



Standards
& Testing
Agency

Standards and Testing Agency

Annual Report and Accounts

For the year ended 31 March 2016

An executive agency of the Department for Education



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Performance Report

1. Overview

Accounting Officer introduction and perspective on performance

- 1.1. This report covers the fourth full year of operation for the Standards and Testing Agency (the Agency), as an executive agency of the Department for Education (the Department).
- 1.2. As set out in our 2015-16 [Business Plan](#)¹, the Agency's focus is to provide an effective and robust national testing, assessment and moderation system to measure and monitor pupils' progress from reception to the end of key stage 2 (KS2).
- 1.3. The Agency has delivered against its objectives for this year. From April 2015 to July 2015 the Agency oversaw the delivery, marking and return of results for over three and a half million KS2 test scripts, meeting our key performance indicators for timeliness and quality. We have also continued our successful delivery of key stage 1 (KS1) tasks and tests to inform teacher assessment, the phonics screening check (now in its fourth year), and the final implementation of the level 6 tests for the most able pupils at KS2. We have continued to successfully manage the General Qualifications logistics contract and professional skills test contract. The Agency experienced two security breaches during the reporting period. These are detailed at paragraphs 2.23 and 2.24.
- 1.4. We have introduced a new baseline test, optional for this year, for pupils entering reception in the 2015/16 academic year. In response to Government manifesto commitments we have begun the process of delivering two further new tests. These will be a multiplication tables check that will sit alongside the existing suite of KS2 tests and a resit to check that pupils in year 7 who did not achieve the expected standard at the end of KS2 have caught up by the end of their first term in secondary school. We have also continued to work with ministers to finalise the Government's reform agenda for primary assessment.

¹ <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2015-to-2016>

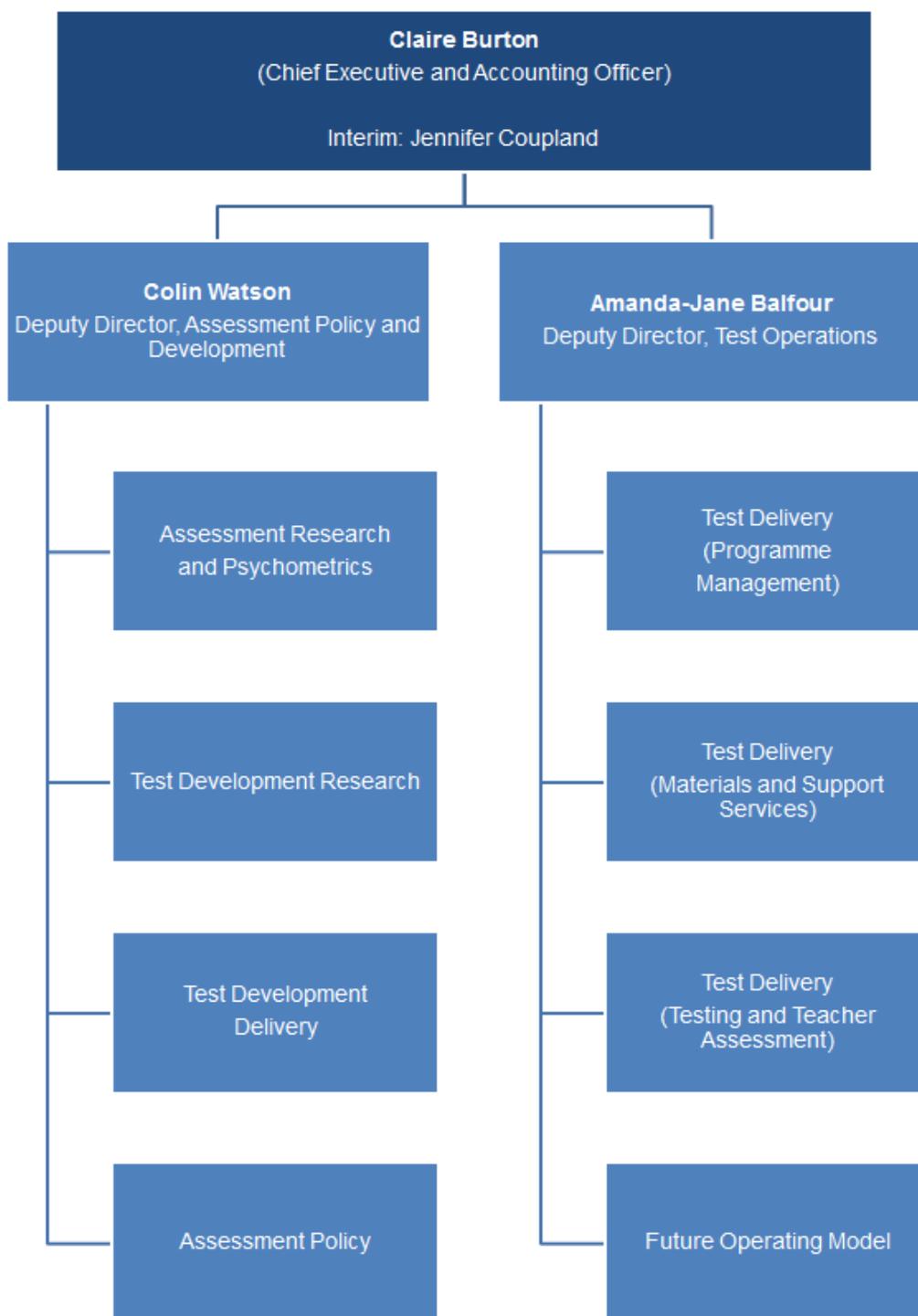
- 1.5. As interim Chief Executive, I am covering responsibilities while Claire Burton, the Agency's permanent Chief Executive, is on maternity leave. I am holding these responsibilities from February 2016 to October 2016.

Statement of purpose and activities

- 1.6. Our primary purpose is to provide an effective and robust testing, assessment and moderation system to measure and monitor pupils' progress from reception up to the end of KS2.
- 1.7. We are responsible for the development and delivery of assessments and testing in England, under statutory instruments, on behalf of the Secretary of State for Education. In carrying out these functions, we:
- develop and implement assessment policy in schools in line with ministerial priorities;
 - develop high quality and rigorous national curriculum tests and assessments in line with ministerial policy;
 - undertake operational delivery of national curriculum tests and assessments (including printing, distribution, provision of systems, marking and data capture);
 - support the process of teacher assessment moderation in order that data is robust and can be used for national statistics; and
 - support schools and other stakeholders.
- 1.8. In addition to this we are also responsible for:
- setting and maintaining test standards, including standards related to marking, and producing guidance and exemplification materials for end of KS1 and KS2 English writing teacher assessment;
 - management of the professional skills test for prospective teachers; and
 - the General Qualifications logistics service provided to centres and examiners.
- 1.9. The Agency is formed of two divisions: Assessment Policy and Development Division and Test Operations Division.
- 1.10. The Assessment Policy and Development Division is responsible for assessment policy in schools, developing high quality and rigorous National Curriculum Assessment tests in line with ministerial policy and managing delivery of the Professional Skills Test.

- 1.11. The Test Operations Division is responsible for undertaking operational delivery of tests and assessments including supporting schools and other stakeholders to deliver assessments, implementing arrangements for moderation of teacher assessments and managing the General Qualification logistics service.

Structure of the Agency 2015-16



Key issues and risks facing the entity

- 1.12. The Agency faces a number of strategic risks that could cause our operational delivery to differ from expected outcomes. These risks are detailed below along with a summary of how we managed them in 2015-16.

Risk	Key factors	Mitigation
Building Block Risk - sufficiently valid, reliable 2016 primary level tests are not delivered on time through efficient and effective processes, leading to concerns over the assessment outcomes for individual pupils, schools or the whole English primary education system.	The building block risk is rigorously managed using a set of well-defined countermeasures. Robust delivery governance arrangements are in place and the whole operation is managed using established programme, project and risk management methodologies.	If any part of the supply chain fails, the Agency will work with existing suppliers to recover the situation, though this may lead to a delay in return of results depending on the severity of the issue.
Changes to the test in 2016 are insufficiently well communicated impacting on schools' ability to administer National Curriculum Assessment Tests.	Given the changes to assessments in 2016 there is a risk that schools do not understand the changes and fail to carry out their statutory duties in regards to testing at the end of KS1 and KS2.	A detailed school and local authority communications strategy and tactical plan has been developed and deployed, including the use of new media. This included face-to-face briefing events, videos published on social media channels, and live webinars. The strategy was developed following feedback from schools and local authorities on their preferred communications channels and timing.

- 1.13. The Agency has robust governance arrangements in place to ensure the timely resolution of these challenges as well as the delivery of routine work.
- 1.14. The Agency did encounter two issues relating to the 2016 test cycle. More detail is provided at paragraphs 2.23 and 2.24.
- 1.15. The Agency is an executive agency of the Department for Education, hereafter referred to as the Department. The Department's estimates and forward plans include provision for its continuation. It is therefore appropriate to prepare the Agency's accounts on a going concern basis.

Performance summary

1.16. The scale of our operational delivery includes:

- oversight of the printing and distribution of National Curriculum Assessment (NCA) KS1 and KS2 test materials to, and the collection of KS2 test scripts from 16,500 participating schools;
- recruitment, training and on-going quality assurance of a pool of approximately 4,590 markers across KS2 levels 3-5 and level 6 (KS2 level 3-5 grammar, punctuation and spelling and all key stage level 6 tests were marked on screen for the first time in 2015);
- over 3.8 million KS2 test script components marked in a 7 week period to ensure the successful return of results on 7 July 2015; and
- management of the successful collection of over 30 million general qualification exam scripts from approximately 5,800 exam centres across England.

1.17. We provide further information on our performance within the 'Performance Analysis' section of the report.

2. Performance analysis

Key organisational performance measures

2.1. Our [business plan](#)² identifies six key performance indicators against which we measure our deliverables. These indicators are at the centre of a performance framework used to monitor our performance. The outcomes against our business plan performance indicators are set out below.

Performance indicator	Outcome 2015-16	Status	Notes
Provision of key stage 2 results: 99.9% of assessing pupils receive a complete set of test results data at their respective school, containing a correct test result (not withstanding any marking or process reviews) for every test sat by a pupil by 00:01 on Tuesday 7 July 2015.	100%	Exceeded	N/A
Return of key stage 2 test scripts to schools: 99.9% of assessing pupils receive a complete set of test scripts marked on screen, at their respective school; and their respective school has access to a complete set of test scripts marked onscreen through the script return website.	100%	Exceeded	N/A
Helpline service: At least 90% of inbound calls to the helpline, for any single working day, are answered by an operator within five rings (15 seconds) during helpline operating hours.	Unable to report against key performance indicator ³		
Web-based systems to support schools: NCA Tools is available 24 hours a day with an availability of at least 99.8%.	99.99%	Exceeded	The only unscheduled downtime was for 12 minutes in May.
Professional skills tests for prospective teachers: The system for delivering and operating tests is available for at least 99.9% of the time that the test centres are open for testing.	99.9%	Met	N/A
General Qualifications logistics: 99% of all consignments are collected from centres and delivered for marking.	99.99%	Exceeded	N/A

² <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2015-to-2016>

³ Due to the helpline supplier going into administration in July 2015, a full set of data is not available for this key performance indicator.

Development and performance of the Agency

- 2.2. The scope and range of the Agency's operations have remained broadly stable over the last year. However it has been a challenging year in many other respects.
- 2.3. This year was the first year in which schools have had the choice of opting into a new reception baseline assessment for pupils entering primary school. The Agency has also provided support to the Rochford Review, established to consider how best to assess progress of children working below the level of the NCA tests and to the Commission on Assessment Without Levels. The Agency has responded to the commitments of the new Government and begun preparation for two new national NCA assessments: the Multiplication Tables Check (MTC) and the Year 7 Resit test.
- 2.4. The Agency has also developed and delivered the new NCA tests in May 2016 which were introduced to assess pupil performance against the new primary curriculum.
- 2.5. Despite these significant additions to the Agency's work, the fourth year of operation has seen the Agency perform well against the majority of its objectives and key performance indicators.

Objectives

- 2.6. The Department's overall vision is to achieve a highly educated society in which opportunity is equal for young people no matter what their background or family circumstances.
- 2.7. To support this, the Agency supports 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.
- 2.8. '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 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 correspondence, 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, timely and professional manner.

2.9. 'Successful delivery' is:

- developing the required NCA 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 schools receive their test papers on time;
- ensuring opportunity for loss or breach of security of materials is minimised, including when transported to and from schools;
- ensuring marking is of high quality and completed on time;
- ensuring test results are returned to schools on time and accurately reflect the marks awarded;
- ensuring 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.

2.10. In carrying out our National Assessment and testing functions the Agency is 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. Ofqual has two statutory objectives that relate to National Curriculum assessments: to promote National Assessment standards; and to promote public confidence in National Curriculum assessments.

2.11. Ofqual provides a view of the Agency's technical advice to Ministers on changes to National Assessment arrangements and maintains a risk-based oversight of our delivery of National Assessments. Ofqual also provides independent scrutiny of the process by which standards are set and maintained.

Performance

National curriculum assessment delivery

- 2.12. Much of the visible delivery activity for statutory National Curriculum 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 2015 test cycle (mainly April to August 2015), the residual work arising from this (e.g. investigating possible maladministration cases) and preparations for the 2016 test cycle and beyond.
- 2.13. During this period the Agency successfully delivered the conclusion of the 2015 test cycle. This is a critical role for the Agency. 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 four years and relies on robust contract and supplier management.
- 2.14. For the KS2 tests, the Agency developed a full range of high quality tests required to undertake the testing cycle and 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 KS2 levels 3-5 and level 6. Level 3-5 grammar, punctuation and spelling and all level 6 tests were marked on screen for the first time in 2015. Over 3.8 million test script components were marked in a 7 week period to ensure the successful return of results on 7 July 2015.
- 2.15. 100 per cent of KS2 results were delivered on time (against a KPI of 99.9 per cent). Lessons learned exercises were conducted throughout the test cycle and many business improvements, such as enhancements to the pupil access arrangements system to align with special needs guidance and best practice, were introduced.
- 2.16. The current contracts for delivery of the NCA test operations service will come to an end in 2017/18. Last year's report set out the strategy that the Agency has developed for re-procurement of these critical functions. This year we have prepared for and launched the re-procurement process in-line with this strategy. Further detail can be found at paragraph 2.34.
- 2.17. The Agency also managed the successful collection of over 30 million General Qualification exam scripts from approximately 5,800 exam centres across England and oversaw the replacement of the IT system that supports this process in September 2015.

- 2.18. The new General Qualification Logistics Application (GQLA) has seen an increase in processing speed and has meant a saving in time of between 1-2 person days per week, during the busiest examination series.
- 2.19. 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); however preparation for the annual tests spans academic and financial years. During this period the Agency has developed, trialled and handed over to print, high quality test materials for the 2016 cycle.
- 2.20. These new NCA tests introduced for 2016 have been developed to assess pupil performance against the new primary curriculum, which was introduced in 2014. They include KS1 and KS2 English reading, KS1 and KS2 English grammar, punctuation and spelling, KS1 and KS2 mathematics, KS2 science sample tests and the Year 1 phonics screening check.
- 2.21. All development processes have been delivered in line with the requirements published in Ofqual's Regulatory Framework for National Curriculum assessments.
- 2.22. The Agency has also developed and published interim frameworks to support statutory teacher assessment at the end of KS1 and KS2 following the removal of levels. Test development activity begins well in advance of the annual test cycle, therefore during this reporting period the Agency has also commissioned, trialled and refined new items in all subjects at both KS1 and KS2 for use in tests from 2017 and beyond.
- 2.23. In December 2015, the Agency published modified versions of the sample test materials online. Regrettably, one of the guidance documents included in that release, for use with the modified large print version of the KS1 spelling test, contained the 2016 live test words rather than sample words. When this issue came to light in April 2016, the Minister of State for Schools announced that schools would not be required to administer the KS1 English grammar, punctuation and spelling tests for this year only. All other KS1 and KS2 tests for 2016 continued as planned. All schools were still expected to submit a teacher assessment judgement for English writing based on pupils' work in the classroom. However, there was no requirement this year to administer the key stage 1 English grammar, punctuation and spelling test or to use the result as part of that assessment. This was a significant security breach caused by human error within the Agency. This has been thoroughly investigated. Tighter procedures are now in place to ensure separation of live and sample test materials and more robust clearance processes have been developed prior to publication of documents.

- 2.24. On 9 May 2016 Pearson Education Limited (PEL), the Agency's external marking supplier, mistakenly uploaded the KS2 English grammar, punctuation and spelling (GPS) test onto its secure marker portal site, 16 hours ahead of schedule. It was only accessible for a short period of time before being taken down. Only contracted Markers had access to the site, all of whom were under a contractual obligation not to share sensitive information. This error was spotted by a person unknown and the story leaked to the Guardian newspaper. They chose to publish the story but not the GPS test material. The Agency and PEL took immediate action to identify the root cause of the incident and confirm that the test was not compromised. The Agency conducted intensive internet monitoring and found no evidence that the material was shared more widely prior to the GPS test day. The KS2 English GPS test therefore went ahead as planned on 10 May 2016.
- 2.25. In addition to the investigations into the two breaches, Ministers also announced plans for a root and branch review of the operations of the Agency to commence in the summer of 2016.

Reception baseline

- 2.26. This has been the first year in which schools have had the choice of opting into a new reception baseline assessment for pupils entering primary school. Schools have had the choice of assessments from three approved suppliers.
- 2.27. A comparability study, which was conducted in autumn 2015, concluded that the three different assessments were not sufficiently comparable to create a fair starting point from which to measure pupils' progress. As a result, the results cannot be used as the baseline for progress measures, as it would be inappropriate and unfair to schools.
- 2.28. Schools will have the option to continue to use the baseline assessments in the 2016 to 2017 academic year, should they wish as part of their on-entry assessment of pupils. The outcomes from the assessments will not be used for accountability.
- 2.29. The Department remains committed to measuring the progress of pupils through primary school and will continue to look at the best way to assess pupils in the early years. Over the next period, the Agency will consider options for improving these assessment arrangements beyond 2016/17.

Skills test

- 2.30. For the second year, the Agency has overseen the successful delivery of professional skills tests for teachers; 113,628 tests were delivered during the reporting period. There are currently 54 test centres delivering the skills test within the United Kingdom and 3 international test centres (Paris, Madrid and Frankfurt). Customer satisfaction is captured once skills test candidates have completed their tests. During the reporting period the average satisfaction rate relating to their experience of booking and taking the test was 91.2 per cent.

Multiplication tables check and the Year 7 resit test

- 2.31. In addition to planned delivery, the Agency has responded to the commitments of the new Government and begun preparation for two new national NCA assessments: the Multiplication Tables Check (MTC) and the Year 7 resit test.
- 2.32. The new MTC test is intended to ensure that every 11 year-old knows their times tables off by heart by the end of KS2. The Agency has appointed an external trialling agency and has worked with the Department's Information Technology Group to develop a 'proof-of-concept' pre-test MTC trial system. The pre-test trial was administered in June 2016 to a nationally representative sample of approximately 2,800 children in 115 schools.
- 2.33. The Department announced its intention to launch a compulsory resit test in English reading and maths for Year 7 pupils who do not reach the required standard at the end of KS2. The Agency is currently developing plans for delivery of both tests and will consult on them in due course.

Test operations procurement

- 2.34. In October 2015, we started the procurement process to select a supplier to deliver a test operations service for the 2018-2022 National Curriculum key stage 1 and key stage 2 tests in the core subjects of English and mathematics, and the Phonics Screening Check for 2018-2022. A contract will be awarded with an option to extend for a further two test cycles. The contract will bring together services currently delivered through a number of separate contracts for print, collation, logistics, marking, data, helpline and systems under a single lead supplier. This should enable more effective and integrated operational delivery. In order to encourage competition and allow new suppliers to come forward, a set-up period has been built into the contract. The procurement is being conducted through a Competitive Dialogue process due to the complexity and risk-level of the services.

Helpline

- 2.35. In July 2015, BSS, the provider of the National Curriculum assessments helpline, went into administration. As there was no prior warning, the Agency acted quickly to minimise the impact that this issue could have on stakeholders. The Department's Ministerial and Public Communications Division stepped in to provide an effective interim service. A new procurement exercise was quickly launched and Echo Managed Services were appointed in September 2015.

Finance

- 2.36. The budgeted expenditure for 2015-16 was £50.2 million (2014-15: £43.2 million) against a budget of £51.3 million (2014-15: £44.5 million). Details of the £1.1 million underspend are provided below. The shared services recharge is not included in the budget for the agency; it has been included as a note below and in the Statement of Comprehensive Net Expenditure for clarity.

Administration Costs

2015-16 budget £4.0 million, £0.8 million underspend.
(2014-15 budget £5.6 million, nil variance)

- 2.37. Administration costs of £3.2 million (2014-15: £5.6 million) have been recorded for the 12 months compared to a budget of £4.0 million. Staff costs drove the majority of the administration underspend, as the Agency carried a number of vacancies throughout the year.
- 2.38. Some staff costs were reclassified in agreement with Her Majesty's Treasury (HMT), to programme costs. This amounted to a reduction in the budget and spend by £3.0m

Net Programme costs

2015-16 budget £47.3 million, underspend £0.3 million.
(2014-15 budget £38.9 million, £1.2 million underspend)

Test Operations

Actual spend of £33.2 million (2014-15: £30.7 million) was reported compared to the budget of £33.1 million.

- 2.39. During the year the division took responsibility from the Department for the Moderation and Phonics Grant payments. This increased both the budget and spend by £3.0 million.

Assessment policy and development

Actual spend of £13.8 million (2014-15: £7.0 million) compared to the budget of £14.2 million.

- 2.40. The majority of the underspend can be attributed to the lower than expected uptake of the new Reception Baseline Assessment, for which expenditure was £3.5 million in the year.
- 2.41. Staff costs were reclassified in agreement with HMT from administration costs. This amounted to an increase in the budget and spend by £2.4 million

Notional recharge of shared service costs

2015-16 budget £0.0 million, £3.3 million overspend.
(2014-15 budget £0.0 million, £3.0 million overspend)

- 2.42. The Agency incurred a notional recharge relating to shared services of £3.3 million (2014-15: £3.0 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.

Performance on other matters

Sustainability

- 2.43. We adopt the Department's policies on sustainability. We aim to manage our business in an environmentally sustainable way and the Department's annual report and accounts describes our performance in this. Further information on the Department's policies on sustainability is contained within their [annual report and accounts 2014-15⁴](#).

Social and community issues

- 2.44. We are a customer-focused organisation delivering high-quality services through our skilled and effective people in an environment of continuous improvement, to support institutions to deliver the best services for children and young people.

⁴ <https://www.gov.uk/government/publications/dfc-consolidated-annual-report-and-accounts-2014-to-2015>

- 2.45. The Department encourages its employees to take up volunteering opportunities as well as supporting employees' continuing professional development. The Department awards employees a minimum of three special days leave for volunteering each year.

- 2.46. In addition, the Department encourages employees to be reservists for the armed forces. Employees can receive at least 15 days paid special leave a year to fulfil their commitments.

Jennifer Coupland
Accounting Officer

11 July 2016

Accountability report

3. Corporate governance report

The Directors' report

Directors

- 3.1. The Agency's Executive Management Board (EMB) members who served during the year are:

Claire Burton	Chief Executive (to February 2016)
Jennifer Coupland	Interim Chief Executive (from February 2016)
Amanda-Jane Balfour	Deputy Director, Test Operations
Colin Watson	Deputy Director, Assessment Policy and Development

Progress

- 3.2. During this year there has been a change in management due to the Chief Executive Officer going on maternity leave from February 2016. Following her departure I was appointed Interim Accounting Officer.
- 3.3. The Agency has strengthened its governance arrangements following a review by the Government Internal Audit Agency. Further details are found in the Governance Statement.

Declaration of interest

- 3.4. I can confirm that there were no conflicts of interest for the directors of the Agency. The Agency maintains a register of interests that contains details of company directorships and other significant interests held by the Executive Management Board members.

Report on personal information breaches

- 3.5. All departments are required to report personal data related incidents that have occurred during the financial year, in accordance with the standard disclosure format issued by the Cabinet Office.

- 3.6. The Cabinet Office defines a 'personal data related incident' as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data that the Department or its delivery partner agrees the release or loss of which could cause harm or distress to individuals, including as a minimum:
- information that links one or more identifiable living person with information about them the release of which would put the person or person at significant risk of harm or distress;
 - any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain.
- 3.7. We had no protected personal data related incidents that fell within the criteria for reporting to the Information Commissioner's Office in 2015-16 (2014-15: nil).

Complaints to the Parliamentary Ombudsman

- 3.8. The Parliamentary and Health Service Ombudsman can investigate complaints against the administrative actions of a wide range of government departments and other public bodies; or the actions of organisations acting on their behalf.
- 3.9. In 2015-16, there were no Agency related complaints accepted for investigation (2014-15: nil).
- 3.10. We adhere to the Department's complaints process which commits to responding to any complaint within 15 working days.

Statement of Accounting Officers' responsibilities

- 3.11. Under the *Government Resources and Accounts Act 2000*, HM Treasury 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 of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.
- 3.12. In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Financial Reporting Manual (FReM)* and in particular to:
- observe the Accounts Direction issued by HM Treasury, 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; and
 - prepare the accounts on a going concern basis.
- 3.13. The Permanent Secretary, as Principal Accounting Officer of the Department, has designated me as the Accounting Officer of the Agency. The responsibilities of an Accounting Officer, including 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*, published by HM Treasury.
- 3.14. As Accounting Officer, I confirm that:
- there is no relevant audit information of which the auditor is unaware;
 - I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information;
 - I have taken all the steps that I ought to in order to establish the Agency's auditor is aware of the information.
- 3.15. I confirm that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining so.

Governance statement

Scope of responsibility

- 3.16. As Accounting Officer, I have personal responsibility for maintaining a sound system of governance, internal control and risk management to support the achievement of the Agency's policies, aims and objectives, whilst safeguarding public funds and departmental assets.
- 3.17. In making this statement I have taken my assurance from the permanent Chief Executive, Claire Burton, on the processes set out in this section. I have been interim Chief Executive and Accounting Officer for the Agency since 15 February 2016. Prior to her departure a handover took place which included reviewing relevant governance documents and attending key management meetings.

Governance, internal control and risk management

- 3.18. The system of governance, internal control and risk management is designed to manage risk to a reasonable level, rather than to attempt to eliminate all risk completely, in order to achieve policies, aims and objectives. It can therefore only provide high and not absolute assurance of effectiveness.
- 3.19. I confirm that I have reviewed the effectiveness of governance, internal control and risk management arrangements in operation within my area of responsibility and consider that they are fit for purpose. My conclusion is informed by the assessment of the Deputy Directors within my area who have responsibility for the development and maintenance of these arrangements and by the findings of my Executive Management Board.
- 3.20. Every senior civil servant (SCS) in the Agency is required to complete an Assurance Framework Record to detail their compliance with the departmental arrangements regarding risk, control systems, use of resources and to detail any issues. I discussed all of the Assurance Framework Records in the Agency with the Chief Executive before her departure and this confirmed the effectiveness of management and control within each SCS's areas of responsibility. I am therefore able to provide the Department's management committee and ministers with assurance that we have managed our agenda well and will continue to do so while delivering efficiencies. We maintain financial information on the delivery of all programmes corporately and, where relevant, at programme level. The Agency experienced two security breaches during the reporting period. These are detailed at paragraphs 2.23 and 2.24

- 3.21. I am confident that I have in place the necessary arrangements for good corporate governance and that the effectiveness of these arrangements is reviewed regularly to ensure compliance with *Corporate Governance in Central Government Departments: Code of Good Practice* (the Code) where relevant to the Agency and its remit. I have not identified any departures from the Code.

Governance at departmental level

- 3.22. As Accounting Officer, I am accountable to the Secretary of State for the performance, leadership and day-to-day management of the Agency, with the Department's Director General for Education Standards Directorate (ESD) performing an oversight role, on behalf of the Secretary of State. My objectives are agreed by the Director General and aligned with departmental objectives, the Agency's [business plan](#)⁵ and the requirements for managing public money. I use them to set objectives for my Deputy Directors. All SCS objectives are agreed and monitored throughout the year.

Strategic performance review

- 3.23. Throughout the year the Director General for Education Standards Directorate held four quarterly Strategic Performance Reviews (SPRs) to review and challenge progress against the Business Plan, financial management and the management of risks.
- 3.24. All four SPRs were attended by a Non-Executive Director (NED) of the main Department board.
- 3.25. Four SPR meetings took place during 2015-16 on 23 April 2015, 16 July 2015, 14 October 2015 and 26 January 2016. Attendees are shown in the table below:

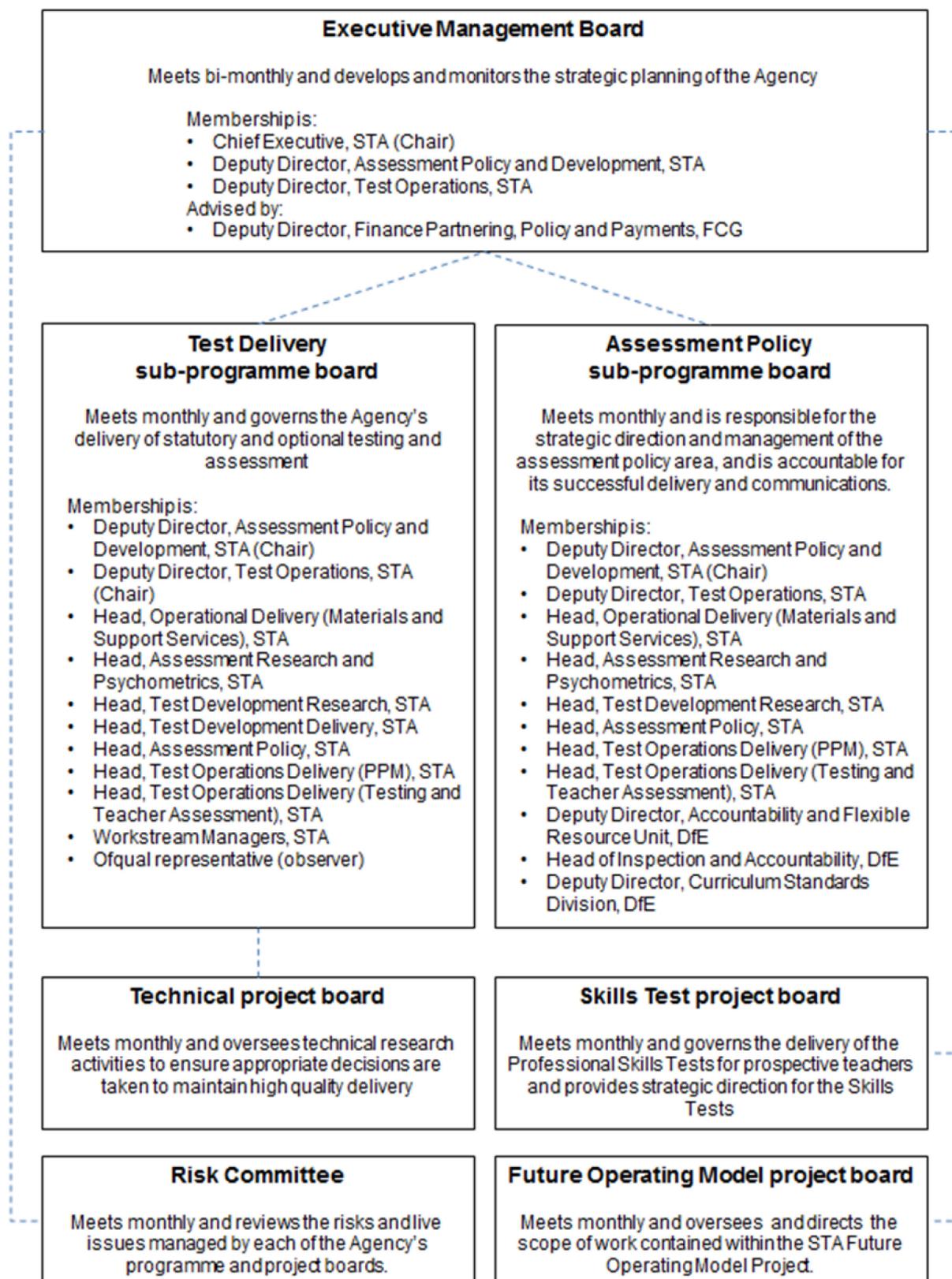
Member	Position	Meetings attended / out of a possible
Shona Dunn	Director General, Education Standards Division (Chair)	4 / 4
Claire Burton	Chief Executive (to February 2016)	4 / 4
Amanda-Jane Balfour	Deputy Director, Test Operations	2 / 4
Colin Watson	Deputy Director, Assessment Policy and Development	1 / 4

⁵ <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2015-to-2016>

Member	Position	Meetings attended / out of a possible
Marion Plant OBE	Departmental Non-executive Director	4 / 4
Susanna Todd	Deputy Director, Finance Partnering, Policy and Payments, DfE Finance and Commercial Group	1 / 4

Governance at Agency level

- 3.26. The Agency has an Executive Management Board and a number of programme and project boards. A governance chart is set out below:



Executive Management Board

- 3.27. The Executive Management Board (EMB) provides the Chief Executive with the opportunity to hold the Deputy Directors and their programmes to account. The EMB is responsible for developing and monitoring 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 and corporate business planning.
- 3.28. The bi-monthly 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 for Finance Business Partnering in an advisory capacity. Members of the Agency's Senior Management Team attend to report on test development, delivery progress and risk and issue management as required.
- 3.29. 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 and project boards. The EMB receives regular reports on the Agency's operational performance which are subject to challenge at the meetings and are revised as required. Business as usual (BAU) programme and project risks that exceed the pre-determined tolerance are reviewed by the Agency's Risk Committee and, if appropriate, escalated to the EMB for information or action. The EMB also reviews and manages all strategic risks.
- 3.30. 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.
- 3.31. In April 2015, Claire Burton commissioned the Government Internal Audit Agency (GIAA) to conduct a review of the Agency's governance arrangements, with a particular focus on the operation of the EMB and its interfaces with the Department's and the Agency's governance. GIAA reported that the precise role of EMB was unclear and that there was duplication between the EMB and the Agency's Senior Management Team. Claire Burton accepted the GIAA's findings and implemented its recommendations.

- 3.32. The Agency has since taken action to review and clarify the role, remit, composition, agendas and timings of EMB meetings. The terms of reference for the meeting have been redrafted. The EMB now has a greater focus on developing and monitoring the strategic planning of the Agency (e.g. overseeing corporate performance, the use of financial and human resources, providing oversight of BAU, programme and project risk management, and ensuring a sound system of internal control).
- 3.33. GIAA also reported the management information and status reports received by EMB could be improved. In response, Claire Burton commissioned a new management information dashboard to replace the balanced scorecard used previously. The new dashboard presents EMB with the information it requires in order to fulfil its functions effectively – it includes information on finance, staffing, correspondence performance and programme and project updates. The status reports that are produced for each of the Agency’s key work strands now follow a consistent format and are similar to those used across the Department.
- 3.34. The new arrangements were last reviewed by EMB in December 2015 and were found to be well-embedded and working effectively. The feedback from board members was overwhelmingly positive, agreeing that the dashboard and status reports adopted were less burdensome and well-used.
- 3.35. On the whole, I am confident that the quality of the data used by EMB is robust. There have been some exceptions with data on performance management and correspondence performance, where there have been issues with easily obtaining reliable data at an Agency level from the Department’s systems. These issues were escalated to the Director General and were resolved quickly. Prior to submission to EMB, all reports are subject to quality assurance processes by senior managers.
- 3.36. I have reviewed the current membership of EMB and am content that it provides an appropriate level of strategic, technical and operational delivery expertise, which is complimented by challenge and advice from the advisory member.
- 3.37. 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.

- 3.38. The table below shows EMB member attendance figures and the number of meetings they were eligible to attend for the year.

Member	Position	Meetings attended / out of a possible
Claire Burton	Chief Executive (to February 2015)	5 / 5
Jennifer Coupland	Interim Chief Executive (from February 2015)	1 / 1
Amanda-Jane Balfour	Deputy Director, Test Operations	5 / 5
Colin Watson	Deputy Director, Assessment Policy and Development	5 / 5

Sub-programme boards

- 3.39. The Test Delivery sub-programme board is established to effectively and efficiently govern the Agency's operational delivery of NCA statutory, optional and full test and pilot/pre-test/trial testing and assessment. Significant decisions that have an impact on delivery against performance measures are made at this meeting. It provides assurance on test delivery progress and programme and project risk and issue management. It also provides an assessment of confidence in delivery to the EMB. The Test Delivery sub-programme board meets monthly or more frequently if required by exception.
- 3.40. The Test Delivery sub-programme board is authorised to take technical and operational test service delivery 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.
- 3.41. The Assessment Policy sub-programme board is responsible for the strategic direction and management of the assessment policy area, and is accountable for its successful delivery and communications. The sub-programme board also oversees the implementation of policy changes to assessment and provide a forum for discussion with other delivery and policy areas on the impact of potential policy changes.

Project boards

- 3.42. The Technical Project Board is a sub-group of the Test Delivery sub-programme board and provides support to the Agency as a forum for technical decision making. Technical decisions are defined as those requiring a level of

understanding of the theories and techniques of assessment in order to make an informed decision – for example: which statistical models should be used to analyse test data; the format and structure of test papers; and oversight of assessment research projects.

- 3.43. 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 the delivery supplier.
- 3.44. The Future Operating Model Project Board is established to oversee and direct the scope of work contained within the STA Future Operating Model Project for procurement of test operation services. This is a decision making forum chaired by the Project Executive, or a delegated deputy.

Audit and risk

- 3.45. 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.
- 3.46. ARC's primary role is to provide scrutiny and challenge of the Department's and the Agency's Annual Report and 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. During 2015-16 ARC was supported by the Financial Audit Sub-Committee (FASC) which provided scrutiny and challenge of the Annual Report and Accounts prior to it being approved by ARC.
- 3.47. 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.
- 3.48. The Agency is scrutinised and challenged about its governance and control by the Strategic Performance Review, Education Standards Leadership Group meetings and through bilateral meetings between the Director General and myself.
- 3.49. ARC makes recommendations to the Chief Executive as Accounting Officer and the Board on the Agency's risk management and its Annual Report and Accounts. The Deputy Director for Assessment Policy and Development attended the ARC meeting in July 2015 at which the Annual Report and Accounts for 2014-15 along with the Audit Completion Report from the National Audit Office were reviewed.

Assurance

3.50. The Agency receives internal audit and assurance services from the Government Internal Audit Agency (GIAA). GIAA provides independent and objective assurance to the Chief Executive 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 2015-16. 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.

Internal Audit

3.51. 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, Employee Expenses, Payroll and HR Case Management. The results of the cross cutting audit work were equally applicable across the Department and its agencies and no Agency 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 2016.

3.52. There have been four Agency specific audits during the reporting period:

- **Readiness to deliver the 2016 test cycle:** The review found that overall the Agency's arrangements for delivery of the 2016 live test cycle are robust, with effective project and risk management including: appropriate delivery planning, monitoring, reporting and escalation. Appropriate action has been taken to manage risks in relation to staff resourcing, but this risk should continue to be monitored closely, including the suitability of agreed contingency measures;
- **Maladministration:** The review found that the Agency's arrangements for administering allegations of test maladministration are adequate and effective overall, with clearly established processes, roles and responsibilities. The main areas for improvement identified include the need to ensure adequate staffing resource levels are in place during the peak eight-week period for maladministration cases.
- **Business continuity plan health check:** The review found that the Agency has a Business Continuity Plan (BCP) in place which is broadly consistent with Departmental guidance and wider standards and best practice. However, work is required to improve the BCP to ensure that where an event occurs, the Agency can continue to deliver its business critical services within an acceptable timeframe. Key issues identified include: the need for a full

Business Impact Analysis; and the need for more frequent review, update and testing of the BCP.

- **STA governance:** This review focussed specifically on the role of the Agency's EMB. The review found a need to clarify role, responsibilities and accountabilities of the EMB, including its decision-making authority, to maximise the Board's effectiveness.

- 3.53. Assurance rating: All of the audits received a moderate assurance rating. All audit recommendations were accepted and monitored by the EMB. Progress in implementing them is 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.
- 3.54. The Head of Internal Audit has provided moderate assurance to the Accounting Officers for the Department 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.

Risk management

- 3.55. The Agency has an established risk management framework, maintained and overseen by the Agency's Test Delivery Programme Management Team, which is based upon the Department's Strategic Risk Framework, HM Treasury's *Orange Book Management of Risk - Principles and Concepts* and *UK Government Management of Risk: Guidance for Practitioners* risk management standards all of which comprise recognised sets of principles and processes for use when managing risks (and issues).
- 3.56. In line with the high reputational risk from failure of the National Curriculum Assessment testing agenda, the Agency's appetite for risk is low (risk averse).

Risk committee

- 3.57. Previously the Agency's Risk Committee was a sub-committee of the Test Delivery programme board. This year Claire Burton reviewed the arrangements following reports from the GIAA and National Audit Office. As a result, the Agency's Risk Committee has been repositioned to sit at senior management level within the Agency and its role is to review the risks and live issues managed by each of the Agency's programme and project boards. The intention behind this change was to increase confidence that key risks are being actively managed at the right level and ensure that the leadership of the Agency has visibility of the Agency's whole risk portfolio.

- 3.58. The Risk Committee meets monthly and is responsible for:
- overseeing the Agency's operational risk management strategy and framework;
 - reviewing the effectiveness and progress of risk and issue management;
 - approving the escalation of key risks and issues to the EMB; and
 - the closure of risks and issues.
- 3.59. In order to manage risks at the right level, operational and strategic risks are escalated to Risk Committee. Where their profile exceeds the Agency's risk tolerances they are escalated and managed directly by EMB. EMB's risk profile is monitored by the SPR.
- 3.60. Risk management information is regularly shared with the Director General at monthly bilaterals through risk registers. Risks that need or may need action are escalated to the ARC through the EMB as necessary.
- 3.61. There have been no lapses in risk management over the course of the last year other than the two security breaches described previously.

Strategic risks

- 3.62. The Agency has responsibility for managing one of the Department's strategic risks (known as 'Building Block Risks'). This relates to delivery of the primary testing system. The risk was reviewed by the Department's Performance Committee twice during the reporting period (October 2015 and March 2016).
- 3.63. The Agency experienced two security breaches during the reporting period. These are detailed at paragraphs 2.23 and 2.24. In response we have reviewed the existing risk on test material security.

Shared services

- 3.64. The Department's operating model uses a range of shared services, detailed in the notes to our accounts that provide many of our business systems to protect business continuity. Shared services include finance, information technology, estates, human resources, legal and communications functions. Notional costs for shared services are recharged to each agency annually based upon the average full time equivalent headcount of the organisation. The business transformation programme reviews and challenges the quality of these services and the board escalates issues to the Chief Executive, if required.

Business continuity

- 3.65. The Agency has responsibility for managing our business continuity requirements and plans, aligning with the Department's wider arrangements. In February 2016, the Chief Executive commissioned GIAA to carry out a health check of the Agency's refreshed BCP to ensure it provides clear guidance to staff on who they should contact in the event of a range of significant disruptions. The plan, which is maintained by the Agency's Test Delivery programme management team, received a moderate rating and is broadly consistent with departmental guidance and wider HM Government standards and best practice.
- 3.66. The Agency's BCP, which has been revised in light of the GIAA health check, was signed-off by EMB on 18 April 2016. We will continue to keep the plan under review as the Agency's business portfolio changes, and we will undertake cross-site testing of the plan every six months with site and business area specific testing also being completed at a different site and in different areas every six months.

Operational policy development and delivery

- 3.67. This year the Agency has responded to the commitments of the new Government (as outlined in paragraphs 2.31 to 2.33) and developed policy and operational delivery propositions to support two new tests: an onscreen Multiplication Tables Check that will sit as part of the end of KS2 suite and a Year 7 Resit which will check that pupils not achieving the expected standard at the end of KS2, have caught up with their peers by the end of their first term in secondary education.
- 3.68. We have also continued to develop assessment policy and delivery proposals which support and flow from previously announced changes to NCA testing in 2016. This includes developing interim frameworks to support teacher assessment at KS1 and KS2 for 2016, reflecting the removal of National Curriculum pupil progress levels and developing and launching a consultation on the future arrangements for primary assessment.
- 3.69. The Agency has provided support to the Rochford Review, established to consider how best to assess progress of children working below the level of the NCA tests and to the Commission for Assessment Without Levels, established to support schools in developing their own approaches to in-school assessment.
- 3.70. With the exception of the two security breaches previously mentioned, I am content that the arrangements for governance, internal control and risk management of our programmes ensure that these policies and their implementation meet ministerial intent. The Department aims to develop and appraise policies using the best available evidence analysed using sound

methodologies, in conjunction with stakeholders and partners. The Department subjects all policies to robust deliverability testing. I am content that the departmental policies the Agency implements provide good guidance and direction to those delivering services to children, young people and parents, and that the policies link clearly to our core values and objectives.

Programme and project management

- 3.71. The Agency has established Programme and Project Management (PPM) practices, based upon the UK Government standard Managing Successful Programmes (MSP) and PRINCE2 methodologies. Both methodologies comprise recognised sets of principles and processes for use when managing programmes and projects.
- 3.72. Key documentation in place for each Agency-led programme and project includes: programme blue print, business case and programme brief; project business case and initiation document; project product descriptions; programme and project delivery plans; programme/project risk register; programme/project issues log; and, programme/project action and decisions logs. These are reviewed and agreed by the relevant sub-programme and project boards.
- 3.73. The Agency uses a PPM framework, maintained by the Agency's Test Delivery Programme Management Team, which includes the enterprise PPM tool PRIME, which has been adapted from a commercially available project (information) management tool for use within the Agency. PRIME is a widely used PPM management tool. It meets the ISO standard for project management. This system, together with a range of PPM and risk management guidance, standards and templates, helps to ensure consistent assessment and reporting of programme and project progress, and active management of risk throughout the Agency.

Financial management

- 3.74. I am confident that we have clear lines of accountability in place for all programme and administrative expenditure with support from finance business partners. We have put in place a number of systems to ensure adherence to departmental processes, controls, risk management and fraud prevention so that propriety, regularity and value for money are achieved. Management have regular planned meetings with finance business partners (to identify risks early and to flag concerns) and receive high-level monthly budget reports.
- 3.75. The audit of the Agency's 2014-15 financial statements identified some financial processes within the Agency which required improvement. A financial knowledge gap was identified within the Agency which finance business partners committed

to bridging by holding several finance training sessions with budget holders and other colleagues. The roll out of the new Strategic Financial Reporting System (SFRS) has given those with delegated financial authority greater ownership of their budgets. This greater hands on approach has encouraged budget holders to monitor their budgets more closely and to have a greater understanding of finance overall. Finance business partners carried out an exercise to review the Agency's open purchase orders resulting in a large number of historic and more recent purchase orders being finally closed, thus reducing the amount of accruals unnecessarily carried on the Agency's Statement of Financial Position. Through this exercise finance business partners were able to work with teams to encourage the regular review of their purchase orders and the timely closure of purchase orders once the activity is complete.

Delivery arrangements and achievements against business plan

- 3.76. The [Business Plan](#)⁶ 2015-16 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.
- 3.77. 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.
- 3.78. In line with the commitments in the Agency's Business Plan, service delivery arrangements with commercial and other third party partners are also reviewed regularly for the purpose of achieving efficiencies and improving service. Last year we held lessons to be learned exercises with each of our major delivery partners following the completion of the annual test cycle. Results of these exercises were

⁶ <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2015-to-2016>

agreed between the Agency and its partners and logged in a 'lessons learned log.' Progress in implementing these lessons to be learned is monitored at the Test Delivery SPB, and by the Agency's Test Delivery Programme Management Team.

- 3.79. The Agency launched the major re-procurement of the test operations contract in October 2015 (as mentioned in paragraph 2.34). This follows over eighteen months of planning and preparation in which we have considered how best to secure a high-quality service which is innovative, efficient and provides value for money, through the procurement process. In line with our strategy, the new test operations service contract amalgamates multiple services, previously managed by the Agency through multiple contracts. Work on this 'Future Operating Model' procurement continues in 2016-17 to award the contract as soon as possible.
- 3.80. The performance and risk reports scrutinised regularly and shared with the EMB satisfy the Chief Executive that the Agency is performing well to deliver these plans.

Information risk management

- 3.81. 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. The Department's Director of Finance and Commercial Group is the designated Senior Information Risk Owner (SIRO) with overall responsibility for the management of information security in the Department's agencies.
- 3.82. 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. Delegated Information Asset Owners (IAOs) in the Agency's Assessment Policy and Development and Test Operations divisions 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 all individual information assets it holds. IAOs are prompted to update the asset register and declare the status of their assets on a quarterly basis.
- 3.83. The Agency's Deputy Directors and the Chief Executive review their Assurance Framework Records quarterly to ensure that all IAOs had complied with their responsibilities. The Agency's Deputy Directors are required to provide assurance to the Chief Executive that delegated IAOs have performed their functions in their annual responsibilities assurance declaration in line with departmental procedures.
- 3.84. All staff, except for those on long-term absence, have completed the Responsible for Information Level 1 training package delivered by Civil Service Learning (CSL).

The Agency's IAOs have also, as required, completed the Responsible for Information Level 2 CSL training package.

- 3.85. 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. Another risk in this area is the potential loss or corruption of its information assets by suppliers and delivery partners (including their sub-contractors). Therefore, individual Agency contract managers are responsible for ensuring that those suppliers, who manage or handle Agency information systems or information/data, are fully compliant with the requirements of current Department and wider HM Government information assurance and security policy.
- 3.86. Working with the DfE's Departmental Security Unit (DSU) information assurance and security specialist, the Agency's systems and security leads have put in place revised information assurance guidance and training for the Agency's contract, programme, project and BAU managers.
- 3.87. 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.
- 3.88. This year we have continued to focus on the maintenance of the Risk Management and Accreditation Document Set (RMADs), 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.
- 3.89. We have already secured full RMADs accreditation for the 2016 NCA KS2 External Marking Service contract; and, are currently monitoring progress of our new Skills Test contract towards full RMADs accreditation; compliance is currently rated as amber. We have worked closely with the DfE DSU to secure this accreditation.
- 3.90. Since January 2016, all new Agency-let contracts and contract revisions/extensions – where the suppliers concerned are responsible for managing or handling Agency information systems or information/data - have moved to the Department's new Departmental (Information) Security Assurance Model (DSAM) arrangements, which have been introduced to replace RMADs following changes to HM Government and Cabinet Office policy and guidance in addressing risks to information and information systems, and the Cabinet Office Security Policy Framework.

- 3.91. 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 two security breaches in this financial year (detailed in paragraphs 2.23 and 2.24) neither of which required reporting to the ICO.
- 3.92. I am satisfied that all of the Agency's procurement and current contracts – where suppliers concerned are responsible for managing or handling Agency information systems or information/data - are compliant with the Cabinet Office Security Policy Framework, which sets out the overall standard for all government departments.

Overall assessment

- 3.93. As Accounting Officer I am broadly satisfied with the Agency's internal control, risk management and governance arrangements. The Agency continues to deliver successfully across a broad range of areas. Governance arrangements have supported the effective delivery of this significant and high risk programme of work. The two security breaches have highlighted weaknesses in some of our processes which were not previously picked up through our programme and project management arrangements. Ministers have therefore asked the Permanent Secretary to commission a root and branch review of the operations of the Agency to ensure they are as effective and efficient as possible.

4. Remuneration and staff report

Accounting Officer and senior management team remuneration policy

- 4.1. The Accounting Officer and the Senior Management Team (SMT) are SCS whose pay is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Management Committee 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.
- 4.2. As staff employed by an executive agency of the Department, the SMT's performance management and contractual terms are as described in the Department's annual report and accounts. As such, the Department manages performance management and non-consolidated performance award for members of the SCS within the framework set by the Cabinet Office. The contractual terms of the SMT also comply with requirements set centrally by the Cabinet Office. More on the Cabinet Office's framework and standards can be found on the [civil service website](#)⁷.
- 4.3. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Readers can find further information about the work of the Civil Service Commission on their [website](#)⁸.

⁷ Cabinet Office Framework: <https://www.gov.uk/government/organisations/civil-service>

⁸ Civil Service Commission – <http://www.civilservicecommission.org.uk/>

Part 1: audited information

Remuneration (salary, bonuses and pensions)

	2015-16					2014-15				
	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000	Salary £000	Bonus £000	Benefits -in-kind £	Pension benefits £000	Total £000
Chief Executive										
Claire Burton ¹	85-90	-	-	53	135-140	20-25 (80-85)	-	-	18	35-40 (100-105)
Jennifer Coupland (from 15 February 2016)	10-15 (85-90)	-	-	14	20-25	-	-	-	-	-
Deputy Director										
Colin Watson	80-85	5-10	-	34	125-130	80-85	10-15	-	31	125-130
Amanda-Jane Balfour ²	80-85	5-10	-	32	120-125	65-70	5-10	-	18 ³	90-95

1 Claire Burton has taken maternity leave with effect from 14 February 2016

2 Amanda-Jane Balfour's salary includes back-pay for previous financial reporting periods and would normally be in the salary band (£65-70k).

3 The value of pension benefits accrued during the 2015-16 year have been restated in recognition of a correction in the pension scheme of which Amanda Jane Balfour was a member prior to 1 April 2015

4.4. '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.

4.5. Ian Todd resigned his position as Chief Executive in November 2014 and was, therefore, not in service in 2015-16. The prior year comparative remuneration figures are not disclosed in the table above

Non-consolidated performance awards

- 4.6. The Department awards bonuses as part of the performance management process. The Agency sees effective performance management as key to driving up individual and organisational performance and providing greater value for money to deliver high-quality public services. The Agency follows the arrangements for the SCS as set out in the *Performance Management arrangements for the Senior Civil Service* and the Department's performance management framework for managing and rewarding performance throughout the year. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2015-16 relate to the performance in 2014-15 and the comparative bonuses reported for 2014-15 relate to the performance in 2013-14.

Accrued pension benefits

- 4.7. 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.

Benefits-in-kind

- 4.8. 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 board members received any benefits-in-kind.

Fair pay disclosure

- 4.9. The Hutton fair pay disclosure for the Agency is as follows:

	2015-16	2014-15
Band of highest paid director's total remuneration (£000)	90-95	90-95
Median total remuneration (£)	36,296	37,111
Ratio	2.5	2.5

- 4.10. In 2015-16, no employees (2014-15: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £22,000 and £93,000 (2014-15: £22,000 and £95,000).
- 4.11. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits

Civil Service pensions

- 4.12. As an executive agency of the Department, the Agency's staff are members of the Principal Civil Service Pension Scheme (PCSPS) and Civil Servant and Others Pension Scheme (CSOPS) which provide pension benefits. The Department's annual report and accounts provide information on these arrangements, so we do not reproduce them here. Readers can find details on the PCSPS at the [civil service pensions' website](#)⁹.

Cash equivalent transfer values

- 4.13. 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.
- 4.14. 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

- 4.15. 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.

⁹ <http://www.civilservicepensionscheme.org.uk>

	Accrued pension and related lump sum at pension age as at 31/03/2016 £000	Real increase in pension (and related lump sum) at pension age £000	CETV at 31/03/2016 ¹ £000	CETV at 31/03/2015 £000	Real increase in CETV £000	Employer contribution to partnership pension account £000
Chief Executive						
Claire Burton ² (to 14 February 2016)	15-20 plus lump sum 45-50	2.5-5 plus lump sum 0-2.5	220	175	20	-
Jennifer Coupland (from 15 February 2016)	15-20 plus lump sum 40-45	0-2.5 plus lump sum 0-2.5	237	218	8	-
Deputy Director						
Colin Watson	15-20 plus lump sum nil	0 – 2.5 plus lump sum nil	169	136	11	-
Amanda-Jane Balfour	5-10 plus lump sum nil	0-2.5 plus lump sum nil	137	106 ³	16	-

1 The factors used to calculate the CETV were reviewed by the scheme actuary in 2015, so the tables of factors used to calculate the CETV in 2015 are not the same as those used to calculate the CETV in 2016

2 Claire Burton has taken maternity leave with effect from 14 February 2016

3 The value of CETV at 31 March 2015 have been restated in recognition of a correction in the pension scheme of which Amanda Jane Balfour was a member prior to 1 April 2015

4.16. There are no members of the senior management team who received compensation for loss of office.

4.17. There were no payments made to former directors which require to be disclosed.

Civil Service Pensions

4.18. Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the

member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

- 4.19. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).
- 4.20. Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the

accrual rate in 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

- 4.21. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 4.22. The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)
- 4.23. Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk.

Staff Report

Staff costs

	Permanently employed £000	Others £000	2015-16 Total £000	2014-15 Total £000
Wages and salaries	4,400	53	4,453	4,092
Social security costs	381	1	382	369
Pension costs	917	2	919	811
	5,698	56	5,754	5,272
Less recoveries in respect of outward secondments	-	-	-	-
	5,698	56	5,754	5,272

- 4.24. The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are unfunded multi-employer defined benefit scheme but Standards and Testing Agency is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the [resource accounts](#)¹⁰ of the Cabinet Office: Civil Superannuation.
- 4.25. For 2015-16, employers' contributions of £913,000 were payable to the PCSPS and CSOPS (2014-15: £804,000) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, 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 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.
- 4.26. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £3,768 (2014-15: £7,709) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earning from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £138 (2014-15: £448), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, were payable to the PCSPS and

¹⁰ <http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>

CSOPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

4.27. Contributions due to the partnership pension providers at the balance sheet date were £257 (2014-15: £305). Contributions prepaid at that date were nil.

4.28. No individuals retired early on ill-health grounds (2014-15: nil).

Senior Civil service staff

Grade	Total
Director	1
Deputy Director	2
	3

Average number of persons employed

	Permanently employed Number	Others Number	2015-16 Total Number	2014-15 Total Number
Directly employed	106	-	106	99
Other	-	3	3	1
	106	3	109	100

Staff exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
<£10,000	-	-	-	-	-	-
£10,001 - £25,000	1	-	-	1	1	1
£25,001 - £50,000	1	-	-	2	1	2
£50,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
Total number of exit packages	2	-	-	3	2	3
Total cost (£000)	49	-	-	102	49	102

- 4.29. There were 2 individuals from the Agency who had agreed departures at a cost to the Department of £49,000 (2014-15: 3 departures total cost £102,000).
- 4.30. In 2015-16, the Department bore and managed centrally the exit costs of staff in the Agency itself. To aid transparency, the Agency also reports in its accounts information on departure costs and numbers.
- 4.31. During 2015-16, Agency staff could choose voluntary exit under an early departure programme. As part of this programme, the Department meets the additional costs of benefits in respect of employees who retire early and of compensation payments payable to employees who take early severance.
- 4.32. The Department has paid redundancy and other departure costs, on behalf of the Agency, in accordance with the provisions of the civil service compensation scheme, a statutory scheme made under the *Superannuation Act 1972*. The Department has accounted for exit costs in full in the year of departure. Where the Agency has agreed early retirements, the Agency has met the additional costs and not the civil service pension scheme. The scheme has met the ill-health retirement costs.

Expenditure on consultancy

- 4.33. Consultants are hired to work on projects in a number of specific situations: where the Agency does not have the skills set required; where the particular requirement falls outside the core business of civil servants, or where an external, independent perspective is required. When used appropriately, consultancy can be a cost effective and efficient way of getting the temporary and skilled external input that the Agency needs.
- 4.34. Cabinet Office introduced controls on departments' spending in 2010 including spend on consultancy. The Agency is fully committed to applying those controls consistently and robustly.
- 4.35. The Agencies outturn for consultancy expenditure was £47,000 (2014-15: £44,000).

Part 2: unaudited information

People management

- 4.36. Our staff are civil servants and are employed by the Department on its terms and conditions. Responsibility has been delegated to me for the recruitment of staff for the Agency within the parameters provided by our agreed budget and the Department's policies and procedures.

- 4.37. Our people strategy aims to ensure that we attract, retain, build the capability of and motivate our people to enable them to deliver outstanding performance. In order to achieve this we have:
- continued to offer of 5 days learning and development a year for all staff;
 - introduced talent management programmes, including a staff development programme for all staff;
 - set corporate objectives for all staff for each reporting year;
 - required staff to produce challenging work objectives for the year, that are moderated by deputy directors to ensure consistency.
- 4.38. The Department's diversity delivery plan covers the Agency. This plan sets out the Department's objective to be an exemplary equal opportunities employer, to create a workplace that values diversity and to be free from unfair discrimination. The Department's policies include explicitly the employment of disabled people, women, lesbian, gay and bisexual people and black and minority ethnic staff. Further information regarding our equality and diversity data is shown in the Department's 2014-15 [annual report & accounts](#)¹¹.
- 4.39. Analysis of the Departmental annual People Survey undertaken in November 2015 showed that staff engagement has risen by 4 percentage points since the 2014 annual survey: the engagement index for the Agency is now 58 per cent, which is 2 percentage points lower than the Departmental average.

Employment opportunities, training and development of disabled employees

- 4.40. We, in line with the Department, have an approach to recruitment and promotion that reflects our commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*. We use the 'two ticks' Disability Symbol showing we are an employer which has a positive attitude towards applications from disabled people. The Agency also offers a Guaranteed Interview Scheme for all disabled applicants who meet the minimum requirement at sift/test stages. We actively support the use of reasonable adjustments for all stages of the recruitment process as well as for objective setting and managing performance. We monitor declaration rates and actively promote declaration as a means to reducing barriers.

¹¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/517766/DfE-consolidated-annual-report-and-a-counts-2014-to-2015-Web-version.pdf

Staff relations and communications

- 4.41. The Agency adheres to all Departmental HR policies and receives regular weekly corporate communications. Good use is being made of staff survey results to focus on specific areas and instant rewards have been used to respond positively to team and individual effort. At Agency level, good, regular corporate communications are helping to build commitment to corporate goals and include a fortnightly all staff email from the Accounting Officer, monthly site briefings led by Deputy Directors, following the Programme Boards, on progress against objectives and potential issues and challenges (including external factors). Divisional sessions are also held throughout the year which focuses on aspects specific to their areas of work.
- 4.42. We have engaged effectively with the Department's Trade Unions (DTUS) regarding significant changes that have affected staff or impact on the work that they do (for example change of contract or site).
- 4.43. We participate in the Department Grade Development programmes at all levels. They focus on developing and challenging staff that have the ability to move up to the next grade.

Number of permanent staff at 31 March 2016

Grade	Male	Female	Total
Director	-	1	1
Deputy Director	1	1	2
Grade 6	1	5	6
Grade 7	10	13	23
Senior Executive Officer	11	22	33
Higher Executive Officer	7	23	30
Executive Officer	10	16	26
	40	81	121

- 4.44. Our vacancy rate was 10 per cent at March 2016 and we have not exceeded our agreed workforce plan figure for the year.

Sickness absence

- 4.45. Figures at 31 March 2016 showed that the average number of working days lost through sickness absence was 8.4 per FTE; a 2.2 increase from the figures for the year end 31 March 2015.

Review of tax arrangements of public sector appointees

- 4.46. As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, Departments were directed to publish: Information pertaining to the number of off-payroll engagements, at a cost of over £58,200 that were in place on, or after, 31 January 2012; and any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility.
- 4.47. The Agency has no arrangements requiring disclosure.

Off-payroll engagements

- 4.48. There were no off-payroll engagements as of 31 March 2016 for more than £220 per day and that last longer than 6 months

5. Parliamentary accountability and audit report

Part 1: audited information

Losses and special payments

- 5.1. There were no losses or special payments in the year to 31 March 2016 (2015: £nil).

Contingent and remote contingent liabilities

- 5.2. There were no contingent or remote contingent liabilities in the year to 31 March 2016 (2015: £nil).

Part 2: unaudited information

Auditor's remuneration

- 5.3. The C&AG appointed by statute audited these accounts and his certificate and report appears on pages 55 to 56. The notional audit fee incurred for the year was £35,000 (2014-15: £35,000) and relates to the statutory audit of the Agency's accounts (including the audit fee for consolidation). The NAO, as the Agency's external auditors, provided no other services during the year.

Long term expenditure trends

- 5.4. We are placing continued emphasis on staff to change their ways of working to reduce the travel and subsistence expenditure of the Department. We will be conducting more of our work using teleconferencing, webinars, video conferencing and Microsoft meeting (this software enables a group of employees to meet virtually and work collaboratively on a single document).
- 5.5. As part of the DfE spending review 2016-17 to 2019-20, the Agency settlement included funding to support the preparation for two new national NCA assessments: the Multiplication Tables Check (MTC) and the Year 7 resit test.

The certificate 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 2016 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 and staff report and Parliamentary accountability and audit report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officers' responsibilities, the Accounting Officer 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 2016 and of the comprehensive net expenditure 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 parts of the Remuneration and staff report and the Parliamentary accountability and audit report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance report and the Accountability 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 parts of the Remuneration and staff report and the Parliamentary accountability and audit 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

13 July 2016

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

Accounts

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015-16 Total £000	2014-15 Total £000
Income			
Income from the sale of goods and services	3	-	(85)
Total operating income		-	(85)
Expenditure			
Staff costs	4	5,754	5,272
Grant expenditure	5	2,967	-
Other operating expenditure	6	44,782	41,058
Total operating expenditure		53,503	46,330
Comprehensive net expenditure for the year		53,503	46,245

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 discontinued in 2014-15. 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 Agency recognised no items of Other Comprehensive Net Expenditure during either year.

The notes on pages 61 to 69 form part of these accounts.

Statement of Financial Position

as at 31 March 2016

	Note	2016 £000	2015 £000
Current assets			
Receivables	7	13	15
Total current assets		13	15
Total assets		13	15
Current liabilities			
Payables	8	(4,548)	(3,892)
Total current liabilities		(4,548)	(3,892)
Total assets less current liabilities		(4,535)	(3,877)
Total assets less total liabilities		(4,535)	(3,877)
Taxpayers' equity			
General fund		(4,535)	(3,877)
Total taxpayers' equity		(4,535)	(3,877)

Jennifer Coupland
Accounting Officer

11 July 2016

The notes on pages 61 to 69 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015- 16 £000	2014-15 £000
Cash flows from operating activities			
Net operating cost		(53,503)	(46,245)
Adjustment for non-cash transactions	6	3,339	2,999
Decrease in receivables	7	2	1,143
Increase in payables	8	656	107
Use of provisions in year	9	-	(57)
Net cash outflow from operating activities		(49,506)	(42,053)
Cash flows from financing activities			
From the Consolidated Fund current year		49,506	42,053
Net cash inflow from financing activities		49,506	42,053
Net (decrease)/increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of year		-	-
Cash and cash equivalents at end of year		-	-

Cash payments and receipts are processed on behalf of the Agency by the Department. The Agency therefore does not operate its own bank account and has no cash or cash equivalents.

The notes on pages 61 to 69 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2016

	Note	General Fund £000
Balance at 1 April 2014		(2,753)
Net Parliamentary Funding - drawn down		42,053
Comprehensive expenditure for the year		(46,245)
Non-cash adjustments:		
Recharge of shared services	6	3,033
Auditor's remuneration	6	35
Balance at 31 March 2015		(3,877)
Net Parliamentary Funding - drawn down		49,506
Comprehensive expenditure for the year		(53,503)
Non-cash adjustments:		
Recharge of shared services	6	3,304
Auditor's remuneration	6	35
Balance at 31 March 2016		(4,535)

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 61 to 69 form part of these accounts.

Notes to the Accounts

1. Accounting policies

These accounts have been prepared in accordance with the 2015-16 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 2015-16 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 Going concern

The Agency is an executive agency of the Department for Education, hereafter referred to as the Department. The Department's estimates and forward plans include provision for its continuation. It is therefore appropriate to prepare the Agency's accounts on a going concern basis.

1.3 Adoption of amendment to FReM

The Agency has adopted the amendments to FReM in this financial year. The most significant changes have been to the following:

- Staff cost are shown in note 4, however staff numbers and related costs are now also shown in the Remuneration Report within the Accountability Section of the Annual Report.
- SoCNE and notes to the accounts, we are no longer required to show the split of program and admin costs or the respective staff and other expenditure split.
- The statement of operating costs by operating segment requires the prior year analysis to be shown.

1. Accounting policies (continued)

1.4 Expenditure

Comparative numbers have been represented in line with the revised FReM requirements. The Management and Group Management are providing an analysis on the basis of Grant and Non Grant expenditure. The data for 2014-15 has been re-categorised to provide comparative data; there has been no restatement of the data.

Further information can be seen in notes 5 and 6.

1.5 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.

1.6 Grants

Grants are recognised on an accruals basis. Grants funding is used to support recipients' activities in the financial year of payment.

1.7 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.

1. Accounting policies (continued)

1.8 Financial instruments

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. 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.

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.

1.9 Pensions

The Agency has adopted *IAS 19 Employee Benefits* (IAS 19) to account for all of its pension schemes.

Accordingly for funded defined benefit schemes the Agency recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that the Agency has a legal or constructive obligation to make good the deficit in the scheme. The pension scheme surplus (to the extent that it is considered recoverable) or deficit is recognised in full on the face of the Statement of Financial Position. Actuarial gains/losses from the scheme are recognised in reserves.

Where the Agency makes contributions to an unfunded defined benefit pension schemes (which do not have underlying assets and liabilities) the Agency recognises contributions payable in the Statement of Comprehensive Net Expenditure.

1.10 Early departure costs

The exit costs of Agency staff are borne and managed centrally by the Department. The exit costs shown in the accountability report; page 50, have been charged directly to the Department

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 the 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.

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. Additionally, Administration and Shared Services are identified as a reporting segment in its own right. The current divisions are each classed as reportable segments for the analysis required by *IFRS 8: Operating Segments*. Further details of the operating divisions can be seen in the Performance report on page 7 and paragraphs 2.38 to 2.41.

2.1 Financial year 2015-16

	Assessment Policy and Development £000	Test Operation £000	Admin and Shared Service £000	Total £000
Gross expenditure	13,812	33,194	3,158	50,164
Income	-	-	-	-
Budget net expenditure	13,812	33,194	3,158	50,164
Shared Service Recharge	-	-	3,304	3,304
Audit Fee	-	-	35	35
Total Notional Recharges	-	-	3,339	3,339
Net expenditure	13,812	33,194	6,497	53,503

2.2 Financial year 2014-15

	Assessment Policy and Development £000	Test Operation £000	Admin and Shared Service £000	Total £000
Gross expenditure	7,006	30,717	5,539	43,262
Income	-	(85)	-	(85)
Budget net expenditure	7,006	30,632	5,539	43,177
Shared Service Recharge	-	-	3,033	3,033
Audit Fee	-	-	35	35
Total notional recharges	-	-	3,068	3,068
Net expenditure	7,006	30,632	8,607	46,245

3. Income

	2015-16 £000	2014-15 £000
Programme income		
Sale of tests	-	85

4. Staff costs

	Permanently employed £000	Others £000	2015-16 Total £000	2014-15 Total £000
Wages and salaries	4,400	53	4,453	4,092
Social security costs	381	1	382	369
Pension costs	917	2	919	811
	5,698	56	5,754	5,272
Less recoveries in respect of outward secondments	-	-	-	-
	5,698	56	5,754	5,272

5. Grant expenditure

	2015-16 £000	2014-15 £000
Grants to Local Authorities	2,524	-
Grants to others	443	-
	2,967	-

During 2015-16, the Agency took over the administration of the Moderation and Phonics Grant from the Department.

6. Other operating expenditure

	2015-16 £000	2014-15 £000
Marking	19,949	20,394
Print and logistics	8,175	8,234
Test research and development	6,618	4,693
Reception baseline assessment	3,482	-
Teachers skills test	1,172	2,300
Other expenditure	2,047	2,438
	41,443	38,059
Non-cash items		
Auditor's remuneration	35	35
Recharges or central services cost	3,304	3,033
Provision not required written back	-	(69)
	3,339	2,999
	44,782	41,058

Comparatives have been represented in line with the FReM changes identified in Note 1.3

7. Receivables

	2016 £000	2015 £000
Trade receivables	11	11
Other receivables	2	4
	13	15

8. Payables

	2016 £000	2015 £000
Other taxation and social security	112	103
Trade payables	71	60
Other payables	106	91
Accruals and deferred income	4,259	3,638
	4,548	3,892

9. Provisions for liabilities and charges

	2016 Total £000	2015 Total £000
Balances at 1 April 2015	-	126
Provided in year	-	-
Provisions not required written back	-	(69)
Provisions utilised in year	-	(57)
Balance at 31 March 2016	-	-

The provision was set up in 2014 to provide for compensation in relation to incorrect marking of skills test scripts. During 2015, the Agency's management reviewed this decision and decided that the provision was no longer required, the unused provision was written back in 2015.

10. 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 is conducting a procurement exercise to select a supplier to deliver a test operation service for 2018-2022. More details are available in paragraph 2.34.

	2016 £000	2015 £000
Not more than 1 year	20,802	17,704
Later than one year and not later than five years	19,224	35,019
Later than 5 years	-	-
	40,026	52,723

The Agency does not have any capital commitments at 31 March 2016 (2015: nil), nor does it hold any leases (2015: nil).

11. 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 2016.

12. Events after the reporting period

There have been no events between the Statement of Financial Position date and the date the accounts were authorised for issue requiring an adjustment to accounts.

On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.

The accounts were authorised for issue by Jennifer Coupland (Accounting Officer) on the date they were authorised by the Comptroller & Auditor General.

Glossary of key terms

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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