



ANNUAL  
ACCOUNTS  
2015-16

CYFRIFON  
BLYNYDDOL  
2015-16



Noddir gan  
**Lywodraeth Cymru**  
Sponsored by  
**Welsh Government**

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## 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) (the Act), as the regulator of non-degree qualifications in Wales. We are a Welsh Government Sponsored Body. The majority of our staff commenced employment on 7 September 2015 and Qualifications Wales took on its regulatory powers and duties on 21 September 2015.

The Act requires us to produce annual accounts for the financial period between April and March each year. We are also required to produce an Annual Report - covering the period September to August each year - for consideration by the National Assembly for Wales regarding how we have fulfilled our principal aims and carried out our functions.

This set of Annual Accounts covers the period from 6 August 2015 to 31 March 2016. We will produce our Annual Report in the autumn of 2016 and then our next set of Annual Accounts for the period April 2016 – March 2017.

#### Statutory background and functions

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

- *Ensuring that qualifications, and the Welsh qualification system, are effective for meeting the reasonable needs of learners in Wales; and*
- *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: taking action or advising others to do so when needed. Amongst other things, this means ensuring that qualifications within the Welsh qualification system are valued, secure and internationally respected. The Act gives us powers and duties to regulate awarding bodies and to make positive interventions to secure improvements to the qualifications system.

Learners are the end beneficiaries of our work, but we also consider the needs of employers, the higher education sector and the professions. We have a key role in protecting the value of qualifications: ensuring that standards are maintained and grades awarded appropriately; and that qualifications continue to be developed to meet the needs of learners.

The Act also specifies eight matters which we must have regard to 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;*

*(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.*

## 1.2 What we do

On behalf of learners in Wales we carry out the following activities:

### **Regulation – recognition, approvals, designation, monitoring and compliance**

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 qualifications that they award in Wales (other than for any degrees, or any qualifications that they have exempted or surrendered from recognition). Recognised awarding bodies may also submit qualifications for us to approve or designate as eligible for use on publicly funded programmes of learning.

**Approved qualifications** - Where we have developed approval criteria for qualifications, such as specific requirements about their content or assessment arrangements, we must have approved those qualifications in order for them to be eligible for funding. Approved qualifications are qualifications that are designed specifically to meet the needs of learners in Wales.

**Designated qualifications** - Where no specific approval criteria exist, recognised awarding bodies can submit qualifications to us to designate them as eligible for use on publicly funded programmes of learning. Designated qualifications must meet a range of criteria, for example, they must be age appropriate, have an identified cohort of learners in Wales, and, where applicable, be supported by sector or professional bodies.

**Regulated qualifications** - Not every qualification is approved or designated. However, all non-exempted qualifications that are awarded by recognised Awarding Bodies are subject to our regulation through the Standard Conditions of Recognition. This means that we can act to safeguard the interests of learners if an issue arises.

Our role includes **reviewing** and **monitoring** the activities of awarding bodies including, for example, how they set question papers, award grades, quality assure centre assessment, set access arrangements and how well they support schools, colleges and other examination centres. If necessary, we can take a range of “enforcement action” to require awarding bodies to comply with conditions of recognition or approval.

### **Policy, Research and Development / Commissioning**

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. This may involve:

- Carrying out research to provide evidence to inform our decisions
- Working with and listening to a wide range of stakeholders, learners, and subject experts
- Consulting on major decisions
- Working 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 and, where appropriate, we may restrict, for a period of time, certain qualifications to a single version for Wales. Prior to doing so we may use focus groups and/or more formal consultation to understand stakeholder views.

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 activities to share information more widely and improve understanding amongst schools, colleges, universities, employers and other bodies. We provide advice to examination officers in centres across Wales.

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

### **Finance and Corporate Services**

Our operation is supported by corporate functions including finance, Human Resources (HR), Information Technology (IT), procurement, facilities and corporate governance. We buy in our legal services, audit, translation and payroll services.

### **Establishment**

The period covered by these accounts was very much focused on setting Qualifications Wales up as a new organisation. The Welsh Government set up some of the operating arrangements ahead of establishment, so a number of assets, contracts and staff were transferred under a legislative scheme. This included the 10-year lease of the office at Q2 in Newport, the IT infrastructure and software, DAQW (Database of Approved Qualifications in Wales) the regulatory database, trademarks and logos, furniture, service contracts and a number of grant schemes. The Chief Executive, Executive Director Policy and Research and 5 other experienced staff also transferred permanently to the new body, along with 4 new staff.

The majority of the Qualifications Wales staff that joined in September 2015 were new to the organisation and were provided effective induction and training that enabled staff to then

develop the policies, processes and procedures required for us to deliver our regulatory and corporate functions effectively.

The Chair and Board members were appointed by the Minister for Education and Skills on the 6 August 2015 (through the public appointments process) and the governance arrangements for the Board and its Committees were then developed.

At the point of establishment, the major reform of General Qualifications was already underway. We took over responsibility for overseeing delivery of the programme; working with WJEC to take forward the review and approval of those qualifications due or first teaching in September 2016. We also undertook monitoring of the November and January awards of current general qualifications.

We developed a business plan for the period up to 31 March 2016. This set out the following long-term Strategic Priorities and associated objectives.

### **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.

## **1.3 Performance Summary**

### **Statement by Philip Blaker, CEO Qualifications Wales**

During our first six months we have established the organisation, completed staff induction and created regulatory and corporate policies, processes and systems. At the same time, we have overseen the award of the November and January general qualifications, making sure outcomes were fair and reliable.

We have managed the General Qualification (GQ) Reform programme, approving 14 new qualifications for first teaching from September 2016 and have completed a review of vocational qualifications in the Health and Social Care sector. We have managed grants for Welsh medium assessment, the Welsh Baccalaureate and Essential Skills Wales qualifications that were transferred to us from Welsh Government.

We have sought to engage and communicate effectively with stakeholders including awarding bodies, learners and centres. Finally, we have delivered a successful project to develop and launch 'QiW' (Qualifications in Wales) - a new qualifications database for Wales. We move into the next financial year 2016/17 as a 'going concern'.



## 2. Performance Analysis

### 2.1 Strategic Priorities

The tables below outline in more detail what has been delivered against our strategic priorities within this period. These have been grouped under the General Qualifications (GQ) and Vocational Qualifications (VQ) reform programmes, policy and research, regulation, stakeholder engagement, grants and corporate services.

#### 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 Objectives

1. To promote and facilitate the development of a range of high-quality qualifications aligned to the needs of learners and the reasonable requirements of employers, higher education institutions and the professions regarding education and training (including as to required standards of practical competence). To align qualifications with Education policy in Wales and the Credit and Qualifications Framework for Wales (CQFW).
2. To develop an appropriate set of qualifications and regulatory policies that enable the qualifications system to operate effectively, paying particular regard to the eight matters within the Qualifications Wales Act (2015), thereby meeting the needs of learners in Wales.
3. To undertake insightful research, and make use of research by others, that informs evidence-based policy and opinion, guides continuous improvement and drives corporate decision making.
4. To establish, formalise and maintain suitable policy relationships with other regulators.

#### Progress – during this period we have:

##### GQ Reform

- Closely managed the GQ reform programme – encouraging greater transparency on progress with WJEC, and increasing visibility of the timelines for centres
- Commissioned a learner engagement review relating to the development of general qualifications for first teaching from September 2017

##### VQ Reform

- Completed a major sector review of Health and Social Care qualifications to consider how well the current provision meets the needs of learners. In doing this engaged in over 125 meetings, with a wide range of individuals and organisations including sector bodies, other regulators, Welsh Government policy makers, local authorities, employers, Higher and Further educational establishments, schools, work-based learning providers, awarding bodies and service user groups. We commissioned a learner engagement exercise to understand their issues taking face to face views from 800 students. We obtained 200 responses to an on-line survey and commissioned a standards review and an international comparison that used material from Malta, Finland and other European nations

**Policy and Research**

- Removed the obligation for Awarding Bodies to follow the QCF (Qualifications and Credit Framework) requirements, making it easier to develop appropriate qualifications to meet learner needs
- Initiated four research studies which will be reported more fully during the coming year
- Developed our regulatory impact assessment process and published 17 regulatory policies
- Agreed and published the first Priority Qualifications List

**Regulation**

- Worked with Awarding Bodies to remove redundant or dormant qualifications from DAQW (the former regulatory database) resulting in a reduction of the listing of qualifications from approximately 29,000 to 11,400 making the information more accessible and meaningful for users

**Stakeholder Engagement**

- Agreed and published a Memorandum of Understanding with Ofqual covering how we will work together
- Developed effective working relationships with CCEA (Council for the Curriculum, Examinations and Assessment – the regulator in Northern Ireland) and SQA (Scottish Qualifications Authority – the regulator in Scotland)

**Grants**

- Issued £649k of grant funding to support the provision of Welsh medium assessment
- Provided grant funding of £150k to Colegau Cymru, and £190k to Regional Consortia to support first teaching of the new Welsh Baccalaureate and Essential Skills Wales in schools and colleges
- Reviewed arrangements for the development of the tests required for the Essential Skills Wales qualification to be claimed in 2016/17

**Strategic Priority - 2****Quality-assured supply of qualifications**

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 Objectives**

1. To assure the quality of regulated qualifications throughout the delivery lifecycle, identifying areas of regulatory interest and activity based on actual, perceived or potential threats to learners' interests.
2. To secure validity and reliability throughout the qualifications system and, where appropriate, take enforcement action to protect learners' needs.
3. To monitor Awarding Body standard setting in first awards of qualifications and ensure standards are maintained through the lifecycle of qualifications in order to produce fair and reliable outcomes.
4. To promote innovation where this adds to the validity and reliability of the qualification or improves the efficiency of an assessment model.



5. To implement an appropriate, fair and proportionate regulatory framework that encourages transparency and makes recognised awarding bodies' accountability clear.
6. To develop effective and appropriate regulatory relationships with Awarding Bodies.

### **Progress – during this period we have:**

#### **Regulation**

- Completed a review of the implementation of the Welsh Baccalaureate and identified support needs and areas for improvement: agreeing a joint action plan with WJEC and Welsh Government to be taken forward during 2016/17
- Analysed the annual Statements of Compliance provided by 129 Awarding Bodies to understand the current position in terms of risk and compliance
- Developed our approvals process
- Approved 10 WJEC GCSEs (General Certificates of Secondary Education) and 4 GCE A levels (General Certificate Education) in the following subjects
  - GCSE Food & Nutrition
  - GCSE PE
  - GCSE Biology
  - GCSE Chemistry
  - GCSE Physics
  - GCSE Science (Double Award)
  - GCSE Applied Science (Double Award)
  - GCSE Applied Science Single Award
  - GCSE Music
  - GCSE Art & Design
  - GCE A Level Welsh (Second Language)
  - GCE A Level PE
  - GCE A Level Geography
  - GCE A Level Music
- Designated 502 vocational qualifications (and rejected 539 qualifications)
- Developed our awarding body recognition process and considered two requests for recognition (outcomes not complete yet) and handled seven further enquiries about recognition
- Completed eight surrenders of recognition and handled four enquiries about surrender
- Considered 27 incidents reported by Awarding Bodies (17 completed, 10 on-going)
- Communicated our decision to defer the approval of the WJEC GCSEs in Religious Studies and History to allow more time for development and the provision of support, training and resources to centres – now for first teaching in September 2017 rather than September 2016
- Communicated our decision to amend the grade set for the new Maths qualifications so that the Foundation tier allows grades D - G (not C), the Intermediate allows grades B - E and the Higher tier allows grades A\* - C. This decision was based on a technical assessment of the qualification design
- Completed monitoring of the November and January awards including GCSE Mathematics and GCSE English Language and confirmed that outcomes were fair and reliable
- Completed monitoring of the Question Paper Evaluation Committee (QPEC) meetings for a range of GCSE, AS and A Level qualifications.
- Set up a Standards and Awarding Group which monitors and manages progress, risks and issues in the development of procedures for standard setting and awarding of reformed general qualifications

**Stakeholder engagement**

- Developed working relationships with the JCQ (Joint Council for Qualifications) and FAB (Federation of Awarding Bodies) hosting events at our Newport office

**VQ Reform**

- Through the Health and Social Care sector review identified an issue where learners were disadvantaged by funding arrangements leading to inappropriate course length; discussed this with Welsh Government and secured the necessary changes.

**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 Objectives**

1. To build capability and resilience within Qualifications Wales.
2. To develop appropriate corporate and internal control systems that are compliant with good practice in the public sector.
3. To develop a meaningful and visible professional culture, centred on the needs of learners, which embodies a coherent and congruent set of values and behaviours.
4. To have effective operating practices and processes that meet corporate and stakeholders' needs.
5. To look ahead and review our role on an on-going basis, giving consideration to potential developments or changes that deliver benefit to learners.

**Progress – during this period we have:****Corporate Services**

- Completed a two-week induction and training programme for our staff
- Delivered additional staff training in Finance, Procurement, Freedom of Information and Data Protection
- Supported some staff to undertake Welsh language development
- Trained regulatory staff in regulation and assessment skills
- Developed our values
- Configured and rolled out our finance and HR systems, and developed policies and processes for our Finance, Procurement, HR, IT and Facilities functions
- Developed our statutory policies including our Equalities objectives
- Established our governance and internal controls including our risk management processes and our Scheme of Delegation
- Established our Board arrangements and Committee structure
- Appointed our internal auditors and completed four reviews with Satisfactory or Substantial assurance
- Successfully completed an IT health-check and implemented appropriate recommendations and established IT digital champions
- Developed our long-term IT strategy

- Developed and published our Procurement policy and contract award and management plan
- Completed further permanent recruitment to achieve 83% of target structure
- Developed our Business Plan for 2016/17

### Regulation

- Delivered a major project to procure the development of a new regulatory database which would replace DAQW and operate independently of Ofqual. The database 'QiW' (Qualifications in Wales) was successfully launched on time and budget on 1 April 2016

### Stakeholder Engagement

- Took up membership of various project boards supporting the Welsh Government Curriculum Reform programme

## Strategic Priority – 4

### Deliver public confidence

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

### Strategic Objectives

1. To actively raise public understanding of the role and activities of Qualifications Wales and the qualifications system in Wales.
2. To avert issues or potential failures within the qualifications system.
3. To develop effective communications with engaged stakeholders.
4. To be transparent in our accountability to the National Assembly for Wales in the fulfilment of our functions and to the Welsh Government in the use of public money: demonstrating good value to both.
5. To develop a collaborative relationship with the Welsh Government where there is a high level of trust and connectivity, whilst retaining the independence of Qualifications Wales.

### Progress – during this period we have:

#### Stakeholder Engagement

- Held a launch event for stakeholders
- Hosted a meeting of the Children's and Young People and Skills Committee
- Carried out a series of introductory meetings with key stakeholders. In addition to meeting regularly with Welsh Government and with the qualifications regulators in England, Northern Ireland and Scotland we also met with individual awarding bodies as well as the Federation of Awarding Bodies (FAB) and the Joint Council of Qualifications (JCQ); with all the Regional consortia and Colegau Cymru; with all the teaching unions; with five local schools; with other regulators in Wales including Estyn, Welsh Language Commissioner and the Care Council for Wales; with Cymdeithas Ysgolion Dros Addysg Gymraeg (CYDAG); and with the Universities and Colleges Admissions Service (UCAS). Hosted a five country meeting of qualification regulators and also a FAB seminar
- Engaged with 125 organisations and individuals involved in the Health and Social Care sector as part of our sector review to understand views, needs and issues
- Produced a guide for Higher Education Institutions to improve understanding of the Welsh Baccalaureate qualification

- Promoted understanding of the new Welsh Baccalaureate qualification through visits to 10 universities and the delivery of presentations to the Russell Group Qualifications Network, the UCAS Welsh Standing Group and at the UCAS conference
- Ran an Assessment symposium for teachers and educators
- Developed the design and content of our website
- Developed relationships with key press in Wales
- Been transparent regarding the rationale for decisions taken and communicated effectively with the media
- Improved our enquiries handling processes
- Procured a CRM system for implementation during 2016/17
- Visited centres on 262 occasions to give guidance or training to examination officers

### **Policy and Research**

- Completed the first research phase of a five-year contract to monitor public confidence.

## **2.2 Main Risks**

We have established an effective system to identify and manage risk: further information on our approach and our key risks is available in the Governance section. As a new and small organisation a number of our key risks in this period related to establishing effective corporate systems, complying with legislation, and setting up continuity arrangements, (these would affect Strategic Priority 3) and we have significantly mitigated these. Similarly, the risk of failure to develop a replacement regulatory database was closed with its launch on 1 April 2016. Our key regulatory risks (affecting Strategic Priorities 1 and 2) relate to the effect on learners and our reputation if Awarding Bodies fail to deliver and we act too late, and a particular focus has been the reform programme for General Qualifications. Risks relating to the qualifications system as a whole will be on-going risks which we are mitigating with our work on standards and monitoring, and with the proactive approach we have taken to reviewing the implementation of new qualifications. We will always consider risks related to public confidence (Strategic Priority 4) in the context of the impact of decisions we make and how we communicate them. Our aim is to demonstrate evidence based objective decision making, independent of government.

## **2.3 Financial Review**

A Welsh Government grant allocation of £5.625m was made to Qualifications Wales for the period from 6 August 2015 to 31 March 2016, based on original estimates of staff, programme and running costs.

These estimates were regularly reviewed through this period as part of our financial management arrangements, and Welsh Government were kept informed of the revised forecasts. Based on these outturn forecasts, a revised grant allocation of £5.043m was made by Welsh Government to Qualifications Wales for this period.

The Statement of Comprehensive Net Expenditure reports net expenditure of £4.092m for this period. Included in this figure are grants made to other bodies totalling £1.048m, in relation to our support for Welsh medium provision and qualification change associated with Welsh Baccalaureate and Essential Skills Wales.

Also included in this figure are some costs to set up an accrual and a provision that need to be recognised at this point in the life of the organisation. In accordance with accounting standards, we have recognised approximately £58k in relation to the annual leave entitlement accumulated but not taken by staff up to 31 March 2016, and we have recognised a provision of £122k in recognition of a 'dilapidation' condition within the building lease contract, that requires the restoration of the building to its original condition at the end of the lease. These will be revisited each year, but will not have as significant an impact in future years.

We also incurred expenditure on non-current assets during the year. There was a charge of £378k levied by Welsh Government associated with the transfer over of the furniture and IT equipment they purchased on our behalf. Qualifications Wales also made further IT and furniture purchases of £54k during this period. The most significant one off expenditure was the £594k development of the QiW database, which has been classified as an intangible asset.

In terms of our Statement of Financial Position, we have current assets (comprising cash in hand, prepayments, and accrued grant from Welsh Government), totalling £1.117m, which adequately covers our current liabilities and provisions, which total £1.098m.

Due regard has been given to the regulatory and propriety of the organisation's expenditure, internal processes are in place to support this.

Due to the funding arrangements currently in place, we have prepared these accounts on a 'going concern' basis.

## 2.4 Sustainability

Qualifications Wales is committed to sustainable development and we will be developing objectives in line with the Wellbeing of Future Generations Act 2015. As part of our contribution to supporting the environment we, where possible, seek to minimise the environmental impacts of our operations. Our day-to-day operations that have an impact on the environment arise mainly through the consumption of resources (energy, water and paper), travel and the generation of waste.

The 62 staff 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. During the set-up of the organisation we made intelligent decisions that enable us to be more environmentally friendly. These included:

- **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 and energy efficient equipment has been provided, including the issue of a 'Surface Pro' for each member of staff – avoiding the need for both desk top and laptop equipment. Staff are encouraged to use their 'Surface Pro's' to take notes at meetings, therefore reducing the amount of paper the organisation is using and move towards a paperless office. Each workstation provided has the use of a 'Surface Pro' docking station and staff have the flexibility of being able to work from home or other sites at any time, accessing office files through any internet connection that is available. The Surface Pro also serves as a telephone and has informal video conference capabilities. We have provided staff with on-site effective and efficient equipment and software for more

formal video conferencing and teleconferencing to encourage a reduction in business travel. The IT also enables staff to work effectively from home or other locations reducing unnecessary commuting.

- **Centralised Waste** – No individual waste bins are provided at workstations. Centralised waste areas have been implemented to allow us to maximise the Dry Mixed Recycling that we produce, thus helping to 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.
- **Lighting** – The adaptations to the lighting system in Q2 building included the installation of LED's in 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 of time 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 in place. We require our suppliers and contractors to ensure, where appropriate, that goods and services procured support our environmental policy. Going forward, we will continue our commitment to sustainability by working to implement an Environmental Management System (EMS), benchmarking our environmental performance and setting objectives and targets for improvement where appropriate.

The figures reported for the annual energy consumption are based on the period of 18 September 2015 – 31 March 2016. This provides a more accurate picture as the offices were not fully occupied and operational until this period. An estimated annual consumption has also been extrapolated for future comparison purposes. As a newly established organisation we will use the figures for 2015-16 below, as a benchmark to improve our environmental impact in future years.

Scope	Non-financial Information	Financial Information	Greenhouse Gas Emissions
<b>Scope 1</b> (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
<b>Scope 2</b> (Energy indirect): Emissions released into the atmosphere associated with your consumption of purchased electricity, heat, steam and cooling.	<b>Electricity</b> 53,496 kwh	• £7,929 for 2015-16	• 24,725kg CO2



<p><b>Scope 3:</b> 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.</p>	<p><b>Water</b> 152 units</p> <p><b>Waste</b></p> <ul style="list-style-type: none"> <li>• General Waste 1080kg (38%)</li> <li>• Mixed Recycling 1440kg (51%)</li> <li>• Glass Recycling 140 kg (5%)</li> <li>• Food Waste 175 kg (6%)</li> </ul>	<ul style="list-style-type: none"> <li>• £552 for 2015-16</li> <li>• £721 for 2015-16</li> <li>• £340 for 2015-16 (incl. glass)</li> <li>• £223 for 2015-16</li> </ul>	
	<p><b>Business Travel – Car/Taxi</b></p> <ul style="list-style-type: none"> <li>• Staff – 36,063 miles</li> <li>• Board Members – 3,477miles</li> <li>• Subject Experts – 7123 miles</li> </ul> <p><b>Total - 46,663 miles</b></p> <p><b>Rail</b></p> <ul style="list-style-type: none"> <li>• Staff – 12,093 miles</li> <li>• Board Members – 6,554 miles</li> <li>• Subject Experts – 3,882 miles</li> </ul> <p><b>Total - 22,529 miles</b></p> <p><b>Air</b></p> <ul style="list-style-type: none"> <li>• Staff – 3,388 miles</li> <li>• Board Members – 600 miles</li> <li>• Subject Experts – 1026 miles</li> </ul> <p><b>Total - 5014 miles</b></p>	<p><b>Car/Taxi</b></p> <ul style="list-style-type: none"> <li>• Staff – £16,699</li> <li>• Board Members - £2,198</li> <li>• Subject Experts - £3,470</li> </ul> <p><b>Total £22,367</b></p> <p><b>Rail</b></p> <ul style="list-style-type: none"> <li>• Staff – £6,791</li> <li>• Board Members - £2,470</li> <li>• Subject Experts - £1,351</li> </ul> <p><b>Total £10,612</b></p> <p><b>Air</b></p> <ul style="list-style-type: none"> <li>• Staff – £2177</li> <li>• Board Members - £90</li> <li>• Subject Experts - £278</li> </ul> <p><b>Total £2545</b></p>	<p><b>Car/Taxi</b></p> <ul style="list-style-type: none"> <li>• Staff 10,819 kgCO2e</li> <li>• Board Members 1,043 kgCO2e</li> <li>• Subject Experts 2,137 kgCO2e</li> </ul> <p><b>Total 13,999 kgCO2e</b></p> <p><b>Rail</b></p> <ul style="list-style-type: none"> <li>• Staff – 883 kgCO2e</li> <li>• Board Members – 478 kgCO2e</li> <li>• Subject Experts – 283 kgCO2e</li> </ul> <p><b>Total 1,645 kgCO2e</b></p> <p><b>Air</b></p> <ul style="list-style-type: none"> <li>• Staff – 908 kgCO2e</li> <li>• Board Members – 161 kgCO2e</li> <li>• Subject Experts – 275 kgCO2e</li> </ul> <p><b>Total 1344 kgCO2e</b></p>

As the Accounting Officer for Qualifications Wales, I confirm that the statements made in this report are correct and a fair summary of our progress for the period from 6 Aug 2015 to 31 March 2016.

**Philip Blaker**  
Accounting Officer  
22 July 2016

## 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
- promote high standards of public finance; upholding the principles of regularity, propriety and value for money.

At the end of 2015/16, the Board was made up of the following members:

 <p>Ann Evans Chair Appointed 6/8/15</p>	 <p>Philip Blaker CEO Appointed 6/8/15</p>	 <p>Claire Morgan Appointed 6/8/15</p>	 <p>Caroline Burt Appointed 6/8/15</p>	 <p>Angela Maguire-Lewis Appointed 6/8/15</p>
 <p>Isabel Nisbet Appointed 6/8/15</p>	 <p>Paul Croke Appointed 6/8/15</p>	 <p>Robert Lloyd Griffiths Appointed 8/12/15</p>	 <p>Rheon Tomos Appointed 8/12/15</p>	 <p>Ellen Donovan Appointed 8/12/15</p>

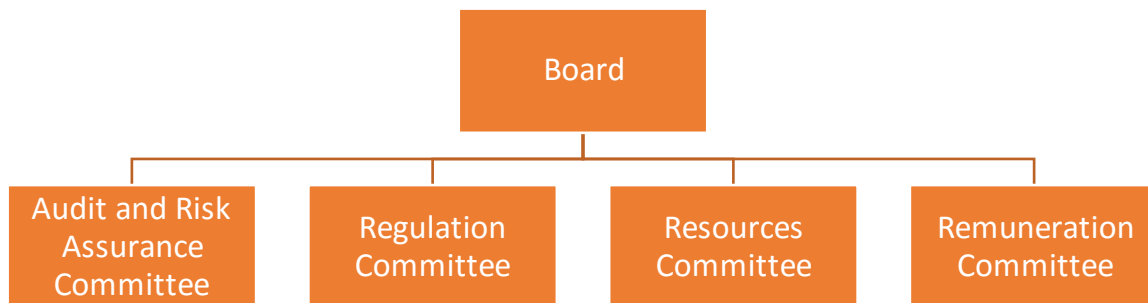
Iestyn Davies and Dylan Jones were members of the Board from 6 August 2015 until 5 November 2015 when their term expired.

## 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 active committees all charged with supporting the Board in the execution 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 is 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 maintains an active register which can be viewed here <http://goo.gl/ZoHREI>

All Related Party Transactions have been noted and can be seen in note 19 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
- Ensuring compliance with the requirements of 'Managing Welsh Public Money'.

The Chief Executive Officer has a number of 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 <http://goo.gl/05jHfj>

The Qualifications Wales **Executive** team includes:

 Philip Blaker Chief Executive Officer	 Alison Standfast Director of Finance and Corporate Services seconded from Welsh Government	 Jo Richards Director of Regulation	 Kate Crabtree Director of Policy and Research
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The **Management Board**, including the Associate Directors for both General and Vocational Qualifications, the Head of Communications and Head of Corporate Governance, support the 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 Officers 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*, 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
- 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 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 6 Aug 2015 to 31 March 2016 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  
22 July 2016



### 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, together with a description of my role as the Principal Officer for Ombudsman Cases.

#### Corporate Governance

Corporate Governance is the system within which the organisation's work is directed and controlled. Equally importantly 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 predominant 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.

In 2016/17, we will be reviewing the new International Governance Code; Good Governance in the Public Sector, jointly produced by the International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA); our intention is to utilise this alongside the Corporate Governance in Central Government Department code to assist us in developing our corporate governance framework.

## **Overview of the Qualifications Wales Governance Framework**

The Board and its four sub committees have only operated for the short time that Qualifications Wales has been 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 sub committees:

### ***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. 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 are:

- 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,
- Satisfying itself of the governance and internal control of the organisation,
- Management of incidents of fraud and whistleblowing within the organisation,
- Advising its Accounting Officer on the adequacy of arrangements for internal audit, and on external audit and corporate governance matters, including on the preparation of Qualifications Wales' annual report and annual accounts.

### ***Resources Committee***

The purpose of this committee is to provide an environment for the detailed discussion on financial and business planning matters, and a number of human resources areas. Its terms of reference are:

- Oversight of the preparation of the annual budget and business plan;
- Reviewing the organisation's financial strategy, planning and policy;
- Oversight of workforce planning and controls for the organisation: recruitment, retention, performance management policies etc.
- The management of conflicts of interest for the Board and senior officers of the organisation;
- The evaluation of the recruitment requirements for the Board, and liaison with the Welsh Government on such matters;
- Advising the Board on potential investment and commercial activities; and
- Ensuring the effective and efficient management of Qualifications Wales' assets and operations.

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.

### ***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 its regulatory processes, where one is requested; and
- Monitoring the management of risk relating to regulatory activity.

### ***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. In the case of proposed changes to Board member remuneration or proposed changes to the overall terms and conditions of staff, the Remuneration Committee will make recommendations to the Board which if approved will be sent to the Cabinet Secretary for Education via the Sponsor Unit at Welsh Government. Its recommendations must be endorsed by the Board before any action is taken.

The committee's terms of reference are in draft form and the Committee is due to meet for the first time in September 2016. There has been no need to meet during the 2015/16 period.

### **Board and Committee Activity during 2015/16**

The Board and its Committees have met a number of times in the first six months. A summary of the meetings held and decisions made is as follows:

#### **The Board**

The Board has met three times during the period (September, November and January). Minutes of Board meetings are made available through the Qualifications Wales website.

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

- Approval of the Scheme of Delegation
- Approval of the Business Plan for 2015/16
- Approval of the Priority Qualifications List prior to agreement with Welsh Ministers and subsequent publication
- Approval for additional expenditure on the new Qualifications database (QiW) in order to secure enhanced features
- Deferral of GCSE History and Religious Studies to first teaching in 2017
- Approval of a number of corporate and regulatory policies
- Approval of the Corporate Risk register

- Approval of the Memorandum of Understanding between Qualifications Wales and Ofqual (The Office of Qualifications and Examinations Regulation).

The Board also received updates from its Committees at each meeting.

### **Report of the Audit and Risk Assurance Committee**

The Audit and Risk Committee met twice in the period (December 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 considered:

- Internal Audit
- Risk management
- External Audit
- IT strategy and information security
- Financial management
- Reporting and committee work planning.

No issues of concern were raised to the Board.

### **Report of the Remuneration Committee**

The Remuneration did not meet during the period; it is scheduled to meet for the first time in September 2016. Terms of Reference have been drafted and Committee membership agreed by the Board.

### **Report of the Regulation Committee**

The Regulation Committee met three times in the period (November, January and March). Minutes of these meetings have been provided to the Board.

During this period the Committee has considered:

- Development of a number of key regulatory policies
- Work stream discussions for strategic policy, recognition and approval, and monitoring and compliance
- Plans for the summer series of examinations
- The deferral of reformed GCSE Religious Studies and History qualifications
- The General Qualification reform programme
- The review of the introduction of the Welsh Baccalaureate
- Risk management in relation to regulatory activity.

### **Report of the Resources Committee**

The Resources Committee met once in the period (March). The minutes of this meeting have been provided to the Board along with an oral report.

During this period the Resources Committee has considered:

- Business planning including financial planning for 2016/17
- Oversight of Human Resources policy development
- Equality Policy and Action Plan.

### Board Performance and Effectiveness Review

The Board, led by the Chair, considers its individual and collective performance of paramount importance. The Chair has met with each Board member at least once on an individual basis during the period. Discussion has taken place within the Board to agree its operating basis and strong commitment has been made and evidenced through Board and Committee attendance (and ex-committee activity). The Board receives updates and assurances from each of its Committees at each meeting.

All Board members have undergone a thorough induction process and support for on-going training and development is available on a group and individual basis.

The Board had its first Away Day workshop in May 2016 and intends to use future group sessions as a mechanism to consider its development and effectiveness.

Discussions have taken place about the formal approach to evaluating Board effectiveness and time has been put aside to consider this in early Autumn 2016. In evaluating its performance, the Board will consider individual contributions as well as collective performance. Individual review meetings will continue between the Chair and each Board member.

### Attendance at Board and Committee meetings (6 Aug 2015 to 31 March 2016)

	Board	ARAC	Regulation Committee	Resources Committee
<b>Number of Meetings held</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>1</b>
<b>Board Member Name</b>	<b>Attendance</b>			
Ann Evans (Chair)	3	N/A	3	1
Philip Blaker (CEO)	3	(2)	3	1
Isabel Nisbet	3	2	3	N/A
Paul Croke	3	2	N/A	N/A
Claire Morgan	3	N/A	2	N/A
Angela Maguire-Lewis	3	2	N/A	1
Caroline Burt	2	N/A	3	N/A
Rheon Tomos (appointed 8 Dec 2015)	1	1	N/A	N/A
Ellen Donovan (appointed 8 Dec 2015)	1	N/A	N/A	1
Robert Lloyd Griffiths (appointed 8 Dec 2015)	1	N/A	N/A	1

lestyn (finished 2015)	Davies 5 Nov	1	N/A	N/A	N/A
Dylan (finished 2015)	Jones 5 Nov	2	N/A	N/A	N/A

- ( ) indicates attendance but not as a member

### Internal Audit - the System of Internal Control

The Organisation's 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 2016 and up to the date of approval of the annual accounts. As Accounting Officer, I have responsibility for reviewing effectiveness of the system of internal control. My review of the system of internal control is 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 the organisations Internal Auditors.

During 2015/16, four Internal Audits have been completed as follows:

Audit Name	Assurance Rating	Number of Recommendations
Corporate Governance	Substantial	1 (low)
Risk Management	Satisfactory	3 (2 medium, 1 low)
Financial Controls	Satisfactory	8 (1 medium, 7 low)
Electronic Documentation	Satisfactory	3 (medium)

The Audit and Risk Committee have given oversight to the Internal Audit plan and the audit reports, and will monitor the implementation of recommendations.

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.



**Head of Internal Audit Opinion (KPMG, the appointed Internal Auditor).**

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; and

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 6 August 2015 (date of establishment) to 31 March 2016 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 6 August 2015 to 31 March 2016 inclusive, and is based on the 4 audits that we completed in this period.

Based on the timing of our appointment and maturity of Qualifications Wales, the work we have performed was scoped to focus on the design of key financial and governance areas (without detailed sample testing) and the recommendations raised from our work took account of the fact that Qualifications Wales is a new organisation with processes and policies which are still in development.

**The design and operation of the risk management framework**

Overall our work found that a risk management process is in place. The risk register 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**

For one review we provided 'substantial' assurance.

For three reviews we provided 'satisfactory' assurance.

There were no reviews with limited assurance.

No high priority recommendations have been identified and no significant issues remained outstanding at the year-end which would have an impact on our opinion.

## **Risk Management and Control Framework**

The Board has overall responsibility for the organisation's risk management and has risk as a standing agenda item. 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.

We have a corporate risk register which is informed by directorate and where relevant project risk registers. The format for all risk registers is consistent ensuring a common approach to recording and measuring risks.

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

We recognise risk management as a core part of our daily functions and are committed to embedding risk (and opportunity) management into our daily life. We acknowledge that some risks will always exist and may never be eliminated, where this is the case they will be managed and controlled in the best possible way.

As part of the development of our risk management approach, risk appetite sessions were facilitated for the Executive team and Board during quarter one of 2016/17. This has assisted the organisation in agreeing its overall risk policy, a risk appetite approach and will further embed this critical subject across the organisation.

## **Strategic Risk profile**

Qualifications Wales managed a number of strategic risks during 2015/16 – relating to our corporate and regulatory functions. These fell into four main areas:

### ***The Qualifications System in Wales***

Qualifications systems across the UK are undergoing considerable change, including divergence in educational policy between devolved administrations. Change will inevitably generate risks and we mitigate these by establishing clear channels of communication with stakeholders from all areas of the system, working closely with awarding bodies and by creating robust internal processes to manage issues that may arise. As an example, after hearing concerns raised about the implementation of the Welsh BaccaLaureate and the new Essential Skills Wales suite of qualifications we took action to objectively review the points raised. As a result, we have agreed action plans to address the risks identified.

### ***GQ Reform***

At the point that we were established the GQ reform programme for Wales was underway, with a number of new qualifications having already been approved by Welsh Government and with more due for our approval in readiness for first teaching in September 2016. We had to manage the risk of any delay to the approval of the remaining qualifications and consequential delay in the provision of sample assessment materials to schools and colleges. We mitigated this risk through close working with WJEC and by adopting a robust project management approach. Where it became apparent that qualifications in History and Religious Studies would

not be approved in sufficient time to allow adequate preparation we took the difficult decision to defer these for first teaching in September 2017, having first consulted with all schools and colleges that were affected.

### ***Establishment of a new organisation***

We had to establish our own policies, procedures and ways of working, and train our new staff. In doing this we had to manage the risk of failing to comply with statutory legislation or our duties as a public sector body that could have resulted from poor controls in corporate areas. We mitigated these risks by applying tight systems controls to activities such as finance, procurement, staff management, information security and health and safety until robust procedures had been established and staff training had been completed.

### ***Qualifications in Wales “QiW” database***

At the point that we were established a project had commenced to replace the regulatory database used by Welsh Government, but the requirement had not yet been tendered. The database had to be replaced because not only was it no longer fit for purpose, but it was operationally dependent upon the Ofqual RITS database which was being decommissioned in Spring 2016. We faced a significant risk of failing to develop a new database in time. We mitigated this through a successful procurement and the adoption of the ‘Agile’ method in working with the IT developers, agreeing a ‘minimum viable product’ and closely managing the project. This risk was closed with the launch of the new QiW database.

Moving forward, we will continue to ensure that risks are well managed, and that we make the most of opportunities. We want to be a risk intelligent organisation and we will approach risk in a manner that is in accordance with our risk appetite. We will ensure that appropriate actions are taken and that internal controls are regularly reviewed to ensure we maintain effectiveness in our work.

### **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 have followed much of the best practice described in ISO27001 when creating our IT security policies and procedures, but we are not seeking ISO27001 certification. To provide independent assurance we are committed in 2016/17 to gaining certification in Cyber Security Essentials Plus with IASME (International Assurance Standard for Small and Medium Sized Enterprises).

We are registered with the Information Commissioners Office (ICO).

We are committed to openness and transparency in the way we do business and are currently finalising our Publications Scheme. This scheme commits us to making certain relevant information routinely available to the public.

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)
- 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 and will raise our capabilities and IT maturity level.

In 2015/16 an Internal Audit was completed on Electronic Data identifying a 'satisfactory' rating.

### **Personal Data Reported Incidents**

Qualifications Wales has no personal data incidents to report.

### **Freedom of Information Requests**

One request was received, which was responded to in accordance with the timeframe.

### **Whistleblowing**

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

### **Conclusion**

As the Accounting Officer for Qualifications Wales, I confirm that the statements made in this report are correct for the period from 6 Aug 2015 to 31 March 2016. 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  
22 July 2016

## 4. Remuneration and Staff Report

### Remuneration Policy

Qualifications Wales employees are employed on terms and conditions agreed by the Board. Remuneration was aligned with Welsh Government pay bands and scales prior to our establishment and during the initial phase of recruitment. 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 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.

### Salary, Pension Entitlements – Senior Officials

The following tables provide details of the remuneration and pensions interests, for the period from 6 August 2015 to 31 March 2016, of the senior officials who have authority or responsibility for directing or controlling our major activities.

<b>Single total figure of remuneration - 2015-16</b>			
<b>Non-executive Officials</b>	<b>Salary (banded) £'000</b>	<b>Pension Benefits £</b>	<b>Total £'000</b>
<b>Chair</b> Ann Evans	15-20	-	15-20
Angela Maguire Lewis	0-5	-	0-5
Caroline Burt	0-5	-	0-5
Claire Morgan	0-5	-	0-5
Isabel Nisbet	0-5	-	0-5
Paul Croke	0-5	-	0-5
Ellen Donovan Joined QW Board 8/12/15	0-5	-	0-5
Rheon Tomos Joined QW Board 8/12/15	0-5	-	0-5
Robert Griffiths Joined QW Board 8/12/15	0-5	-	0-5
Dylan Jones Left QW Board 5/11/15	0-5	-	0-5
Iestyn Davies Left QW Board 5/11/15	0-5	-	0-5

This table is subject to audit

<b>Single total figure of remuneration - 2015-16</b>			
<b>Executive Officials</b>	<b>Salary (banded) £'000</b>	<b>Pension Benefits £</b>	<b>Total £'000</b>
<b>Chief Executive</b> Philip Blaker (commenced with QW 6 August 2015)	75-80	29,214	105 - 110
<b>Executive Director - Policy and Development</b> Kate Crabtree (commenced with QW 21 September)	40-45	56,830	95 - 100
<b>Executive Director - Regulation</b> Jo Richards (commenced with QW 7 September 2015)	45-50	17,703	60 - 65
<b>Executive Director - Finance and Corporate Services</b> Alison Standfast (Seconded to QW from 1 September 2015)	40-45	14,946	55 - 60

This table is subject to audit



Salary includes gross salary and any other allowances subject to UK taxation.

There were no benefits in kind or bonus payments made in 2015-16

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 2016 £'000	Real increase in pension at pension age £'000	Total accrued lump sum at age 65 as at 31 March 2016 £'000	Real Increase in lump sum at age 65 £'000	CETV at 31 March 2016 £'000	CETV at commencement with QW £'000	Real increase in CETV £'000
<b>Chief Executive</b> Philip Blaker (commenced with QW 6 August 2015)	0-5	0-2.5	n/a	n/a	42	23	13
<b>Executive Director - Policy and Development</b> Kate Crabtree (commenced with QW 21 September 2015)	35-40	2.5-5	n/a	n/a	671	603	51
<b>Executive Director - Regulation</b> Jo Richards (commenced with QW 7 September 2015)	0-5	0-2.5	n/a	n/a	9	0	6
<b>Executive Director - Finance and Corporate Services</b> Alison Standfast (Seconded to QW from 1 September 2015)	15-20	0-2.5	n/a	n/a	254	229	7

#### Civil Service Pensions

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: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained

in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th 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 uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

### **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.

<b>Median Remuneration 2015-16</b>	
<b>Band of highest earner's Remuneration (£'000)</b>	<b>120-125</b>
<b>Median Total Remuneration</b>	<b>39,750</b>
<b>Ratio</b>	<b>3.08</b>

This table is subject to audit

### **Staff Report**

We are still in a period of growth to our full complement of staff following establishment in September 2015. As at 31 March 2016 we had 62 employees.

Recruitment commenced in spring 2015 with some appointments (notably those in Finance and Corporate Services required to establish the organisation) commencing in the summer months. These appointments were made either on a secondment basis from Welsh Government or via an initial fixed term appointment to Welsh Government. The wider organisation took up their roles on a staggered basis commencing with the Senior Leadership Group on 1 September 2015 followed by the rest of the organisation on 7 September 2015. Employees took part in a comprehensive induction programme prior to functions being transferred from Welsh Government to us on 21 September 2015.

Six Welsh Government regulatory staff who were within the scope of transfer chose to do so and were matched to roles in the new organisation. The transfer of their employment was effected via a Transfer Scheme in accordance with Schedule 2 of the Qualifications Wales Act 2015 with regard to the Cabinet Office Statement of Practice for Staff Transfers in the Public Sector (January 2000) and the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Similarly, three WJEC employees were identified as in scope and their transfer was effected in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). All transferring staff did so on existing terms and conditions, which are protected unless they chose to transfer to Qualifications Wales terms and conditions. The exception to this being in relation to the WJEC employees and their membership of their former pension scheme (LGPS) which had to cease. The Government Actuary's Department were commissioned to liaise with LGPS to assess bulk transfer terms and this work is still in progress. The transferring employees from WJEC were able to join the Civil Service Pension scheme.

In addition to the transfers we have also chosen to use secondments to facilitate successful knowledge transfer, the organisation currently has eight secondees, primarily from Welsh Government and has had ten agreements in place during the period September 2015 to March 2016.

The majority of employees are appointed on permanent contracts with five employees on fixed term contracts.

In common with other qualifications regulators we contract with a number of 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. These experts are contracted 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.

The following tables outline our employee composition as at 31 March 2016, by band, gender, age, contract type.

**Staff Numbers****Pay Band/Gender**

	Male	Female	Total
Band 1	2	2	4
Band 2	1	8	9
Band 3	4	8	12
Band 4	9	11	20
Band 5	5	4	9
Band 6	2	2	4
Band 7	0	3	3
Band 8	1	0	1
<b>Total</b>	<b>24</b>	<b>38</b>	<b>62</b>

Refer to p40 for further information on pay bands

**Gender/Age**

	Male	Femal	Total
25 and under	1	3	4
25-29	2	2	4
30-34	3	8	11
35-39	6	8	14
40-44	2	5	7
45-49	5	8	13
50-54	3	2	5
55-59	2	2	4
<b>Total</b>	<b>24</b>	<b>38</b>	<b>62</b>

**Gender/Contract Type**

	Full-time	Part-time	Total
male	22	2	24
female	32	6	38
<b>Total</b>	<b>54</b>	<b>8</b>	<b>62</b>

The induction phase in September 2015 presented an opportunity to engage our employees in establishing the organisation's values as well as determining the model of employee representation that would be used. Employees voted to be represented by a Trade Union and to maintain continuity we have recognised PCS (one of Welsh Government's four recognised unions) and are in the process of establishing the partnership arrangements that will set out the relationship and shape the way we consult with employees. Whilst a number of HR policies were drafted prior to establishment there are still a number in development and the partnership arrangements will be used to consult and finalise them.

Our commitment to developing employees was demonstrated with the comprehensive initial Induction and training programme. We have also provided further training through courses for our employees to extend their knowledge (for example, more in depth Regulation and

Assessment training, Effective Surveys, Making Consultation Meaningful) alongside conference attendance (Policy Forum for Wales, Capita, Colegau Cymru). We have also invested in supporting a relatively small number of employees and their specific requirements (DSE Assessment, specialist IT requirements).

In-house awareness training has been provided by corporate staff on Finance regulations, Procurement legislation, IT classifications and information security, Freedom of Information and Data Protection as well as use of the finance and HR systems. Workshops have also been held on Equalities and Well-being legislation and refresher sessions held on the Act. In 2016/17 we are committed to building leadership capability at all levels and will be supporting a cohort of six employees in Bands 1-3 (entry Band upwards) to achieve an ILM Level 3 Certificate in Leadership and Management. Other requirements have been identified through our business planning and individual performance management discussions.

### Sickness Absence

Our sickness data is over a period of 8 months, so does not enable comparison with common baselines that are expressed for a full year. The total days lost between 6 August 2015 and 31 March 2016 is 52, the equivalent of 0.84 of a day per employee (based on 62 employees). If these figures were extrapolated for 12 months, using an average for the four months April-July, the figure would be 1.25 days per employee. The CIPD Absence Management Survey Report 2015 reports the average absence level per employee across a year is 6.9 days across all sectors with an average of 8.7 days per year in the public services sector.

Month	Working Days lost	Number of Instances
August	0	0
September	1	1
October	0.5	1
November	16.5	8
December	7.5	5
January	8.5	4
February	10.5	5
March	7.5	5
<b>Total</b>	<b>52</b>	<b>29</b>

## Summary of 2015-16 Staff Costs

This section is subject to audit

	Permanently Employed Staff	Temporary Staff	Others Seconded Staff	Agency Staff	2015-16 Total
	£'000	£'000	£'000	£'000	£'000
Wages and Salaries	1,121	29	255	-	1,405
Social Security Costs	99	2	23	-	124
Other Pension Costs	240	6	53	-	299
Agency Costs	-	-	-	1	1
<b>Total</b>	<b>1,460</b>	<b>37</b>	<b>331</b>	<b>1</b>	<b>1,829</b>

There were no 'off payroll' engagements made in 2015-16.

There were no exit packages in 2015-16.

Qualifications Wales incurred the following consultancy costs during 2015-16: -

Consultancy - 2015-16		
Consultant	Consultancy Work Undertaken	Total £
Dept for Business Innovation and Skills	The Better Regulation Delivery Office (BRDO) was commissioned to evaluate Qualifications Wales' current regulatory approach against BRDO's Regulator's Delivery Model as part of Qualifications Wales' review of its regulatory strategy.	17,760
Effective Communication Limited	Communications advice	816

## Equalities

We have published our Equalities objectives and will be reporting progress separately. Our objectives cover all aspects of our operation including staff, facilities, expenditure, qualifications development and regulation, stakeholder engagement and monitoring. This includes monitoring our performance on equal pay between genders. At the end of March 2016 the position on this was as below:

	Pay Band	Female	Male	Remuneration Gap (minus sign if women paid less)	Remuneration gap as a % of male (minus sign if women paid less)
mean	1	£19,350	£18,275	£1,075	6%
		£19,350	£18,275	£1,075	6%
median	2	£25,225	£26,400	-£1,175	-4%
		£24,900	£26,400	-£1,500	-6%
	3	£30,281	£31,462	-£1,181	-4%
		£29,100	£31,000	-£1,900	-6%
	4	£39,676	£42,278	-£2,602	-6%
		£39,750	£41,850	-£2,100	-5%
	5	£54,885	£51,950	£2,935	6%
		£54,150	£48,650	£5,500	11%
	6	£64,975	£66,650	-£1,675	-3%
		£64,975	£66,650	-£1,675	-3%
Exec		£78,952			
		£80,000			
CEO			£125,000		
			£125,000		

Bands 1 - 6 have scale points within them which employees move up annually on an incremental basis subject to satisfactory performance. Consequently, all employees can expect to be at the maximum of their current band within three years (Bands 1 and 2) and within four years (Bands 3 – 6).

Detail regarding remuneration above Band 6 is published in this document.



Qualifications Wales has published its Strategic Equalities Plan, and this maps out how we fulfil our duty under the Equalities Act 2010 to ensure we do not discriminate – either directly or indirectly – against anyone because of their

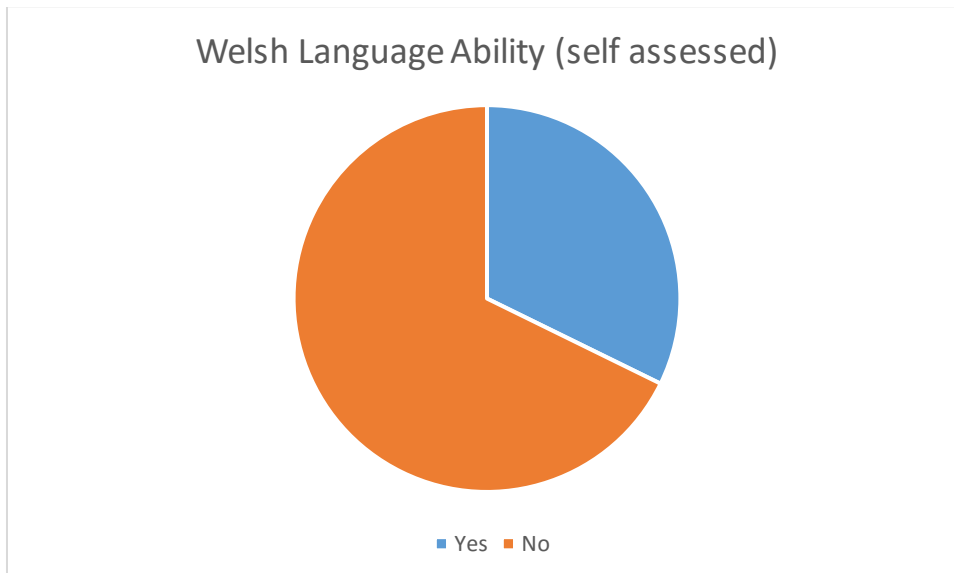
- Gender
- Race
- Faith or belief
- Sexual orientation
- Age
- Pregnancy and maternity
- Being married and in civil partnership
- Being a disabled person
- Being transgender

The link below provides a copy of the Strategic Equalities Plan

<http://qualificationswales.org/media/1865/190416as-e-equality-objectives-final-8416.pdf>

## Welsh Language

We monitor the level of our staff's Welsh language skills as part of our approach to Welsh language. 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 2016 20 employees (32%) rated themselves as having Welsh language skills and 42 (68%) indicated that they did not. Of those that do have skills 12 consider themselves fluent across all measures.



As the Accounting Officer for Qualifications Wales, I confirm that the statements made in this report are correct for the period from 6 Aug 2015 to 31 March 2016.

**Philip Blaker**  
Accounting Officer  
22 July 2016

## **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 period ended 31 March 2016 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 and 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 and Staff 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 the Accounting Officer's Responsibilities, Qualifications Wales is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Qualifications Wales Act 2015 and Welsh Ministers' directions made thereunder 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 am required to 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate 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 2016 and of its net expenditure, recognised gains and losses and cash flows, for the period 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 and Staff 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 Annual 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 and Staff 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  
28 July 2016

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Financial Statements

### 5. Statement of Comprehensive Net Expenditure

<b>Statement of Comprehensive Net Expenditure</b>			
for the period ended 31 March 2016			
	Notes	2015-16	
		£'000	
<b>Total Operating Income</b>		-	
<b>Expenditure</b>			
Staff Costs	**	1,829	
Programme Costs			
Grants	2	1,048	
Other	3	294	
Other operating expenditure	4	676	
Provision expense	12	151	
Depreciation	5	94	
<b>Total Operating Expenditure for period ended 31 March 2016</b>		<b>4,092</b>	
<b>Net Operating Expenditure</b>		4,092	
Finance Income		-	
Finance Expense		-	
<b>Net Expenditure for the year</b>		<b>4,092</b>	
<b>Other Comprehensive Net Expenditure</b>			
Items which will not be reclassified to net operating costs			
Net gain / loss on revaluation of property, plant and equipment		-	
Net gain / loss on revaluation of intangible assets		-	
Items which may be reclassified to net operating costs			
Net gain / loss on revaluation of investments		-	
<b>Comprehensive net expenditure for the year</b>		<b>4,092</b>	

\*\* See remuneration report on page 39 for a breakdown of staff costs

All activities are continuing.

There are no recognised gains or losses for the period to 31 March 2016.

The notes on pages 49-58 form part of these accounts.

## 6. Statement of Financial Position

<b>Statement of Financial Position</b>		
<b>as at 31 March 2016</b>		
	Notes	£'000
<b>Non-current assets</b>		
Property, plant and equipment	5	338
Intangible assets	6	594
<b>Total non-current assets</b>		<b>932</b>
<b>Current assets</b>		
Cash and cash equivalents	10	127
Trade and Other Receivables	9	990
<b>Total current assets</b>		<b>1,117</b>
<b>Total assets</b>		<b>2,049</b>
<b>Current liabilities</b>		
Trade and other payables	11	(947)
<b>Total assets less current liabilities</b>		<b>1,102</b>
<b>Non-current liabilities</b>		
Provisions	12	(151)
<b>Total assets less total liabilities</b>		<b>951</b>
<b>Taxpayers' equity and other reserves</b>		
General Fund		951
		<b>951</b>

The notes on pages 49-58 form part of these accounts.

**Philip Blaker**  
Accounting Officer  
22 July 2016

## 7. Statement of Cash Flows

Statement of Cash Flows for the period ended 31 March 2016		
	Notes	£'000
<b>Cash flows from operating activities</b>		
Net operating cost		(4,092)
Adjustments for non-cash transactions		
Depreciation	5	94
(Increase) / Decrease in trade and other receivables	9	(990)
Increase in trade and other payables	11	947
Movement in provisions	12	151
<b><i>Net cash outflow from operating activities</i></b>		<b><u>(3,890)</u></b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	5	(432)
Purchase of intangible assets	6	(594)
<b><i>Net cash outflow from investing activities</i></b>		<b><u>(1,026)</u></b>
<b>Cash flow from financing activities</b>		
Funding from Welsh Government		5043
<b>Net increase in cash and cash equivalents</b>		<b><u>127</u></b>
Cash and cash equivalents at the beginning of the period	10	0
Cash and cash equivalents at the end of the period	10	127

The notes on pages 49-58 form part of these accounts.

## 8. Statement of Changes in Taxpayers' Equity

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

The notes on pages 49-58 form part of these accounts.



## Notes to the Accounts for the period ended 31 March 2016

### 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 two classes, 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 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.

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

**(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 1 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.

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

**(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 (g) 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 2015-16. A

summary of the total Employer's pension contributions is shown in the table on page 39.

### (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	£'000
<b>Support for Welsh medium assessment</b>	
WJEC	549
Pearson	93
Oxford Cambridge and RSA Examinations	7
<b>sub-total</b>	<b>649</b>
<b>Support for Qualification Reform</b>	
Colegau Cymru	150
WJEC	59
Central South Consortium Joint Education Service	93
'Education through Regional Working' Consortium	50
'School Effectiveness and Improvement Service for North Wales' Consortium	47
<b>sub-total</b>	<b>399</b>
<b>Overall Total</b>	<b>1,048</b>

## 3. Summary of Other Programme Expenditure

Summary of Other Programme Expenditure	£'000
Use of subject experts / stakeholder engagement	89
Health and Social Care Sector Review	45
Research Costs	103
Communications Activities	51
Other	6
<b>Overall Total</b>	<b>294</b>

#### 4. Summary of Other Operating Costs

Summary of 'Other Operating Costs'	£'000
Facilities related costs	177
HR Related Costs	133
ICT Related Costs	138
Board Costs	48
Legal Support Costs	37
External Audit Fees	19
Other professional support (Audit, Translation, etc)	56
Travel and Subsistence	42
Admin and Office costs	26
<b>Overall total</b>	<b>676</b>

#### 5. PPE Analysis

Property, Plant and Equipment	Furniture and Fittings	Information Technology	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 6 August 2015	-	-	-
Additions in the period	161	271	432
Disposals in the period	-	-	-
At 31 March 2016	161	271	432
<b>Depreciation</b>			
At 6 August 2015	-	-	-
Charged in the year	16	78	94
Disposals for the period	-	-	-
At 31 March 2016	16	78	94
Carrying Value at 6 August 2015	-	-	-
Carrying Value at 31 March 2016	145	193	338

## 6. Intangible Assets

Intangible Assets	Database under development	Information Technology	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 6 August 2015	-	-	-
Additions in the period	594	-	594
Disposals in the period	-	-	-
At 31 March 2016	594	-	594
<b>Depreciation</b>			
At 6 August 2015	-	-	-
Charged in the year	-	-	-
Disposals for the period	-	-	-
At 31 March 2016	-	-	-
Carrying Value at 6 August 2015	-	-	-
Carrying Value at 31 March 2016	594	-	594

This recognises the development of the QiW database during 2015-16. This is deemed to have an indefinite useful life as it will continue to support the organisation's needs for the foreseeable future, and will continue to be developed in line with our strategic objectives. There are no plans to develop / acquire other intangible assets of this nature.

## 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 2015-16.

**9. Trade receivables and other current assets**

Trade receivables and other current assets		£'000
<b><u>Amounts falling due within one year</u></b>		
Trade Receivables		-
Other Receivables		
Prepayments		35
WG Grant allocation		955
<b>Total</b>		<b>990</b>

**10. Cash and cash equivalents**

Cash and cash equivalents		£'000
Balance as at 6 August 2015		-
Net change in cash and cash equivalent balances		127
<b>Balance as at 31 March 2016</b>		<b>127</b>

This is all held with the Government Banking Service.

**11. Trade payables and other current liabilities**

Trade payables and other current liabilities		Sundry Creditors	Accruals	Total
		£'000	£'000	£'000
<b><u>Amounts falling due within one year</u></b>				
Trade Payables		484	121	605
Other		139	203	342
<b>Total</b>		<b>623</b>	<b>324</b>	<b>947</b>
<b>Analysis of Sundry Creditors and Accruals</b>				
	Central Govt Bodies	Local Govt Bodies	Bodies External to Govt	Total
	£'000	£'000	£'000	£'000
Trade payables	330	17	258	605
Other	11	68	263	342
<b>Total</b>	<b>341</b>	<b>85</b>	<b>521</b>	<b>947</b>

## 12. Provisions for liabilities and charges

Provision for liabilities and charges	Dilapidation condition within Building Lease £'000	Annualised Building Lease Costs £'000	Total £'000
Balance as at 6 August 2015	0	0	0
Provided in the year	122	29	151
Utilised / released in the year	0	0	0
<b>Balance as at 31 March 2016</b>	<b>122</b>	<b>29</b>	<b>151</b>
<b>Analysis of the expected timings of the future liabilities</b>			
Not later than one year	0	0	0
Later than one year and not later than five years	0	29	29
Later than 5 years	122	0	122
<b>Total</b>	<b>122</b>	<b>29</b>	<b>151</b>

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 2016-17 and 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 2016.

## 14. Commitments under leases

Obligations under operating lease comprise:	Lease Costs £'000	Service Charges £'000	Total £'000
<b>Buildings</b>			
Not later than one year	95	27	122
Later than one year and not later than five years	651	109	760
Later than 5 years	671	112	783
<b>Total</b>	<b>1,417</b>	<b>248</b>	<b>1,665</b>



**15. PFI**

Qualifications Wales has no PFI arrangements.

**16. Other financial commitments**

There were no other financial commitments as at 31 March 2016.

**17. Contingent Liabilities**

There were no contingent liabilities as 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 received a grant allocation of £4.088m from Welsh Government, and accrued for a further £955k.
- We made payments to Welsh Government for staff seconded by them to Qualifications Wales; to reimburse them for our payroll costs; and to reimburse them for the IT and F+E assets they purchased on our behalf and subsequently transferred over to us. Actual payments of £2.250m were made, and further costs of £339k were either accrued or recognised as a sundry creditor.

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 2015-16.

Whilst there were no material transactions during the year with organisations with which Qualifications Wales' directors 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
7394.96	Oxford Cambridge and RSA (OCR) – a subsidiary of Cambridge Assessment – for Welsh medium costs	Caroline Burt's, Board Member, partner 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 a number of 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.

**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.

The impact of IFRS 16 Leases, which has been issued by the IASB but has not yet been adopted and will apply from 2019-20, is not reasonably estimable at this stage

As the Accounting Officer for Qualifications Wales, I confirm that the statements made in this report are correct for the period from 6 Aug 2015 to 31 March 2016.

**Philip Blaker**  
Accounting Officer  
22 July 2016