



Standards
& Testing
Agency

Standards and Testing Agency

**Report and Financial Statements For the
period 1 October 2011 to 31 March 2012**

An Executive Agency of the Department for Education



Standards
& Testing
Agency

Standards and Testing Agency

Report and Financial Statements For the period 1 October 2011 to 31 March 2012

An Executive Agency of the Department for Education

Accounts presented to the House of Commons pursuant to Section 6(4) of the
Government Resources and Accounts Act 2000
Annual Report presented to the House of Commons by Command of Her Majesty
Annual Report and Accounts presented to the House of Lords by Command of Her
Majesty

Ordered by the House of Commons to be printed on 5 July 2012.

© Crown copyright 2012

You may re-use this information (excluding logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit <http://www.nationalarchives.gov.uk/doc/open-government-licence/> where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned. or e-mail: psi@nationalarchives.gsi.gov.uk.

Any enquiries regarding this publication should be sent to us at Department for Education, Castle View House, East Lane, Runcorn, Cheshire, WA7 2GJ.

This publication is available for download at www.official-documents.gov.uk.
This document is also available from our website at www.education.gov.uk.

ISBN: 9780102978506

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID P002495032 07/12 22029 19585

Printed on paper containing 75% recycled fibre content minimum.

Contents

	Page
Introduction from the Chief Executive	4
Looking ahead	5
Six Month Report	6
About this report	6
Shared services	9
Governance	9
Resources, risks and relationships	9
Remuneration Report	12
Financial Review	16
Statement of the Standards and Testing Agency Chief Executive's Responsibilities	18
Governance Statement	19
The Certificate and Report of the Comptroller and Auditor General to the House of Commons	26
Statement of Comprehensive Net Expenditure	28
Statement of Financial Position	29
Statement of Cash Flows	30
Statement of Changes in Taxpayers' Equity	31
Notes to the Financial Statements	32
Glossary	38

Introduction from the Chief Executive

This Report covers the 2011-12 financial year. In all its work, the Standards and Testing Agency (the Agency) has been focused on its duty to serve the public interest.

I took up my appointment as Chief Executive and Accounting Officer of the Agency on 1 October 2011. Shortly after being appointed Accounting Officer, I attended the National School of Government training course for new Accounting Officers. I have also met with the National Audit Office and the Permanent Secretary for Education as part of my induction programme.

Ian Todd
Chief Executive

Looking ahead

The Agency will continue to operate through 2012-13 as an Executive Agency of the Department for Education.

As Accounting Officer, I consider that the going concern basis remains appropriate for the preparation of the financial statements. Accordingly, no adjustments have been made to assets and liabilities in the 2011-12 financial statements.

Ian Todd
Chief Executive

Six Month Report

About this report

This Report covers the six months ended 31 March 2012 and details the work since the establishment of the Agency on 1 October 2011.

The Report incorporates the management commentary as required under the Government Financial Reporting Manual. It shows how the Agency has carried out its statutory duties as an Executive Agency of the Department for Education (the Department).

About the Standards and Testing Agency

The Agency was established by the Secretary of State for Education as an Executive Agency of the Department for Education on 1 October 2011 and formally commenced operating on Monday 3 October 2011. The Agency has responsibility, on behalf of the Secretary of State for Education, for the development and delivery of statutory assessment and testing in England. Legislative framework that impacts on the Agency includes the Education Act 2011, SI 2011/2392 (which gave legal effect to the transfer of functions from QCDA).

With effect from 1 October 2011, all responsibility for development and delivery of statutory assessment and testing for children up to age 14 (the end of Key Stage 3), in England, transferred from the Qualifications and Curriculum Development Agency (QCDA) to the Agency.

The Agency is formed of three Divisions: Test Development, Test Operations and Test Support, that are respectively responsible for developing high quality and rigorous National Curriculum tests in line with Ministerial policy; undertaking operational delivery of assessment; supporting schools and other stakeholders to deliver assessments and implementing arrangements for moderation of Teacher Assessments.

The Agency is responsible for:

- ensuring the consistency and accuracy of data generated by teacher assessment for the Early Years Foundation Stage (EYFS) Profile and KS1 through the monitoring and support of local authorities (LAs);
- implementing and supporting arrangements for 2013 EYFS Profile;
- test production and delivery of KS1 tests;
- implementation and delivery of the Year 1 Phonics Screening Check;
- the timely development and delivery of valid and reliable KS2 National Curriculum tests in English and mathematics and science sampling tests;
- investigating any matter brought to its attention relating to the accuracy, correctness or validity of results;
- implementing and supporting arrangements for the moderation of end of KS2 English writing teacher assessments in 2012;
- implementing and supporting the system of moderation of end of KS2 English writing teacher assessments from 2013, subject to an evaluation of the arrangements in 2012;

Standards and Testing Agency, the Department for Education

Report and Financial Statements for the six months ended 31 March 2012

Six Month Report

- secure timely preparation of valid and reliable statutory tests and assessments for the 2013 and 2014 test cycles, including the new Grammar, Punctuation and Spelling test which will be first delivered in 2013;
- ensuring that all deliverables take account of the requirements of the Equality Act 2010;
- collecting statutory teacher assessment data for KS2 and 3;
- making optional tests for years 3, 4 and 5, and years 7, 8 and 9 available for schools to order, and
- collecting item level data for years 3, 4 and 5 optional tests from a nationally representative sample of schools in 2012.

Much of the visible delivery activity for statutory assessments and testing aligns with the school year. Preparations for each delivery cycle - including the development of tests and arrangements for assessments, the planning of operations, procurement of services/suppliers and development of support materials – takes place in advance of this time period. At the point the Agency was established it took over closure of the 2011 testing and assessment cycles; the development, delivery and support for the 2012 cycle; and development of the 2013 tests, from QCDA.

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, which is not covered by this report. An account of the notable activity that has taken place during the period October to March is included below, in addition to an overview of some of the key challenges faced by the Agency. In future Annual Reports, delivery against the Agency's Business Plan and key success measures will be reported.

Working in collaboration with the set up team from the Department, the Agency's Senior Management Team managed the successful transfer of staff from QCDA to the Agency in time for the launch on 1 October 2011. Despite the challenges associated with organisational and cultural change the Agency has continued to deliver against its plans, within budget, ensuring the Agency is on track to achieve its remit for 2012.

Some of the changes in policy arising from Lord Bew's Review of KS2 Testing, Assessment and Accountability and Dame Claire Tickell's Review of the EYFS will be implemented by the Agency. To meet Ministerial commitments, the programme plans for 2012-3 and 2013-14 have been necessarily compressed. This poses a challenge for the Agency as there is no contingency within the plans and all aspects of delivery must be achieved on time.

During the period the Test Development Division has developed and handed over to print high quality test materials for the 2012 cycle in KS2 English reading, KS2 English writing (internally marked), KS2 English writing (externally marked), KS2 mathematics, KS2 science sampling and Year 1 Phonics Screening Check, ensuring all development processes have been delivered in line with the requirements published in Ofqual's Regulatory Framework for National Assessments. The Division has verified the standard for the threshold mark for the new Phonics Screening Check and published a Technical Report demonstrating that the Check meets the Ofqual common criteria for assessment.

Following the recommendations arising from the Review of Testing, Assessment and Accountability the Division has begun the development of a technically robust specification for the new Grammar, Punctuation and Spelling test and the development of a high quality test for first use in 2013. The Division has continued with the implementation of a new test development process and has commissioned new items to meet the requirements of the Review of Testing in all subjects for use in 2014 and beyond.

Standards and Testing Agency, the Department for Education

Report and Financial Statements for the six months ended 31 March 2012

Six Month Report

The Test Support Division has continued to provide support to schools, LAs and other stakeholders by producing high quality timely, accessible guidance and communications, and by providing a helpline facility. The Assessment and Reporting Arrangements documents which contain statutory information and guidance on all aspects of National Curriculum assessment and reporting for the relevant Key Stages have been published for 2012 EYFS, KS1, Year 1 Phonics, KS2, and KS3 and distributed to schools and LAs. The Division is also responsible for supporting the maladministration procedure and has been closing this down as part of the 2011 cycle.

The Division has worked closely with colleagues from the Assessment Policy Division in the Department to define the arrangements for the moderation of teacher assessment judgements at the end of Key Stage 2 English writing in 2012, produce communications for schools and LAs, and develop a plan to support LAs to carry out their duties.

Arrangements to ensure the consistency and accuracy of data generated by teacher assessment judgements at EYFS Profile and KS1, through the monitoring and support of LAs are in place. A series of events to support the categorisation of LAs and stakeholder queries have been held. LAs' plans for moderation of Early Years settings' EYFS Profile assessments and KS1 teacher assessment judgements have been received and the sample of LAs to be moderated identified. Recruitment of external moderators has been completed.

The moderation team are working closely with policy colleagues to support and advise on the new EYFS Profile and develop essential guidance materials.

During the period the Test Operations Division has delivered a series of web based systems that support administration of the KS2 tests. The Test Orders, Access Arrangements and Pupil Registration systems went live on time for schools and LAs to access.

Working with colleagues from the Assessment Policy Division, details around the implementation of the policy changes for National Curriculum Tests for 2012 have been determined. Amendments to existing delivery contracts have been agreed and additional development work required as a result initiated. The printing and production of KS1 and 2 tests has been completed. Delivery of the main phase of KS1 test orders and the KS2 internally marked English writing test has completed.

As at 31 March, work for the delivery of the 2012 science sampling test was on track. The sample of schools has been selected, schools and LAs notified and guidance published. The printing and production of test materials was on schedule.

As at 31 March, recruitment of the required number of markers to mark National Curriculum and science sampling tests was on track. High quality marker training materials have been developed, arrangements made for the training and supervision of markers and quality assurance measures to ensure the quality of marking reviewed and refined as necessary.

Work for the Year 1 Phonics Screening Check was on track as at 31 March. Printing and production of Check materials is progressing to schedule.

The Division has additionally put in place arrangements and systems to make optional tests available for schools to order for use in 2012. The print and distribution for the main dispatch of orders is complete.

2011-12 has been a period of significant transition and change. For 2012-13 and beyond the STA has prepared its own Business Plan and performance framework and will report against these in subsequent Annual Reports.

Standards and Testing Agency, the Department for Education Report and Financial Statements for the six months ended 31 March 2012 Six Month Report

The Agency is an Executive Agency of the Department for Education whose principal place of business is located at Sanctuary Buildings, Great Smith Street, London SW1P 3BT.

Shared services

A number of corporate functions are provided as a shared service across the Department reflecting the Department's operating model. The quality of service provision has been reviewed at regular intervals and any issues have been discussed between the Chief Executive and the Director responsible for the relevant shared service.

The following services have been provided by the Department:

- Human Resources
- Estates and Facilities Management
- Communications
- Finance
- Procurement
- Legal Services
- Information, Communication and Technology Services and
- Internal Audit and Assurance

Governance

Between 1 October 2011 and 31 March 2012 significant work was undertaken to in relation to governance of the Agency and this is highlighted in the Governance Statement included in this document on page 19.

Resources, risks and relationships

Resources

Programme costs make up 74% per cent of the Agency's total net expenditure for the period of £14.7m. There was no capital expenditure during the reporting period.

Risks and uncertainties

The Agency's risk management policy is good and is detailed in the Governance Statement at page 19 of this document.

Relationships

Corporate structure and governance

Please refer to the Agency's Framework document available for download at:
www.education.gov.uk/publications.

Relations with stakeholders

The Agency works with a range of key stakeholders including schools, Local Authorities (LAs), markers, Teachers Associations, as well as leading educational experts and practitioners. Its key

Standards and Testing Agency, the Department for Education

Report and Financial Statements for the six months ended 31 March 2012

Six Month Report

focus is upon developing and embedding a strong internal awareness of customer needs and ensuring that the Agency's products and processes are informed by customer and stakeholder feedback.

As well as developing and delivering high quality assessments, the Agency is also committed to supporting schools in their administration and ensuring that the results are a valid and reliable measure of each pupil's level of attainment.

Relations with employees

The Agency has good relationships with its staff.

Policy on equality and diversity

The Agency has a shared policy with the Department in relation to equality and diversity. The Department aims to be an exemplar equal opportunities employer. In doing so the skills and perspectives that a diverse and representative workforce bring are considered and it is recognised that this will enable the Agency to meet its objectives.

Relationships with contractors

Contractors are encouraged to understand the context in which the Agency works and their contribution to the Agency's wider work.

Supplier payments policy

The Agency is committed to paying suppliers promptly. The aggregate amount owed to trade creditors at the year end compared to the total invoiced by suppliers during the year expressed in days amounts to 7.8 days.

The Department has responsibility for paying suppliers through the shared service arrangements and is legally required to pay correctly submitted invoices within 30 days of receipt from the day of physical or electronic arrival at the nominated address of the Department. In addition, it is practice for the Department to pay all correctly submitted invoices within 10 calendar days. During 2011-12, 99.1% (2010-11: 98.9%) of valid invoices received from suppliers were paid within 30 calendar days of receipt and 95.2% (2010-11: 94.1%) of valid invoices received from suppliers were paid within 10 calendar days of receipt. The Department made no payment under the *Late Payment of Commercial Debts (Interest) Act 1998* as amended and supplemented by the *Late Payment of Commercial Debts Regulations 2002*.

Environmental issues.

The Agency operates mainly from an office housed in modern premises which are environmentally friendly.

The Agency applies sustainability guidelines in accordance with the Department's policies. In keeping with this the Agency encourages the use of public transportation by staff who have to travel during the course of their job and discourages the use of private vehicles. The office has facilities for recycling at the premises which are leased by the Department and uses rain water for flushing the toilet systems.

The Agency operates mainly from a city-centre office in Coventry which adopts modern technology to minimise the use of power for heating and lighting. The location, close to major public transport

Standards and Testing Agency, the Department for Education Report and Financial Statements for the six months ended 31 March 2012 **Six Month Report**

interchanges and the presence of only very limited free parking facilities, results in virtually all business and commuting travel being undertaken through public transport.

To minimise staff travel, video conferencing is used both between the main office and with other locations. Travel by air is subject to an appropriate business case being made.

The office is serviced by the landlord's agents who have the responsibility of maintaining or improving the energy performance of the buildings.

The Coventry office occupies the Seventh floor of an office block in Coventry city centre. The Energy Performance Certificate (EPC) of the entire building shows an energy performance rating of 123 which is rated at level E.

The office implements recycling policies relating to the Agency's operations and jointly with other tenants in the buildings and the managing agents. Purchasing policies require recycled, energy efficient or sustainable products and services to be given priority.

Publications are issued electronically but where printed, are on paper sourced from sustainable forests and in print works within England that conform to the ISO14001 environmental standard.

Social and community issues

The Agency's principal purposes concern a major area of public life with an impact on social and community policy in England.

Remuneration Report

This section of the report is unaudited.

The Secretary of State has asked the Director General for Education Standards to take responsibility for the line management of the Chief Executive. The Chief Executive is responsible to the Secretary of State for the performance, leadership and day to day management of the Agency.

The Agency governance structure as set out in the Framework Document states that the Chief Executive's remuneration will be agreed in accordance with the performance and reward arrangements for members of the Senior Civil Service.

Remuneration policy

All staff working in the Agency are civil servants employed by the DfE on Departmental terms and conditions of service (subject to harmonisation). As such, posts in central Department functions and the Department's Executive Agencies are open to all Departmental staff.

- The Agency will follow Civil Service and Departmental human resources policy and guidance.
- This policy applies to all staff including the Chief Executive.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

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.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the Chief Executive and most senior management of the Agency.

**Standards and Testing Agency, the Department for Education
Report and Financial Statements for the six months ended 31 March 2012
Remuneration Report**

This section of the report is subject to audit.

Remuneration (salary and payments in kind)

Officials	Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)
Ian TODD Chief Executive	50-55 (105-110 full year equivalent)	-	-
Elysia MCCAFFREY Deputy Director	30-35 (65-70 full year equivalent)	-	-
Amanda-Jane BALFOUR Deputy Director	25-30 (55-60 full year equivalent)	-	-
Colin WATSON Deputy Director	40-45 (80-85 full year equivalent)	-	-

Salary details in relation to Matthew Young whose primary role is Deputy Director of the Assessment Division at the Department for Education are not included in the Remuneration Report for the Agency, because they are disclosed in the Department's report

Fair Pay Disclosure

The 2011-12 Hutton fair play disclosure for the Agency is listed below.

Band of Highest Paid Director's Total Remuneration full year equivalent (£'000)	105-110
Median (£'000)	35.0
Remuneration Ratio	3.0

Salary

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.

Benefits in kind

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.

Bonuses

Bonuses are based on performance levels attained and are awarded as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual for example, the bonuses reported in 2011-12 relate to performance in 2010-11 and the comparative bonuses reported for 2010-11 relate to the performance in 2009-10. There were no annual performance-related bonuses paid to any staff in relation to performance in 2010-11 or 2011-12 in accordance with the ruling by the Secretary of State for Education.

**Standards and Testing Agency, the Department for Education
Report and Financial Statements for the six months ended 31 March 2012
Remuneration Report**

Pension Benefits

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

**Standards and Testing Agency, the Department for Education
Report and Financial Statements for the six months ended 31 March 2012
Remuneration Report**

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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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*

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

Officials	Accrued pension and Related lump sum at pension age as at 31/3/12	Real increase in pension and related lump sum at pension age	CETV at 31/3/12	CETV at 31/3/11	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £1000
Ian TODD <i>Chief Executive</i>	5-10 plus lump sum 0-5	2.5-5 plus lump sum 0-2.5	40	3	1	-
Elysia MCCAFFREY <i>Deputy Director</i>	5-10 plus lump sum 20-25	0-2.5 plus lump sum 0-2.5	80	74	3	-
Amanda-Jane BALFOUR <i>Deputy Director</i>	10-15 plus lump sum 25-30	0-2.5 plus lump sum 0-2.5	174	160	4	-
Colin WATSON <i>Deputy Director</i>	15-20 plus lump sum 0-5	7.5-10 plus lump sum 0-2.5	159	84	36	-

There were no redundancy or compensation payments for loss of office in the period.

Ian Todd
Chief Executive
19 June 2012

Financial Review

Foreword to the Financial Review

The Agency has achieved its financial objectives during the first six months since its establishment on 1 October 2011.

Total Expenditure

Expenditure for the six months ended 31 March 2012 was £15.9m (budget £19.1m). This underspend of £3.2m is detailed below.

Programme Costs

During the first six months actual Programme costs totalling £12.2m (budget: £15.1m) were reported, an underspend of £2.9m. This is broken down into three divisions as follows:

- **Test Operations – Actual spend £10m (budget £10.9m).** This the largest division and the majority of the £0.9m underspend in this area relates to savings within print and logistics mainly as a result of lower volumes than budgeted.
- **Test Development – Actual spend £1.7m (budget £3m).** This division's expenditure for the six month period was 42.9% below budget with an underspend of £1.3m. A significant part of this saving is as a result of contracts being re-procured at significantly lower rates than expected.
- **Test Support – Actual spend £0.5m (budget £1.2m).** This is the smallest division however the underspend of £0.7m which equates to 56.8% less than budget mainly relates to specialist support anticipated but not required.

Administration Costs

Administration costs of £3.7m have been recorded for the period £0.3m less than the budget of £4.0m. The administration expenditure shows the impact of vacancies which are in the process of being filled. General administration expenses also show savings due to lower than expected levels of expenditure.

The full time equivalent number of employees averaged 87.9 (budget: (97.3) for the year.

Income

During the first six months income of £1.3m was generated mainly from the sale of optional tests. The income recovered was equal to the cost of production of the optional tests.

Taxpayers' liability

Taxpayers' liability recorded at the end of the reporting period was £3m.

**Standards and Testing Agency, Department for Education
Report and Financial Statements for the six months ended 31 March 2012
Financial Review**

Going concern

The financial statements have been prepared on a going concern basis.

Treasury management

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

Fixed assets

There are no fixed assets held by the Agency.

Auditors

The Comptroller and Auditor General (C&AG) of the National Audit Office is the appointed external Auditor of the Agency's financial statements. The C&AG under statute, reports to Parliament the results of the audit examination.

Disclosure of relevant information to auditors

The Accounting Officer has taken all required steps to make himself aware of any relevant audit information and to establish that the auditors are aware of that information. So far as the Accounting Officer is aware, there is no relevant audit information of which the Agency's auditors are unaware.

Ian Todd
Chief Executive
19 June 2012

Statement of the Standard and Testing Agency Chief Executive's Responsibilities

The Secretary of State has directed the Accounting Officer to prepare for each financial year for the Agency, a statement of accounts in the form and on the basis determined by the Secretary of State, with the consent of the Treasury. The financial statements are prepared on an accruals basis and must give a true and fair view of the Agency's state of affairs of and its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Agency's Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

The Permanent Secretary as Principal Accounting Officer for the Department has designated the Chief Executive as the Accounting Officer of the Agency. The responsibilities of an Accounting Officer, including the responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money* issued by the HM Treasury.

Governance Statement

Scope of responsibility

As Accounting Officer, I have personal responsibility for maintaining a sound system of governance, internal control and risk management that supports the delivery of the Agency's aims and objectives, as set out in the Framework Document, whilst safeguarding the public funds and Agency assets for which I am personally responsible, in accordance with the responsibilities assigned to me in my appointment and delegation letters.

I formally took up these responsibilities on 1 October 2011 when the Agency was established as an Executive Agency of the Department for Education.

The system of governance, internal control and risk management is designed to manage risk to a reasonable level rather than eliminate all risk of failure and it can therefore only provide high and not absolute assurance of effectiveness. The system of internal control has been in place in the Agency for the 6 months ending 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance. During the period the system of internal control has been further developed to ensure consistent treatment and reporting of risk across the Agency.

Governance

I confirm that I have reviewed the governance, internal control and risk management arrangements in operation within the Agency. It has been informed by the work of the Senior Management Team within the Agency, who have responsibility for the development and maintenance of the internal control framework, and by the reports of Internal Audit.

The Agency has retained the good practices of risk, programme and performance management established by the National Curriculum Assessments (NCA) programme of the QCDA, where I am confident that these controls and measures were appropriate. The Agency has established the additional controls, structures and relationships to ensure successful operation as an Executive Agency of the Department and compliance with the Department's corporate governance and reporting policies.

The Agency's Framework Document sets out the arrangements for the governance, accountability and operation of the Agency, agreed between the Secretary of State, the Director General for Education Standards and the Chief Executive of the Agency, and approved by HM Treasury.

The Agency's detailed governance arrangements are outlined in its Corporate Governance Framework which has been prepared in line with the Corporate Governance Code.

Governance at Departmental Level

At Departmental level, the corporate performance of the Agency is subject to scrutiny and challenge through the Strategic Performance Review (SPR) process. Quarterly meetings are chaired by the Director General for Education Standards and include independent oversight from a Departmental Non-Executive Director. All aspects of the Agency's corporate performance are

Standards and Testing Agency, Department for Education

Report and Financial Statements for the six months ended 31 March 2012

Governance Statement

reviewed at these meetings, including the interactions between the Agency and the shared services provision from the Department.

The Agency reports to and is scrutinised by the Department's Delivery Assurance, Risk and Audit Committee (DARAC), chaired by a Departmental Non-Executive Director. DARAC is a sub-committee of the Department's Board which provides scrutiny and challenge of key delivery programmes and risk areas within the Department. DARAC makes recommendations to the Principal Accounting Officer and the Board on the Agency's risk management.

Operational performance, including operational risk management, is managed through the Curriculum and Qualification (CAQ) Programme Board of the Education Single Programme and the Strategic Delivery Group (SDG), which is a sub programme of the CAQ. These arrangements are detailed in the Framework Document.

Governance at Agency Level

The Agency's Executive Management Board (EMB) assists the Accounting Officer in the discharge of his duties and ensures the efficient and effective management of the Agency.

The EMB monitors the progress, performance and deliverables of the agency, use of financial and human resource, risk management, and ensures maintenance of a sound system of internal control, including adequate sources of assurance to satisfy audit requirements. The EMB is additionally responsible for ensuring the Agency is compliant with all policies (which are shared in common with the Department save for where individual local policies are required) and Corporate Business Planning.

The EMB is chaired by the Chief Executive and membership comprises the Agency Deputy Directors and the Deputy Director of the Assessment Division from the Education Standards Directorate. Shared services are represented as required. Members are appointed by the Chief Executive. The Board meets monthly as a minimum, with additional meetings convened as required. During the period, October 2011 to 31 March 2012, the Board met seven times, six regular meetings and one exceptional meeting in December 2011.

Visibility and assurance of progress and an assessment of confidence in delivery of the Agency's workstreams, projects and work units is provided to the EMB by the sub-programme boards. The EMB receives regular reports on the Agency's operational performance which are subject to challenge at the meetings. Programme risks that exceed the pre-determined tolerance are reviewed by the Risk committee and, if appropriate, escalated to the EMB for information or action. The EMB also reviews and manages all strategic risks. The Board also receives a financial report and information on the Agency's resourcing and vacancy position.

It has been acknowledged that additional information, including detail of the Agency's performance in corporate areas of the business, would be beneficial to the Board. The type of information provided to the Board is being reviewed. This review is timed to coincide with the review of the Board's effectiveness.

The EMB was in place when the Agency launched on 1 October 2011. It will conduct a self-assessment of its effectiveness and an assessment of its compliance with the Corporate Governance Code, once it has been operating for six months. The results of this review will be reported to the EMB in July 2012. A summary of the findings of this review will be included in the Governance Statement once available and before the Annual Accounts are published.

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

Standards and Testing Agency, Department for Education
Report and Financial Statements for the six months ended 31 March 2012
Governance Statement

and other relevant interests of EMB members. The register is available for inspection on request during normal working hours at the Agency's office at 53-55 Butts Road, Earlsdon Park, Coventry, CV1 3BH.

The following people served during the year 2011-12:

Member	Title	Attendance (Oct 2011 – 31 March 2012) *
Ian Todd (Chair)	Chief Executive	100%
Amanda-Jane Balfour	Deputy Director Test Support	100%
Colin Watson	Deputy Director Test Development	100%
Elysia McCaffrey	Deputy Director Test Operations	71% **
Matthew Young	Deputy Director Assessment Policy	71% ***

* including an exceptional meeting held on 6 December 2011

** attendance at 2 of 7 meetings delegated to appropriate deputy

*** attendance at 2 of 7 meetings delegated to appropriate deputy

Key issues that have been discussed by the Board during the period include:

- resourcing issues and the process for filling vacancies
- late payments to suppliers
- processes for managing the payments to and processing of tax for independent education experts
- procurement of services for future delivery cycles
- security arrangements
- Service Level Agreements and ways of working with shared services

Sub-Programme Boards

The Programme Board is established to govern the programme in an effective and efficient manner. The sub-programme boards exist to support the relevant Senior Responsible Owners (SROs) in the direction, leadership and overall management of the programmes of work within agreed tolerances of time, quality and cost.

The Agency's sub-programme boards provide visibility and assurance, and an assessment of confidence in delivery to the EMB by ensuring the effective and efficient governance of the Test Development programme of work, delivery workstreams (National Curriculum Tests, Science Sampling Tests, Year 1 Phonics Screening Check, Optional Tests), Moderation and financial, procurement and contractual matters and compliance with appropriate policies. Each sub-programme board assesses, monitors and manages the relevant risks.

The Programme Board is established to govern the programme in an effective and efficient manner. The sub-programme boards exist to support the relevant SROs, the relevant Deputy Director, in the direction, leadership and overall management of the workstreams and programmes of work (Test Development, Moderation and Commercial) within agreed tolerances of time, quality and cost.

The sub-programme boards are authorised to take technical and operational decisions and to approve expenditure to the value of the respective SRO's delegated financial authority. Strategic decisions and approval of expenditure above this amount are escalated to the EMB or SDG as appropriate. Delegation of any of the SRO's responsibilities and actions to members of the sub-programme board does not dilute the SROs' accountabilities.

Standards and Testing Agency, Department for Education

Report and Financial Statements for the six months ended 31 March 2012

Governance Statement

The Test Development, Moderation and Workstream sub-programme boards ensure timely and secure delivery of the programme of work/workstream, to deliver the outputs required to implement relevant assessment policy in accordance with the Regulatory Framework for National Assessments and the Agency's overarching assessment delivery strategy.

The Commercial sub-programme board is responsible for overseeing a range of commercial matters covering the shared services, financial, procurement and contractual requirements of the Agency, including general security matters, assurance and audit matters. Its primary focus will be on the operational aspects of the Agency's commercial functions. Although it will contribute to the Agency's strategic commercial objectives, these will principally be addressed in the EMB.

Terms of Reference are in place for each sub-programme board; these are available on request.

Workstream Sub-Programme boards meet at the start and closure of the annual delivery cycle and to coincide with key decision points and milestones, at intervals of no greater than six weeks. Exceptional meetings are scheduled where emerging issues arise. The Commercial and Moderation sub-programme boards meet on a monthly basis. The Test Development sub-programme board meets when a technical decision is required.

Risk Committee

The Risk committee is a sub-committee of the EMB. The Risk committee oversees the Agency's risk management strategies, reviews the effectiveness and progress of risk and issue management across the Agency, provides challenge and scrutiny to the Agency's risks and issues, approves the escalation of risks and issues to the EMB, and by exception, the closure of risks and issues.

The first two committees of the Agency (held in November and December 2011) were chaired by one of the Deputy Directors while an appropriate independent chair was appointed. An independent chair, a civil servant from the Highways Agency who is experienced in operational risk management, was appointed in January 2012 and chaired the meetings from January onwards.

The committee meets once a month and reports to the EMB. Each committee is attended by one of the Agency's Deputy Directors, to discuss the corporate risk register for their directorate and ensure that risks escalated for information or action from the risk committee are reported to the EMB.

In line with best practice the committee will carry out a review of the effectiveness of the Agency's system of internal control and a self-assessment of its effectiveness during 2011-12 once it has been operating for six months. The results of this review will be reported to the EMB in May 2012. A summary of the findings of this review will be included in the Governance Statement once available and before the Annual Accounts are published.

Internal Control

Risk Management and Assurance

The Agency has continued to follow the risk management process used in the QCDA. Some systems have been updated to align with the Department's risk management strategy however this has created tension and the pressure to downgrade some risks to delivery. All areas of risk management are compliant with the Office of Government Commerce (OGC) management of risk standards.

Standards and Testing Agency, Department for Education

Report and Financial Statements for the six months ended 31 March 2012

Governance Statement

In line with the statutory and high stakes nature of the National Curriculum testing agenda, the Agency's appetite for risk is low (risk averse).

The Agency shares risk information with the Department and notifies the Department of risks that need or may need action by the Department as necessary.

Throughout the period, the risk policy and detailed guidance have been available and communicated to all staff through the Agency internal portal and communications channels and the Department's intranet, and training has been provided across the Agency to embed an understanding of the management of risk. The Senior Management Team (SMT) and Heads of Function are responsible for ensuring risks are managed in accordance with the Department's risk assurance policy and the Agency's risk policies and procedures.

Internal audit

The Agency receives internal audit and assurance services from the Department for Education's Internal Audit Unit (IAU). IAU provides independent and objective assurance to the Accounting Officer 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 will be produced for 2012-13.

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. Additional advice and guidance consultancy services are also available.

Work is carried out in accordance with the Government Internal Audit Standards, the Institute of Internal Auditors Code of Ethics and relevant legislation.

Programme and Project Management

The Agency has established programme and project management practices, based upon the Managing Successful Programme and PRINCE2 methodologies. Key documentation in place for each programme/project includes: Project Initiation Document; product descriptions; delivery plan; risk register; issues log; action log and decisions log. These are reviewed and agreed by the individual sub-programme and project boards.

The Agency uses a Programme and Project Management framework, which includes the enterprise project management tool PRIME. This system, together with guidance, standards and templates, helps to ensure consistent assessment and reporting of risk throughout the Agency.

Information: IT Management and Data Safeguarding

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 Permanent Secretary is the designated Senior Information Risk Owner (SIRO) with overall responsibility for the management of information security at the Agency.

The Agency has a variety of Information Assets which are essential to the effective and efficient operation of the organisation and the delivery of its strategic aims and objectives. Information Asset Owners (IAOs) have the responsibility for protecting the Information Assets that are

Standards and Testing Agency, Department for Education

Report and Financial Statements for the six months ended 31 March 2012

Governance Statement

assigned to them. The Agency maintains an Information Asset Register with assigned IAOs, giving the Agency an understanding of the type and level of information assets it holds.

The Agency recognises that a key risk to the security of its assets is the understanding of the importance of information security within the organisation and with third parties who may access or use our data in carrying out their work. The Agency's Security Manager is responsible for managing the Security policy and Good Business Practice for the Agency, establishing cost effective ways for testing security and identifying any gaps in practice and how they might be addressed through good practice guidance and training.

A further key risk is the potential loss of Agency Information Assets by suppliers and delivery partners (including their sub-contractors). All of the Agency's procurement and current contracts are conducted under and compliant with the Cabinet Office Security Policy Framework (SPF). The Agency constantly and actively monitors supplier performance including unannounced site inspections and suppliers are typically required to return and securely destroy data at the end of each test cycle.

All security incidents affecting breaches of information are reported to the SMT and EMB, along with the action taken and how the incident has been closed. Any significant losses are reported to the Information Commissioners Office (ICO). During the period October 2011 – March 2012 no reportable losses occurred.

Financial Management

Processes, controls, risk management and fraud prevention strategies deliver good financial management and appropriate levels of propriety, regularity and value for money.

The Agency follows the Department's Fraud Management policies and procedures which are compliant with HM Treasury guidance. These policies and procedures, as well as those for Whistleblowing, are available on the Department's intranet and have been communicated to all staff through the Agency's internal communications channels.

Budgets are monitored regularly and realistic financial forecasts will be reported for 2012-13. Transitional arrangements have created significant challenges in this area in the six months to March 2012, including the late dissemination of detailed financial reporting to budget holders and late payment to a number of suppliers. The latter has been escalated through the EMB to the SDG and is now lessening. This will continue to be monitored closely.

Delivery Arrangements and Achievement against Business Plan

Achievement against the Business Plan is monitored effectively through monitoring, management and assurance arrangements. Management of third party partners (including the Department's shared service arrangements) and providers of systems and processes for delivery of the business objectives and policies are aligned to achieve effective outcomes and provide customer service.

People Management

Arrangements are in place for planning and securing the appropriate number of people with the right skills in the right location to deliver business objectives. All such arrangements are, however, subject to approval by the wider Department and therefore outside of the control of the Agency and the delegated authorities.

Standards and Testing Agency, Department for Education
Report and Financial Statements for the six months ended 31 March 2012
Governance Statement

Arrangements are supported by systems and processes which encourage and support high levels of individual performance and on-going development to ensure business needs are delivered. Health and Safety issues have been addressed.

Key control mechanisms

The Agency has in place the following key controls:

- governance arrangements (outlined in section 2), policies and procedures defined in the Framework Document and the Agency's Corporate Governance Framework. The Agency's policies and procedures and systems of delegation were implemented in 2011-12 to ensure that they provide control and assurance;
- a system of delegation of authority with defined spend authorisation limits;
- an independently chaired Risk Management Committee and OGC Management of Risk compliant processes;
- wider Departmental scrutiny through the SPR and DARAC Committees, both of which have Non-Executive Director involvement;
- regular operations meetings (daily at peak times) where operational management information is required and progress against planned activity reported;
- regular reviews by the SMT of delivery management information, operational reports, including risks and slippage against plans, and financial reports including performance against forecasts;
- a comprehensive budgeting system with an annual budget that is reviewed and signed off by the SMT; and
- a business continuity plan.

Areas for development

To ensure an effective system of governance and internal control in the future the Agency will need to:

- develop an agreed risk management framework which meets the needs of the Agency and the Department but which remains compatible with the Sutherland Inquiry findings;
- consider the future arrangements for audit committee and internal audit;
- make further additional detailed financial management information available to budget holders;
- monitor the requisition, purchase order and receipting processes to ensure every payment to suppliers is made in accordance with the agreed terms and conditions;
- simplify the process of delegation to improve the efficiency of managing risks and issues effectively;
- hold regular SPR and other meetings to ensure appropriate independent oversight.

Ian Todd
Accounting Officer
Dated: 19 June 2012

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Audit Certificate 2011-12

I certify that I have audited the financial statements of Standards and Testing Agency for the period ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as 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, Financial Review and sections titled Introduction from the Chief Executive and Looking Ahead to identify material inconsistencies with the audited financial statements. 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.

Standards and Testing Agency, Department for Education
Report and Financial Statements for the six months ended 31 March 2012
The Certificate and Report of the Comptroller and Auditor General
to the House of Commons

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Standards and Testing Agency's affairs as at 31 March 2012 and of the net operating cost for the period then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the financial review for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse 2 July 2012

Comptroller and Auditor General

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

Standards and Testing Agency, Department for Education
 Financial Statements for the three months ended 31 March 2012
**Statement of Comprehensive Net Expenditure for
 six months ended 31 March 2012**

	2011-12			
		£'000	£'000	£'000
	Note	Staff Costs	Other Costs	Total
Administration costs				
Staff costs	3	2,390	-	2,390
Other administration costs	4	-	1,366	1,366
Operating costs		2,390	1,366	3,756
Programme costs				
Programme costs		-	12,189	12,189
Total Comprehensive Expenditure	2	2,390	13,555	15,945
Income	2			(1,280)
Comprehensive Net Expenditure				14,665

Standards and Testing Agency, Department for Education
 Financial Statements for the six months ended 31 March 2012
Statement of Financial Position
 As at 31 March 2012

	Note	31 Mar 2012 £,000
Current assets		
Trade and other receivables		1,280
Cash and cash equivalents		-
Total current assets		<u>1,280</u>
Total assets		<u>1,280</u>
Current Liabilities (amounts falling due within 1 year)		
Trade and other payables	5	(4,247)
Other liabilities – bank overdraft		-
Total Current Liabilities		<u>(4,247)</u>
Assets less liabilities		<u><u>(2,967)</u></u>
Taxpayer's Equity		
General Fund		(2,967)
Revaluation reserve		-
Total Taxpayers' Equity		<u><u>(2,967)</u></u>

Ian Todd
 Accounting Officer
 Date: 19 June 2012

Standards and Testing Agency, Department for Education
Financial Statements for the six months ended 31 March 2012

Statement of Cash Flows

For the six months ended 31 March 2012

	2011-12
	£'000
Cash flows from operating activities	
Net Operating cost	(14,665)
Adjustments for non-cash transactions	1,209
(Increase) in trade and other receivables	(1,280)
Increase in trade payables	4,247
Net cash outflow from operating activities	<u>(10,489)</u>
Cash flows from financing activities	
Advances from Net Parliamentary Funding – Drawn down	10,489
Net cash flows from financing activities	<u>10,489</u>
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u>-</u>

Standards and Testing Agency, Department for Education
 Financial Statements for the six months ended 31 March 2012

Statement of Changes in Taxpayers' Equity

	Note	General Fund £'000	Total Reserves £'000
Balance as at 30 September 2011		-	-
Net Parliamentary Funding - Drawn down		10,489	10,489
Non-cash charges – service recharges		1,209	1,209
Comprehensive expenditure for the year	2	(14,665)	(14,665)
		(2,967)	(2,967)
Movements in Reserves			
Transfers between reserves		-	-
Other General Fund movement		-	-
		(2,967)	(2,967)
Balance as at 31 March 2012		(2,967)	(2,967)

Notes to the Financial Statements

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2011-12 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector. 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 are described below. They have been applied consistently in dealing with items that are considered material to the financial statements.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified, to account for the revaluation of property, plant and equipment and intangible assets, inventories and certain financial assets and liabilities.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amount reported for revenues and expenses during the year and the amounts reported for assets and liabilities at the year end date. However, the nature of estimation means that actual outcomes could differ from those estimates.

1.2 Administration and programme expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme Income and Expenditure. The classification of Expenditure and Income as administration or as programme follows the definition of administration costs set out by the Cabinet Office and HM Treasury.

1.3 Pensions

Past and present employees are covered by the provisions of the Civil Service Pensions Arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Agency recognises the contributions payable for the year.

Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme but the Department for Education is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Standards and Testing Agency, Department for Education
Financial Statements for the six months ended 31 March 2012
Notes to the Financial Statements

For 2011-12, employers' contributions of £ 373,587 were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme's 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 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,412.95 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £212.04 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £585.09. Contributions prepaid at that date were also nil.

No persons retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to nil.

1.4 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money and Government Accounting Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.5 Impending application of newly issued accounting standards not yet effective

The Agency provides disclosure if it has not yet applied a new accounting standard and known or reasonably estimable information relevant to assessing the possible impact that initial application of the new standard will have on the Agency's financial statements.

1.6 Income

The Agency recognises operating income from the sale of optional tests on an accruals basis. Income is stated net of VAT.

The Agency provides for bad debts based on historical collection information.

2 Statement of Operating Costs by Operating Segment

For both management and financial reporting purposes, the STA is split into three operating divisions: Test Operations, Test Development and Test Support; these are each classed as reportable segments for the analysis required by IFRS 8, Operating Segments.

Analysis of net expenditure by operating segment:

	2011-12
	£'000
Test Development	1,720
Test Operations	9,988
Test Support	520
Administration	3,717

Total Costs	15,945

Income	(1,280)

Total	<u>14,665</u>

During the first six months, income of £1.28m was generated from the sale of optional tests and has been accounted for on an accruals basis to match with the related costs.

Standards and Testing Agency, Department for Education
 Financial Statements for the six months ended 31 March 2012
Notes to the Financial Statements

3 Staff numbers and related costs.

3a Average number of full time equivalent persons employed during the period was as follows

	Permanently employed staff	Other	Total 2011-12
	<i>Full Time Equivalent</i>	<i>Full Time Equivalent</i>	<i>Full Time Equivalent</i>
Directly employed	87.0	0	87.0
Other	0	0.9	0.9
	87.0.	0.9	87.9

3b Average number of full time equivalent persons employed during the year analysed by function

	2011-12
<i>Section</i>	<i>Full Time Equivalent</i>
Chief Executive's office	3.0
Test Operations	25.3
Test Development	23.4
Test support	35.3
Agency staff	0.9
	87.9

3c Staff costs

	Permanently employed Staff	Other	Total 2011- 12
	£'000	£'000	£'000
Wages and salaries	1,811	39	1,850
Social security costs	163	-	163
Other pension costs	377	-	377
	2,351	39	2,390

Standards and Testing Agency, Department for Education
Financial Statements for the six months ended 31 March 2012
Notes to the Financial Statements

4 Other Administrative Costs

The following expenditure has been classified as Other Administrative Costs

	Total 2011- 12 £'000
Professional Fees	1,212
Travel and Subsistence	96
Consultancy	7
Computers and Telecom Costs	7
Office Services	12
Other Expenditure	27
Other Operating Leases	5
	<hr/> 1,366 <hr/>

The Comptroller and Auditor General (C&AG) of the National Audit Office is the appointed external Auditor of the Agency's financial statements. The C&AG under statute, reports to Parliament the results of the audit examination. The notional fee for the audit conducted by the National Audit Office is £35,000

5 Trade Payables and other Current Liabilities

Amounts falling due within one year:

	2011- 12 £'000
Taxation and Social Security	135
Trade Payables	290
Amounts due re Pensions	74
Other	1
Accruals and Deferred Income	3,747
	4,247

	2011- 12 £'000
Balances with other central government bodies	209
Balances with local authorities	3
Sub-totals – intra government balances	212
Balances with bodies external to government	4,035
	4,247

6 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. During the year the Department had a significant number of transactions with the DWP on behalf of the Agency.

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 PCPS.

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

7 Events after the reporting period

The accounts were authorised by the Accounting Officer for issue on 19 June 2012.

Glossary

Glossary

CAQ	Curriculum, Assessment and Qualifications
CSPB	Commercial Sub-Programme Board
DARAC	Delivery Assurance, Risk and Audit Committee
DfE	Department for Education
EMB	Executive Management Board
EPB	Education Programme Board
EYFSP	Early Years Foundation Stage Profile
FReM	Financial Reporting Manual
HMT	Her Majesty's Treasury
IAO	Information Asset Owner
IAU	Internal Audit Unit
ICO	Information Commissioners Office
KS	Key Stage
LA	Local Authority
NAO	National Audit Office
NCA	National Curriculum Assessments
NCT	National Curriculum Tests
OGC	Office of Government Commerce
OPM	Office of Public Management
PCSPS	Principal Civil Service Pension Scheme
QCDA	Qualifications and Curriculum Development Agency
RM	Resource Management
RPI	Retail Prices Index
SDG	Strategic Delivery Group
SIRO	Senior Information Risk Owner
SMT	Senior Management Team
SPF	Cabinet Office Security Policy Framework
SRO	Senior Responsible Owner
SST	Science Sampling Tests



Published by TSO (The Stationery Office) and available from:

Online www.tsoshop.co.uk

Mail, telephone, fax and email

PO Box 29, Norwich NR3 1GN
Telephone orders/general enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

The Parliamentary Bookshop
12 Bridge Street, Parliament Square, London
SW1A 2JX
Telephone orders/general enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other accredited agents

ISBN 978-0-10-297850-6



9 780102 978506