



Standards  
& Testing  
Agency

# **Standards and Testing Agency**

**Annual Report and Accounts**

**For the year ended 31 March 2015**

**An Executive Agency of the Department for Education**





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& Testing  
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## Annual Report and Accounts

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#### An Executive Agency of the Department for Education

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## Introduction from Chief Executive

The year to 31 March 2015 was the third full year of operation for the Standards and Testing Agency (the Agency), as an executive agency of the Department for Education (the Department). I took over the role of Chief Executive and Accounting Officer for the Agency on 5 January 2015. Prior to this Mr Ian Todd had been Chief Executive from the creation of the Agency in October 2011 until his departure on 30 November 2014. During the interim period between Ian Todd's departure and my starting in post, the Director General for the Education Standards Directorate Shona Dunn was appointed Interim Accounting Officer for the Standards and Testing Agency by the Permanent Secretary.

The Agency has again delivered against its objectives for this year. From April 2014 to July 2014 the Agency oversaw the delivery, marking and return of results for over three and a half million key stage 2 test scripts; meeting our key performance indicators for timeliness and quality. We have also continued our successful delivery of key stage 1 tasks and tests to inform teacher assessment, the phonics screening check, now in its third year, the biennial key stage 2 science sampling tests and Level 6 tests for the most able pupils at key stage 2.

As well as meeting our primary objective of delivering this year's test cycle, the Agency has continued to invest in the development of high-quality tests for future years. This year the challenge has been particularly acute as we move closer to 2016 and the implementation of the new primary curriculum. Much of the preparation for the 2016 changes has taken place over the last year and, behind the scenes, the Agency has been working to ensure that a robust suite of new tests with appropriate supporting materials and guidance will be ready.

The Agency has expanded its delivery remit this year, taking charge of Professional Skills Tests for prospective teachers and management of the traceable exam script dispatch service for exam centres. Both have offered new challenges for the Agency, including the mobilisation of Professional Skills Test delivery to a new supplier and bringing together the creation and operational delivery of new Skills Tests, which were completed in December 2014. In January 2015 responsibility for assessment policy transferred into the Agency from Accountability, Curriculum and Qualifications Group in the Department. This is an exciting opportunity for us to bring together policy development and delivery expertise.

The Agency has had a successful year, meeting all of the objectives and key performance indicators that we set in our Business Plan for 2014-15. However we are not complacent. The coming year carries with it new and increased challenges across the full range of our business. I am confident that the Agency is in the best possible position to meet these, due in large part to the continued commitment of its dedicated and highly-skilled staff.

Claire Burton  
**Chief Executive**  
**Accounting Officer**

13 July 2015

# 1. Scope

## About this report

- 1.1 This Annual Report covers the year to 31 March 2015.
- 1.2 The Annual Report incorporates the management commentary as required under the government's *Financial Reporting Manual*. It shows how the Agency has carried out its statutory duties as an executive agency of the Department for Education.
- 1.3 The Agency publishes its [2014-15 Business Plan](#)<sup>1</sup> on its website.

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<sup>1</sup> The full address for the Business Plan is: <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2014-2015>



## 2. Management commentary

### History and vision

#### History

- 2.1 The Agency was established by the Secretary of State as an executive agency of the Department for Education on 1 October 2011. The Agency has responsibility, on behalf of the Secretary of State, for the development and delivery of statutory assessment and testing in England.
- 2.2 With effect from 1 October 2011, all responsibility transferred from the Qualifications and Curriculum Development Agency (QCDA) to the Agency.
- 2.3 The Agency's remit is to provide an effective and robust testing, assessment and moderation system to measure and monitor pupils' progress from the early years up to the end of key stage 3.
- 2.4 Since November 2013 we have had responsibility for the development and delivery of Skills Tests for prospective teachers, supporting the National College for Teaching and Leadership (NCTL). Since April 2014 we have had responsibility for the management of the traceable exam script dispatch service for exam centres, known as the Yellow Label Service. This is used to deliver unmarked exam scripts, coursework and controlled assessments for externally assessed general qualifications, functional skills and other eligible accredited qualifications to examiners.
- 2.5 This year we have also taken on preparation for the new reception baseline assessment, which will capture the starting point from which the progress schools make with their pupils can be measured. This will support the introduction of a new floor standard based on progress made by pupils from reception to the end of primary school from September 2016.
- 2.6 The Agency has responsibility for the development and delivery of statutory assessments and testing in England, under statutory instruments, on behalf of the Secretary of State. In carrying out these functions, the Agency:
  - develops high quality and rigorous National Curriculum tests and assessments in line with ministerial policy;
  - undertakes operational delivery of National Curriculum tests and assessments (including printing, distribution, provision of systems, marking and data capture);

- supports the process of teacher assessment moderation to ensure that data is robust and can be used for national statistics;
  - investigates and reports on allegations of maladministration during the testing and assessment process; and
  - supports schools and other stakeholders by providing guidance, communications and helpdesk support.
- 2.7 The Agency is responsible for setting and maintaining test standards, including standards related to marking, and producing guidance and exemplification materials for the Early Years Foundation Stage (EYFS) Profile, the year 1 phonics screening check, key stage 1 (KS1) and key stage 2 (KS2) English writing teacher assessment. Since January 2015 the Agency has also been responsible for assessment policy.
- 2.8 The Agency is led by a Chief Executive, supported by two Senior Civil Servants (Deputy Directors). This year has seen the departure of the former Chief Executive, Ian Todd in November 2014. There followed a short interim period during which the Department's Director General for Education Standards, Shona Dunn, acted as Accounting Officer for the Agency until I took up post in January 2015. This transition was underpinned by continuity in the wider leadership team as both Deputy Directors remained in post during the whole of the year. Further detail on the senior management in post throughout the year can be found in 4.3 and 4.18 of the governance statement in this report.
- 2.9 The Agency is formed of two divisions: Assessment Policy and Development Division (renamed in February 2015 to reflect the addition of assessment policy to its remit, this was formerly known as Test Development Division) and Test Operations Division. The Assessment Policy and Development Division is responsible for assessment policy in schools, developing high quality and rigorous National Curriculum tests in line with ministerial policy and managing delivery of the Professional Skills Tests. Test Operations Division is responsible for the GQ Yellow Label Service, undertaking operational delivery of tests and assessments including supporting schools and other stakeholders to deliver assessments and implementing arrangements for moderation of teacher assessments.
- 2.10 The Agency's principal place of business is located at Sanctuary Buildings, Great Smith Street, London, SW1P 3BT. The Agency also has an office at 53-55 Butts Road, Earlsdon Park, Coventry, CV1 3BH.

## Our vision

- 2.11 The work of the Agency is integral to the Department's vision, which in 2014-15 was of a highly educated society in which opportunity is equal for young people no

matter what their background or family circumstances. Our delivery of a robust system of testing and assessment is vital to enabling improved accountability.

2.12 Our commitment, published in our Business Plan, is to ‘support schools in raising standards in education, through the successful delivery of world class tests and assessments that enable every child to realise their unique potential’.

2.13 ‘Supporting schools’ means:

- providing clear, timely, accessible guidance and communications;
- providing a helpline to support schools, teachers and parents;
- ensuring customer complaints are investigated and resolved in a timely manner;
- ensuring that teacher assessment is properly moderated, based on a robust and reliable model, to ensure consistency against national standards;
- ensuring stakeholders are consulted when process changes are being considered, and that intelligence from complaints, the helpline and other forums is used to drive continual service improvements; and
- where the integrity of children’s results is questioned, investigating in a sensitive, professional manner.

2.14 ‘Successful delivery’ is:

- developing the required tests to the agreed timeline;
- providing systems that enable schools to order tests, register children, apply for access arrangements, submit teacher assessments and access children’s results;
- ensuring that schools receive their test papers on time;
- ensuring that opportunity for loss or breach of security of materials is minimised, including when transported to and from schools;
- ensuring marking is of a high quality and completed on time;
- ensuring that test results are returned to schools on time and accurately reflect the marks awarded;
- ensuring that teacher assessment is moderated to provide a robust and reliable national dataset;
- following rigorous procurement processes to ensure value for money and high quality suppliers are in place to support delivery;
- ensuring all staff have access to learning and development opportunities that enable them to fulfil their role; and

- ensuring all deliverables are achieved within a tightly managed and controlled budget.

- 2.15 In carrying out our national assessment and testing functions we are regulated by the independent regulator, Ofqual. Ofqual has a duty to keep under review all aspects of national assessments arrangements and to report to the Secretary of State if it appears that there is, or is likely to be, a significant failing in the arrangements.
- 2.16 Ofqual has two statutory objectives that relate to National Assessments: to promote the development and implementation of assessments that (a) give a reliable indication of achievement and that (b) indicate a consistent level of attainment, including over time; and to promote public confidence in National Assessments. Over the past year there have been no issues of concern regarding the Agency.

## Business/performance review

- 2.17 Much of the visible delivery activity for statutory assessments and testing aligns with the school year. Preparations for each delivery cycle, including the development of tests and arrangements for assessments, the planning of operations, procurement of services/suppliers and development of support materials, takes place in advance of this time period. This report therefore covers work on the delivery of the 2014 test cycle (mainly April to August 2014), the residual work arising from this (e.g. investigating possible maladministration cases) and preparations for the 2015 test cycle and beyond.
- 2.18 The vast majority of the tests and assessments that the Agency delivers are designed to measure pupils' attainment at the end of a particular academic year or key stage. The peak period of visible activity for the Agency is therefore in the latter half of the school year (April to August) and, therefore, this is the third report to contain a full test cycle since the Agency was established.
- 2.19 During this period the Assessment Policy and Development Division has developed and handed over to print, high quality test materials for the 2015 cycle. This included KS2 English reading, KS2 English grammar, punctuation and spelling, KS2 mathematics and the Year 1 phonics screening check, whilst ensuring all development processes have been delivered in line with the requirements published in Ofqual's Regulatory Framework for National Assessments.
- 2.20 The division has been commissioned, trialled and refined new items to meet the requirements of the new National Curriculum in all subjects at both KS1 and KS2 for use in 2016 and beyond.

- 2.21 2014 also saw the first administration of the new biennial science sample tests. These tests are based on a pupil-level matrix sample approach, whereby a representative sample of pupils within schools is chosen at random from across the full cohort. The science sample tests were administered successfully.
- 2.22 During this period the Test Operations Division successfully delivered the conclusion of the 2014 test cycle. This is a critical role for the Agency and the majority of the individual functions, for example printing, logistics and marking are delivered under contract by specialist third party suppliers. This approach has been extremely successful over the past three years and relies on robust contract and supplier management within the Agency. For the KS2 tests the division oversaw the printing, distribution and collection of test scripts from 16,500 participating schools alongside the recruitment, training and on-going quality assurance of a pool of approximately 4,590 markers across levels 3-5 and level 6 (Level 3-5 grammar, punctuation and spelling and all Level 6 tests were marked on screen). Over 3.8 million test script components were marked in a seven week period to ensure the successful return of results on 8 July. Over 99.99% of KS2 results were delivered on time (against a KPI of 99.7%). Lessons learned were conducted throughout the test cycle and many business improvements, such as enhancements to the access arrangements system to align with special needs guidance and best practice, were introduced.
- 2.23 The division also managed the successful collection of over 30 million general qualification exam scripts from approximately 5,800 exam centres across England.
- 2.24 Corporately we have responded to last year's internal audit concerns about compliance with the Department's travel and subsistence policies by some of our staff by reissuing Travel and Subsistence guidance, offering training for staff in this area and by placing more responsibility on managers to ensure all Department policies are adhered to.
- 2.25 The Agency remains well placed to deliver the 2015 test cycle to the same high standards as were achieved in 2014.

## Financial review

### Total expenditure

- 2.26 Net expenditure for the year 2014-15 was £46.2 million (2013-14: £46.0 million) against a budget of £44.5 million (2013-14: £45.6 million).

### Notional recharge of shared service costs

- 2.27 The Agency incurred a notional recharge relating to shared services of £3.0 million (2013-14: £3.6 million). The charge is an allocation of central costs made to enable an approximation to the full cost of the Agency to be disclosed. As this allocation is

outside the control of the Agency no budget allocation is made to the Agency. The Agency was within its budget figures prior to the application of the shared service recharge.

### **Administration costs**

2.28 Administration costs of £8.6 million (2013-14: £9.1 million) have been recorded for the 12 months compared to a budget of £5.6 million. The overspend is wholly due to the central service recharge of £3.0 million for which the budget was held centrally at Department level, rather than being delegated to the Agency.

2.29 The full time equivalent number of employees averaged 100 for the year (2013-14: 99).

### **Programme costs**

2.30 During the 12 months actual programme costs totalling £37.7 million (2013-14: £38.1 million) were reported - an underspend of £1.2 million compared to a budget of £38.9 million. This is broken down into two divisions as follows:

- Test Operations – actual spend of £30.7 million (2013-14: £32.9 million) was reported compared to the budget of £31.8 million. The majority of the underspend in this area relates to savings within print and logistics. During the year the division took over responsibility for managing the GQ Logistics contract from the National College for Teaching and Leadership. The costs associated with this activity for the year were £4.9 million.
- Assessment Policy and Development - actual spend of £7.0 million (2013-14: £5.2 million) compared to the budget of £7.1 million. During the year the Division took over aspects of Professional Skills Tests and the responsibility for assessment policy transferred into the Agency from Accountability, Curriculum and Qualifications Group in the Department. The total costs reported during the year for these new areas was £2.3 million.

### **Income**

2.31 During 2014-15 income of £0.085 million (2013-14: £1.2 million) was generated mainly from the sale of tests to international and independent schools. The significant reduction of reported income is because the Agency has discontinued the sale of tests.

### **Taxpayers' equity**

2.32 Taxpayers' deficit recorded at the end of the year was £3.9 million (2013-14: £2.8 million). The Secretary of State agrees the budget and resource allocation for the Agency on the advice of the Director General for Education Standards as part of the Departmental Annual Business Planning or Spending Review process. Central

Government bodies are funded annually through the supply estimates process and as a result the deficit recorded is not a major concern.

### **Treasury management**

2.33 The Agency does not have bank accounts. Payments are made and received on its behalf by the Department.

### **Fixed assets**

2.34 There are no fixed assets held by the Agency however the Agency uses assets owned by the Department. The Agency is recharged for the use of these assets through the shared services recharge.

## **About the Standards and Testing Agency**

2.35 Data is not collected at Agency level. Policies and outcomes are published within the Department's consolidated annual report and accounts. The following areas are centrally managed by the Department:

- equality and diversity;
- fire, health and safety;
- departmental correspondence;
- details of freedom of information; and
- sustainability.

2.36 The Department's consolidated annual report and accounts will be published in late 2015, when these policies can be viewed online. However data for [previous years](#)<sup>2</sup> can be viewed online.

### **Sickness absence**

2.37 During the year 618 days (2013-14: 289 days) were attributable to sickness absence. This included two long term sickness cases, totalling 303 days. Based on the average number of staff employed over the year this equates to approximately 6.3 days (2013-14: 3 days) sickness per employee per year which is a significant rise on last year. However adjusting for the two long term sickness cases, our underlying sickness absence rate of 3 days per employee per year is in line with our previous year and the departmental average figures. The Agency manages sickness absence in line with departmental policies and reviews sickness absence data regularly at the Executive Management Board.

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<sup>2</sup> Policies can be viewed at: <https://www.gov.uk/government/collections/dfc-annual-reports>

## Basis of account preparation

- 2.38 The accounts cover the financial year 2014-15 and have been prepared in accordance with a direction issued by HM Treasury (HMT) under Section 7 of the *Government Resources and Accounts Act 2000* and in accordance with the 2014-15 Government's *Financial Reporting Manual* (FReM).
- 2.39 As an executive agency of the Department, the Agency's accounts are consolidated within the accounts produced and published by the Department.
- 2.40 The accounts have been prepared on a going concern basis. The current Government has re-affirmed its commitment to National Curriculum Tests as the foundation for primary accountability and we have no indication that the role or remit of the Agency will change significantly in the coming year or beyond.

## Audit arrangements

- 2.41 The accounts are audited by the Comptroller and Auditor General in accordance with the *Government Resources and Accounts Act 2000*. For the statutory audit carried out on this annual report and accounts, the Agency will recognise notional fees of £35,000 (2013-14: £35,000). There were no charges for other non-audit services.

## Disclosure of relevant information to auditor

- 2.42 As the Agency's Accounting Officer, I can confirm that, so far as I am aware, there is no relevant audit information of which the Agency's auditor is unaware, and I have taken all appropriate steps to ensure that I am aware of any relevant audit information and to establish that the Comptroller & Auditor General is aware of that information.

Claire Burton  
Chief Executive  
Accounting Officer

13 July 2015



## 3. Strategic report

### Agency remit

#### Scope

- 3.1 The Agency is a specialist delivery body tasked with the development and delivery of statutory assessments, currently to the end of key stage 2. This is described in more detail in the management commentary.
- 3.2 The business model has been refined over a number of years, including prior to the Agency's formation in October 2011, when the work was conducted under the remit of the QCDA.
- 3.3 We have established that best value for money is provided by a combination of in-house activity and third party outsourcing. Due to the highly specialist nature of the work, test development is predominantly an in-house operation, with individual items (test questions) procured from a number of suppliers but trialled, validated and the full tests constructed by in-house experts. Test operations (print, logistics, marking etc.) are outsourced on a commercial basis, with the Agency providing a comprehensive contract management role. Oversight is closely managed due to the importance of the test cycle to the wider school accountability agenda. Some test delivery functions such as communications with schools and maladministration investigations are retained in-house to ensure consistency and due to the expertise required.
- 3.4 The specialist nature of our work creates our biggest risk, which impacts both in-house and outsourced work. The number of individuals and companies with the expertise to deliver our requirements is extremely small. We will always face challenges in recruiting additional staff with the right expertise (and, indeed, as a result have started to develop our own expertise internally, although this is a lengthy process). Similarly, for our large delivery contracts, the number of third party suppliers who can balance the volume and timescales, together with the expertise to deliver successfully, is small. Despite open competition for work, including full European Union procurement processes where appropriate, this can lead us into monopoly supplier situations which we need to manage carefully to ensure that value for money considerations are still being met.
- 3.5 All contracts with suppliers are regularly reviewed and suppliers are asked to produce continuous improvement reports about how they are able to drive down costs and improve efficiency. All new contracts are reviewed and challenged from a value for money perspective. Using the in-house test development process has

enabled the Agency to set up a number of multi-supplier frameworks to outsource individual activities such as item writing, trialling and modifying test materials to ensure value for money.

- 3.6 Each year our main delivery risk is simply one of scale. We have approximately seven weeks to collect, mark and process the data for around 16,000 schools, with 650,000 pupils generating 3.8 million completed test scripts. This requires an ongoing, tightly managed process using robust programme and project management methodology.

## Strategy

- 3.7 As an operational delivery Agency we are focussed on how we can deliver to the highest standards whilst ensuring value for money, meeting the aspirations of our Ministers and policy colleagues, who set the framework within which we operate. This year, for the first time, we have brought responsibility for assessment policy into the Agency, giving us end to end responsibility for the policy and delivery cycle. This gives us an important opportunity to achieve greater synergy between policy development and delivery expertise.
- 3.8 We have continued to strengthen our continuous improvement expertise, supported by the appointment of a dedicated Performance and Improvement Manager. We have focused on building capability and now have two continuous improvement practitioners and eleven champions facilitating the use of improvement techniques throughout the Agency. Our practitioners and champions routinely identify waste within our processes and develop opportunities for improvement. For the coming year a Deputy Director within the Agency has been tasked with leading the Agency's network of practitioners and champions, identifying and prioritising continuous improvement work across the Agency and evidencing the benefits of business improvements.

## Performance

- 3.9 Our key performance indicators (KPIs) are described in our [Business Plan](#)<sup>3</sup>.
- 3.10 The Agency published its performance indicators for 2014-15 in the STA Business Plan. We have met all of our KPIs and put in place detailed plans for delivery of the 2015 cycle, ensuring that we are well placed to deliver again in the next financial year. However, we are not complacent and recognise the challenges facing us in respect of ensuring the correct specialist skills are in place and that our working practices are fully integrated within the Department's policies and procedures.

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<sup>3</sup> Our business plan is available at: <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2014-2015>

## Equality data

- 3.11 At the financial year end, the number of persons of each gender comprising the staff and senior management of the Agency was as follows:

	Males	Females
Executive group	1	2
All employees	34	64

## Future development

- 3.12 Whilst maintaining a strong focus on day to day operational delivery, we recognise the challenges of monopoly supplier markets. Over the coming year we will begin the next phase of the reprocurement of test delivery services from 2017. It is intended that the contract will be signed in August 2016 to allow for a year's start-up phase for the new supplier. This work is informed by the Future Operating Model project commissioned last year to consider the scope and shape of our future delivery model. We have undertaken early market engagement and have built feedback from this into our management of the procurement process. The focus this year will be on suppliers' briefings, and defining the statement of requirements and the invitation to tender. We are committed to securing the best possible value for money for the taxpayer through strengthening the Agency's commercial position whilst securing a high quality service.
- 3.13 The integration of assessment policy into the Agency brings the opportunity of closer working between policy development and operational delivery teams with benefits to both. Our priority for the next year will be embedding assessment policy effectively; building the capability and capacity of the Agency to provide world-class, expert policy advice, reinforced by high-quality delivery expertise.
- 3.14 Over the last year we have worked to embed the principles of continuous improvement across the Agency. We operate in a tight fiscal environment and over the coming year we will only achieve our objectives if we can now realise the benefits of our continuous improvement strategy. Our focus for the next year will be on driving through the improvements that we have already identified and rigorously prioritising improvement activity across our business.

## 4. Governance statement

### Scope of responsibility

- 4.1 As Chief Executive and Accounting Officer for the Agency, I have personal responsibility for maintaining a sound system of governance, internal control and risk management within my area to support the achievement of the Department's policies, aims and objectives, whilst safeguarding public funds and departmental assets.
- 4.2 The system of governance, internal control and risk management aims to manage risk to a reasonable level rather than eliminate all risk of failure. It can therefore only provide high and not absolute assurance of effectiveness. Compliance is monitored through processes at Agency and departmental level and both are covered in this statement.
- 4.3 I have held these responsibilities since January 2015. Prior to this Ian Todd, the former Chief Executive, held these responsibilities from the beginning of the financial year to his departure in November 2014. Between Ian Todd's departure and my arrival, the role of Accounting Officer for the Agency was formally delegated, by the Department's Accounting Officer, to Shona Dunn, the Department's Director General of Education Standards. Ian Todd prepared a full declaration of assurance for the period of his tenure and Shona Dunn provided assurance for the brief interim period. It is on this basis that I have prepared this report.

### Corporate governance

#### Governance framework

- 4.4 The framework document of the Agency sets out the arrangements for the governance, accountability and operation of the agencies. They are agreed between the Secretary of State, the Department's Director General for Education Standards (DG) and the Agency's Chief Executive and are approved by HM Treasury.
- 4.5 I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within the Agency. My opinion has been informed by the work of the Executive Management Board (EMB) and the senior leadership of the Agency, who have responsibility for the development and maintenance of the internal control framework, and by the reports of Internal Audit. I

have also been informed in large part by the formal Responsibilities Assurance Declaration carried out by my predecessor on his departure.

- 4.6 I have taken action in a number of areas to reassure myself that governance arrangements are compliant with the departmental framework. These are set out in more detail in this statement. I have also commissioned an Internal Audit review of the role and remit of the Executive Management Board, which reported in June 2015. I expect further actions to arise from this. Except for the issues raised in the audit review, including the frequency of board meetings and a lack of an annual review of the EMB's effectiveness, which the Agency is addressing, the Agency complies with the Corporate Governance Code in so far as it applies to the agencies.

## **Governance of the Agency at Departmental level**

- 4.7 At Departmental level, the corporate performance of the Agency is subject to scrutiny and challenge through the Strategic Performance Review (SPR) process. Quarterly SPR meetings are chaired by the DG and include independent oversight and challenge from a Departmental Non-executive Director. The finance and internal audit business partners also attend. The purpose of SPR meetings is to subject the corporate performance of the Agency to scrutiny and challenge. All aspects of the Agency's corporate performance are reviewed at SPR meetings, including the Agency's delivery performance, expenditure, risk management, forward planning, and interactions between the Agency and the shared services provision from the Department.
- 4.8 The Agency has received oversight from the Department's Audit and Risk Committee (ARC) and Performance Committee which are both sub-committees of the Department's Board and chaired by non-executive board members. ARC's primary role is to provide scrutiny and challenge of the Department's accounts and key risk areas, and make recommendations to the Permanent Secretary (as Principal Accounting Officer), and the Board on the Department's and the Agency's risk management. ARC is supported by the Financial Audit Sub Committee (FASC). The Performance Committee's primary role is to provide challenge and scrutiny of the department's performance on its delivery priorities. Membership of and attendance at ARC, the Performance Committee and other committees of the Department are disclosed in the Department's annual report and accounts.
- 4.9 Day to day operations are managed within the Agency and escalated via the DG when necessary. Formal bilateral meetings are held on a monthly basis between the Chief Executive and the DG. The purpose of these is for the Agency to provide assurance to the Department that operational delivery against our key performance

indicators is on track and that risks are being appropriately managed and escalated. During 2014-15 operational performance has also been monitored through the SPR.

- 4.10 The Department's Board has identified the effective operation of the primary level testing system as one of the key systemic risks to the education system and therefore, in addition to the routine oversight of the ARC, the Management Committee of the Department maintains direct oversight of test delivery. The risk is reviewed twice a year as a matter of routine but may be escalated to the Department's Management Committee at any time in its role of overseeing the Department's capacity and capability to achieve against its strategic aims and objectives. Management Committee last reviewed the risk of failure to deliver primary school testing in March 2015.

## **Governance at Agency level**

### **Executive Management Board (EMB)**

- 4.11 The Agency's EMB assists me in the discharge of my duties and ensures the efficient and effective management of the Agency.
- 4.12 The EMB develops and monitors the strategic planning of the Agency. It oversees corporate performance, the use of financial and human resources, provides oversight of risk management, and ensures maintenance of a sound system of internal control which includes adequate sources of assurance that internal controls and risk management processes are working effectively. The EMB is additionally responsible for ensuring the Agency is compliant with all policies (which are shared in common with the Department, except where individual local policies are required) and corporate business planning. In order to provide additional assurance to me as incoming Chief Executive I have commissioned an internal audit review of EMB, its role and remit and its interaction with the wider governance structures for the Agency.
- 4.13 The EMB is chaired by me, as Chief Executive, and membership comprises the Agency's two Deputy Directors. Wider departmental representation and advice is provided by the Department's Deputy Director of the Accountability Division and the Department's Deputy Director Finance Business Partner, both in an advisory capacity. I assess that the current membership of EMB provides an appropriate level of strategic, technical and delivery expertise, which is complimented by challenge and advice from the advisory members. As Chair of EMB and Accounting Officer for the Agency I have completed the recommended Accounting Officer training provided by Civil Service Learning. I have also undertaken further refresher training for senior responsible officers of major programmes. All members of EMB have successfully completed mandatory departmental finance training for senior civil servants. EMB does not currently have a representative independent of the

Agency or Department and I intend to review whether, in light of the additional challenges of delivery over the coming year, to appoint a further member over the coming year to provide independent challenge.

- 4.14 Members are appointed by me as the Chief Executive. During the last financial reporting year meetings were reduced from monthly to quarterly and aligned with the Department's SPR process. The intention in reducing the meeting schedule was to develop a clear differentiation between the EMB and SPR remits and those of our other Agency meetings. During the year, the EMB met four times. On my arrival I reviewed this decision, and the operation of EMB, and decided that the EMB was not meeting sufficiently frequently to maintain an effective oversight and decision making role. From March 2015 we have therefore increased the frequency of meetings, moving to a bi-monthly schedule, and will consider again whether this is sufficient given the remit and role of EMB in the light of the internal audit review.
- 4.15 Visibility and assurance of progress and an assessment of confidence in delivery of the Agency's workstreams are provided to the EMB by the sub-programme boards, which have been reviewed and revised during the year. The EMB receives regular reports on the Agency's operational performance which are subject to challenge at the meetings and are revised as required. Programme risks that exceed the pre-determined tolerance are reviewed by the Risk Committee and, if appropriate, escalated to the EMB for information or action. The EMB also reviews and manages all strategic risks.
- 4.16 The EMB routinely considers financial reports provided by the Agency finance business partner team. These are produced in-line with departmental standards and processes and allow EMB to take informed decisions on programme and administrative resources. The EMB also routinely considers HR management information provided through the departmental workforce management reporting system. This is a new system and has significantly improved the quality and accessibility of workforce data available to the Agency this year. EMB has access to a wider data set, including customer feedback, that is not yet being routinely reported at this level. Over the coming year we will consider how this can be used to inform decision making. EMB may also from time to time consider management information provided by third-party suppliers in the course of decision making. Where this is the case information is quality assured by subject experts within the Agency before being submitted to EMB. EMB has made an assessment of the data presented to the board during the year and has concluded that the data is of sufficient quality for the board's purposes.
- 4.17 The Agency requires EMB members to register any company and organisation directorships or other significant interests. The Agency maintains a register of interests of the financial, political and other relevant interests of EMB members. The

register is available for inspection on request during normal working hours at the Agency's Coventry office.

4.18 The following people served during the year 2014-15:

Member	Title	Meetings attended	Out of a possible
Ian Todd (Chair)	Chief Executive (to November 2014)	3	3
Claire Burton (Chair)	Chief Executive (from January 2015)	1	1
Amanda-Jane Balfour	Deputy Director, Test Operations	4	4
Colin Watson	Deputy Director, Test Development	4	4

4.19 There were no EMB meetings during the time Shona Dunn was acting as interim Accounting Officer.

4.20 As well as its standing business, key strategic issues discussed by the Board during the period included the Agency's supplier management strategy, effective contract management and the Agency's Performance and Improvement Framework.

### Sub-programme boards

4.21 Two sub-programme boards (test delivery and technical) at Agency level support the relevant senior staff in the direction, leadership and overall management of the programmes of work within agreed tolerances of time, quality and cost. Senior staff are responsible for specific delivery aims within the Agency.

4.22 The Agency's sub-programme boards provide visibility and assurance, and an assessment of confidence in delivery to the EMB by ensuring the effective and efficient governance of the test development technical programme of work and the test delivery functions.

4.23 The sub-programme boards are authorised to take technical and operational decisions and to advise on expenditure within the value of the respective SCS' delegated financial authority. Strategic decisions and approval of expenditure above this amount are escalated to the EMB. Delegation of any of the SCS' responsibilities and actions to members of the sub-programme board does not dilute the SCS' accountabilities.

4.24 The Agency's Test Delivery sub-programme board is supported by a weekly operational delivery meeting, which moves to a daily operational meeting during the peak delivery window.

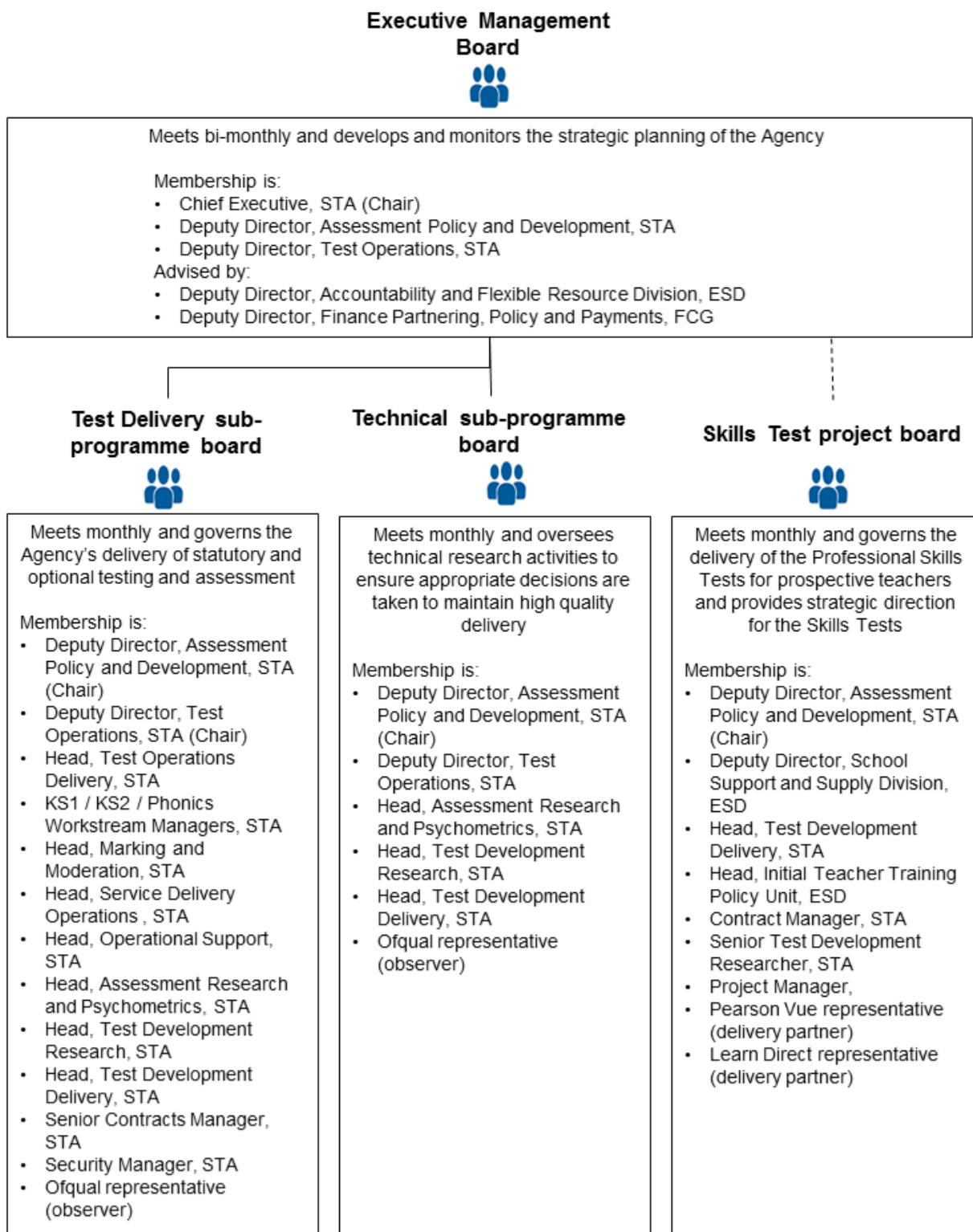
4.25 The Skills Test project board oversees the effective governance of the Professional Skills Test for teachers. The board has overseen the successful delivery of the skills tests and been responsible for the mobilisation of a new delivery supplier, which took on responsibility for delivering the tests from 1 December 2014. The risk



associated with the transition and mobilisation of the new supplier contract and subsequent remedial activity was escalated to ARC in November 2014.

- 4.26 The project board has maintained a strong focus on project and risk management to ensure no break in service between the old and new supplier and its work has been subject to an internal audit review. The audit stated that, '*The Skills Test project board represents an effective decision making forum. The membership of the board includes appropriate senior level representation, providing clear authority and accountability for key decisions. Decisions take account of timely, good quality information, including information provided by both the existing and new suppliers. Effective escalation processes are in place for key decisions.*' The project board has also provided opportunity to hold the new supplier to account for safe mobilisation.

4.27 The structure of the EMB and the sub-programme boards can be seen here:



## Risk committee

- 4.28 The Risk Committee was previously a sub-committee of the EMB. This year the role of the committee was reviewed by the previous Chief Executive and the remit changed. As a result the Risk Committee became a sub-committee of the Test Delivery sub-programme board. The intention behind this change was to reflect the Agency's risk profile, which primarily consists of operational risks relating to the delivery of National Curriculum Tests, and therefore to give the Risk Committee closer oversight and scrutiny of the management of operational risk within the delivery programme. EMB continues to provide Agency level oversight and management of both operational and strategic risks and remains the route of escalation to the Department's Audit and Risk Committee. It is not clear that this decision was made in consultation with the Department's Financial Audit Sub-Committee or Audit and Risk Committee. I therefore intend to review the position of the STA Risk Committee and report my findings to both FASC and ARC.
- 4.29 Risk Committee is currently responsible for:
- overseeing the operational risk management strategy;
  - reviewing the effectiveness and progress of risk and issue management;
  - approving the escalation of risks and issues to the EMB; and
  - the closure of risks and issues.
- 4.30 In order to manage risks at the right level, operational and strategic risks are escalated to Risk Committee by the sub-programme boards. Where their profile exceeds the Agency's tolerances they are escalated and managed directly by EMB. EMB's risk profile is monitored by the SPR.
- 4.31 The Risk Committee is tasked with managing the risks of the functional areas of the Agency, as well emerging risks prioritised by the risk grading. In a change to previous practice, we have removed the requirement for this committee to be independently chaired. The operational nature of the risks discussed did not require this level of oversight, which is now fulfilled from within the Agency. I intend to consider whether this role should properly be played by an independent member of EMB as part of my consideration of the membership of EMB going forwards.
- 4.32 The Risk Committee meets once a month and reports to the sub-programme board. Each meeting is attended by one of the Agency's Deputy Directors to ensure that risks escalated for information or action from the Risk Committee are reported to the sub-programme board and on to the EMB if required.

## Internal control

### Risk management and assurance

- 4.33 In line with the high reputational risk from failure of the National Curriculum testing agenda, the Agency's appetite for risk is low (risk averse). The Agency's risk portfolio is broadly split into:
- Operational risks: relating to current delivery within any of the Agency's individual core functions
  - Strategic risks: relating to the Agency's ability and capacity to deliver services or functions now or in the future.
- 4.34 The Agency manages this risk profile through the proactive transfer of operational and strategic risk, in particular financial and reputational risk relating to test delivery functions, to third party suppliers. Given the specialist nature of our work this increases the Agency's exposure to the risk of single supplier failure. The Agency mitigates against the risk of supplier failure through close monitoring and management of supplier contracts and through operating procurement processes that encourage competition and wide market participation. For this reason the risks discussed and monitored by Risk Committee and those escalated to EMB this year have included supplier performance, significant changes to the delivery model (for example the final move to marking all key stage 2 tests online) and the future contracting model from 2017.
- 4.35 A key strategic risk raised in this report last year was the Agency's reliance on a limited pool of individuals and suppliers to fulfil highly specialised test development functions. To improve our resilience and ability to manage succession the Agency has moved over the past year to develop in-house capacity in the areas of psychometrics and test development research making us less reliant on contracted services.
- 4.36 There have been no lapses in risk management over the course of the last year. One risk was escalated to the sub-ARC of the Department, following the transition of Professional Skills Tests for teachers to a new supplier in December 2014, this was successfully managed and did not become an issue.
- 4.37 Risk information is regularly shared with the DG at monthly bilaterals through risk registers. Risks that need or may need action are escalated to the Audit and Risk Committee through the EMB as necessary.
- 4.38 Throughout the period, the risk policy and detailed guidance have been available and communicated to all staff through the Agency's internal communications

channels and the Department's intranet. Training has been provided across the Agency to embed an understanding of the management of risk. The SMT and Heads of Function are responsible for ensuring risks are managed in accordance with the Department's risk assurance policy and the Agency's risk policies and procedures.

## Internal audit

- 4.39 The Agency receives internal audit and assurance services from the Government Internal Audit Agency (GIAA). GIAA provides independent and objective assurance to me on the adequacy and effectiveness of the Agency framework of governance, risk management and control by measuring and evaluating the Agency's effectiveness in achieving its agreed objectives. A full audit plan for the Department as a whole was produced and delivered for 2014-15. All planned Agency reports have been completed and published and, in addition, the Agency has utilised Internal Audit to obtain assurance on process and controls arrangements as appropriate.
- 4.40 The Agency is included in any cross-department compliance and themed audits where relevant, and in any audits based on the Resource Management (RM) system. This has included, for example, reviews of employee expenses, contract management information and recruitment. The results of the cross cutting audit work were equally applicable across DfE and its agencies and no STA specific issues were therefore highlighted. Further details will be included in the Department's consolidated annual report and accounts which will be published in late 2015.
- 4.41 There have been three Agency specific audits during the reporting period:
- Future Operating Model Governance: yellow (moderate) rating. The report found that overall effective project governance arrangements were in place, including: clarity of responsibility and accountability; and effective decision making and escalation processes. The findings and associated actions focus on: ongoing resourcing risks; enhancement of the risk management arrangements through 'deep dive' activity involving independent participants; increasing the oversight of the project board in relation to the detailed project plan; and the development of a Benefits Realisation Plan.
  - Skills Test Booking and Payment System: yellow (moderate) rating. The report found that the project board was operating effectively and that effective risk management arrangements were in place. The audit confirmed that a comprehensive exit strategy was in place with the previous supplier and that the user acceptance testing plan provided good levels of assurance. The findings and associated actions focussed on communication with candidates, risk

reporting from the new supplier and producing a contract guide to support contract management.

- Printing and Logistics: yellow (moderate) rating. The review identified areas of good performance in key areas including the overall governance arrangements, specification of KPIs and the contract management processes and controls. The findings and associated actions focussed on knowledge sharing and information management, contract assurance reviews, contingency planning and the need for signed contractual documentation for some printing and logistics activity.

4.42 The audit recommendations are being progressed and reported regularly to the SPR. At the time of writing, all actions had either been delivered or were on track to be delivered in accordance with the relevant action plan, or a revised target date where appropriate.

4.43 Last year we reported on our response to the cross departmental internal audit report about compliance with the Department's travel and subsistence policies. This has continued to be an area of concern for the wider Department and we have continued to take action. We have reissued the new Travel and Subsistence guidance and introduced the new departmental protocols for pre-authorisation of all travel and subsistence. We have offered further training for staff on their roles and responsibilities in this system. Since March 2015 we have introduced an additional level of control, requiring senior management sign-off of any travel amounting to more than one day per week.

4.44 The Head of Internal Audit has provided moderate assurance to the Accounting Officers for the DfE and its agencies, including the STA. This reflects his opinion that some improvements are required to enhance the adequacy and effectiveness of the department's framework of governance, risk management and control.

## Programme and project management

4.45 The Agency has established Programme and Project Management (PPM) practices, based upon the Managing Successful Programmes and PRINCE2 methodologies. Both methodologies comprise recognised sets of principles and processes for use when managing programmes. Key documentation in place for each programme/project includes: project initiation document; product descriptions; delivery plan; risk register; issues log; action log and decisions log. These are reviewed and agreed by the relevant sub-programme and project boards.

4.46 The Agency uses a PPM framework, which includes the enterprise project management tool PRIME, which has been designed for use within the Agency. PRIME is a widely used project management method and project control system. It meets the ISO standard for project management. This system, together with

guidance, standards and templates, helps to ensure consistent assessment and reporting of risk throughout the Agency.

- 4.47 The Deputy Director for Test Operations has taken the lead on developing PPM capability across the Education Standards Directorate of the Department.

### **Information: IT management and data safeguarding**

- 4.48 Arrangements are in place to ensure that the Agency complies with the requirements of both HM Government and Cabinet Office policy and guidance in addressing risks to information and information systems. This is managed centrally by the departmental Senior Information Risk Owners (SIRO) who have overall responsibility for the management of information security throughout the Agency.
- 4.49 The Agency has a variety of information assets, which are essential to the effective and efficient operation of the organisation and the delivery of its strategic aims and objectives. Information Asset Owners (IAOs) have responsibility for protecting the information assets that are assigned to them. The Agency maintains an information asset register with assigned IAOs, giving an understanding of the type and level of information assets it holds. IAOs are prompted to update the asset register and declare the status of their assets on a quarterly basis. Deputy Directors in the Agency are required to provide assurance that IAOs have performed their functions in their annual responsibilities assurance declaration in line with departmental procedures.
- 4.50 All staff, except for those on long-term absence, have completed the Responsible for Information training package delivered by Civil Service Learning.
- 4.51 The Agency recognises that a key risk to the security of its information assets is the understanding of the importance of information security within the organisation and with third parties who may access or use our data in carrying out their work. The Agency's security manager is responsible for managing the security policy, establishing cost effective ways for testing security and identifying any gaps and how they might be addressed through guidance and training.
- 4.52 A further key risk is the potential loss of Agency information assets by suppliers and delivery partners (including their sub-contractors). All of the Agency's procurement and current contracts are conducted under and are compliant with the Cabinet Office Security Policy Framework, this sets out the overall standard for all government departments. The Agency constantly and actively monitors supplier performance against the contract, including unannounced site inspections. Suppliers are typically required to return or securely destroy data at the end of each test cycle. This year we have continued to focus on the Maintenance of the Risk Management and Accreditation Document Set, taking particular care to ensure that

our test delivery partners are compliant. Where we have limited assurance of our delivery partners' compliance this is reflected in the Agency risk register. We are currently monitoring progress of our new Skills Test contract towards full accreditation; compliance is currently rated as amber. We have worked closely with the Department's Security Unit to both ensure and assure this accreditation.

- 4.53 All security incidents leading to breaches of information are reported to the EMB, along with the action taken and how the incident has been closed. Any significant losses would be reported to the Information Commissioners Office (ICO). There were no security breaches in this financial year.

## Financial management

- 4.54 The Agency follows the Department's fraud management policies and procedures which are compliant with HM Treasury guidance. These policies and procedures, as well as those for whistleblowing, are available on the Department's intranet and have been communicated to all staff through internal communications channels.
- 4.55 Budgets are monitored regularly by budget managers and supported by finance business partners. Where necessary, during the year, underspends against budgets were declared to the Department and returned as required. In the main, underspends have been the result of new contractual arrangements leading to lower than anticipated costs. During the year the following areas surrendered the largest budgets; £5.3 million from the demand-led Teachers' Skills Test budget and £2.5 million from the Agency's General Qualifications logistics budget due to renegotiation of the contract with the supplier. Following a review by delivery leads in conjunction with the finance business partners, it was felt that budget forecasting, especially in demand led areas, needed to be improved further and work to address this is now in progress.
- 4.56 We have reported previously that, whilst financial management targets for payments are being met, this masks a number of case specific problems which have highlighted the need for further training and clearer guidance on Purchase to Pay (P2P) processes, carried out by the shared service provider. I am pleased to say that good progress has been made in this respect, although there is always room for further improvement. Relations with the P2P shared service provider have improved and significant additional training for staff has enabled them to prepare purchase orders and receipts that can be processed with fewer issues. However improvements need to be made in the area of promptness of receipting, timely closing of purchase orders which are no longer needed and flagging to the Finance Business Partners accruals which need to be made at the end of a reporting period.
- 4.57 Weaknesses were identified in some processes employed by the RM system and shared services for making payments across the Department. In one instance a



payment to HMRC was processed even though communication had been previously received indicating that it would not be processed. The Department subsequently recovered the funds and since then controls have been significantly strengthened around the use of RM forms for payments. These are now restricted, no longer available via the intranet and are only issued in exceptional circumstances

## Delivery arrangements and achievement against business plan

- 4.58 The Business Plan 2014-15 sets out performance indicators, programme delivery milestones and objectives. Achievement against the business plan is monitored through the EMB and assured by the SPR process. All of our performance indicators relate to services delivered by third-party suppliers on our behalf. They are supported by measurable outcomes set out in supplier contracts and monitored through regular management information. We manage our third party partners (including the Department's shared service arrangements) closely in order to ensure that they deliver against the outcomes specified in their contracts with the Agency.
- 4.59 All third party suppliers have a designated contract manager within the Agency as well as being assigned to one of the two Deputy Directors for oversight. Contract managers are responsible for ensuring that third party suppliers meet the requirements set out in their contract. These typically include timeliness and quality indicators. For high-risk or large contracts, suppliers will typically be required to attend regular contact meetings where the Agency will monitor and provide challenge. For our major suppliers these are monthly at a minimum and may be called by either party by exception.
- 4.60 In line with the commitments in the Agency's Business Plan, delivery arrangements with third party partners are also reviewed regularly for the purpose of achieving efficiencies and improving service. Last year we held lessons learned exercises with each of our major delivery partners following the completion of the annual test cycle. Results of these exercises were agreed between the Agency and its partners and logged in a 'lessons learned log.' Progress in implementing these lessons learned is monitored at the Test Delivery Sub-Programme Board.

### People management

- 4.61 The Business Plan for 2014-15 sets out our priorities and business requirements for the year. Through the departmental annual business planning process we secure the appropriate number of people with the right skills in the right location to deliver our business objectives through the Department's recruitment processes. Recruitment in the civil service is guided by the principles of open and fair competition established by the [Civil Service Commissioners](#)<sup>4</sup>. Our recruitment

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<sup>4</sup>The principles can be found at: <http://civilservicecommission.independent.gov.uk/civil-service-recruitment/>

policies and processes also comply with the [Civil Service in the English Regions \(CSER\) programme](#)<sup>5</sup> and [Cabinet Office \(CO\) protocols for managing surplus staff](#)<sup>6</sup>.

- 4.62 We encourage high standards of individual performance and support on-going development to ensure business needs are delivered. All staff have objectives, which are formally monitored through mid and end year reviews but are informally kept under review throughout the year. Objectives and formal reviews are validated across the departmental group to ensure consistency.
- 4.63 We invest in our staff and develop them whenever possible. Every member of staff is entitled to five days of learning and development and they are strongly encouraged to take them. Utilisation of both mandatory and optional learning and development through Civil Service Learning has been good. We have conducted a skills audit and created a capability plan, which sits under the wider departmental capability plan. The skills audit identified PPM professional development and policy development skills as key areas for development.
- 4.64 Due to the nature of our business we continue to focus on improving PPM and commercial skills for the majority of our staff. Test developers, assessment researchers and psychometricians attend academic conferences on areas of direct relevance, sometimes contributing papers or speaking at such events. Developing our staff's skills in developing and writing policy is a priority for the coming year, given that the movement of assessment policy into the Agency will require more staff to work on policy that had previously been the case. We will review whether the departmental learning and development offer for the policy profession is sufficient or whether there is need for more bespoke training in the Agency.

### Key control mechanisms

- 4.65 The Agency has the following key controls in place:
- governance arrangements, policies and procedures documented in the Agency's corporate governance framework (and highlighted in section 2 of this report). The Agency's policies and procedures and systems of delegation have been further reviewed and refined in 2014-15 to ensure they provide control and assurance;
  - a system of delegation of authority with defined spend authorisation limits;
  - a Risk Committee with risk processes in line with the Departmental framework;
  - wider departmental scrutiny through the SPR and Departmental Management Committee, both of which have Non-executive Board Member involvement;

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<sup>5</sup>The English Regions programme can be found at: <http://www.civilservice.gov.uk/about/improving/civil-service-local>

<sup>6</sup>The surplus staff protocols can be found at: <https://www.gov.uk/government/publications/protocol-for-handling-surplus-staff-situations-updated-july-2014>

- internal audit oversight of key areas, identified with the Chief Executive or by reference to wider Departmental risks;
- regular reviews of delivery management information, operational reports, including risks and slippage against plans, and financial reports including performance against forecasts;
- a comprehensive budgeting system with an annual budget that is reviewed and signed off by the SMT; and
- a business continuity plan, most recently tested in April 2015. The test was successful and identified a small number of areas to be improved in particular relating to contacting staff and keeping them informed. The plan will be updated and re-tested during 2015/16.

## Areas for development and progress from 2013-14

4.66 Last year the Agency's Chief Executive highlighted a number of actions as necessary to further enhance the system of governance and control. They are listed below, together with the actions we have undertaken in response:

- Getting the basics right – this year we have prioritised learning and development sessions aimed at embedding the Department's policies and systems into the day to day working practices of the Agency. We have also had a particular focus on ensuring that we fulfil our department of state functions, including correspondence, parliamentary questions and freedom of information requests, effectively, led by a Senior Civil Servant.
- Planning for the future – we have delivered the planning phase of our Future Operating Model to design a procurement process for test delivery from 2017 that is best placed to deliver value for money. This continues to be a priority for us going forward.
- Managing suppliers – we have continued to develop our end to end supply chain management to develop strategic alignment and enhanced oversight, not limited to functional silos. With our expanded remit bringing two additional contracts into the Agency, we will continue to focus on effective contract management over the coming year.
- Continuous improvement – we have continued to strengthen our continuous improvement expertise, supported by the appointment of a dedicated performance and improvement manager. We have focused on building capability and now have two continuous improvement practitioners and eleven champions. One example of continuous improvement from this year is the appointment of Civica to implement and operate a new Real Time Information payroll system, a new HMRC requirement, to pay markers and independent educational experts. Civica are a well-established organisation whose services

are used across the UK in local authorities, police forces and fire services as well as many NHS Acute Trusts in England. This year our focus will be on quantifying and demonstrating the benefits realised from our continuous improvement activity.

- Flexible resourcing – this year we have focused on effective prioritisation of resource pressures and have developed our strategies for managing these, including flexible deployment within the Agency and use of the Department's flexible resource process.
- Data management – last year we identified the opportunity to update our data management capacity. We have made slower progress than expected in securing the necessary systems infrastructure that would allow us to fundamentally change the way we manage our data. We are therefore continuing to develop our data management strategy to ensure that our data is collected, stored and used in the most effective way on existing systems, whilst pursuing more radical infrastructure options.

## Areas for development and progress in 2015-16

4.67 In addition to those areas where we have ongoing activities that will carry forward into 2015-16, we have identified further areas for improvement:

- EMB – I have commissioned an internal audit review of the purpose and function of EMB, its interaction with the Agency sub-programme board structure and the departmental governance structure. We will implement the findings over the coming year.
- Succession planning – whilst we are not currently experiencing significant issues with recruitment and retention into our roles, the specialist nature of some of our work does leave the Agency at risk of failing to secure suitable staff in a timely manner. The Senior Management Team of the Agency will review its approach to succession planning, identifying high-risk posts and putting in place plans to recruit, train or retain key skills over the coming year.
- Learning and development – building on our work last year and the learning and development on offer from the wider Department and Civil Service Learning, we will focus on implementing a learning and development strategy to meet the specific needs of the Agency.
- Financial Forecasting – we detected a number of unexpected variances from budget profile at the end of the last financial year relating to inaccurate forecasting of demand led budgets. We have identified a need for focused training for teams managing demand led budgets, which is being rolled out over the summer.

- Management of accruals and year-end close processes – this year we identified a number of misstatements arising from a lack of effective management of accruals and year end close processes. This is a priority training need for the Agency and we will work with our finance business partners to identify those staff with responsibilities and devise and deliver appropriate remedial training.

Claire Burton  
**Chief Executive**  
**Accounting Officer**

13 July 2015

## 5. Remuneration report

### Unaudited information

#### Remuneration policy

- 5.1 The Chief Executive and EMB members are Senior Civil Servants (SCS) whose pay is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Department's Executive Management Board and a non-executive Director. The SCS Pay Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the Senior Salaries Review Body (SSRB). The Permanent Secretary meets separately with a departmental Non-Executive Board Member to determine the pay of board members.
- 5.2 Performance management and reward policy for members of the SCS, including board members, is managed within the central framework set by the Cabinet Office. It allows for annual performance-related base pay and non-consolidated performance awards, agreed centrally each year following SSRB recommendations. The SCS performance management and reward principles for 2014-15, which include explanations of how base pay and performance awards levels are determined and their relative value, can be found [online](#)<sup>7</sup>. The SCS performance awards are allocated from a central salary pot expressed as a percentage of the Department's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2014-15 this pot was limited by the Cabinet Office to less than 1% of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

#### Summary and Explanation of Policy on Duration of Contracts, Notice Periods and Termination Payments

- 5.3 The Chief Executive is responsible to the DG within the Department for Education for the performance, leadership and day to day management of the Agency.
- 5.4 All senior team members' contractual terms comply with the requirements set centrally for the SCS by Cabinet Office, and the exact terms offered reflect the requirements of the post. The principles governing recruitment to, and departure from the civil service, including details of compensation for early termination, are set out in the [Civil Service Management Code](#)<sup>8</sup>.

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<sup>7</sup>The management and reward principles are available at: [www.civilservice.gov.uk](http://www.civilservice.gov.uk)

<sup>8</sup>The Civil Service Management Code can be found at: [Civil Service Management Code](#)

## Service Contracts

- 5.5 The *Constitutional Reform and Governance Act 2010* requires civil service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made outside of these requirements.
- 5.6 Unless otherwise stated below, the officials covered by this report hold appointments that are permanent. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found on their [website](#)<sup>9</sup>.

## Audited information

### Remuneration (including salary) and pension entitlements

- 5.7 The following paragraphs provide details of the remuneration and pension interests of senior management of the Agency.

### Salary and benefits-in-kind

- 5.8 In the remuneration table below, benefits in kind have been rounded to the nearest £100. For those officials who served part of the year the full year equivalent is presented in italicised brackets below the actual cost.
- 5.9 'Salary' includes: gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.
- 5.10 The monetary value of benefits-in-kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as a taxable emolument. No directors received any benefits-in-kind.

### Bonuses

- 5.11 Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2014-15 relate to performance in 2013-14.

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<sup>9</sup>The Civil Service Commission is available at: <http://www.civilservicecommission.org.uk/>

## Review of Fair Pay

- 5.12 Reporting bodies are required to disclose the relationship between the remuneration of the highest paid employee in their organisation and the median remuneration of the organisation's workforce.

	2014-15	2013-14
Band of the highest paid director's total remuneration (£000)	90-95	115-120
Median total remuneration (£)	37,111	34,673
Ratio	2.5	3.4

- 5.13 In 2014-15 and 2013-14, no employees received remuneration in excess of the highest paid director.
- 5.14 Total remuneration for the highest paid director includes salary and benefits-in-kind, and it does not include severance payment, employer pension contributions, and the cash equivalent transfer value of pensions. The calculation of median salary does not include any benefits-in-kind or severance payments.
- 5.15 The salary for Shona Dunn (interim Accounting Officer) prior to Claire Burton's appointment as Chief Executive will be published and disclosed in the Department's annual report. Shona Dunn was paid by the Department for Education during the brief period of her appointment as interim Accounting Officer and the Agency was not recharged for her salary.



## Remuneration (salary and benefits-in-kind)

	2014-15					2013-14				
	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000
<b>Chief Executive</b>										
Ian Todd (to 11/14)	75-80 (105-110)	-	-	36	110-115	105-110	5-10	1,600	29	145-150
Claire Burton (from 01/15)	20-25 (80-85)	-	-	18	35-40	-	-	-	-	-
<b>Deputy Director</b>										
Amanda-Jane Balfour	65-70	5-10	-	25	100-105	65-70	-	-	25	85-90
Colin Watson	80-85	10-15	-	31	125-130	80-85	5-10	-	27	115-120
Elysia McCaffrey (Until July 2013)	-	-	-	-	-	15-20 (75-80)	5-10	-	5	30-35

5.16 The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

5.17 The figures for 2013-14 have been restated by MyCSP to reflect changes which were not available at the time of publication.

## Pension benefits – civil service pensions

- 5.18 Pension benefits are provided through the civil service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). 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 and nuvos are increased annually in line with Pensions Increase legislation. 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).
- 5.19 Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. 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. 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*.
- 5.20 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (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 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 5.21 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 and 65 for members of nuvos.

- 5.22 Further details about the Civil Service pension arrangements can be found at [their website](#)<sup>10</sup>.
- 5.23 New career average pension arrangements will be introduced from 1 April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme.
- 5.24 Further details of this [new scheme](#)<sup>11</sup> are available online.

## Cash equivalent transfer values

- 5.25 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.
- 5.26 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.

### The real increase in the value of the CETV

- 5.27 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.

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<sup>10</sup>Civil Service Pensions can be found at: <http://www.civilservicepensionscheme.org.uk/>

<sup>11</sup>The alpha scheme can be found at: <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

	Accrued pension (and related lump sum) at pension age as at 31/3/15 £000	Real increase in pension (and related lump sum) at pension age £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase in CETV £000
<b>Chief Executive</b>					
Ian Todd ~ (to 11/14)	35-40	0-2.5	353	322	14
Claire Burton (from 01/15)	- 10-15 (40-45)	- 0-2.5 (2.5-5)	175	159	9
<b>Deputy Director</b>					
Amanda-Jane Balfour	5-10	0-2.5	111	89	11
Colin Watson	- 15-20 -	- 0-2.5 -	136	113	10

Claire Burton  
Chief Executive

13 July 2015

## 6. Statement of the Accounting Officer and Chief Executive's responsibilities

- 6.1 Under the *Government Resources and Accounts Act 2000* (GRAA), HMT has directed the Agency to prepare for each financial year a statement of accounts in the form and on the 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 the Agency and its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.
- 6.2 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the FReM and in particular to:
- observe the Accounts Direction issued by the HMT 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 FReM, have been followed and disclose and explain any material departures in the accounts; and
  - prepare the accounts on a going concern basis.
- 6.3 The Permanent Secretary as Principal Accounting Officer for the Department has designated the Chief Executive as the Accounting Officer of the Agency. The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money* issued by the HMT.

# The certificate and report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Standards and Testing Agency for the year ended 31 March 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Accounting Officer, Chief Executive and auditor**

As explained more fully in the Statement of Accounting Officer and Chief Executive's Responsibilities, the Chief Executive, as the Accounting Officer of the Standards and Testing Agency is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board'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 the Standards and Testing Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Standards and Testing Agency; and the overall presentation of the financial statements. 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.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on regularity**

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

**Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Standards and Testing Agency's affairs as at 31 March 2015 and of the net costs for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

**Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary and the Strategic Report for the financial year for which the financial statements are prepared 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:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**14 July 2015**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London, SW1W 9SP

# Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note	Staff Costs £000	Other Costs £000	Income £000	2014-15 Total £000	2013-14 Total £000
<b>Administrative costs</b>						
Staff costs	3	5,272	-	-	5,272	5,228
Other administrative costs	4	-	3,335	-	3,335	3,897
Staff secondment income		-	-	-	-	-
<b>Programme costs</b>						
Programme costs	5	-	37,723	-	37,723	38,083
Income	6	-	-	(85)	(85)	(1,234)
<b>Net operating costs</b>		<b>5,272</b>	<b>41,058</b>	<b>(85)</b>	<b>46,245</b>	<b>45,974</b>
Total expenditure		5,272	41,058	-	46,330	47,208
Total income	6	-	-	(85)	(85)	(1,234)
<b>Net operating costs</b>		<b>5,272</b>	<b>41,058</b>	<b>(85)</b>	<b>46,245</b>	<b>45,974</b>
<b>Non-operating costs</b>						
Net (gain)/loss on transfer of function					-	-
<b>Net costs</b>					<b>46,245</b>	<b>45,974</b>
<b>Other comprehensive net expenditure</b>					<b>2014-15 Total £000</b>	<b>2013-14 Total £000</b>
<b>Items that will not be reclassified to net operating costs</b>						
Net (gain)/loss on revaluation of property, plant and equipment					-	-
Net (gain)/loss on revaluation of intangible assets					-	-
Net (gain)/loss on transfer of assets					-	-
<b>Total comprehensive expenditure</b>					<b>46,245</b>	<b>45,974</b>

All income and expenditure reported in the Statement of Comprehensive Net Expenditure (SoCNE) is derived from continuing operations except for that in relation to the sale of tests which the Agency has discontinued. The Agency has not presented the income and expenditure from discontinued operations separately in the SoCNE as required under IFRS 5 on the grounds of materiality.

The notes on pages 47 to 59 form part of these accounts.



# Statement of Financial Position

as at 31 March 2015

	Note	2015 £000	2014 £000
<b>Current assets</b>			
Inventories		-	-
Receivables	8	15	1,158
		<b>15</b>	<b>1,158</b>
<b>Total assets</b>		<b>15</b>	<b>1,158</b>
<b>Current liabilities</b>			
Payables	9	(3,892)	(3,785)
		<b>(3,892)</b>	<b>(3,785)</b>
<b>Total assets less current liabilities</b>		<b>(3,877)</b>	<b>(2,627)</b>
<b>Non-current liabilities</b>	10		
Provisions		-	(126)
		-	<b>(126)</b>
<b>Assets less liabilities</b>		<b>(3,877)</b>	<b>(2,753)</b>
<b>Taxpayers' equity</b>			
General fund		(3,877)	(2,753)
<b>Total taxpayers' equity</b>		<b>(3,877)</b>	<b>(2,753)</b>

Claire Burton  
Accounting Officer

13 July 2015

The notes on pages 47 to 59 form part of these accounts.

# Statement of Cash Flows

for the year ended 31 March 2015

	Note	2015 £000	2014 £000
<b>Cash flows from operating activities</b>			
Net operating cost	2	(46,245)	(45,974)
Adjustment for non-cash transactions	4 & 5	2,999	3,590
Use of provisions in year	10	(57)	126
Decrease in receivables	8	1,143	210
Decrease in inventories		-	46
Increase/(decrease) in payables	9	107	(1,514)
<b>Net cash outflow from operating activities</b>		<b>(42,053)</b>	<b>(43,516)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		-	-
<b>Net cash outflow from investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Net Parliamentary Funding – drawn down		42,053	43,516
Cash receipts on transfer of functions			
<b>Net cash inflow from financing activities</b>		<b>42,053</b>	<b>43,516</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>		<b>-</b>	<b>-</b>

The notes on pages 47 to 59 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015

	Note	General Fund £000
<b>Balance at 31 March 2013</b>		(3,885)
Net Parliamentary Funding - drawn down		43,516
Comprehensive expenditure for the year		(45,974)
<b>Non-cash adjustments:</b>		
Recharge of shared services		3,555
Auditor's remuneration		35
<b>Balance at 31 March 2014</b>		<b>(2,753)</b>
Net Parliamentary Funding - drawn down		42,053
Comprehensive expenditure for the year		(46,245)
<b>Non-cash adjustments:</b>		
Recharge of shared services		3,033
Auditor's remuneration		35
<b>Balance at 31 March 2015</b>		<b>(3,877)</b>

The General Fund represents the total assets less liabilities, to the extent that the total is not represented by reserves and financing items.

The notes on pages 47 to 59 form part of these accounts.

# Notes to the Accounts

## 1. Accounting policies

These accounts have been prepared in accordance with the 2014-15 Government *Financial Reporting Manual* (FReM) issued by HMT, as set out in a statutory Accounts Direction issued pursuant to section 5(2) of the *Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2012*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency for 2014-15 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

### 1.2 Adoption of amendment to FReM

There were no significant FReM changes that affected the Agency in 2014-15.

### 1.3 IFRSs in issue but not yet effective

In order to comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8), the Agency must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Agency has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment, and found that none of the updates have any material impact on the accounts.

Links to areas where Treasury has highlighted changes to the FReM and IFRS in issue but not yet effective are [available here](#)<sup>12</sup>.

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<sup>12</sup>Changes in FReM can found at: [Government financial reporting manual 2014 to 2015 - Publications - GOV.UK](#)

## 1. Accounting policies (continued)

### 1.4 Transfer of functions

As part of the ongoing reforms the National College for Teaching and Leadership transferred the responsibility for the logistics scheme for General Qualifications on 1 April 2014.

Since 1 January 2015 the Agency has been responsible for Assessment policy which moved from elsewhere in the Department.

The Agency has accounted for these transfers of functions using absorption accounting as per FReM 4.2.22. There was no transfer of assets or liabilities and therefore no gains or losses arose from these transfers.

### 1.5 Financial instruments

The Agency has adopted *IFRS 7 Financial Instruments: Disclosures*, *IAS 32 Financial Instruments: Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement*. The Agency does not have any complex financial instruments. Financial assets and financial liabilities are recognised when the Agency becomes party to the contractual provisions of the instrument.

#### 1.5.1 Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale or financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents and trade and other receivables. The Agency determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. Presently the Agency does not have any financial assets that need to be classified as financial assets at fair value through profit or loss; neither does it have cash equivalents or derivative financial instruments.

The subsequent measurement of financial assets depends on their classification, as follows:

##### *Trade and other receivables*

Trade and other receivables have fixed or determinable payments that are not quoted on an active market. They do not carry any interest and are initially recognised at their face value.

## 1. Accounting policies (continued)

### 1.5 Financial instruments (continued)

#### 1.5.1 Financial assets (continued)

Appropriate allowances (provisions/write-offs) for estimated irrecoverable amounts (bad debts) are recognised in the Statement of Comprehensive Net Expenditure when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

#### 1.5.2 Financial liabilities

Financial liabilities include trade and other payables, loans and accruals. The Agency does not currently have financial liabilities classified as fair value through profit or loss; neither does it have derivative financial instruments. The Agency determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification, as follows:

##### *Trade and other payables*

Trade and other payables including accruals are generally not interest bearing and are stated at their face value on initial recognition.

### 1.6 Operating income

Operating income is income which relates directly to the operating activities of the Agency. All of the Agency's operating income is derived from the sale of test papers and is authorised in the Supply Estimate.

### 1.7 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs set out by HMT in its *Consolidated Budgeting Guidance*.

Administration costs reflect the costs of running the Agency as defined under the administration cost control regime.

Programme costs reflect non-administration costs which relate directly to the front line delivery of specific programmes in accordance with contracts with suppliers for the development and delivery of statutory assessments and testing in England.

## **1. Accounting policies (continued)**

### **1.8 Leases**

The Agency does not hold any finance or operating leases.

### **1.9 Pensions**

In respect of the defined contribution pension schemes and/or unfunded defined benefit schemes the Agency recognises contributions payable for the year. Further details are available in Note 3.3

### **1.10 Early departure costs**

The exit costs of Agency staff are borne and managed centrally by the Department. The exit costs have been charged directly to the Department. Further details are available in Note 3.4

### **1.11 Value added tax**

Most of the activities of the Agency are outside the scope of VAT. However, the Agency sits within the Department's group VAT registration allowing for Agency to be partially VAT-registered.

In general output tax does not apply, or where it does, input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

### **1.12 Corporation tax**

The Agency is exempt from corporation tax.

### **1.13 Shared service re-charges**

The Department provides a number of corporate functions to the Agency. These include Human Resources, Information Technology and Finance functions. The Department has notionally re-charged these costs to the Agency in proportion to their usage of these services and this is apportioned on the basis of the Agency's average full-time equivalent staffing during the year.

## 2. Statement of operating costs by operating segment

For both management and financial reporting purposes, the Agency is split into two operating divisions: Test Operations and Assessment Policy and Development. The current divisions are each classed as reportable segments for the analysis required by *IFRS 8 Operating Segments*. Only Programme costs are split between the two reportable segments and admin costs are reported separately.

				2014-15	2013-14
	Assessment Policy and Development £000	Test Operations £000	Admin £000	Total £000	Total £000
Gross expenditure	7,006	30,717	8,607	46,330	47,208
Income	-	(85)	-	(85)	(1,234)
<b>Net expenditure</b>	<b>7,006</b>	<b>30,632</b>	<b>8,607</b>	<b>46,245</b>	<b>45,974</b>

## 3. Staff numbers and related costs

### 3.1 Staff costs

			2014-15	2013-14
	Permanently employed £000	Others £000	Total £000	Total £000
Wages and salaries	4,067	25	4,092	4,073
Social security costs	369	-	369	360
Pension costs	811	-	811	795
	<b>5,247</b>	<b>25</b>	<b>5,272</b>	<b>5,228</b>
Less recoveries in respect of outward secondments	-	-	-	-
	<b>5,247</b>	<b>25</b>	<b>5,272</b>	<b>5,228</b>



### 3. Staff numbers and related costs (continued)

#### 3.2 Average number of persons employed

The average monthly number of full-time equivalent persons employed during the year is shown in the table below.

	Permanently employed Number	Others Number	2014-15 Total Number	2013-14 Total Number
Directly employed	99	1	100	99
Other	-	-	-	-
	<b>99</b>	<b>1</b>	<b>100</b>	<b>99</b>

#### 3.3 Pension schemes

##### Principal civil service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the [resource accounts](#)<sup>13</sup> of the Cabinet Office: Civil Superannuation.

For 2014-15, employers' contributions of £804,000 were payable to the PCSPS (2013-14 £787,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

##### Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £8,000 (2013-14: £7,000) were paid to one or more of the panel of three appointed stakeholder pension providers.

<sup>13</sup>The Civil Superannuation resource accounts are published at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/274258/0048.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/274258/0048.pdf)

### 3. Staff numbers and related costs (continued)

#### 3.3 Pension schemes (continued)

##### Partnership pension accounts (continued)

Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £448 (2013-14: £578), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £305 (2013-14:£761). Contributions prepaid at that date were £nil (2013-14: £nil).

#### 3.4 Reporting of civil service and other compensation schemes

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<£10,000	-	-	-	-	-	-
£10,001 - £25,000	-	-	1	-	1	-
£25,001 - £50,000	-	-	2	-	2	-
£50,001 - £100,000	-	-	-	1	-	1
£100,001 - £150,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	-	-	<b>3</b>	<b>1</b>	<b>3</b>	<b>1</b>
<b>Total cost (£000)</b>	-	-	<b>102</b>	<b>95</b>	<b>102</b>	<b>95</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. Exit costs are accounted for in full in the year the departure is agreed. Where the Department has agreed early retirements, the additional costs are met by the Department and not the civil service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The exit costs of Agency staff are borne and managed centrally by the Department. Information is shown in above table for transparency.

## 4. Other administration costs

	2014-15 £000	2013-14 £000
Travel and subsistence	190	244
Consultancy	44	17
Computers and telecoms costs	30	33
Other office services	3	4
Other expenditure	-	9
Rentals under operating leases:	-	-
Other operating leases	-	-
	<b>267</b>	<b>307</b>
<b>Non-cash items:</b>		
Recharges or Central Services cost	3,033	3,555
Auditor's remuneration	35	35
	<b>3,068</b>	<b>3,590</b>
<b>Total</b>	<b>3,335</b>	<b>3,897</b>

## 5. Programme costs

	2014-15 £000	2013-14 £000
IT and telecoms	427	1,720
Professional fees	4,189	2,330
Travel	134	361
Communications and media	-	206
Other office services	8,084	2,492
Other expenditure	228	267
Programme contract expenditure	24,730	30,566
Research and development	-	15
	<b>37,792</b>	<b>37,957</b>
<b>Provisions</b>		
Provided in year	-	126
Not required written back	(69)	-
	<b>(69)</b>	<b>126</b>
	<b>37,723</b>	<b>38,083</b>

## 6. Income

	2014-15 £000	2013-14 £000
<b>Programme income</b>		
Other income	85	1,234

During the year income of £0.085 million (2013-14: £1.2 million) was generated from the sale of tests and has been accounted for on an accruals basis to match with related costs. The reduction in income is because the Agency has discontinued the sale of tests.

## 7. Financial instruments

As the cash requirements of the Agency are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Agency's expected purchase and usage requirements and the Agency is therefore exposed to little credit, liquidity or market risk.

*IFRS 7 Financial Instruments: Disclosures* requires entity's to provide sufficient disclosures that enable users of accounts to evaluate:

- the significance of financial instruments for the entity's financial
- position and performance; and
- the nature and extent of risks arising from financial instruments to which the entity is exposed during the reporting period, and how those risks are managed.

Due to the largely non-trading nature of its activities and the way in which the Agency is financed, it is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the limited companies to which IFRS 7 mainly applies. The Agency has very limited powers to borrow or invest surplus funds and, except for relatively insignificant purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Agency in undertaking its activities.

Due to the limited scope of the organisation's activities the only financial instruments recognised are trading receivables and payables; which due to their short term nature are recognised at cost as an approximation of amortised cost.

## 7. Financial instruments (continued)

### *Liquidity risk*

The Agency's net revenue resource requirements (as well as its capital expenditure) are financed by resources voted annually by Parliament. The Agency is therefore not exposed to any significant liquidity risks.

### *Interest-rate risk*

The Agency's financial liabilities carry either nil or fixed rates of interest and it is not therefore exposed to significant interest-rate risk.

### *Foreign currency risk*

The Agency's exposure to foreign currency risk is low. The foreign currency income received by the Agency is negligible and foreign currency expenditure is less than 0.01% of total gross expenditure, and therefore, is not significant.

### *Credit risk*

The Agency's exposure to credit risk is very low. Credit risk is the risk that a service user or counter party to a financial instrument will fail to pay amounts due causing financial loss to the Agency and arises principally from cash and outstanding debt. The Agency has a credit (receivables) policy that ensures consistent processes are in place throughout the Agency to measure and control credit risk.

For loans and receivables not carried at fair value, there is no active market and there is no intention to sell. Therefore, the Agency does not disclose fair value comparatives.

## 8. Receivables

### 8.1 Analysis by type

	2015 £000	2014 £000
Deposits and advances	-	1
Trade receivables	11	11
Other receivables	4	3
Prepayments and accrued income	-	1,143
	<b>15</b>	<b>1,158</b>

## 8. Receivables (continued)

### 8.2 Intra-government analysis

	2015 £000	2014 £000
Balances with other central government bodies	-	-
Balances with local authorities	-	10
Balances with NHS bodies	-	-
Balances with public corporations and trading funds	-	-
<b>Intra-government balances</b>	<b>-</b>	<b>10</b>
Balances with bodies external to government	15	1,148
	<b>15</b>	<b>1,158</b>

## 9. Payables

### 9.1 Analysis by type

	2015 £000	2014 £000
Deposits and advances		
Other taxation and social security	103	104
VAT	-	-
Trade payables	60	19
Other payables	91	91
Amounts payables re pensions	-	-
Accruals and deferred income	3,638	3,571
	<b>3,892</b>	<b>3,785</b>

### 9.2 Intra-government analysis

	2015 £000	2014 £000
Balances with other central government bodies	197	471
Balances with local authorities	50	42
Balances with NHS bodies	-	-
Balances with public corporations and trading funds	-	-
<b>Intra-government balances</b>	<b>247</b>	<b>513</b>
Balances with bodies external to government	3,645	3,272
	<b>3,892</b>	<b>3,785</b>

## 10. Provisions for liabilities and charges

	2015 Total £000	2014 Total £000
Balances at 1 April 2014	126	-
Provided in year	-	126
Provisions not required written back	(69)	-
Provisions utilised in year	(57)	-
<b>Balance at 31 March 2015</b>	<b>-</b>	<b>126</b>

The provision was set up last year to provide for compensation in relation to incorrect marking of skills test scripts. The Agency's management are of the view that it is highly unlikely that any more claims will be made and have taken the decision to write back the balance of the unused provision this year.

## 11. Capital and other commitments

### 11.1 Capital commitments

There were no capital commitments at 31 March 2015 (2014: £Nil).

### 11.2 Commitments under leases

There were no commitments under operating leases at 31 March 2015 (2014: £Nil).

### 11.3 Other financial commitments

The Agency has entered into a contract with a provider in respect of marking key stage tests. Given the specialised nature of the contractual requirements there is currently little scope within the market to award the contract to another provider in the short to medium term. The Agency has extended the length of the contract with the provider by one year in keeping with the terms of the contract. This is the reason for the relatively low difference in the level of the commitment at the end of the current year compared to the end of the previous year. The Agency is working to develop the market thereby reducing potential business risk.

	2015 £000	2014 £000
Not more than 1 year	17,704	18,930
Later than one year and not later than five years	35,019	34,119
Later than 5 years	-	-
	<b>52,723</b>	<b>53,049</b>

## 12. Related party transactions

The Agency is an executive agency of the Department for Education and for the purposes of these accounts is regarded as a related party.

In addition, the Department has had a number of transactions with other government departments and other central government bodies on behalf of the Agency. The significant transactions in this regard have been with HMRC and PCSPS.

No board member, key manager or other related party has undertaken any material transactions with the Agency during the year to 31 March 2015.

## 13. Events after the reporting period

The accounts were authorised on the date they were certified by the Comptroller and Auditor General by Claire Burton (Accounting Officer). There have not been any post reporting period events that have required adjustment to these accounts.



# Glossary

Agency	Standards and Testing Agency
AO	Accounting Officer
ARC	Audit and Risk Committee
CAQ	Curriculum, Assessment and Qualifications
CEO	Chief Executive Officer
DfE	Department for Education
Department	Department for Education
EMB	Executive Management Board
EYFS	Early Years Foundation Stage
FReM	Financial Reporting Manual
HMT	Her Majesty's Treasury
IAO	Information Asset Owner
XDIAS	Cross Departmental Internal Audit Service
ICO	Information Commissioners Office
KS	Key Stage
LA	Local Authority
NAO	National Audit Office
PCSPS	Principal Civil Service Pension Scheme
QCDA	Qualifications and Curriculum Development Agency
RM	Resource Management
SMT	Senior Management Team
SPR	Strategic Performance Review
SRO	Senior Responsible Owner

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