Y Comisiwn Addysg Drydyddol ac Ymchwil
Commission for Tertiary Education and Research

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Accounts direction to higher education institutions in Wales for 2024/25

Date:	26 June 2025
Reference:	Medr/2025/03
To:	Heads of higher education institutions in Wales Chief finance officers of higher education institutions in Wales
Respond by:	30 November 2025 [relevant subsidiaries 31 December 2025]
More information:	assurance@medr.cymru

Summary

This publication provides information on Medr's requirements for the format of Welsh higher education institutions' audited financial statements.

Contents

Introduction

1. The purpose of this accounts direction is to inform institutions of Medr's requirements for the format of their audited financial statements for the year 2024/25.

2. Higher education institutions in Wales remain subject to the framework of the HEFCW financial management code (FMC) (HEFCW circular W17/16HE) until Medr's own regulatory framework comes into effect.

Changes from 2023/24 accounts direction

3. The following amendments have been made to this document since the final version for 2023/24:

   a. A contents page has been added for ease of navigation.

   b. Minor narrative / typographical changes and updated internet links

   c. Paragraph 10 has been added, further highlighting the importance of consistency between analysis within the published financial statements and the HESA finance record.

   d. Paragraph 12 has been added to support transparency

   e. Paragraph 32 has been added, clarifying Medr's expectation of notification and explanation where the required deadlines are not expected to be met.

   f. Paragraph 33 has been added. This amends the submission date of immaterial subsidiaries, should certain requirements be met and notified to Medr.

   g. Referencing and links have been updated from HEFCW to Medr as appropriate.

Accounts direction for 2024/25

4. Higher education institutions are required to follow the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (FEHE SORP), or any successors to this SORP, when preparing their financial statements. Links to the FEHE SORP and guidance on implementation of some areas can be found in the SORP area of the British Universities' Finance Directors' Group (BUFDG) website. If there are any inconsistencies between the requirements of the FEHE SORP and this accounts direction then this accounts direction will prevail.

5. As noted in the SORP, institutions must apply all requirements under FRS 102: the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

6. In the case of an institution which is also a company limited by guarantee, this direction is subject to the requirements of the Companies Act 2006.

7. The financial statements shall be signed by the Accountable Officer and by the Chair or one other member of the governing body appointed by that body.

8. Institutions should note that the formats of the primary accounting statements (consolidated statement of comprehensive income and expenditure, consolidated statement of changes in reserves, balance sheet, and consolidated cash flow statement) should be followed. The financial statements should follow BUFDG's latest model financial statements where possible to promote consistency of treatment within the sector, whilst having due regard to the diversity of institutions, and clarity of presentation to users. The model can be found in the SORP area of the BUFDG website.

9. With the move by the Higher Education Statistics Agency (HESA) to the provision of open data, third party users are increasingly extracting institutional and sector data for comparison and comment from this source as opposed to the published financial statements. We would therefore expect Institutions to have due regard to HESA definitions and guidelines for categorisation within the financial statements in order to ensure that the financial statements as approved by the governing body are in line with the HESA finance record submitted subsequently.

10. Consistency between the HESA finance record and published financial statements promotes improved comparability between institutions and consistency of data used for UK sector analysis.

11. The notes to the accounts should contain analyses of income and expenditure and balance sheet items consistent with recognised good accounting practice and should be sufficiently detailed to enable users to obtain a clear understanding of how the institution is performing financially.

12. Where the accounts include material items of income or expenditure that are unlikely to recur and/or do not reflect the underlying financial performance this should be explained.

13. The financial statements should further comply with any relevant requirements of the Charities Act 2011 in so far as it relates to an institution.

14. Institutions should also:
    a. Ensure that contracts for external audit provide that the external auditor must include a report to the governing body in the financial statements on whether in all material respects:
        i. the financial statements give a true and fair view of the state of the higher education institution's affairs, and of its income and expenditure, gains and losses, changes in reserves and cash flows for the year. They should take into account relevant statutory and other mandatory disclosure and accounting requirements, and Medr requirements;
        ii. the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice, being the financial reporting standard (FRS102), the statement of recommended practice: accounting for further and higher education (FEHE SORP), and relevant legislation;
        iii. funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;

iv. the institution has applied income, where appropriate, in accordance with the Financial Management Code (FMC) (HEFCW W17/16HE) paragraph 145, and whether Funding Council grants (including grants from Medr) have been applied in accordance with terms and conditions attached to them and used for the purposes for which they were received, including the Terms and Conditions of Funding; and

v. the requirements of Medr's accounts direction have been met.

b. Provide detailed analysis and disclosure within the financial statements of audit and other fees paid to external auditors, in accordance with Statutory Instrument SI 2008 No 489 - *The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008* and the Amendments to these Regulations encompassed within *Statutory Instrument SI 2011 No 2198*. This is required for those institutions to which company law applies. The Statutory Instrument can be viewed at the *Office of Public Sector Information website* (www.legislation.gov.uk).

c. In their management letters or reports, auditors should have regard to the specific requirement of Medr, such as compliance with increases in financial commitments thresholds, or other issues of non-compliance.

Going concern and liquidity risk

15. The members of the governing body must confirm in the annual report that the financial statements are prepared on a going concern basis. They must also confirm that they have carried out a robust assessment of the principal risks and material uncertainties facing the institution, including those that would threaten its business model, future performance, solvency or liquidity. The report must describe those risks and explain how they are being managed or mitigated.

Sustainability reporting

16. It is expected that the operating and financial report section of the financial statements should state how the institution is ensuring its sustainability, including through its strategy, quality of teaching and research, financial sustainability metrics, management of key risks including cash flow management, proposed financial commitments and material leases, and investment in estates and infrastructure. Institutions should present this information using the format agreed for the annual governance reporting template created following the Review of Governance of the Universities in Wales.

17. We would expect the institutional strategy to be clear and in alignment with other published documents.

Environmental reporting

18. Institutions must include commentary on the steps taken and planned to ensure wider sustainability of social and environmental resources. This should include, but not be limited to, a statement of the net zero target of the institution (where this has been publicly stated) and progression towards achievement of this. Areas to consider might include improvements in the efficiency of estates, energy usage, waste minimisation, resource efficiency, water usage, procurement, biodiversity, travel and reduction of other environmental impacts. We refer institutions to Welsh

Government guidance in this area, which identifies prioritisation based on the classification of direct emissions (scope 1), indirect emissions (scopes 2 and 3) and Land Use, Land Use Change and Forestry. Further guidance can be found in the Standardised Carbon Emissions Framework (SCEF) and the Task Force on Climate Related Financial Disclosures.

Corporate governance and internal control

19. Institutions must include a 'statement of corporate governance' in its financial statements. This statement must set out a description of the institution's corporate governance arrangements and a statement of the responsibilities of the governing body. It must explicitly relate to the period covered by the financial statements, and the period up to the date of approval of the audited financial statements.

20. Institutions must include a 'statement of internal control' in the financial statements. The statement of internal control relates to the institution's arrangements for the prevention and detection of corruption, fraud, bribery and other irregularities. It must include how the principles of internal control have been applied.

21. Institutions may combine the statement of corporate governance with the statement of internal control, provided that all of the disclosures required are made. In formulating their statements, institutions should refer to best practice guidance, including guidance from the British Universities Finance Directors Group (BUFDG). Further guidance on these requirements is set out in Annex C.

22. The CUC Higher Education Code of Governance (CUC Code), which was refreshed and re-issued in 2020, recommends that institutions include in their annual audited financial statements a statement which sets out governance arrangements and confirms that they have had regard to the CUC Code in adopting those arrangements. The financial statements should include an explicit statement to either confirm that the institution has complied with all of the principles of the Code or, where there are exceptions, to provide details of how these are being addressed, including timelines.

23. The annual report must include an explicit statement that the institution has adopted the Governance Charter for Universities in Wales (the Governance Charter) based on the Review of Governance of the Universities in Wales by Gillian Camm.

24. The annual report must utilise the annual governance reporting template developed in response to the Camm review as a guide to structuring the annual report.

25. The annual report must include a statement on the institution's compliance with the Camm review Commitment to Action, including progress on achieving full implementation where this has not yet been achieved.

Related party disclosures

26. Institutions are reminded of the disclosure requirements for related party transactions. Such transactions involving trustees, irrespective of whether or not they are undertaken on an arm's length basis, must be disclosed with the name(s) of the transacting related party or parties. The disclosure should also include a description of the relationship between the parties (including the interest of the

related party or parties in the transaction, a description of the transaction, and the amounts involved).

27. Institutions must disclose a list of trustees holding office during the year with details of appointments and resignations to the date of signing.

Remuneration of higher-paid staff

28. In line with Welsh Government requirements for openness and transparency, institutions are required to disclose:

    a. the actual total remuneration of the head of institution;

    b. the basic and total remuneration of the head of institution expressed as a ratio of basic and total full time equivalent staff salaries;

    c. justification of the remuneration of the head of institution;

    d. the remuneration of higher paid staff in bands of £5,000 from a starting point of £100,000;

    e. aggregate total remuneration paid to key management personnel, together with either the number of key management personnel or a list of eligible posts; and

    f. details of any compensation paid or payable to the head of institution and to staff whose annual remuneration exceeds £100,000, or a statement confirming that no compensation was payable to staff at this level in the year.

    Institutions are urged to pay particular attention to the disclosure requirements for higher paid staff as detailed above, particularly in respect of the definition of 'remuneration' and the analysis of salary, benefits in kind and employer's pension contributions. Further detail of the requirements is set out in Annex A for remuneration and Annex B for compensation.

Charities Act 2011

29. Institutions are advised that under the Charities Act 2011 the following information should be included in their audited financial statements and related reports:

    a. the charitable status of the institution;

    b. the trustees who served at any time during the financial year and until the date the financial statements were formally approved;

    c. a statement that the charity has had regard to the Charity Commission's guidance on public benefit;

    d. a report on how the institution has delivered its charitable purposes for the public benefit; and

    e. information about payments to or on behalf of trustees, including expenses; payments to trustees for serving as trustees (and waivers of such payments); related party transactions involving trustees.

Date of submission of audited financial statements to Medr

30. The annual report and accounts should be prepared with a 31 July year-end.

31. The final deadlines for submission to Medr and publication of audited financial statements are as follows:

	Deadline
Audited financial statements	30 November 2025
Publication on website	31 January 2026
Audited subsidiary financial statements	31 December 2025

32. Should an institution become aware that the above deadlines will not be met, Medr expect to be notified in advance with the rationale for the delay and an expected timeline, and be kept regularly updated.

33. Where subsidiary financial statements are clearly immaterial to the group audit opinion, the normal Companies House (30 April) or Charity Commission (31 May) deadline may be utilised. Institutions and their auditors must notify Medr in writing in advance of 31 December 2025 confirming that the named subsidiary(ies) will not impact the group audit opinion individually or in aggregate and they are able to utilise this dispensation. This dispensation does not apply to subsidiaries undertaking tertiary activities that would fall within the remit of Medr.

34. Financial statements should be submitted to assurance@medr.cymru.

35. The accounts direction is reviewed annually. This accounts direction will remain in force unless institutions are notified otherwise.

36. We recommend placing a copy of this circular and its annexes before your Finance and Audit Committees for information.

Further information

37. For further information, contact Diane Rowland (diane.rowland@medr.cymru).

Annex A - Remuneration of heads of institutions and higher paid staff

In determining senior officer remuneration and severance payments, institutions should ensure that they follow good practice in their governance arrangements for determining the appropriate remuneration of senior officers. This includes having regard to the CUC HE Senior Staff Remuneration Code (November 2021).

Institutions are required to disclose the following:

Head of institution

1. The actual total remuneration of the head of institution, disclosing separately:
    a. basic salary (gross of any salary sacrifice);
    b. payments in lieu of pension contributions;
    c. Payment of dividends (including, but not limited to, dividends paid in lieu of salary);
    d. performance-related and other bonuses awarded for the financial year, including any deferred payment arrangements and separate disclosure of amounts waived, which should be disclosed separately together with any required narrative to enhance transparency. Deferred bonuses should be disclosed in the year awarded and the year paid, with explanatory notes as necessary to ensure clarity for users. In line with the Camm review Governance Charter actions on senior executive remuneration, details of the bonus scheme design and the measures which trigger payment should be included either within the remuneration note, or in the relevant area of the annual report, and cross referenced as appropriate;
    e. pension contributions;
    f. salary sacrifice arrangements;
    g. compensation for loss of office;
    h. any sums paid under any pension scheme in relation to employment with the institution;
    i. any sums paid by way of expenses allowances (in so far as those sums are charged to UK income tax);
    j. the estimated money value of any other taxable benefits received. Institutions must state the nature of each of the taxable benefits and the estimated money value of each. These may include company cars, subsidised loans including mortgage subsidies, and subsidised accommodation;
    k. Non-taxable benefits. Institutions must disclose:
        - the nature of each of the non-taxable benefits;
        - the cost to the institution of providing each of them;

    The non-taxable benefits that must be disclosed are those that are available only to senior members of staff or are available only to the head of the institution. This may include contributions to relocation costs, living accommodation and any other tangible benefit to which the institution should be able to ascribe a cost of provision of the benefit. Institutions do not need to disclose non-taxable benefits that simply flow from being a member of the institution's staff and that are given to, or as a minimum are available to, all members of staff. See further guidance in Annex D; and

l. Other remuneration. Institutions must disclose the nature of any other types of remuneration and the cost to the institution of providing each type of remuneration. The types of remuneration may include compensation for loss of benefits, ex-gratia and remuneration payments while on sabbatical, and payments for consultancy work that are made to the individual (via the institution), rather than to the institution, for work delivered using the institution's resources. This should also include any previously undisclosed payments made to a previous head of institution, irrespective of the services to which the payments relate.

The institution must show a sub-total excluding pension contributions and a total including them. Salary sacrifice arrangements should be described.

2. A justification for the total remuneration package for the head of the institution. The justification must include reference to the context in which the institution operates, and be linked to the value and performance delivered by the head of the institution. It should contain an explanation of the process adopted for judging their performance. The justification should explain both the process in place and oversight arrangements involved in making remuneration decisions and why the level of remuneration awarded to the Head of institution is justified. This should incorporate targets and/or achievements of the head of institution in the year. We would recommend that institutions utilise the guidance within the CUC senior staff remuneration code (November 2021).

3. The remuneration of the head of institution is required to be expressed as two pay ratios:

   a. basic salary as a ratio of the median basic salary of all staff (expressed as full-time equivalent). This is the basic salary prior to any adjustment for salary sacrifice, where applicable. Staff should include all individuals required to be included in real-time reporting to HMRC; and

   b. total remuneration as a ratio of the median total remuneration of all staff (expressed as a full-time equivalent). Total remuneration includes all elements of pay including market supplements, bonuses and responsibility allowances. Staff should include all individuals required to be included in real-time reporting to HMRC.

   If the head of institution has been in post for part of the year only, then a full year full time equivalent amount should be used for the ratios, with a separate pay ratio expressed for each head of institution who has been in post during the year.

   Further guidance on the calculation of these medians is provided in Annex D.

4. Where there is a change in the head of the institution (including the appointment of an acting head) either between years or during a year, institutions must make the disclosures set out separately for each individual, and provide the start and end dates of appointments for both the current financial year and previous financial year. Where a previous head of institution continues to receive remuneration in an employed or consultancy role after they cease to be the head of the institution, such as in an advisory or sabbatical role, this should be included in the total with an explanation.

Higher paid and senior staff

5. The number of higher-paid staff whose emoluments received in the year (including taxable benefits in kind, but excluding compensation for loss of office and employer pension costs) fall in bands of £5,000 from a starting point of £100,000. Specifically:

   a. the head of institution should be explicitly excluded from this table;

   b. the bandings should be disclosed including payments funded from external sources, including the NHS included in emoluments. The narrative must clearly state which other funding sources have been included;

   c. royalties or other payments that are outside the affairs of the institution do not count as emoluments for this purpose;

   d. remuneration should be disclosed gross of any salary sacrifice arrangements. This disclosure is additional to that required by FRS 102;

   e. disclosure is not required for staff who joined or left part-way through a year but who would have received emoluments in these bands in a full year; and

   f. the total number of higher paid staff should be disclosed.

   In order to provide greater comparability with the English sector, institutions may additionally choose to disclose this table on the basis of full-time equivalent basic salary and excluding NHS or other part funding.

Key management personnel

6. Disclosure of remuneration of those individuals identified as key management personnel should include:

   a. total remuneration at an aggregate level; and

   b. the number of individuals classified as key management personnel, or a narrative listing of the job titles sufficient to calculate the number of individuals so classified.

7. Paragraph 25.8 of the FEHE SORP requires that institutions disclose the total compensation paid to key management personnel. FRS 102 defines key management personnel as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity”. Compensation includes all forms of consideration paid, payable or provided by the institution or on its behalf in exchange for services to the institution. Institutions are required to disclose this information at an aggregate level, not an individual level. The disclosure should be reported gross of any salary sacrifice arrangements.

Severance payments

8. The aggregate amount of any compensation paid to any head of institution and higher paid employee for loss of office (see Annex B) and the number of employees who have been paid such compensation.

   Further guidance on both calculation and disclosure is provided in Annex D.

Council members

9. Institutions should disclose remuneration, reimbursed expenses and any transactions with members of their governing bodies or their related parties, irrespective of whether or not transactions are undertaken on an arm’s length basis.

Annex B - Compensation for loss of office

1. Institutions must have regard to Guidance on decisions taken about severance payments in institutions published by the CUC in June 2018.

Disclosure requirements:

2. The disclosure requirements are detailed below and relate to all heads of institution and any higher paid employee whose remuneration exceeded £100,000 in the reporting year and/or in the year immediately preceding the reporting year.
3. Compensation disclosed should include any benefits receivable other than cash.
4. Institutions shall show the amount of any compensation for loss of office paid or payable to the head of institution. Where this includes non-cash benefits the nature of these should be disclosed.
5. Institutions shall show the amount of any compensation for loss of office paid or payable to staff earning in excess of £100,000 per year, and the number of persons to whom it was payable.
6. The amount disclosed must also include and distinguish between compensation paid or payable for either of the following:
   a. loss of office as a head of institution or staff member earning in excess of £100,000 per year;
   b. loss, whilst a head of institution or staff member earning in excess of £100,000 per year, or on or in connection with ceasing to hold such a position, of either:
      i. Any other office connected with the management of the institution's affairs;
      ii. Any office as a head of institution or staff earning in excess of £100,000 per year, or otherwise connected with the management of the affairs of a subsidiary undertaking of the institution;
7. The amount shall distinguish between compensation in respect of the offices of head of institution and staff earning in excess of £100,000 per year, whether of the institution or any of its subsidiary undertakings, and compensation in respect of other offices.
8. References to compensation include benefits other than cash, and references to the amount of such compensation are to the estimated money value of the benefit. The nature of such compensation shall be disclosed in detail. institutions shall describe the source of funding for any compensation award.
9. Where no compensation has been made to senior staff, a statement to that effect should be included.

Annex C - Corporate governance and internal control

1. The Higher Education Code of Governance recommends that institutions include in their annual audited financial statements a statement which sets out the institution's governance arrangements and which confirms that they have had regard to the CUC Code in adopting those arrangements. The re-issued Code identifies six interrelated primary elements of HE governance which embody core values, assist in delivering objectives and provide the basis for effective governing bodies operating in the UK HE sector. The Code also recommends adoption of the Nolan Principles of Public Life. In recognition of the autonomy and diversity of the sector, the Code is not mandatory and is therefore premised on an 'apply or explain' basis. This means that in order to report that an institution has applied the Code a governing body may choose which parts of the Code apply to them; however, they are expected to justify the reasons behind their choices.

   Institutions are reminded that adoption of the CUC Code (with the principles of the Code adapted as appropriate to each institution's character) is an important factor in enabling Medr to rely on self-regulation within institutions and hence reduce the accountability burden.

   The financial statements must include an explicit statement to either confirm that the Institution has complied with all of the principles of the Code or, where there are exceptions, to provide details of how these are being addressed, including time lines.

2. In relation to corporate governance, risk management and systems of control, institutions should present this information using the format agreed for the annual governance reporting template created following the Review of Governance of the Universities in Wales.

   a. Institutions are required to ensure that they adhere to good governance practices. The Statement of Corporate Governance to include:

      i. names of trustees who have served at any time during the financial year to comply with the FEHE SORP;

      ii. a section on the steps being taken by the institution to ensure compliance with the Governance Charter and Commitment to Action;

      iii. measures in place for induction, development and improving effectiveness

   b. Institutions are required to ensure that they maintain a sound system internal controls. The Statement of Internal Controls to include:

      i. Statement of Internal Controls

      ii. principal risks and uncertainties

      iii. mitigating actions (including key policies such as anti-bribery etc).

   c. The following key principles of effective risk management must be applied to ensure a sound system of internal controls:

      Effective risk management:

      i. covers all risks - governance, management, quality, reputational and financial. However, it is focused on the most important key risks;

ii. produces a balanced portfolio of risk exposure;

iii. is based on a clearly articulated policy and approach;

iv. requires regular monitoring and review, giving rise to action where appropriate;

v. needs to be managed by an identified individual and involve the demonstrable commitment of governors, academics and officers; and

vi. is integrated into normal business processes and aligned to the strategic objectives of the organisation.

d. Institutions are required to review at least annually the effectiveness of their system of internal control.

e. Institutions are required to include in their financial statements a statement on internal control (corporate governance). In formulating disclosure statements institutions should refer to good practice guidance, including any relevant guidance from the British Universities Finance Directors Group (BUFDG). It is recognised that the guidance may need to be adapted to more accurately reflect the different internal structures and systems in place in each individual institution. As a minimum these disclosures should include an account of how the following broad principles of corporate governance have been applied to ensure that:

i. the identification and management of risk should be an ongoing process linked to the achievement of institutional objectives;

ii. the approach to internal control should be risk-based, including an evaluation of the likelihood and impact of risks becoming a reality;

iii. review procedures must cover business, operational and compliance as well as financial risk;

iv. risk assessment and internal control should be embedded in ongoing operations;

v. the governing body or relevant committee should receive regular reports during the year on internal control and risk;

vi. the principal results of risk identification, evaluation and management review of the effectiveness of the arrangements should be reported to, and reviewed by, the governing body;

vii. the governing body should acknowledge that it is responsible for ensuring that a sound system of control is maintained and that it has reviewed the effectiveness of these arrangements and

viii. where appropriate, details of actions taken or proposed to deal with significant internal control issues should be set out.

Significant internal control issues

3. The statement of internal control must set out any significant internal control weaknesses or failures that have arisen during the financial year, or after the year end but before the financial statements are signed. Where appropriate, information about actions taken or proposed to deal with significant internal control weakness or failure should be set out.

4. Where appropriate the governing body should set out in the statement of internal control details of actions taken or proposed to deal with significant internal control issues. This is to deliver assurance that significant internal control issues are being addressed.

5. Although it is not possible to provide a definition to suit all contexts, because the significance may change depending upon the circumstances, the following indicators of a significant internal control weakness or failure should be considered:

   a. Does it seriously prejudice or prevent achievement of a strategic objective or target of the institution?

   b. Does it result in the need to seek additional funding to enable it to be resolved, or in a significant diversion of resources from other parts of the institution?

   c. Does it lead to a material impact on the financial statements?

   d. Does the audit committee advise that it is significant in this context?

   e. Does the head of internal audit report on it as significant for this purpose in his (her) annual opinion?

   f. Does the external auditor regard it as significant (e.g. is it a high priority recommendation or qualification of opinion)?

   g. Does the issue or its impact attract significant public interest, or has it seriously damaged the reputation of the institution and/or the sector?

   h. Has the issue, or should it have been, reported to Medr as a failure or likely failure to comply with the Financial Management Code (HEFCW circular W17/16HE), the Terms and Conditions of Funding, or as a material adverse event or serious weakness as required under an institution's annual Terms and Conditions of Funding with Medr? This includes a need to consider whether to report as a serious internal control weakness any serious incident relating to the Prevent duty linked to the institution. Annex D of Medr's Prevent Duty monitoring framework (HEFCW circular W19/25HE) sets out the required process for reporting serious incidents and third party reports relating to the Prevent duty.

6. All institutions are required to make a full disclosure statement on corporate governance covering the period 1 August to 31 July each financial year and up to the date of approval of the audited annual accounts.

7. External auditors might consider whether to report by exception in the opinion section of their audit report. This might be appropriate if, for example, the auditors had grounds for believing the statement did not reflect their understanding of the process undertaken. In most circumstances the reporting by exception would result in an 'other matter' paragraph and would not qualify the audit opinion.

However, in other circumstances it could qualify the opinion, since by not complying with the Accounts Direction the institution would be in breach of the Financial Management Code (HEFCW circular W17/16HE). This could be the case if, for example, no statement on corporate governance was included. Furthermore, a qualification could be made if weaknesses in the internal control and risk management arrangements were such that the auditor was unable to provide a view on the truth and fairness of the financial statements.

Annex D - Further guidance on calculation of head of institution and senior pay disclosure

1. 'Remuneration' means remuneration paid to or receivable by any person for:
   a. Services to the institution; and
   b. Services as a director or officer of any subsidiary of the institution.
2. For this purpose, 'remuneration' paid to or receivable by an employee includes their normal salary, and:
   a. Fees. External payments should be included within the remuneration disclosed. Payments received from the NHS will normally be in connection with the management of the affairs of the university or college and should therefore be included as an external payment. There may, however, be cases where royalties or other payments are received which are regarded as outside the affairs of the institution;
   b. Bonuses (but not details of bonuses earned);
   c. Any expense allowance (to the extent that they are chargeable to UK income tax);
   d. The estimated money value of any benefits received other than in cash (in particular share options, company cars, subsidised loans [including mortgage subsidies] and subsidised accommodation). Best commercial practice is to interpret the money value of benefits in kind by reference to the market value of the facility provided. Where it is not practicable to use market values, taxable values should be used;
   e. Guidance on the treatment of cars and subsidised accommodation is as follows:

      Cars

      Where an institution provides a leased car the market value could be calculated with reference to the lease payments and additional running costs borne by the institution. If the institution purchases a car for (say) the head of institution then the sum disclosed could be calculated by reference to annual running costs including depreciation and associated interest costs. This may involve distinguishing between private and business mileage and require the head of institution to keep a record of private and institutional mileage.

      Accommodation

      Subsidised accommodation - where the institution owns the property, the benefit derived by the head of institution is the difference between the rent paid (if any) and additional running costs borne by the institution and the estimated market rent for that property which the institution would receive if it were to lease the premises on a commercial basis. If the institution leases the property, the benefit could be assessed as the difference between the rent and other expenses paid by the institution and that paid by the head of institution. Private and institutional use of the accommodation will need to be apportioned on a fair and consistent basis, and the head of institution should keep a record of institutional use to help with the calculation of a fair apportionment.

Taxable benefit – institutions should use the sums declared for P11D or P60 purposes to arrive at this figure, which will need to be adjusted to reflect the value for the academic year as opposed to the tax year.

Non-taxable benefit – institutions should be able to ascribe a cost to rental and overheads met by the institution. The institution should also know the proportion of the year that the property is used for official events (including but not limited to formal dinners or receptions for the institution's business) and what is personal use (where there are no official events for the institution). Institutions should pro-rate the costs accordingly to ensure that the official use of the property is not included as a benefit.

Where a property is fully owned by the institution, costs may be minimal, but still reflect a substantial benefit to the head of institution. In such cases, institutions should disclose the opportunity cost to the institution of not being able to rent the property out commercially. This cost should be pro-rated to remove official use as set out above.

Please include a brief description of the accommodation arrangement.

3. The calculation of the remuneration of the head of institution expressed as a ratio of staff basic and total remuneration should include the following:

    i. If the head of institution has been in post for part of the year only, then a full year full time equivalent amount should be used for the ratios, with a separate pay ratio expressed for each head of institution who has been in post during the year;

    ii. The median staff salary calculations should include all staff on a full time equivalent basis. This includes academic and non-academic staff, and all staff who are full-time, part-time, fixed-term or temporary contracts;

    iii. Basic and total salary calculations should be consistent with definitions provided elsewhere within this accounts direction. The calculation of full time equivalent should incorporate consideration of overtime payments where applicable. Benefits in kind should be based on the financial year;

    iv. Where salary is part-funded by another body, such as the NHS, this element should be *included* within the calculation, and this should be explicitly stated in the narrative. In order to provide greater comparability with the English sector, institutions may choose to also disclose the median figures excluding NHS or other part funding; and

    v. Employees included in the calculation of the medians should comprise all employees who are required to be included in real-time reporting to HMRC;

4. For the avoidance of doubt, employers' National Insurance contributions are excluded from remuneration.

5. Compensation for loss of office is a category of payment different from 'remuneration'. Consequently, it should not be included in that person's remuneration for banding purposes.

Annex E – Abbreviations

BUFDG	British Universities' Finance Directors' Group
Camm review	Review of Governance of the Universities in Wales by Gillian Camm
CUC	Committee of University Chairs
CUC Code	CUC's Higher Education Code of Governance
FEHE SORP	Statement of Recommended Practice: Accounting for Further and Higher Education 2019
FMC	Financial Management Code (HEFCW)
FRS 102	Financial reporting standard 102
FSSG	Financial Sustainability Strategy Group
Governance Charter	Governance Charter for Universities in Wales
HEFCW	Higher Education Funding Council for Wales
HESA	Higher Education Statistics Agency

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2 Cwr y Ddinas
Stryd Tyndall
Caerdydd
CF10 4BZ

2 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

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