodies in detail, gaining valuable evidence on awarding body processes; and

<ul style="list-style-type: none"> Analyse SoC returns and report on findings; and Use analysis to inform future monitoring and compliance activity. 	<ul style="list-style-type: none"> We used the outcomes of the SoC process to inform our 2017/18; awarding body monitoring plan.
Priority 10 (SP2, SP4)	Review our approach and processes for Designating qualifications (as eligible for public funding)
Priority 10 Objectives	Progress
<ul style="list-style-type: none"> Review designation procedures to ensure full alignment with the Qualifications Wales Act; Evaluate effectiveness of designation criteria and process to ensure Qualifications Wales' principal aims are addressed; and Clarify any limitations on ability to change approach to designating qualifications that are also regulated by Ofqual. 	<ul style="list-style-type: none"> We have started a full review of designation – including its purpose, the criteria used and the supporting processes. We decided to carry this work into 2017/2018 so that the review can be as comprehensive and useful as possible.
POLICY, RESEARCH, COMMUNICATIONS AND CORPORATE SERVICES DEVELOPMENT	
Priority 11 (link SP2, SP4)	Review and develop our Regulatory Strategy
Priority 11 Objectives	Progress
<ul style="list-style-type: none"> Evaluate our current approach and alternatives to identify whether there are drivers for change; and Subsequently, either a) review, consolidate and articulate our regulatory approach or b) develop proposals for change. 	<ul style="list-style-type: none"> We undertook a full review of the regulatory framework adopted from Welsh Government and our own emerging approach to identify whether there was a case for change; We evaluated the introduction of Regulatory Outcomes to frame and guide our work, and decided to proceed with their development; We drafted Regulatory Outcomes for public consultation in April 2017; We drafted a comprehensive Regulatory Framework and Approach document to describe our work; and We started to plan a full review of our Conditions to be started in Autumn 2017.
Priority 12 (link SP1, SP4)	Publish our suite of Regulatory policies, complying with the five principles identified by the Better Regulation Commission and making clear our approach to using our powers in Wales
Priority 12 Objectives	Progress
<ul style="list-style-type: none"> Draft, review, consult where appropriate and publish policies on Consultation, Restriction, Designation, Recognition, Welsh 	<ul style="list-style-type: none"> We made good progress in completing our suite of policies – publishing the Consultation Policy, Restricted Priority Qualifications Policy,

<p>Medium and Monetary penalties in order to ensure compliance with the requirements of the Act;</p> <ul style="list-style-type: none"> • Respond to education policy development requirements resulting in changes to the education sector; • Review and consult as appropriate all published policies in accordance with the outcomes of the Regulatory Strategy project; and • Establish a Qualifications Wales template and framework for regulatory documents. 	<p>Recognition Policy, Regulatory Welsh-Medium and Bilingual Qualifications Policy and Regulatory Appeals Policy;</p> <ul style="list-style-type: none"> • We drafted our Designation Policy (publication will follow our review); • We drafted our Monetary Penalties Policy (publication will follow the Welsh Government consultation); • We removed the Code of Practice for GCE/GCSE and the NVQ Code of Practice; • We agreed a process for the Exam Procedure Review Service (EPRS), the independent appeal service used to appeal against results when the awarding body's own appeals process is exhausted; and • We developed our Regulatory Impact Assessment template.
<p>Priority 13 (link SP1, SP4) Build our professional expertise through developing our research and data collection capabilities, growing our own evidence base and publishing our findings</p>	
<p>Priority 13 Objectives</p>	<p>Progress</p>
<ul style="list-style-type: none"> • Complete recruitment of our research and statistics function; • Carry out or commission our programme of research; • Develop a consistent approach to learner engagement; • Establish our data collection and management strategy; and • Develop mechanisms to learn lessons from other research evidence and the experience of other administrations. 	<ul style="list-style-type: none"> • We completed recruitment of our team of seven researchers and statisticians; • We completed several research activities in house, including publishing research into public confidence in qualifications and the qualifications system; • We commissioned several research projects with external suppliers, including research to inform our VQ sector reviews and review of the Welsh Baccalaureate and Skills Challenge Certificate; • We developed a more consistent approach to learner engagement and data collection for sector reviews, as well as guidance on conducting consultations; • We started work to scope our data and statistical infrastructure needs; and • We built links with members of the research community in Wales and beyond.

Priority 14 (link SP1, SP4)	Administer a Welsh medium grant fund and review the effectiveness of our grants interventions. Also, set out our long-term strategy to support the delivery of Welsh medium qualifications	
Priority 14 Objectives	Progress	
<ul style="list-style-type: none"> Review how the Welsh medium provision is being delivered by the awarding bodies and being used by centres; Produce a robust set of procedures in regards to the awarding, monitoring and payment of the Welsh medium grant fund; and Work with awarding bodies to maximise the availability of Welsh medium assessment in designated qualifications. 	<ul style="list-style-type: none"> We revised and published our Regulatory Welsh-medium and Bilingual Qualifications Policy and action plan after consulting with awarding bodies; We have made good progress in engaging with awarding bodies, 25 of whom have agreed to work closely with us to develop our approach further; We worked with key stakeholders to clarify the availability of Welsh medium teaching and learning resources they will be offering to support the introduction of the new GCSE and A level qualifications; We highlighted the importance of securing Welsh medium and bilingual qualifications and assessment opportunities in our response to Welsh Government's draft strategy 'A million Welsh speakers by 2050' and gave evidence to the National Assembly's Culture, Welsh Language and Communications Committee's inquiry into the new strategy; and We set up a robust set of procedures for awarding, monitoring and paying out the Welsh medium grant fund. We paid grants to WJEC and to other awarding bodies to translate 60 designated qualifications into Welsh. 	
Priority 15 (link SP3, SP4)	Launch Qualifications in Wales (QiW) - our new Regulations database, and continue to improve data quality and accessibility	
Priority 15 Objectives	Progress	
<ul style="list-style-type: none"> Launch QiW on 1 April 2016; Conduct staggered cleanse of all data within QiW, prioritising fields linked to business needs, to ensure that all data contained within QiW is accurate; 	<ul style="list-style-type: none"> We launched QiW on 1 April and it was well received by stakeholders and users; We have since improved functionality and export processes to make information more accessible; A data cleanse has been completed; and 	

<ul style="list-style-type: none"> • Develop QiW workflow in line with reviewing designation and approval processes; • Gather feedback from users (internal and external) in order to continuously improve QiW; and • Define any additional business needs and consider enhancements. 	<ul style="list-style-type: none"> • Enhancements (improvements) have been made including the automatic calculation of Welsh Government performance points.
Priority 16 (link SP4)	Improve our networks and stakeholder feedback channels making best use of our new CRM system and acting on informed feedback
Priority 16 Objectives	Progress
<ul style="list-style-type: none"> • Enhance our external relations team function to act as an effective feedback loop; • Develop a stakeholder engagement plan to improve stakeholder channels – including regional networks, events for head teachers, awarding body forums and UCAS regional events; • Improve engagement with employers and the Higher Education sector; • Implement CRM system and ensure the system is used effectively; and • Issue regular e-newsletters via CRM and monitor stakeholder responses. 	<ul style="list-style-type: none"> • Our Centre Support Team has visited schools and colleges and other stakeholders including work-based learning providers and Careers Wales; • We communicated key messages regarding qualification reform to schools and colleges, feeding back concerns where they were raised; • We have developed our stakeholder engagement and set up regular fora with key stakeholders including awarding bodies, Head Teachers, teaching unions and other representative organisations. We have also held regular meetings with the Federation of Awarding Bodies (FAB) and Joint Council for Qualifications (JCQ) as well as setting up ICT, Health and Social Care and Construction Panels; • We held our first annual Awarding Body forum in December 2016; • In addition to engagement through the sector reviews we have also engaged with employers through the Federation of Small Businesses (FSB) and Institute of Directors (IoD) newsletters; and • Having rolled out our CRM system we are continuing to build its use across the organisation.
Priority 17 (link SP4)	Grow stakeholder understanding of our role and confidence in our actions
Priority 17 Objectives	Progress
<ul style="list-style-type: none"> • Continue to develop relationships with stakeholders using a wide variety of communication methods including e-newsletters, social 	<ul style="list-style-type: none"> • We have developed our website over the past year, and continue to review and enhance it as our main source of information;

<p>media, and meetings, using the Qualifications Wales website as the central source of information;</p> <ul style="list-style-type: none"> • Further develop relationships with key journalists in the education sector both in Wales and across the UK; • Monitor and evaluate communications activity on a weekly basis and adapt as necessary; • Develop our communications strategy; • Organise stakeholder events in north and south Wales to highlight Qualifications Wales' work and to gather feedback; • Compile a list of stakeholder organised events in the education and employment sectors that should be attended by Qualifications Wales staff, either as exhibitors or as speakers; and • Ensure all publications and other external communications are of a high quality, produced bilingually and meet all deadlines. 	<ul style="list-style-type: none"> • We produced two regular newsletters - the monthly 'Slate' primarily for schools and colleges and the bi-monthly 'Examiner' for awarding bodies. We also provide news items to stakeholder newsletters and websites, including those produced by Welsh Government, Careers Wales, FAB, IoD, FSB and Governors Wales; • We monitor access to our website and social media and report monthly; • We brief key journalists on a regular basis and issue press releases; • We have produced an internal style guide for staff; and • All external communications are produced bilingually and to a high standard.
<p>Priority 18 (link SP3, SP4) Prepare for future development – work with the new Welsh Government administration with focus on developments in curriculum and apprenticeships. Develop our longer-term scenario planning and financial forecasting</p>	
<p>Priority 18 Objectives</p>	<p>Progress</p>
<ul style="list-style-type: none"> • Provide senior management support for Welsh Government curriculum programme including attendance at Change Board, Programme Board, Curriculum and Assessment expert group and accountability group; • Maintain close working relationship with officials responsible for developing Welsh Government apprenticeship policy; and • Liaise with Welsh Government to understand financial scenarios and continue to develop Qualifications Wales approach. 	<ul style="list-style-type: none"> • Senior staff have regularly attended the Welsh Government led curriculum reform groups and Areas of Learning and Experience (AoLE) groups; • We have established an internal Curriculum Reform Group to ensure that we consider the impact of potential changes across the whole organisation; • Senior staff visited Scotland to consider their experience of curriculum reform; • We have kept a close working relationship with Welsh Government officials involved in post-16 and apprenticeship policies.
<p>Priority 19 (link SP3) Agree and adopt appropriate Welsh Language Standards</p>	

Priority 19 Objectives		Progress
<ul style="list-style-type: none"> During 2016, work with the Welsh Language Commissioner to agree which Standards are appropriate for our organisation and work to adopt and embed these into our ways of working with a clear policy and action plan. 		<ul style="list-style-type: none"> Although we are not yet formally listed, we have worked with colleagues in the Welsh Language Commissioner's Office to understand and prepare for likely future requirements; and We are reviewing our work against the standards likely to apply to us and developing a compliance action plan.
Priority 20 (link SP3)	Build organisational resilience through effective development of our people, on-going development of our corporate functions and systems and establishing longer term effective arrangements with our external subject expert advisors.	
Priority 20 Objectives		Progress
<ul style="list-style-type: none"> Complete our Annual Accounts; Continue to review our budget forecasting and reporting processes; Maintain and test business continuity plans and cover provisions for both corporate and regulatory functions; Publish a full suite of HR policies; Implement workforce planning including training and development and succession plans; Improve utilisation of reporting tools from the finance and HR systems; Increase our maturity levels in terms of IT operations and information security; Implement the procurement tender and contract management plan; Complete our procurement strategy; Establish a longer-term expert advisor's agreement; Continue to work across teams to effectively embed corporate functional policies and processes and develop skills and confidence; 		<ul style="list-style-type: none"> We published our first Annual Accounts in August 2016; Over the year we have improved our financial budget forecast processes and introduced new reporting formats to the Board and its committees; We set up and reviewed our business continuity plans and carried out two simulated exercises; After full consultation with unions we published our family friendly policies, and are consulting on our second and third batch of HR policies; We have started work on workforce planning and will be developing a Workforce Strategy during 2017/18. We have established our performance management and deployment processes; We have successfully completed 17 recruitment exercises; We have worked with our HR software provider to improve how we use our system; We ran our first Staff Survey achieving a 96% response rate and an engagement index of 76%, which we believe to be benchmarking amongst the highest within public sector bodies; In the survey 99% of staff said they had the right technology (IT) to do their job effectively and 82% said corporate services provided the right balance of control, compliance and support;

<ul style="list-style-type: none"> • Address internal audit recommendations as appropriate; • Review governance arrangements so that we continue to operate an effective governance structure and embed effective risk management through the organisation; • Embed effective project management and process mapping across the organisation aiding good governance and promoting efficiency; and • Continue to build on our understanding of our statutory functions and responsibilities in relation to the Qualifications Wales Act (2015) and other relevant legislation. 	<ul style="list-style-type: none"> • We delivered Equality and Diversity training and 'Kick off Cymraeg' Welsh awareness training to staff and Board members; • We have supported individuals with training needs; • We have provided modern, up to date, reliable IT systems to support our business operations and achieved Cyber Essentials Plus information security accreditation to help manage the risk to our data; • We delivered the procurement plan awarding 56 contracts following a tender or quotation process. We have rolled out contract management software; • We have published our procurement policy and drafted our procurement strategy; • We contracted with 33 subject experts to support our work in the areas of GQ monitoring, content development for Health and Social Care and Childcare, sector reviews in ICT and Construction and the Built Environment; • We have completed five internal audits with one substantial, three satisfactory and one limited assurance ratings; • We have reviewed our governance arrangements and completed a review of our Board performance and Committee structures; • We have developed our risk management processes, agreed the Board's risk appetite and enhanced our risk reporting structure; and • All new starters have been provided with an introductory briefing on our legislation. We have also held further briefing sessions and a training session on consultation.
---	--

Philip Blaker

Accounting Officer

20 July 2017

2.2 Main Risks

The main risks that we managed during the year are described below. With the exception of the GQ Approval risks – which related to activity which has now successfully concluded – the other risks remain live and we continue to monitor them closely.

GQ Approvals

This year we were due to complete the approval of reformed GCSE and A levels for first teaching in 2017. Approving qualifications is a lengthy, resource intensive process. It relies on us and WJEC having sufficient resource available throughout the approval period, good quality assurance processes and excellent project management. We learnt from our first experience of approving subjects for first teaching in September 2016 and developed our approach for this year to mitigate the risk of delays by agreeing joint timelines with WJEC and monitoring their activities closely.

This approach was very successful and we approved the WJEC qualifications for first teaching in September 2017 by 31 March 2017. This contrasted with the previous year when we were not able to complete approvals until May (and had to postpone approval of two qualifications for the following teaching year). We have now completed the final phase of approval of those GCSEs and A levels that were reformed for Wales following the 2012 Review of Qualifications.

The following table shows projected approval dates and actual dates achieved:

Category	Projected approval date	Actual approval date
GCSE Comp. Science	09/12/2016	25/11/2016
GCSE Business	23/12/2016	24/01/2017
A level Maths	06/01/2017	09/01/2017
A Level Further Maths	06/01/2017	09/01/2017
A level Gov. and Politics	06/01/2017	01/12/2016
A level Law	13/01/2017	09/02/2017
GCSE Welsh Second Lang.	10/03/2017	31/03/2017
GCSE Design Tech.	17/03/2017	02/03/2017
A Level Design Tech.	17/03/2017	15/03/2017
GCSE Media Studies	17/03/2017	27/03/2017
A level Media Studies	17/03/2017	30/03/2017

Health and Social Care restriction and procurement

During this year, we used our restriction powers for the first time and commenced a major procurement for the development of Health and Social Care qualifications for Wales. We took care to ensure that we followed legal advice to minimise the risk of successful challenge.

Examination Series

At a time of change, carrying forward of standards from old qualifications to new qualifications is challenging. To mitigate the risks, we have set out detailed plans to closely monitor the awarding processes and delivery of the reformed qualifications. We have learnt from our experience of overseeing the successful awards in Summer 2016, November 2016 and January 2017 for the new AS qualifications, GCSE mathematics qualifications and English Literature units.

Single Provider

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, more straightforward standards setting, and the development of teaching resources. However, if WJEC were to fail, the impact would be high so we have put in place more detailed checks and controls. We are careful to maintain our independence as a regulator. We are also monitoring WJEC's fees, and support for centres to make sure that cost is not excessive and innovation is not stifled.

System Risks

We also look across the qualifications system and keep a close eye on what is happening around us. We think about what might go wrong and how we can mitigate the effects. There are two developments that we are monitoring closely:

a) Skills Plan and Apprenticeship Policy

Government in England are introducing a Skills Plan that will result in there being fewer awarding bodies allowed to offer qualifications in each vocational sector. We do not yet know what this will mean for Wales. Although it may mean less choice, streamlining may well reduce complexity. We are talking regularly with the UK Department of Education and awarding body representatives so that we can respond quickly if we think there will be any problems. We are also monitoring the changes that England are making to their apprenticeship policy and considering any impact for qualifications in Wales.

b) Curriculum Review

We know that changes to the curriculum will mean that we need to make changes to qualifications. There is a risk that change is too big or happens too fast. We are working closely with Welsh Government so that we can make sure any changes to qualifications

happen smoothly without causing unnecessary disruption. We believe that a process of continuous improvement will be more effective than the 'big bang' introduction of reforms.

2.3 Financial Review

2016-17 was Qualifications Wales' first full financial year of operation. We were initially awarded a Welsh Government 'grant in aid' allocation of £8.169m, and this was increased by £134k (to £8.303m) during the year to reflect the transfer of responsibility to us from Welsh Government for the administration of the 'Welsh for Adults' qualification grant.

Our initial budget profile recognised that there were levels of uncertainty associated with some budget allocations, for example:

- This was our first 'business planning' and 'budget setting' cycle, and we acknowledged there were inherent risks to both the timings of anticipated activities and the associated levels of funding required;
- We had only just started the second phase of staff recruitment, and needed to include assumptions about anticipated start dates within staffing budgets;
- Key areas of expenditure were linked to the recruitment exercise, such as our Research Programme;
- The timings of some Programme activities were still being finalised, such as 'ICT' and 'Construction and the Built Environment' Sector Reviews, and the next phase of the 'Health and Social Care and Childcare' Sector Review', which would influence the levels and timings of involvement by subject experts;
- Our grant funding programme included elements to be awarded competitively, which was dependent on qualifying expenditure being incurred by external organisations;
- Several 'corporate' provisions had to be set aside as a contingency for potential costs, such as legal services and recruitment; and
- Several provisions were set aside for potential ICT projects, such as intranet and website developments.

Linked to this we established a budget line called Accounting Officer Reserve, intended to cover any unforeseen costs that emerged during the year, and enable us to quickly respond to issues and opportunities.

As the year progressed and we became clearer on our commitments, we identified that some of the £8.303m grant allocation would not be needed for 2016-17. This position was regularly reviewed by our Board and the relevant Committees, and discussed with Sponsor Unit colleagues in Welsh Government.

Our outturn position for the year was £7.147m, largely in accordance with our forecasts, £1.156m less than the £8.303m allocation.

The reasons for this variance are linked to the areas identified as being 'less certain' from the outset:

- There was slippage in the anticipated start dates for new staff;

- Some elements of the grant programme needed to be re-profiled into 2017/18;
- Lower than anticipated claims were made by external organisations against other grants;
- Research Programme activity was affected by the later than planned start dates for the Research team, who were newly recruited;
- Some of the provision set aside for Legal costs was not required; and
- Following further feasibility work, some of the ICT projects were either not deemed necessary (e.g. intranet development), or were deferred pending further consideration (e.g. website development).

The Accounting Officer Reserve was used during the year to fund several specific initiatives not included in the original budget. It was also topped up throughout the year, in accordance with our virements policy, as we identified slippage in other budget areas. Ultimately, not all this reserve was required, so it contributed to the underspend against the budget allocation.

In March 2017, we received Welsh Government approval to carry over (in cash) up to 6% of our total gross budget, in acknowledgement that the reduced budget allocation for 2017/18 and beyond would not enable us to cover the costs of our three-year ICT renewals programme, or enable us to fully fund the anticipated costs of our Data Collection Project. This project involves setting up systems to handle the collection and analysis of data (including entry and award data) from awarding bodies for the purpose of research and publications. This has enabled us to set up a £500k 'reserve' which will be used to meet these future costs.

The table below summarises our outturn position, and illustrates 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.

Note – the '2016/17 Budget' column in this table reflects the final budget for each of the key activity areas at 31 March 2017, i.e. it reflects the virements that took place during the year, largely to and from the Accounting Officer Reserve. The Accounting Officer Reserve budget is therefore the 'closing balance' that contributed to the overall underspend.

Budget Area	2016-17 Budget £'000	Outturn £'000	Variance £'000
Pay	4,167	3,995	172
Grants	1,390	1,366	24
Programme	915	478	437
Running	1,544	1,308	236
Accounting Officer Reserve	287	0	287
Total	8,303	7,147	1,156
Total Grant In Aid		7,647	
Actual Carry Over		500	
Reconciliation of Outturn to SOCNE			
Outturn		7,147	
Net increase once capital qualifying expenditure has been removed, and Depreciation / Amortisation charges added		170	
Comprehensive Net Expenditure for the year		7,317	

There is strong consensus amongst the Board and Sponsor Unit that the 2016/17 underspend is a consequence of our stage of development, and our initial Medium-Term Finance Plan demonstrates both the increasing funding levels required by the organisation as it matures over the next three years, and the mitigating actions necessary to set a budget in line with the Welsh Government grant funding, which has reduced by 4% (£327k) for 2017/18 and beyond. This medium-term plan will be reviewed and discussed annually with the Board and Sponsor Unit, and we use this when participating in Welsh Government's annual budget setting process to stress the consequences of any further funding reductions.

The cash balance at 31 March 2017 was £1.146m, of which £733k was earmarked to meet accrued expenditure. The balance (£413k) represents 5% of our total gross budget, and this is within 6% carry over limit set by Welsh Government.

During 2016/17 we looked into ways of identifying invoice payment timescales from the finance system. We made some modifications to our data capture arrangements and have been able to produce an interim analysis of payments made in the last quarter of the financial year, i.e. the time taken from receipt of a valid invoice to the point when payment is made into a supplier's bank account. This confirms that we paid 71.7% of our invoices within

10 days, and 98.4% of our invoices within 30 days. We will continue to explore ways of streamlining the process to produce this information in 2017/18.

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 have prepared these accounts on a 'going concern' basis.

2.4 Sustainability

Qualifications Wales is committed to sustainable development and we are in the process of developing objectives in line with the Wellbeing of Future Generations Act 2015. We will be reviewing the outcomes of the initial work planned by the Wales Audit Office (WAO) in respect of the Wellbeing and Future Generations Act before we finalise and publish our objectives.

To help support the environment we try to minimise the environmental impacts of our operations. This includes our consumption of resources (energy, water and paper), travel and the generation of waste.

The 76 staff now employed by Qualifications Wales occupy an area of 11,329 square feet within Q2 building, in a single shared office building, located to the west of Newport.

We minimise our impact on the environment as follows:

- **IT** – A modern and flexible approach has been taken to IT, ensuring the latest technologies have been installed. The IT infrastructure is delivered predominantly through cloud services that are hosted externally, thereby dramatically reducing the required size and electrical consumption of the onsite servers. Modern energy efficient equipment has been provided, including the issue to all staff of a 'two-in-one' detachable tablet – avoiding the need for both desk top and laptop equipment. These tablets are used seamlessly, whether 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;
- **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 items; and
- **Lighting** – We fitted LED lighting in our meeting rooms with a lifetime of 50,000 hours, which equates to approximately 20 years of use at 10 hours a working day. Where original fittings remained, occupancy PIR sensors were installed in the open plan area. These sensors detect when a space is occupied or unoccupied and turn the lights on or off automatically after a short period to reduce energy. The typical range of energy savings for the use of occupancy sensors in an open plan environment is 22-30%.

Qualifications Wales has an Environmental Policy. We require our suppliers and contractors to ensure, where appropriate, that goods and services procured support our environmental policy. The tables below show our waste disposal, energy consumption and travel footprint.

As anticipated, with an increased headcount our electricity and water usage has also increased, sewerage figures are also included in this year.

Scope	Non-financial Information	Financial Information	Greenhouse Gas Emissions
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	N/A	N/A	N/A
Scope 2 (Energy indirect): Emissions released into the atmosphere associated with your consumption of purchased electricity, heat, steam and cooling	Electricity 94,743 kwh	£13,921.68	38804 kg CO ₂ e 39039 kg CO ₂ e
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.	Water 306 units (*) Sewerage 291 units Total 597 units Waste General Waste 1360kg (33%) Mixed Recycling 1822kg (44%) Glass Recycling 470kg (11%) Food Waste 482kg (12%) Total 4,134 kg	Water £435.06 (*) Sewage £577.07 Total £1012.13 General Waste £605 Mixed Recycling £563 Glass Recycling £270 Food Waste £90 Total £1,528	105.26 kgco ₂ 206.03 kgco ₂ Total 306.03 kg CO₂ General Waste 28560 kg CO ₂ e Mixed Recycling 38262 kg CO ₂ e Glass 9870 kg CO ₂ e Food Waste 2892 kg CO ₂ e Total 79,584 kg CO₂e
	Business Travel – Car/Taxi <ul style="list-style-type: none"> Staff – 72,692 miles 	Car/Taxi <ul style="list-style-type: none"> Staff – £43,008.40 	Car/Taxi (**) <ul style="list-style-type: none"> Staff 21622 kg CO₂e

	<ul style="list-style-type: none"> • Board Members – 8,285 miles • Subject Experts – 21,038 miles <p>Total 102,015 miles</p> <p>Rail</p> <ul style="list-style-type: none"> • Staff – 32046 miles • Board Members – 11,963 miles • Subject Experts – 7505 miles <p>Total 51,514 miles</p> <p>Air</p> <ul style="list-style-type: none"> • Staff – 15,006 miles • Board Members – nil • Subject Experts – 842 miles <p>Total 15,848 miles</p>	<ul style="list-style-type: none"> • Board Members £1,136.90 • Subject Experts - £9794.43 <p>Total £53,939.73</p> <p>Rail</p> <ul style="list-style-type: none"> • Staff – £13806.05 • Board Members - £3955.41 • Subject Experts - £2439.20 <p>Total £20,200.66</p> <p>Air</p> <ul style="list-style-type: none"> • Staff – £1956.36 • Board Members - nil • Subject Experts- 177.50 <p>Total £2,133.86</p>	<ul style="list-style-type: none"> • Board Members 2464 kg CO₂e • Subject Experts 6258 kg CO₂e <p>Total 30,344kgCO₂e</p> <p>Rail</p> <ul style="list-style-type: none"> • Staff 1565 kg CO₂e • Board Members 584 kg CO₂e • Subject Experts 367 kg CO₂e <p>Total 2,516kgCO₂e</p> <p>Air</p> <ul style="list-style-type: none"> • Staff – 4181.72kg CO₂e • Board Members – 0 kg CO₂e • Subject Experts – 234.64kg CO₂e <p>Total 4,416.36 kgCO₂e</p>
--	---	---	---

(*) figures for water usage and costs for quarter four 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.

We have compared our 2016/17 figures with those that we published for the seven months of 2015-2016 covering the period from September (the point at which the office became fully occupied and operational) to the end of March. To complete the comparison, we extrapolated figures for 2015/16 and also took account of the fact that in 2016/17 we increased the headcount from 62 to 76.

Although we saw increases in energy and business travel this year, when we considered the full year comparisons on a per head basis we did not identify any trends that were of concern. The nature of our work and the importance of face-to-face stakeholder engagement means that travel by staff and subject experts is likely to continue to increase in future years as we mature as an organisation.

During 2015/16 we changed our waste contractor and there are some differences in how data has been collected. We will be working with our contractors to consider how we can measure waste consistently in the future. However, based on the figures available our overall waste has reduced by 726kg or 15% from the extrapolated figure of 4860kg for 2015/16 (based on a total of 2835kg for seven months). Our general waste and our mixed recycling has reduced, whilst food and glass recycling has increased. Based on the figures available we have increased the percentage of recycled waste from 59% to 67%. None of our waste goes to landfill. Staff are encouraged to recycle and the results may be due to employees being more aware of the importance of recycling - but results may also be affected by how our contractors measure and record the detail.

We also ensure that we consider potential economic, social and environmental impacts in our procurement activity. Our published procurement policy aligns to the Wales Procurement Policy and we therefore openly advertise opportunities over £30k (including VAT) and consider how to make our opportunities available for SMEs to successfully tender.

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 2016/17, the Board was made up of the following members:



Ann Evans
Chair



Philip Blaker
Chief Executive



Dr Caroline Burt



Ellen Donovan



Robert Lloyd
Griffiths



Alun Llwyd



Angela Maguire-
Lewis



Claire Morgan



Isabel Nisbet



Rheon Tomos

Alun Llwyd's term commenced on the 5 September 2016.

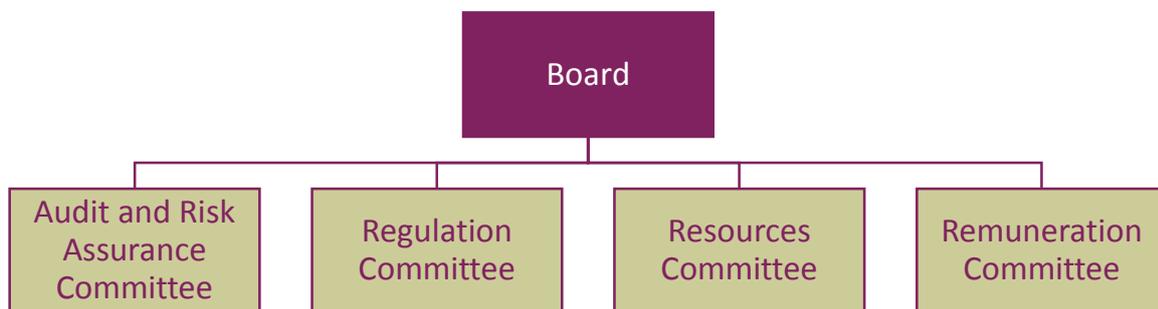
Paul Croke was a member of the Board from 6 August 2015 to 3 November 2016 when he resigned from role.

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.

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 and Head of Corporate Governance and more recently 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 2016 to 31 March 2017 are fair, balanced and reasonable and that I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and reasonable.

Philip Blaker
Accounting Officer
20 July 2017

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 (2011) 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 papers and minutes available to all Board members. Below is an overview of the Board and its committees' activity during the year.

The Board

The Board has met six times during the period (April, June, July, October, January and March). Minutes of Board meetings are made available through the Qualifications Wales website once they have been approved. The Board also held two development days in May and October 2016.

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

- The 2016/17 business plan and budget allocation;
- The annual report for the period September 2015 to August 2016;
- The Strategic Equality Plan;
- Relevant policies;
- The Priority Qualifications List (PQL) to recommend to the Cabinet Secretary for Education;
- The decision to issue a notification of the intention to restrict Health and Social Care qualifications and to commence procurement activity to commission one or more providers;
- The risk appetite;
- Revisions to the financial authorities' schedule (part of the delegation framework);
- The Vocational Qualifications Strategy;
- Terms of reference for the Resources, Remuneration and Audit and Risk Assurance Committees;
- The Board's approach to its own effectiveness and review of performance;
- The 2017/18 business plan and budget allocation;
- The consultation response to Welsh Government about the proposed 'One million speakers by 2050';
- The Memorandum of Understanding with CCEA Regulation (the qualifications regulator in Northern Ireland); 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 and financial activity;
- Updates from each of its committees; and
- The staff survey outcomes.

The Board held two separate development days (May and October 2016) where it considered risk management, drivers to change the regulatory strategy and the sector review methodology and schedule, and conducted its board effectiveness review.

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, and 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 is to advise the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Governance Statement;
- The organisation's approach to risk management, and satisfying itself of the way that risk is managed within the organisation;
- The governance and internal control of the organisation;
- Anti-fraud policies, whistleblowing processes and the arrangements for special investigations within the organisation;
- The adequacy of management response to issues identified by audit activity, including those issues identified by external audit;
- The adequacy of arrangements within Qualifications Wales for internal audit, external audit and corporate governance matters, including on the preparation of Qualifications Wales' financial report and annual report; and
- It also oversees the appointment, following procurement procedures, of the internal auditor (subject to ratification by the Board).

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 and the Terms of Reference for this group are published on the website. Our Internal and External Auditors also attend this Committee.

During this period, the Committee has:

- Reviewed the draft annual accounts for 2015/16 and provided an assurance report to the Board and Accounting Officer;
- Reviewed all the internal audit reports carried out in the period (except the General IT controls – Access financial system review, which will be reviewed at its June 2017 meeting);
- Overseen the monitoring of all internal audit recommendations;
- Reviewed the draft Fraud and Anti-Bribery policy;
- Reviewed the Financial virement policy;
- Reviewed the financial authorities schedule (part of the Board's delegation framework);
- Received risk management reports, reviewed relevant aspects of the corporate risk register and conducted a deep-dive into the risks related to the Welsh Language Standards;

- Held closed meetings with the internal and external auditors to ensure compliance and open access to all required information from staff;
- 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, and considered its schedule of future meetings.

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. Its terms of reference are:

- Oversight of the preparation of the annual budget and business plan giving due consideration to the strategic use of resources;
- Oversight of workforce planning and controls for the organisation: recruitment, retention, succession planning and performance management policies;
- The management of conflicts of interest for the Board and senior officers of the organisation;
- Overseeing any major changes in employee benefits structures throughout the organisation;
- Providing advice to the Board on potential investment and commercial activities, giving early consideration to proposals and providing advice or views on opportunities that may exist;
- Ensuring the effective and efficient management of Qualifications Wales' assets and operations; and
- Formally reviewing the remit of the Committee annually and informally on an ongoing basis.

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 twice in the period (October and February). The minutes of these meetings have been provided to the Board.

During this period, the Resources Committee has:

- Considered and updated its terms of reference (in conjunction with the Remuneration Committee terms of reference);
- Reviewed the 2016/17 six-month operational plan and financial position;
- Reviewed the draft 2017/18 business plan and budget;
- Reviewed and approved the Family Friendly HR policies¹;

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

- Reviewed the process in place for declaring and managing conflicts of interest for the Board and senior staff;
- Completed its governance health check; 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.

The Committee's terms of reference are:

- Providing a sounding board for the development of regulatory policies;
- Providing guidance and recommendations in relation to regulatory approach, framework and policies;
- Reviewing the appropriateness and effectiveness of regulatory activity;
- Monitoring relationships with other qualifications regulators;
- Seeking Board endorsement of its recommendations in relation to regulatory disputes;
- Ensuring that proper arrangements are in place for an independent review to be conducted of our regulatory processes, where one is requested; and
- Monitoring the management of risk relating to regulatory activity.

The Regulation Committee met four times in the period (June, September, December and February). Minutes of these meetings have been provided to the Board. The Committee held a further two special meetings discussing the structure and content of the draft Regulatory Outcomes.

During this period, the Committee has considered:

- Strategic policy updates and reviewed several policies. Policy reviews included the Complaints about Awarding Bodies Policy, Whistleblowing Policy (currently being developed), Taking Action When Things Go Wrong Policy, Monetary Penalties Policy (currently being developed), Fee Capping Policy and the Recognition Policy;
- Risk management reports and reviewed the regulatory risk register;
- The Health and Social Care (including childcare) sector review and subsequent restriction and procurement planning for the development of new qualifications;
- The Vocational Qualifications Strategy;
- Monitoring plans for the Summer and Winter examination series;
- The development of a regulatory framework and regulatory outcomes;
- Reports on monitoring and compliance, recognition and approval activities;
- The project plan for the review of the designation policy and procedures;
- Its governance health check; and
- Its schedule of future meetings.

The Committee has also held an additional two special meetings (June and January) in relation to the development of a Regulatory Framework and Regulatory outcomes).

Remuneration Committee

This Committee meets annually. 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.

Its terms of reference are:

- Determination of any proposals to change terms and conditions for staff. (No staff member shall be involved in any decisions as to their own remuneration);
- Reviewing the ongoing appropriateness and relevance of the remuneration policy;
- Determination of any proposed changes to the policy and scope of staff pension arrangements;
- The policy in relation to major changes in employee benefits structures throughout the organisation CEO and Executive Director pay, pension, benefits and terms and conditions;
- In conjunction with the Chair of the Board, overseeing the recruitment of the CEO, and engaging with the CEO on any future recruitment to the Executive Director posts. This should include succession planning;
- Oversight of CEO and Board performance and evaluation activity;
- Ensuring that any terminations are carried out properly and any payments made are fair to the individual, and the organisation, that failure is not rewarded and that the duty to mitigate loss is fully recognised; and
- Determination of proposals to changes in the Board terms and conditions, for agreement by the Board before onward submission for consideration by the Cabinet Secretary for Education. Evaluation of the recruitment requirements for the Board, and liaison with the Welsh Government on such matters.

The Committee met for the first time in October 2016. During its first meeting, the Committee considered:

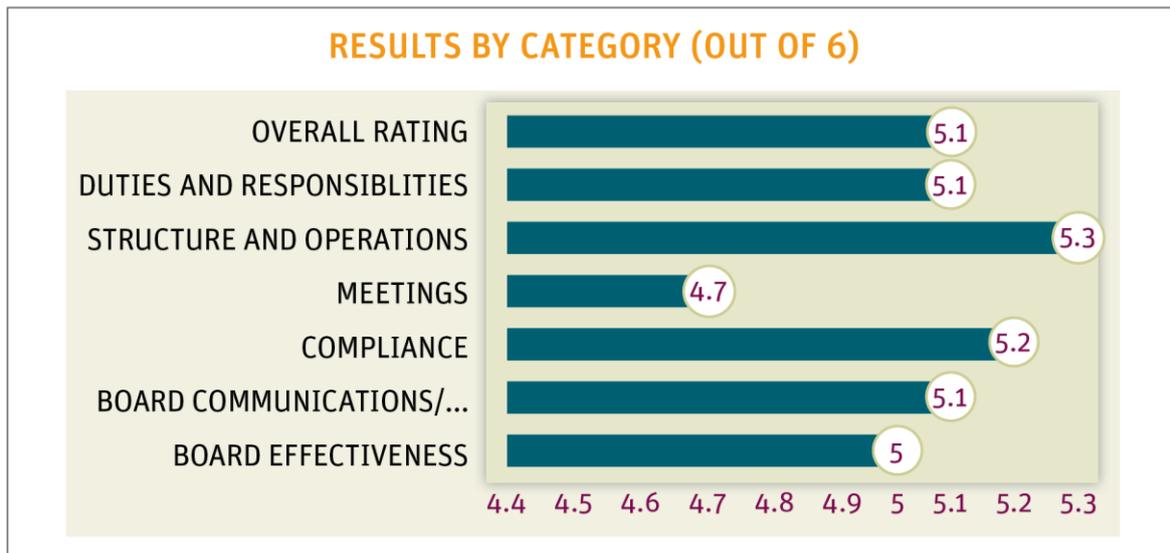
- Its terms of reference;
- The staff pay policy; and
- Executive pay.

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.

Board Effectiveness - external facilitators were appointed to conduct the Board effectiveness review. This included a review of major Board policies, an on-line questionnaire completed by all Board members and the Executive, and an away day where the results were

explored. The questionnaire was designed to enable all Board members to step back and objectively comment on the effectiveness of the Board. Each person had the opportunity to identify collective strengths and areas for improvement to help the Board operate more effectively and to the highest standards of leadership and governance. The online questionnaire received a 100% response rate. The responses were anonymised, collated and presented to the Board at its development day on 20 October 2016. The results were collated into six areas and are summarised below.



Committee Governance Health-Checks - A health check was conducted with three of the four committees. We decided not to do the health check with the Remuneration Committee as it had only met once. 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 and Head of Corporate Governance met separately with each Board member during the year. The Chair met with each Board member to conduct an annual review meeting and the Head of Corporate Governance met with members to discuss any training and induction needs.

The main findings from these activities have been developed into a Board Action Plan which is already being implemented and will continue to be delivered in 2017/18.

Chair’s Review – during the year the review process for the Chair of the Board was also designed and will be implemented in the first quarter of 2017/18. Each Board member, Executive Director and the Head of Corporate Governance will have the opportunity to provide their views of the Chair’s performance during the year. The Chair will complete a self-assessment and then all information will be collated and presented to the Chair in a feedback report.

Learning and Development – in addition to regular meetings and its own effectiveness review, the Board undertook a range of learning and development opportunities including

Equality and Diversity and Kick Off Cymraeg training. Individual Board member attended training relevant to their role, for example Audit Committee Effectiveness training for the Chair of the Audit and Risk Assurance Committee.

Attendance at Board and Committee meetings (1 April 2016 to 31 March 2017)

	Board	ARAC	Regulation Committee	Resources Committee	Remuneration Committee
Number of Meetings held	5	4	4	2	1
Board Member Name	Attendance				
Ann Evans (Chair)	5	N/A	4	2	1
Philip Blaker (CEO)	5	(4)	4	2	(1)
Caroline Burt	5	N/A	4	N/A	N/A
Ellen Donovan	5	N/A	N/A	2	1
Robert Lloyd Griffiths	5	N/A	N/A	2	1
Alun Llwyd (Appointed 5 September 2016)	3	N/A	N/A	N/A	N/A
Angela Maguire-Lewis	5	4	N/A	2	N/A
Claire Morgan	5	N/A	3	N/A	N/A
Isabel Nisbet	5	4	4	N/A	N/A
Rheon Tomos	5	4	N/A	N/A	1
Paul Croke (resigned 3 November 2016)	3	2	N/A	N/A	N/A

() indicates attendance but not as a member

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 2017 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 2016/17, five Internal Audits have been completed as follows:

Audit Name	Assurance Rating	Number of Recommendations
Budgetary Control	Substantial	2
Creditors	Satisfactory	3
General IT controls – Access financial system	Limited	8
Grants to other bodies	Satisfactory	4
Procurement	Satisfactory	3

The results from the audit of 'General IT controls - Access financial system' were provided at the end of March 2017. The limited assurance rating related to concerns around controlling the access and maintaining an audit trail of use by the system provider's help desk when needing to access the Qualifications Wales system to fix technical problems. The risks identified related to data integrity and not financial loss as it was considered that we had significant mitigating controls in place.

Upon receipt of the audit findings we immediately addressed the high priority recommendation. We corrected an issue relating to user access for two staff members who had temporarily required wider access for testing purposes, and disabled an account that had been used in set up testing. We are jointly discussing the best way for the hosting provider to improve their audit controls while continuing to provide the dynamic support necessary for an organisation of our size. We are maintaining our compensatory controls which include a detailed log of all our requests for technical support and all resulting work undertaken.

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			
	High	Medium	Low	Total
Recommendations raised in 2015-16	-	6	9	15
Recommendations raised in 2016-17 All were accepted by management.	1	4	15	20
Total	1	10	24	35

2016/17 was the first time we had internal audit recommendations to monitor from the previous year. 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				
	Implemented or superseded	Overdue – in progress	Overdue – not yet started	Not yet due	Total
High	-	-	-	1	1
Medium	5	1	-	4	10
Low	10	2	-	12	24
Total	15	3	-	17	35

As at 31 March 2017, there were no overdue high priority recommendations. There are one medium and two low priority recommendations that have passed their initial due dates but both are in progress. The medium recommendations relate to the publishing of the procurement strategy and a system amendment to produce a supplier report. We have made a conscious decision to delay finalising the procurement strategy to better align it to on-going work relating to the maturity of all our corporate functions. The recommended system amendment is not currently technically possible and we have introduced compensating controls accordingly. We have not closed the recommendation as we are still in discussions with the provider to encourage them to make the report available in the future.

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 2016 to 31 March 2017 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 2016 to 31 March 2017 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 1 'limited' and no 'no' assurance opinions in respect of our 2016/17 assignments. The one 'limited' opinion related to *General IT controls – Access financial system*.

Within this review, we raised one high risk recommendations relating to the lack of monitoring and review controls around powerful accounts used by Access technical support within the Access finance system.

This does not prevent us from issuing satisfactory assurance as the organisation is implementing the recommendations raised as a result of our work to address the issues identified and also has significant mitigating manual controls performed by the finance function outside the IT system.

KPMG LLP

Chartered Accountants
Cardiff

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 developed the maturity of our risk management and reporting. The risk register is now 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 regularly where existing risks are scrutinised and new risks identified as well as existing risks reviewed.

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;
- Resources Committee review relevant corporate risks within its remit; and
- Regulation Committee review the Regulatory risks.

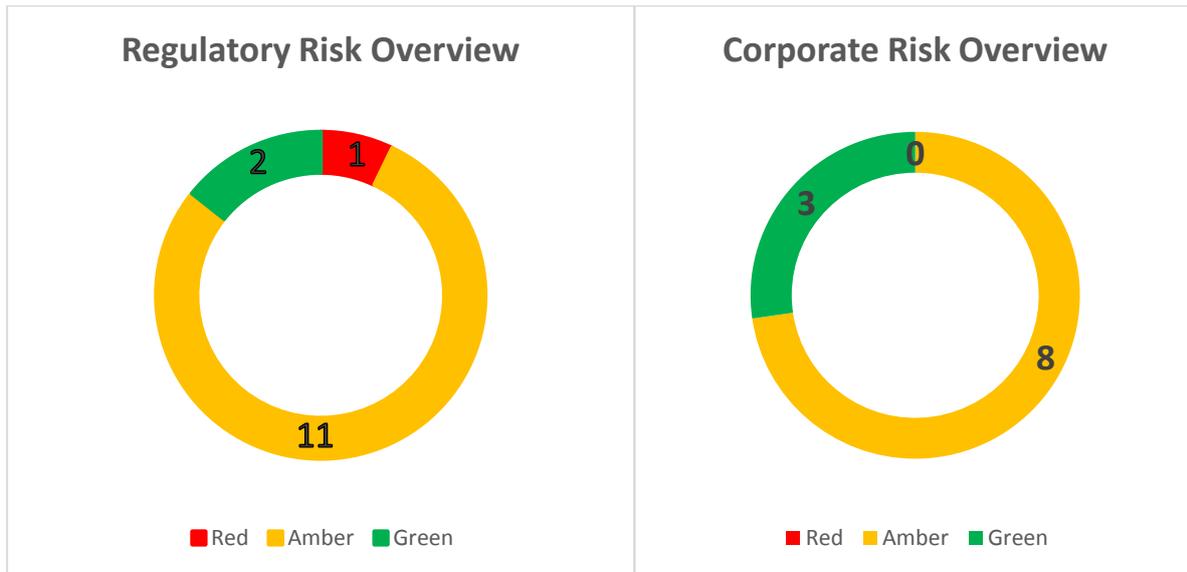
The role of the Committees is to provide both support and challenge to the Executive team. Committees also have a role to provide assurance to the Board that risk is being actively considered within Committee discussions and managed appropriately.

Training was delivered to the Board and Management Board in May 2016. This informed the development of the Board's risk appetite.

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 2016/17 relating to our corporate and regulatory functions. At the end of March 2017, 25 risks were present on the organisational risk register (14 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 residual risk scores that determine the red, amber or green colours are 1-5 is green, 6-12 is amber and anything above 12 is red.

The Regulatory risks relate to the regulatory aspects of our work. The red rated risk relates to the delivery of qualifications through single suppliers whilst the amber risks are a mix of medium and long-term risks relating to the core components of our work. These include vocational sector reviews, commissioning of new qualifications, the emerging changes to the qualification system in England, the provision of Welsh medium qualifications and general controls in the monitoring and overseeing of the qualification system. The green risks relate to media and incident management.

The corporate risks identified are mainly linked to the continual development of the organisation as it moves from creation to maturity. Examples of these risks include information management security, the medium term financial position, communication, the development of grant and contract management procedures, building security and the implementation of the Welsh Language Standards. The number of risks on the corporate risk register have reduced during the financial year as our corporate functions have matured.

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 and we therefore openly advertise opportunities over £30k (including VAT) and consider how to make our opportunities available for SMEs to successfully tender.

Our Procurement policy is supported by tendering and quotation procedures and all budget holders have been given training.

Our procedures require that (unless we are using existing contracts or collaborative contracts 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 or tender register depending on the value.

The Head of Procurement reviews the request and if the request is justified, will forward to the Chief Executive for approval. Where the value of the departure has a value of £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.

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.

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

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); 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.

In 2016/17, we implemented the recommendations from the 2015/16 internal audit on electronic data and created and published a records management policy which covers saving and cataloguing policies as well as providing guidance.

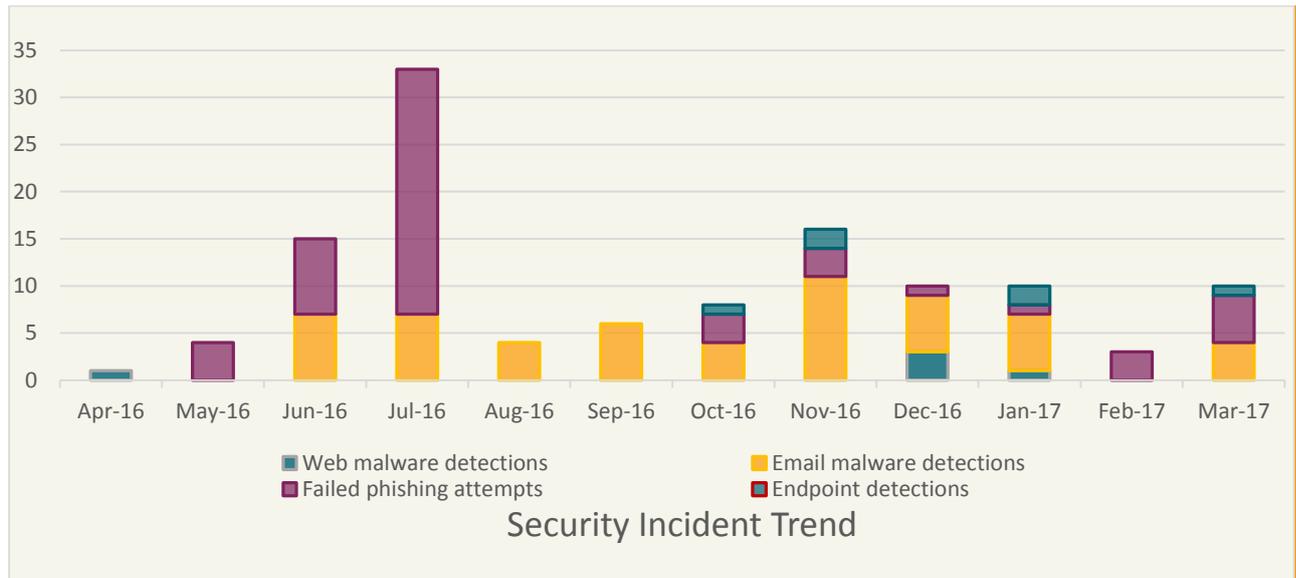
We have started to analyse the meaning of the General Data Protection Regulation (GDPR) for our organisation to ensure we are ready to comply with the new regulations that come into effect from 25 May 2018.

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 an early configuration of our Sharepoint site that could have enabled external subject experts to view non-sensitive internal files. We identified and corrected this ourselves and no inappropriate access took place.

We achieved our Cyber Essentials in August 2016 and Cyber Essentials Plus IASME accreditation in October 2016.

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



We consider email 'phishing' to be our top threat vector and while our email filters block known malware we are still aware of the limitations such filters have in relation to phishing emails.

General statistics relating to phishing are:

- 95% of all attacks on enterprise networks are the result of successful spear phishing. ([Source: SANS Institute](#));
- 97% of people around the world cannot identify a sophisticated phishing email. ([Source: Intel](#));
- 30% of phishing messages get opened by targeted users and 12 percent of those users click on the malicious attachment or link. ([Source: Verizon](#)); and
- Only 3% of targeted users report malicious emails to management ([Source: Verizon](#)).

Over this year, we have therefore introduced several actions to counter the threat from phishing:

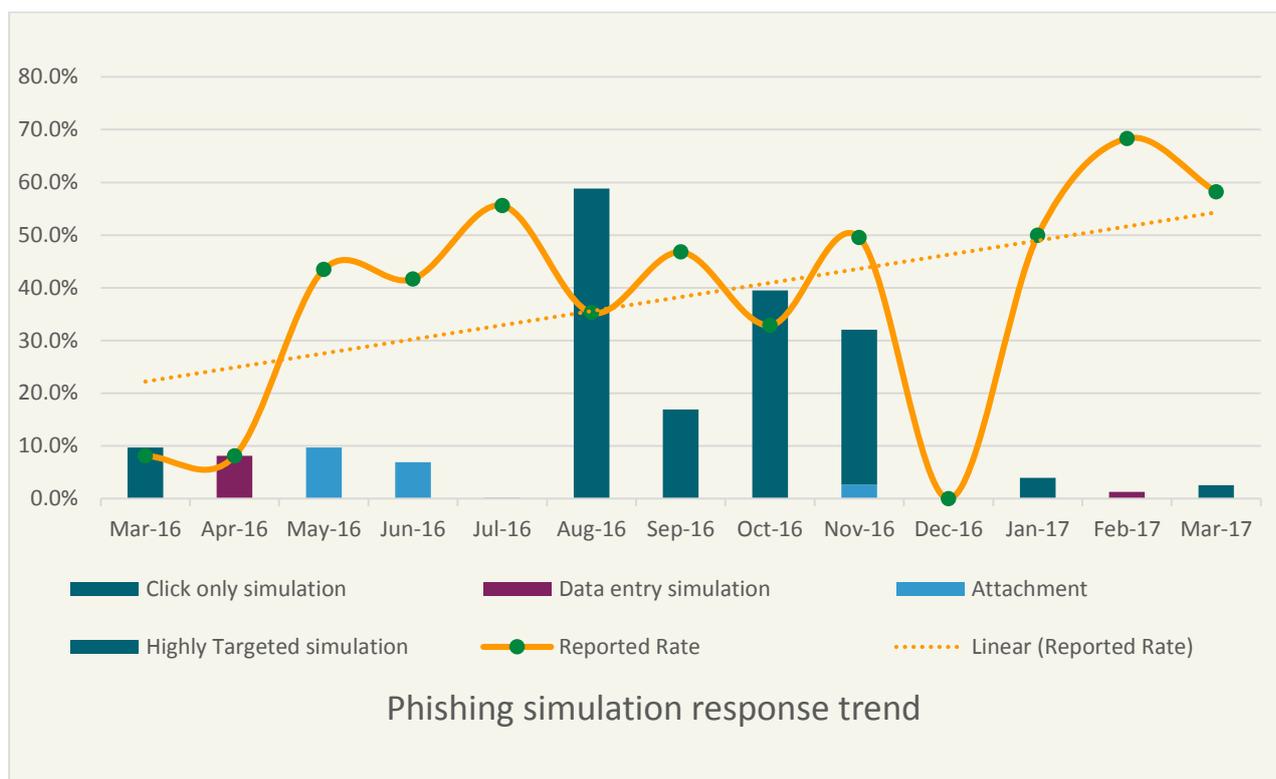
- We added a 'report phishing' button to the email client for all staff to encourage and allow them to easily report suspect emails;
- We ran 12 simulated phishing attacks on our staff to test their response and alert them to the dangers. These included simple click only attacks, compromised attachments and more sophisticated highly targeted emails linked to fake websites that harvest user credentials; and
- We put all staff through an interactive training workshop to show them how to identify and deal with phishing emails and malicious links.

These are the results our actions have achieved:

- 69% of our staff have been caught out by the simulated attacks, helping us highlight the threat and drive behaviour change;

- This has led to staff reporting rates for the simulated attacks rising from less than 10% to more than 50%;
- Our susceptibility to highly targeted attacks has reduced significantly; and
- 21% of our staff have identified and reported suspect emails preventing 33 real phishing attacks.

The results of these simulated phishing attacks are shown in the chart below.



Personal Data Reported Incidents

Qualifications Wales has no personal data incidents to report.

Freedom of Information Requests

We received four 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 Act')

Qualifications Wales is committed to sustainable development and we are in the process of developing objectives in line with the Wellbeing of Future Generations Act 2015. We will be reviewing the outcomes of the initial work planned by the Wales Audit Office (WAO) in respect of the Wellbeing and Future Generations Act before we finalise and publish our objectives.

As the independent qualifications regulator for Wales, we are one part of the public-sector infrastructure. In both our corporate policies and our work as a regulator, we look to support the economic, social and environmental development of Wales and thereby the Well-Being Indicators defined in the FGA Act. We work collaboratively with the other public bodies delivering the education system in Wales, including: the awarding bodies that we regulate, schools, colleges, work-based learning providers, regional consortia and local authorities, as well as qualifications regulators in other parts of the UK. Our analysis informs and advises Ministers, officials and other organisations that are involved in developing or setting education policy, delivering education services or teaching learners.

Our work has a long-term impact 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. We endorse the statement made in 2016 by Andreas Schleicher, Director of Education at the Organisation for Economic Co-operation and Development (OECD): "your education system today is your economy of tomorrow".

Welsh Language Standards

We communicate with our stakeholders bilingually, as appropriate. Although we are not yet subject to the Welsh Language Standards, we are already developing our corporate Welsh language plans and have engaged positively with the Welsh Language Commissioner's Office. We are in the process of developing a Memorandum of Understanding with the Commissioner.

The desirability of promoting and facilitating use of the Welsh language is one of the 'eight matters' that our legislation requires us to consider. We have published our Interim Regulatory Welsh-Medium and Bilingual Qualifications Policy, following its approval by our Board in May 2016. We have also taken practical action to support language development. For example, as part of the review of GCSEs and A levels, we took the decision to improve the current GCSE Welsh Second Language qualification ahead of the longer-term changes that will result from the Welsh Government curriculum reform.

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.

Equality Act

We comply with the general duties under the Equalities 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', the three-country policy that seeks to ensure that the design of qualifications has no in-built discrimination. 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 Strategic Equality Plan following Board approval in April 2016 and we will monitor and review this on an annual basis.

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 2016 to 31 March 2017. 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
20 July 2017

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 are reviewed annually for all employees including the Executive by the Remuneration Committee and any changes to structure 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

The following tables provide details of the remuneration and pensions interests, for the period from 1 April 2016 to 31 March 2017, of the senior officials who have authority or responsibility for directing or controlling our major activities. Remuneration figures include travel expenses.

Single total figure of remuneration						
	2016-17			2015-16 (from 6 Aug 2015 - 31 Mar 2016)		
Non-executive Officials	Salary (banded)	Pension Benefits	Total	Salary (banded)	Pension Benefits	Total
	£'000	£	£'000	£'000	£	£'000
Chair Ann Evans	25-30	-	25-30	15-20	-	15-20
Angela Maguire Lewis	5-10	-	5-10	0-5	-	0-5
Caroline Burt	10-15	-	10-15	0-5	-	0-5
Claire Morgan	0-5	-	0-5	0-5	-	0-5
Isabel Nisbet	10-15	-	10-15	0-5	-	0-5
Paul Croke (Left QW Board 3/11/16)	0-5	-	0-5	0-5	-	0-5
Ellen Donovan	5-10	-	5-10	0-5	-	0-5
Rheon Tomos	5-10	-	5-10	0-5	-	0-5
Robert Lloyd Griffiths	5-10	-	5-10	0-5	-	0-5
Alun Llwyd (joined QW Board 5/09/16)	0-5	-	0-5	0-5	-	0-5

This table is subject to audit.

Single total figure of remuneration						
	2016-17			2015-16 (from 6 Aug 2015 - 31 Mar 2016)		
Executive Officials	Salary (banded)	Pension Benefits (to the nearest £1000)	Total	Salary (banded)	Pension Benefits (to the nearest £1000)	Total
	£'000	£1000)	£'000	£'000	£1000)	£'000
Chief Executive Philip Blaker	120-125	45,000	165-170	75-80	29,000	105 - 110
Executive Director - Policy and Development Kate Crabtree	75-80	57,000	135-140	40-45	57,000	95 - 100
Executive Director - Regulation Jo Richards	75-80	31,000	110-115	45-50	18,000	60 - 65
Executive Director - Finance and Corporate Services Alison Standfast (Seconded to QW from Welsh Government)	75-80	25,000	100-105	40-45	15,000	55 - 60

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 2016/17.

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 2017	Real increase in pension at pension age	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Chief Executive Philip Blaker	5-10	2.5-5	72	42	20
Executive Director - Policy and Development Kate Crabtree	40-45	2.5-5	754	671	52
Executive Director - Regulation Jo Richards	0-5	0-2.5	27	9	11
Executive Director - Finance and Corporate Services Alison Standfast	15-20	0-2.5	279	254	11

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 his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated 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 PCS or alpha – as appropriate. Where the official has benefits in both the PCS 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		
	2016-17	2015-16
Band of highest earner's Remuneration (£'000)	120-125	120-125
Median Total Remuneration	37,600	39,750
Ratio	3.26	3.08

This table is subject to audit.

Staff Report

In our last report, we were still in a period of growth and undertaking recruitment to fill our organisational structure. In March 2016, our employee headcount was 62. This has grown to 76 as at 31 March 2017. Our average number of employees over the financial year was 72. We ran 15 recruitment schemes in the last year, largely to fill roles not recruited to at establishment, the largest focussed on establishing our Research and Statistics function, a

team of seven. This also includes recruitment to the roles of Qualifications Managers, Officers and Assistant roles in Spring 2016 with a further scheme which commenced in February 2017 aimed at recruitment of a Qualifications Manager and Officer to replace secondments which had/will conclude.

Our workforce comprises 84% of employees on permanent contracts. Other contract types include fixed term (one employee), an apprenticeship scheme (one employee) and an intern programme (one employee). We also have six secondment agreements in place, a reduction of two from 2015/16, three of these are due to conclude in 2017. 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	
Fixed Term	1	4	
Secondment	4	2	
Agency	1	0	
Permanent	38	26	
	44	32	76

In common with other qualifications regulators we contract with subject experts to provide advice to us on such matters as the approval of qualifications and specimen assessment materials, and scrutiny of marking and assessment. 37 were contracted to us at 31 March 2017 with a further seven due early in the new financial year.

At the time of establishment, we contracted these experts on a fee paid basis and, unless the individuals are employed by, or set up as, limited companies, they are paid via payroll to ensure that tax and NI is paid. They are not our employees; they are paid from programme expenditure and are not part of our pay bill. During the year, our Management Board agreed to alter this approach and subject experts are now contracted via a procurement exercise and paid as suppliers to Qualifications Wales.

Our contract conditions require fee paid experts to ensure that they have correctly paid tax and National Insurance. At the end of this financial year we are transitioning to this new approach, so have subject experts contracted via both methods although those paid via payroll are being phased out as their contracts end.

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

Learning and Development

We have continued to invest in our employees' development, building on the comprehensive induction programme and the training provided in our first eight months. Training needs are either identified through our business planning, our senior managers or through individual performance discussions. Some of our training has been procured and delivered in-house,

for example we worked with a provider to design and deliver Equality and Diversity training to all employees and Board members.

We also provided a basic introduction to the Welsh language and the role of the Welsh in the workplace to act as a precursor to the Welsh Language Standards being applied to the organisation. This too was delivered broadly across the organisation and our Board members were invited to attend. We also bring in providers to deliver courses in house for example, Introduction to Facilitation which a range of employees attended.

We have continued to focus on building Leadership capability at all levels and have this year run an Institute of Leadership and Management (ILM) level three programme in Leadership and Development aimed at employees in Bands 1-3. This will complete in late Spring 2017. We have also delivered bespoke training on leadership skills for employees in Band 3 and 4 alongside personal impact training for our Senior Leadership Group (Bands 5 and above). Our Executive team, along with our Associate Directors have also taken part in bespoke sessions focussed on building and enhancing their leadership as a team and our Board have taken part in a session focussed on their effectiveness.

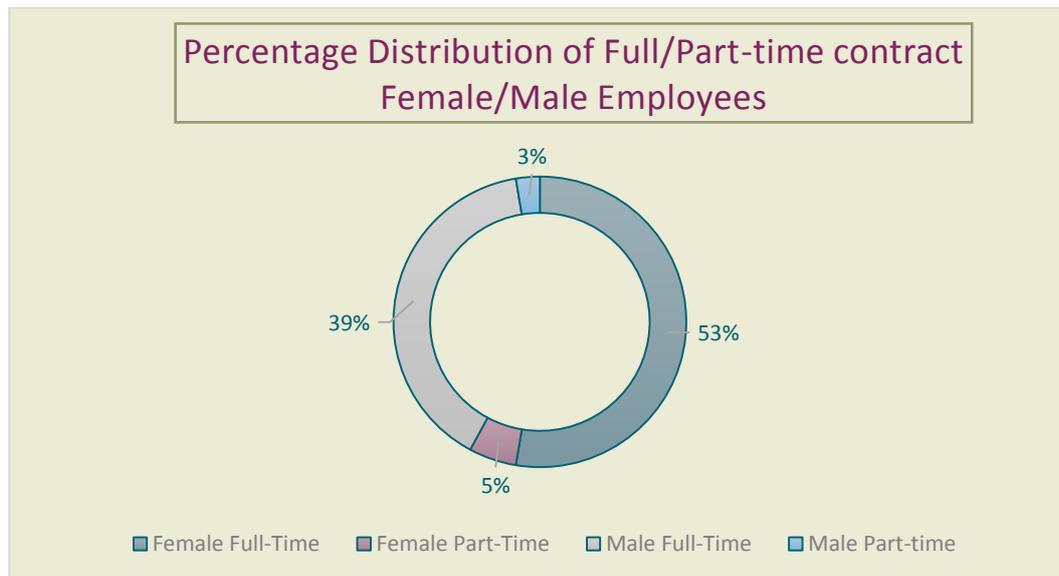
We support personal development and in the last year have funded three employees in Higher Education courses in Special Educational Needs (SEN) and Educational Assessment. Employees have also attended external training and conferences to develop and enhance their professional skills and maintain their CPD.

The following tables outline our employee composition as at 31 March 2016, by band, gender, age, contract type (full-time hours are 37 hours per week, part-time contracts are those agreed with hours less than 37).

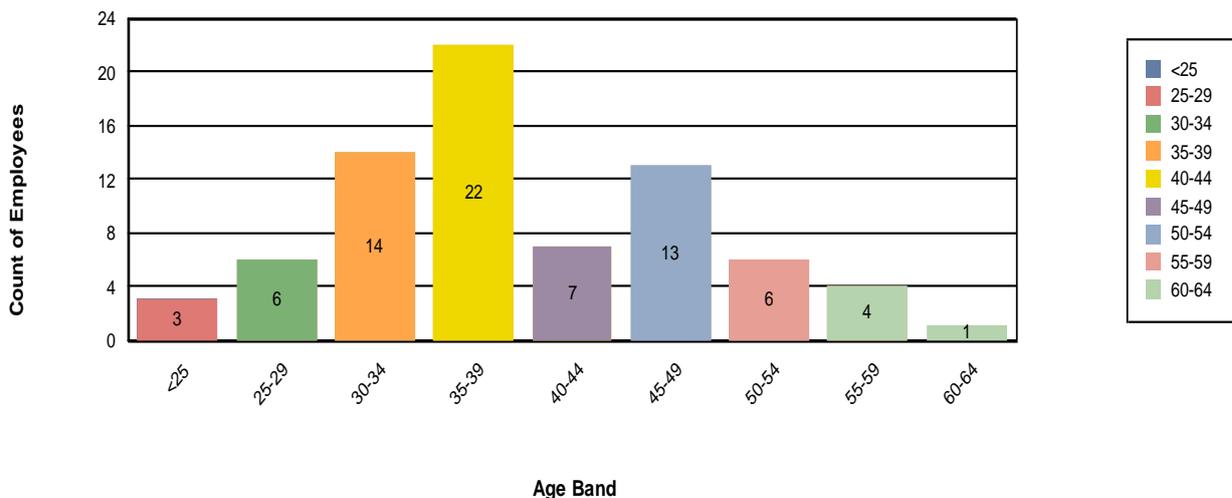
Pay Band and Gender

Band	Female Full-Time	Female Part-Time	Male Full-Time	Male Part-time	Total
1	2	0	2	0	4
2	8	1	2	0	11
3	7	0	9	0	16
4	15	1	8	0	24
5	3	2	6	2	13
6	2	0	2	0	4
7	3	0	0	0	3
8	0	0	1	0	1
	40	4	30	2	76

Gender and Age



Age



Sickness Absence

Our sickness absence rates have increased over the last 12 months, and in total 356.5 working days were lost. The Chartered Institute of Personnel and Development (CIPD) reports the 2016 yearly average for the Public Sector to be 8.5 days and the Private Sector at 5.2 days. We use these figures as a benchmark, our annual average level of absence is five days (calculated using the annual average number of employees which in 2016/17 was 72). Our FTE is 74.82 which adjusts our average to 4.8 days. Whilst our short-term absences peaked during the winter months and during May 2016, the trend for short term absence is relatively consistent and early 2017 appears to be following 2016 trends. We have had four cases of long-term absence (absence of four weeks or more) which span the period October 2016 to

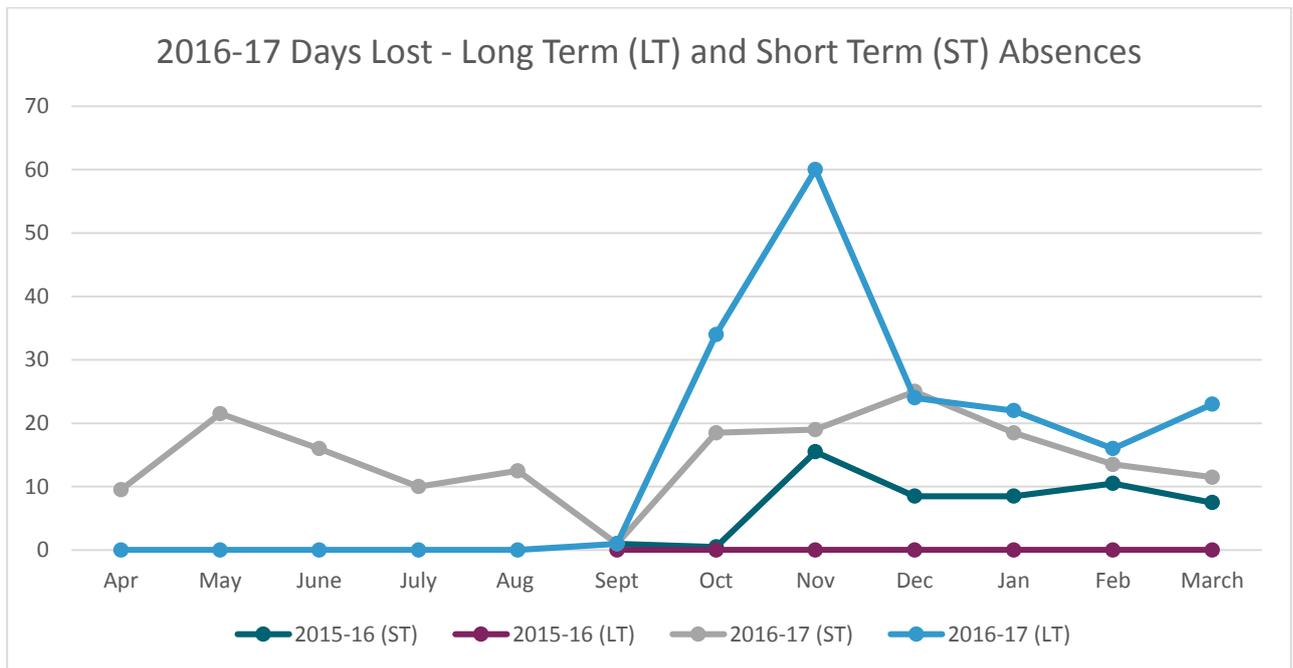
March 2017. During the period January to March there was only one long term absence in each month alongside short-term absence.

In June 2016, the organisation experienced a Norovirus outbreak which affected eight employees and amounted to a total of 10 working days lost. Sixteen Subject Experts who had attended meetings at our offices also experienced symptoms. The outbreak was reported to Public Health Wales and we worked with Environmental Health Officers to identify the cause which was contaminated catering provided to our site.

The tables below outlines our sickness statistics in more detail.

Month	2015-16	2016-17
Apr		9.5
May		21.5
June		16
July		10
Aug		12.5
Sept	1	2
Oct	0.5	52.5
Nov	15.5	79
Dec	8.5	49
Jan	8.5	40.5
Feb	10.5	29.5
Mar	7.5	34.5
Total	52	356.5

Sickness Absence totals by Month



	2015-16 (ST)	2015-16 (LT)	2016-17 (ST)	2016-17 (LT)
Apr			9.5	0
May			21.5	0
June			16	0
July			10	0
Aug			12.5	0
Sept	1	0	1	1
Oct	0.5	0	18.5	34
Nov	15.5	0	19	60
Dec	8.5	0	25	24
Jan	8.5	0	18.5	22
Feb	10.5	0	13.5	16
March	7.5	0	11.5	23

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 have also made Wellness assessments available to employees on a voluntary basis: those who attended had the option of height, weight and cholesterol tests and the opportunity to draw up an action plan to improve their general wellbeing.

We also offered 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.

Summary of 2016/17 Staff Costs

This section is subject to audit.

	2016-17					2015-16 (from 6 Aug 2015 - 31 Mar 2016)				
	Permanently Employed Staff	Temporary Staff	Others Seconded Staff	Agency Staff	Total	Permanently Employed Staff	Temporary Staff	Others Seconded Staff	Agency Staff	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wages and Salaries	2532	79	405		3,016	1,121	29	255	-	1,405
Social Security Costs	279	10	45		334	99	2	23	-	124
Other Pension Costs	535	17	84		636	240	6	53	-	299
Agency Costs				9	9	-	-	-	1	1
Total	3,346	106	534	9	3,995	1,460	37	331	1	1,829

There were no 'off payroll' engagements made in 2016/17.

There were no exit packages in 2016/17.

Qualifications Wales incurred the following consultancy costs during 2016/17:

Consultancy - 2016-17		
Consultant	Consultancy Work Undertaken	Total £
Julie Parmenter T/A Brampton PR	An external review of the effectiveness of the communications function in QW	4,731
Pethick Consulting Ltd	An expert review from a regulatory perspective of the Interim Standard Conditions of Recognition to identify examples of evidence that could be used by awarding bodies to demonstrate compliance with those Conditions.	5,153
Bindmans LLP	An expert review from the awarding body perspective of the Interim Standard Conditions of Recognition to identify examples of evidence that could be used by awarding bodies to demonstrate compliance with those Conditions.	10,800
Economic Insight	An expert analysis of the suitability of outcomes based regulation in the qualifications market followed by a desk based review of the mechanisms for implementing an outcomes-based regulatory regime supported by good practice.	40,068
Ymgynghoriaeth Sbectwm	To facilitate Qualifications Wales' advisory group, comprising key stakeholders, on matters relating to developing a continuum of learning for Welsh	2,940
GA Partnership	Providing consultancy advice to Qualifications Wales on how we can regulate to build confidence in general qualifications. A series of interviews and focus groups were held with stakeholders to gather views and evidence to inform the advice.	5,191

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.

	Pay Band	Female	Male	2016-17 Remuneration Gap (- if women paid less)	2015-16 Remuneration Gap	Difference	2016-17 Remuneration Gap as a % of male (- if women paid less)	2015-16 Remuneration Gap %	Difference
mean	1	£18,686.50	£19,350.00	-£663.50	£1,075.00	£1,738.50	-3%	6%	↓
median		£18,686.50	£19,350.00	-£663.50	£1,075.00	£1,738.50	-3%	6%	↓
mean	2	£25,275.00	£23,400.00	£1,875.00	-£1,175.00	£3,050.00	11%	-4%	↑
median		£25,650.00	£23,400.00	£2,250.00	-£1,500.00	£3,750.00	13%	-6%	↑
mean	3	£31,000.00	£31,416.67	-£416.67	-£1,181.00	£764.33	3%	-4%	↑
median		£31,000.00	£31,000.00	£0.00	-£1,900.00	£1,900.00	0%	-6%	↑
mean	4	£40,127.18	£42,673.75	-£2,546.57	-£2,602.00	£55.43	-6%	-6%	↔
median		£39,750.00	£41,850.00	-£2,100.00	-£2,100.00	£0.00	-5%	-5%	↔
mean	5	£55,288.00	£52,658.13	£2,629.88	£2,935.00	-£305.13	5%	6%	↓
median		£54,150.00	£51,580.00	£2,570.00	£5,500.00	£2,930.00	5%	11%	↓
mean	6	£73,615.00	£69,900.00	£3,715	-£1,675	£5,390.00	5%	-3%	↑
median		£73,615.00	£69,900.00	£3,715	-£1,675	£5,390.00	5%	-3%	↑
mean	Exec - 7	£79,418.00							
median		£80,000.00							
mean	CEO - 8		£125,000.00						
median			£125,000.00						

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).

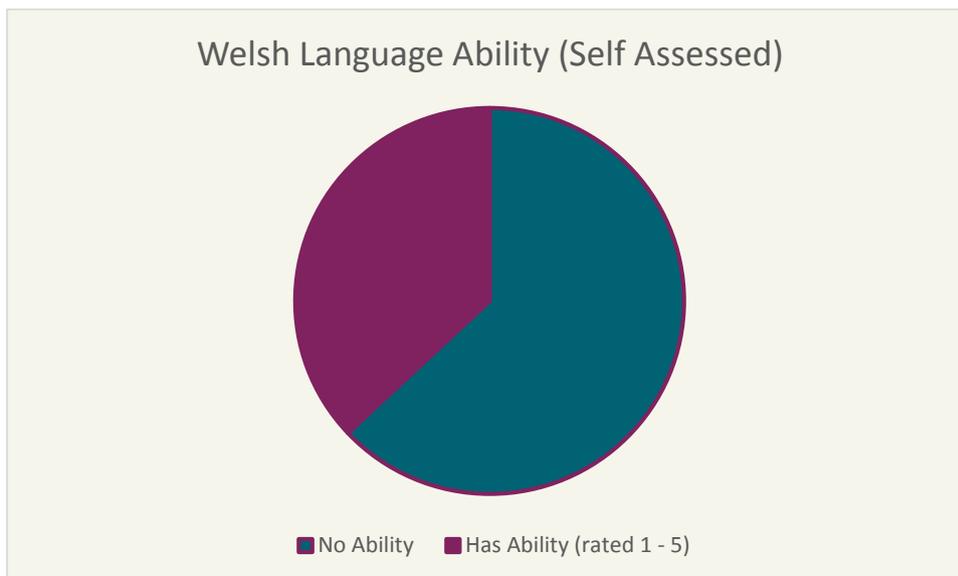
Bands 7 and 8 are our Executive (our equivalent to the Welsh Government Senior Civil Service). Figures in this table are based on gross salary and include allowances paid.

The outcomes indicate a positive shift in the remuneration gap with moves from negative figures (indicating women are paid less) in 2015/16 in Bands 2 and 6 to positive figures in

2016/17 although this means that women are paid more, rather than a levelling. In Band 5 there is a reduction in the remuneration gap even though women in this Band are still paid more. In Band 1 there is an increase in the remuneration gap which is attributable to the appointment of a female employee on an apprentice rate which is lower than our Band 1 minimum. Upon completion of the apprenticeship, and subject to the availability of a vacant role at Band 1, the apprentice will be confirmed in post to a salary within the Band 1 range. The change in Band 6 can be attributed to the payment of a recruitment and retention allowance.

Welsh Language

We review the level of our employee's 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 2017 28 employees (37%) rated themselves as having Welsh language skills and 48 (63%) indicated that they did not. Of those that do have skills 18 consider themselves fluent across all measures.



In 2017, we 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 encourage 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. Following on from this we will survey our employees to develop our approach to Welsh language training and support those who want to learn basic Welsh or enhance their current skillset.

Philip Blaker
Accounting Officer
20 July 2017

Audit report of the Auditor General to the National Assembly for Wales

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of Qualifications Wales for the year ended 31 March 2017 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, Qualifications Wales is responsible for preparing the financial statements, in accordance with the Qualifications Wales Act 2015 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Qualifications Wales's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Qualifications Wales; and the overall presentation of the financial statements.

In addition, I obtain evidence sufficient 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. In addition I read all the financial and non-financial information in the Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of Qualifications Wales's affairs as at 31 March 2017 and of its net expenditure, recognised gains and losses and cash flows, for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the Qualifications Wales Act 2015.

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.

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; and
- the information in the Performance Report and Accountability Report is consistent with the financial statements.

Matters on which I report by exception

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

- the Governance Statement does not reflect compliance with Welsh Ministers' guidance;
- 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.

Huw Vaughan Thomas

Auditor General for Wales. 24 Cathedral Road, Cardiff, CF11 9LJ
27 July 2017

Financial Statements

5. Statement of Comprehensive Net Expenditure

Statement of Comprehensive Net Expenditure			
	Notes	2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
		£'000	£'000
Total Operating Income		-	-
Expenditure			
Staff Costs	**	3,995	1,829
Programme Costs			
Grants	2	1,366	1,048
Other	3	478	294
Other operating expenditure	4	1,200	676
Provision expense	12	57	151
Depreciation and Amortisation	5 & 6	221	94
Total Operating Expenditure for year ended 31 March 2017		7,317	4,092
Net Operating Expenditure		7,317	4,092
Net Expenditure for the year		7,317	4,092
Comprehensive net expenditure for the year		7,317	4,092

** See remuneration report on page 63 for a breakdown of staff costs

All activities are continuing.

There are no recognised gains or losses for the period to 31 March 2017.

The notes on pages 73-83 form part of these accounts.

6. Statement of Financial Position

Statement of Financial Position			
		2016-17	2015-16
	Notes	£'000	(from 6 Aug 15 - 31 Mar £'000)
Non-current assets			
Property, plant and equipment	5	286	338
Intangible assets	6	475	594
Total non-current assets		761	932
Current assets			
Cash and cash equivalents	10	1146	127
Trade and Other Receivables	9	315	990
Total current assets		1,461	1,117
Total assets		2,222	2,049
Current liabilities			
Trade and other payables	11	(733)	(947)
Total assets less current liabilities		1,489	1,102
Non-current liabilities			
Provisions	12	(208)	(151)
Total assets less total liabilities		1281	951
Taxpayers' equity and other reserves			
General Fund		781	951
Usable Reserve		500	-
		1281	951

The notes on pages 73-84 form part of these accounts.

Philip Blaker
Accounting Officer
20 July 2017

7. Statement of Cash Flows

Statement of Cash Flows			
		2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
	Notes	£'000	£'000
Cash flows from operating activities			
Net operating cost		(7,317)	(4,092)
Adjustments for non-cash transactions			
Depreciation	5 & 6	221	94
(Increase) / Decrease in trade and other receivables	9	675	(990)
Increase / (Decrease) in trade and other payables	11	(214)	947
Movement in provisions	12	57	151
<i>Net cash outflow from operating activities</i>		<u>(6,578)</u>	<u>(3,890)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(50)	(432)
Purchase of intangible assets	6	-	(594)
<i>Net cash outflow from investing activities</i>		<u>(50)</u>	<u>(1,026)</u>
Cash flow from financing activities			
Funding from Welsh Government		7,647	5,043
Net increase in cash and cash equivalents		<u>1,019</u>	<u>127</u>
Cash and cash equivalents at the beginning of the period	10	127	-
Cash and cash equivalents at the end of the period	10	1,146	127

The notes on pages 73-84 form part of these accounts.

8. Statement of Changes in Taxpayers' Equity

Statement of Changes in Taxpayers' Equity				
	Note	General Fund £'000	Usable Reserve £'000	Total £'000
Balance as at 6 August 2015		-	-	-
Grant in aid from Welsh Government		5,043	-	5,043
Comprehensive net expenditure for the period		(4,092)	-	(4,092)
Balance as at 31 March 2016		951	-	951
Grant in aid from Welsh Government		7647	-	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

The notes on pages 73-84 form part of these accounts.

In recognition of our need for additional funding to cover our three-year ICT renewals programme, and our evolving 'Learner Data Collection' project, Welsh Government have given us their approval to carry over up to £500k of the unspent 2016/17 grant in aid allocation to be utilised in future financial years. For transparency, this has been transferred from the General Fund to a 'usable reserve' created for this purpose.

Notes to the Accounts for the year ended 31 March 2017

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 payments are charged to the Statement of Comprehensive Net Expenditure in the period in which the activity that creates the entitlement is carried out, in accordance with Qualifications Wales' grant conditions.

(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 2016/17. A summary of the total Employer's pension contributions is shown in the table on page 63.

(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	2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
	£'000	£'000
Support for Welsh medium assessment		
WJEC	515	549
Pearson	93	93
Oxford Cambridge and RSA Examinations	3	7
Agored Cymru	4	-
City and Guilds of London Institute	5	-
Construction Industry Training Board	6	-
Royal Life Saving Society UK	6	-
The Prince's Trust	1	-
sub-total	633	649
Support for Qualification Reform		
Colegau Cymru	115	150
WJEC	213	59
Central South Consortium Joint Education Service	93	93
'Education through Regional Working' Consortium	43	50
'School Effectiveness and Improvement Service for North Wales' Consortium	38	47
sub-total	502	399
Welsh for Adults Qualifications Support		
WJEC	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	1,366	1,048

3. Summary of Other Programme Expenditure

Summary of Other Programme Expenditure	2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
	£'000	£'000
Use of subject experts / stakeholder engagement	149	89
Health and Social Care Sector Review	105	45
Research Costs	102	103
Consultancy	69	-
Communications Activities	53	51
Other	-	6
Overall Total	478	294

4. Summary of Other Operating Costs

Summary of 'Other Operating Expenditure'	2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
	£'000	£'000
Facilities related costs	282	177
HR Related Costs	178	133
ICT Related Costs	321	138
Board Costs	93	48
Legal Support Costs	70	37
External Audit Fees	19	19
Other professional support (Audit, Translation, etc)	85	56
Travel and Subsistence	93	42
Admin and Office costs	59	26
Overall total	1,200	676

5. PPE Analysis

Property, Plant and Equipment	Furniture and Fittings	Information Technology	Buildings	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2016	161	271	-	432
Additions in the period	14	10	26	50
Disposals in the period	-	-	-	-
At 31 March 2017	175	281	26	482
Depreciation				
At 1 April 2016	16	78	-	94
Charged in the year	18	81	3	102
Disposals for the period	-	-	-	-
At 31 March 2017	34	159	3	196
Carrying Value at 31 March 2016	145	193	-	338
Carrying Value at 31 March 2017	141	122	23	286

6. Intangible Assets

Intangible Assets	Database under development	Information Technology	Total
	£'000	£'000	£'000
Cost			
At 1 April 2016	594	-	594
Additions in the period	-	-	-
Transfers from 'under development'	(594)	594	-
Disposals in the period	-	-	-
At 31 March 2017	-	594	594
Amortisation			
At 1 April 2016	-	-	-
Charged in the year	-	119	119
Disposals for the period	-	-	-
At 31 March 2017	-	119	119
Carrying Value at 1 April 2016	594	-	594
Carrying Value at 31 March 2017	-	475	475

7. Financial Instruments

As identified in our accounting policies, Qualifications Wales is not considered to be exposed to significant credit, liquidity, or market risk, due to the nature of its funding and contracts.

8. Impairments

No impairments were necessary during 2016/17. (£nil 2015/16)

9. Trade receivables and other current assets

Trade receivables and other current assets	2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
	£'000	£'000
<u>Amounts falling due within one year</u>		
Trade Receivables	-	-
Other Receivables		
Prepayments	29	35
WG Grant allocation	286	955
Total	315	990

10. Cash and cash equivalents

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

This is all held with the Government Banking Service.

The balance held at 31 March 2017 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 73.

11. Trade payables and other current liabilities

Trade payables and other current liabilities	2016-17	2015-16 (from 6 Aug 15 - 31 Mar 16)
	£'000	£'000
<u>Amounts falling due within one year</u>		
Trade Payables	444	623
Accruals	289	324
Total	733	947

12. Provisions for liabilities and charges

Provision for liabilities and charges	Dilapidation condition within Building Lease	Annualised Building Lease Costs	Total
	£'000	£'000	£'000
Balance as at 1 April 2016	122	29	151
Provided in the year	-	57	57
Utilised / released in the year	-	-	-
Balance as at 31 March 2017	122	86	208
Analysis of the expected timings of the future liabilities			
Not later than one year	-	-	-
Later than one year and not later than five years	-	86	86
Later than 5 years	122	-	122
Total	122	86	208

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. Further amounts will be provided for in 2017/18, and this total will then be utilised over the remaining life of the lease.

13. Capital commitments

Qualifications Wales had no capital commitments as at 31 March 2017. (£nil at 31 March 2016)

14. Commitments under leases

Obligations under operating lease comprise:	2016-17			2015-16 (from 6 Aug 15 - 31 Mar 16)		
	Lease Costs	Service Charges	Total	Lease Costs	Service Charges	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Buildings						
Not later than one year	110	27	137	95	27	122
Later than one year and not later than five years	704	109	813	651	109	760
Later than 5 years	509	85	594	671	112	783
Total	1,323	221	1,544	1,417	248	1,665

15. PFI

Qualifications Wales has no PFI arrangements. (£nil 2015/16).

16. Other financial commitments

There were no other financial commitments as at 31 March 2017. (£nil at 31 March 2016).

17. Contingent Liabilities

There were no contingent liabilities as at 31 March 2017. (£nil at 31 March 2016).

18. Related Party Transactions

Qualifications Wales is a Welsh Government Sponsored Body. The Welsh Government is therefore 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 £7.647m from Welsh Government (£5.043m in 2015/16), of which £75k was accrued (£955k in 2015/16);
- 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 £4.089m were made (£2.250m in 2015/16), and further costs of £5k were accrued (£339k in 2015/16); and
- We also made payments to the Office for National Statistics of £62k, to largely cover the costs of a staff secondment. (£nil in 2015/16).

Qualifications Wales has a 'Conflicts of Interest' Policy, and maintains a register of other interests (as defined) relating to staff and directors. This register has been reviewed to consider whether any other Related Parties exist or transactions took place in 2016/17.

Whilst there were no material transactions during the year with organisations with which Qualifications Wales' Board members, or senior officers, or any of their immediate family, held positions of influence, for transparency the following transactions took place:

Amount £	Organisation and Nature of Payment	Nature of Related Party
3248.27 (£7394.96 in 2015/16)	Oxford Cambridge and RSA (OCR) – a subsidiary of Cambridge Assessment – for Welsh medium costs	The partner of Caroline Burt', Board Member, is Board Director of OCR and Board Member of Cambridge Assessment. Isabel Nisbet, Board Member, provides occasional consultancy work to Cambridge Assessment.

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.

19. Third party assets

Qualifications Wales does not hold any third-party assets. (£nil at 31 March 2016).

20. 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.

21. 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 2016 to 31 March 2017.

Philip Blaker

Accounting Officer

20 July 2017