



Standards
& Testing
Agency

Standards and Testing Agency Annual Report and Accounts

For the year ended 31 March 2018

An executive agency of the Department for Education

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Performance report

Overview

This section details the Agency's organisational structure and performance, and its key issues and risks.

Accounting Officer's introduction and perspective on performance

This Annual Report and Accounts report (ARA) covers the sixth full year of operation for the Standards and Testing Agency (STA or the Agency), as an executive agency of the Department for Education (the Department).

As set out in our Business Plan¹, 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).

The Agency has delivered against its objectives for this year as follows:

- From April 2017 to July 2017, the Agency oversaw the delivery, marking and return of results of 3.5 million KS2 test scripts, meeting our key performance indicators for timeliness and quality;
- continued our successful delivery of key stage 1 (KS1) tasks and tests to inform teacher assessment;
- successful delivery of the phonics screening check (now in its fifth year); and
- continued to successfully manage the General Qualifications logistics contract and the professional skills test contract.

The Agency has restated its ARA for 2016-17 due to a review of contract expenditure and improvements in financial management. Further information is provided within the financial commentary and Notes to the Accounts.

Statement of purpose and activities

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:

¹ <https://www.gov.uk/government/publications/standards-and-testing-agency-business-plan-2017-to-2022>

- develop and implement assessment policy in England in line with ministerial priorities;
- develop high-quality and rigorous national curriculum tests and assessments in line with government policy;
- undertake operational delivery of national curriculum tests and assessments (including printing, test administration, distribution, provision of systems, marking and data capture and investigations of maladministration), set and maintain test standards, including standards related to marking;
- produce test administration guidance for the KS1 and KS2 tests and exemplification and other materials for KS1 and KS2 English writing teacher assessment; and
- support the moderation of teacher assessment judgements of pupil performance so the data it generates is reliable and can be used for National Statistics.

As Chief Executive, I have a specific role with respect to test standards and standard setting and maintenance. I sign off the content of the national curriculum tests and the setting and maintenance of standards, acting independently of the Department and ministers to ensure confidence in the validity of test outcomes. In addition to the development and delivery of national curriculum assessments and testing in England, we are also responsible for:

- managing the development and delivery of the professional skills tests for prospective teachers on behalf of the National College for Teaching and Leadership²; and
- managing the general qualifications logistics service provided to exam centres and examiners, which collects exam scripts from schools and delivers them to awarding organisation for marking.

The Agency consists of three divisions: Assessment Strategy, Policy and Communications Division (ASPD); Test Development Division; and Test Operations Division. The structure can be seen in the diagram below.

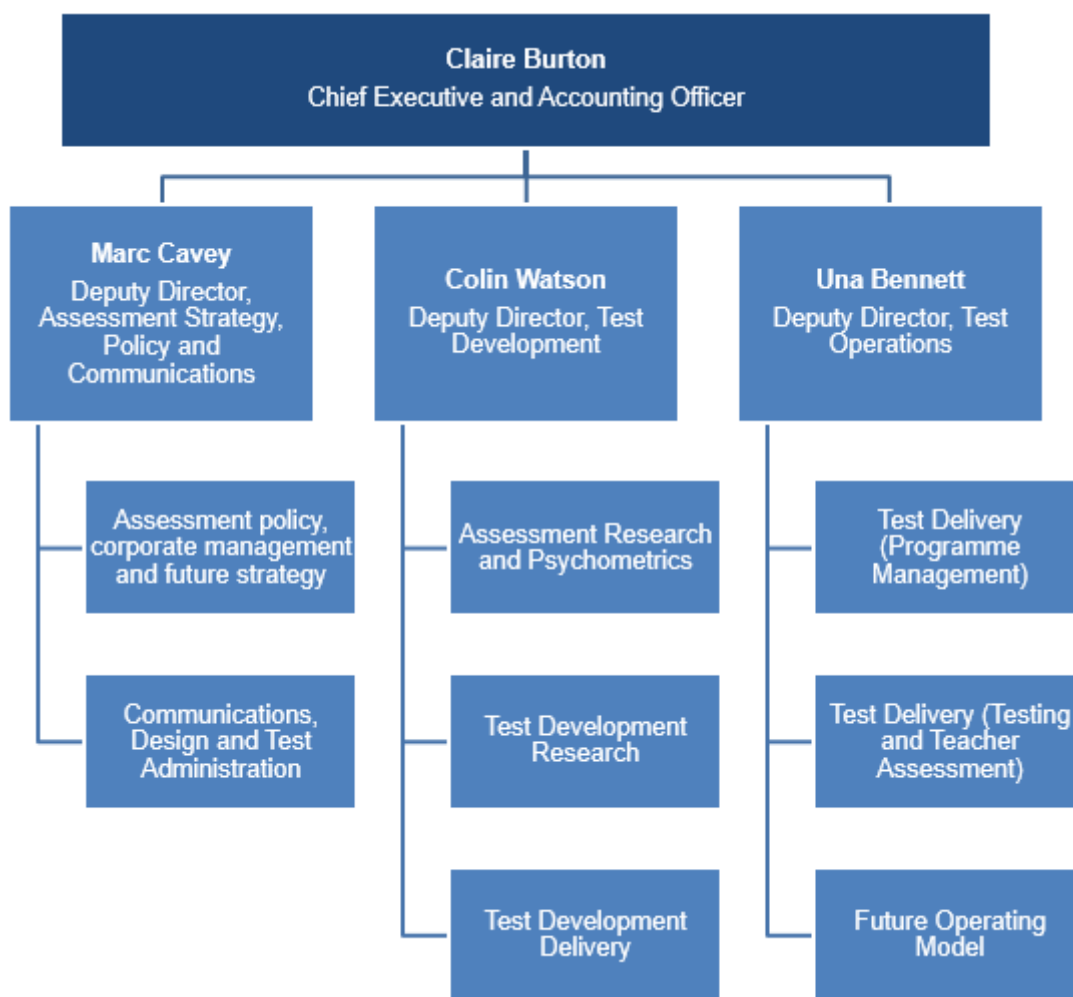
ASPD is responsible for the Agency's corporate management and future strategy, leading the development and implementation of government policy on assessment, supporting schools to administer national curriculum tests, and communications with the Agency's stakeholders and customers.

² National College for Teaching and Leadership was replaced by the Department for Education and Teaching Regulation Agency in April 2018

The Test Development Division is responsible for developing high quality and rigorous national curriculum assessment tests in line with ministerial policy and managing delivery of the Professional Skills Test.

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



Key issues and risks facing the entity

The Agency is responsible for the Department’s key strategic risk relating to primary assessment. This risk is detailed below along with a summary of how we managed it in 2017-18.

There are a number of component parts (sub-risks) relating to this key risk. They include:

- Poor quality test content is developed which raises concerns over the validity of their tests;
- Security of the tests is compromised;
- NCA test materials print, collation and logistics (PCL) supply chain failure;
- KS2 marking quality and/or marking service capacity;
- Trust in the sector
- STA staff capacity/capability; and
- Procurement of the new 2020-2024 Test Operations (TOpS) contract and scoping of new test operations arrangements.

The strategic risk and its component parts are rigorously managed using a set of well-defined mitigations and contingencies. Robust delivery governance arrangements are in place and the whole operation is managed using established programme, project and risk management methodologies and techniques.

The risk was updated in April 2017, July 2017, October 2017 and January 2018 and was reviewed at the Department's Leadership Team (formerly Management Committee).

The Agency has robust governance arrangements in place to ensure the timely resolution of any challenges as well as the delivery of routine work.

The Department's Estimate and forward plans include provision for the Agency's continuation. It is therefore appropriate to prepare the Agency's accounts on a going concern basis.

Performance summary

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 4,000 markers for KS2;
- over 3.5 million KS2 test script components marked in a 3-week period to ensure the successful return of results on 4 July 2017;
- management of the successful delivery and collection of 0.8 million packages of General Qualification exam scripts from approximately 5,800 exam centres across England; and delivery of approximately 100,000 skills test for prospective teachers.

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

Performance analysis

Key organisational performance measures

The Agency has 6 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 performance indicators are set out below.

Performance indicator	Baseline	Outcomes		
		2017-18	2016-17	2015-16
Provision of KS2 results: 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 4 July 2017.	99.9%	100%	100%	100%
Return of KS2 test scripts to schools: 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.	99.9%	100%	100%	100%
Helpline service: 85% of all calls received must be resolved at first contact.	85.0%	90.11%	91.26%	<u>N/A</u>
Web-based systems to support schools: NCA Tools is available 24 hours a day with an availability of at least 99.8%.	99.8%	99.99%	99.98%	99.99%
Professional skills tests for prospective teachers: 130,000 ³ skills tests must be made available for candidates to book each year, with 95% of candidates being offered a booking within 10 working days.	130,000	328,105	N/a	N/a
General Qualifications logistics: Consignments are collected from centres and delivered for marking.	99.0%	99.99%	99.99%	99.99%

Development and performance of the Agency

The scope and range of the Agency's operations have remained broadly stable over the last year. The Agency has performed well against the majority of its objectives and key performance indicators.

³ 130,000 is based on the profile for the 2016 to 2017 academic year.

Objectives

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.

To aid 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.

In carrying out our national assessment and testing functions the Agency is regulated by the independent regulator, the Office of Qualifications and Examinations Regulation (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.

Ofqual focuses its oversight on assessment validity, in particular through independent scrutiny of technical processes, such as the setting and maintenance of standards. It maintains high level monitoring of assessment delivery. Ofqual also provides a view of the Agency's technical advice to Ministers on changes to National Assessment arrangements.

Performance

National curriculum assessment delivery

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 period. This report therefore covers work on the delivery of the 2017 test cycle (mainly April to August 2017), the residual work arising from this (e.g. investigating possible maladministration cases) and preparations for the 2018 test cycle and beyond.

During this period, the Agency successfully delivered the conclusion of the 2017 test cycle. This is a critical role for the Agency. The majority of the individual operational functions, for example printing, logistics and marking are delivered under contract by specialist third party suppliers. This approach has been extremely successful over the life of the Agency and relies on robust contract and supplier management.

For the KS2 tests, the Agency developed a full range of high-quality tests 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 4,200 markers for KS2. Over 3.5 million test script components were marked in a seven-week period to ensure the successful return of results to schools on 4 July 2017.

100% of KS2 results were returned to schools on time (against a KPI of 99.9%). 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 updated special needs guidance and best practice, were introduced.

The contracts for delivery of the NCA test operations service under the current supply chain delivery model will come to an end in 2019. The 2015-16 annual report set out the strategy that the Agency developed for re-procurement of these critical functions. This year we have continued with the re-procurement process in-line with this strategy.

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 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 also developed, trialled and handed over to print, high quality test materials for the 2018 cycle.

These NCA tests, introduced for 2016, were developed to assess pupil performance against the current primary curriculum, which was introduced in 2014. They include:

- KS1 and KS2 English reading,
- KS1 (optional) and KS2 English grammar, punctuation and spelling;
- KS1 and KS2 mathematics;
- KS2 science sample tests; and
- Year 1 phonics screening check.

Tests are developed in house using processes in line with international best practice. Ofqual have confirmed that processes are appropriate and followed. 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 2018 and beyond. Full details of the test development process are published in the [Test Handbook](#)⁴.

The Agency has also developed and published frameworks and exemplification material to support statutory teacher assessment at the end of KS1 and KS2 following the removal of levels. The English writing frameworks have been revised for 2018 with new exemplification materials also published.

In preparation for the 2017 teacher assessment, and to meet a commitment by the Secretary of State, the Agency introduced mandatory training of local authority moderators for English writing. This process was revised for 2018 as a result of sector feedback and included the publication of updated teacher assessment guidance for schools and updated training for moderators. Revised teacher assessment frameworks for English reading and maths at KS1 and science for both key stages have been published for use in 2019.

The Agency has also confirmed that teacher assessment data will no longer be collected for KS2 English reading and mathematics in 2019; test data will continue to be relied on for school accountability purposes. The 2017 assessment cycle saw approximately 30 primary schools in Jersey participate in the KS2 tests. The Jersey schools took the tests the week after schools in England, during the timetable variation week. KS2 test results were returned to the Jersey schools on 4 July 2017, alongside results for schools in England.

The STA Review

As detailed last year, the STA Review took place between 11 July and 2 September 2016, following two issues encountered during the 2016 test cycle. The Agency welcomed the Review when it was announced and engaged openly and constructively with the Review team. The STA Review report was published on 9 November 2016 and the Agency fully accepted the findings and the Review team's recommendations. The Agency's response was published alongside the full report.

The Review found that the Agency was broadly fit for purpose, but needed to take action in a number of areas. These included the need to develop an end-to-end strategy, improve use of management information and oversight arrangements; address and improve what was seen as an at-times defensive and silo culture; address the shortage of commercial skills; and, strengthen and improve the Agency's assurance process and culture. It also suggested that addressing remaining cultural issues was necessary to minimise the risk of another in-house security breach.

⁴ <https://www.gov.uk/government/publications/national-curriculum-test-handbook-2016-and-2017>

In response the Agency set up a change programme which involved a number of focused task-and-finish groups, led by staff across the Agency, to work on themes and recommendations arising from the Review. The programme included appropriate governance arrangements to ensure that the work was kept on track. The Government Internal Audit Agency (GIAA) conducted a formal review of the Agency's progress in the spring of 2017. The report was published in June 2017 and gave a 'moderate' assurance rating on the basis that significant progress has been made by the groups with implementing the recommendations from the STA Review, with a number of key milestones delivered.

The change programme formally closed in December 2017. By that time, 26 of the 28 recommendations from the original STA Review had been addressed, with work on the remaining two ongoing. As part of the closure process, a lessons-learned exercise was conducted with colleagues across the Agency. The exercise sought to identify what the change programme had done well, what could have gone better, and what the next steps for the Agency were. Highlights of the report included:

- a greater sense of common shared purpose has been created across the Agency;
- staff feel more valued and that their views are taken into account;
- a refreshed set of KPIs and a new suite of management information has helped the senior leadership team with the overall management of the Agency; and
- the development of an end-to-end process map has given staff a greater understanding of the process as a whole, reducing the risks of key handover points.

The report was discussed at the Strategic Performance Review in January 2018. The changes made following this project have now been embedded into how the Agency works day-to-day.

The 2017 DfE People Survey results for the Agency shows that the change programme has helped bring about improvements in attitudes.

The STA's engagement index increased by three percentage points from the 2016 People Survey, and there was an improvement in 8 of the 9 themes which made up the STA's engagement index.

Primary assessment consultation

In October 2016, the Secretary of State announced a series of steps to provide greater stability and set direction for the long-term system of primary assessment. The statement outlined some immediate measures, including a commitment that there would be no new national tests or assessments introduced before the 2018/19.

The statement also announced that the KS1 grammar, punctuation and spelling test would remain optional for schools in the current academic year, and that we would not introduce statutory mathematics and reading resits in year 7. In addition, the Secretary of State promised a full public consultation to help the Department set out a longer-term, stable and sustainable approach to assessment.

The consultation launched on 30 March 2017 and closed on 22 June 2017. It was mainly concerned with statutory assessment – the summative assessment, required by the government, which takes place at the end of a period of study, either through externally set tests, or through teacher assessment. It covered key issues, including the best starting point to measure the progress that children make in primary school, and the role and operation of teacher assessment. Over 4,000 responses were received and analysed by Agency staff.

Assessment arrangements for pupils working below the standard of national curriculum tests were considered in parallel in a separate consultation on the recommendations made by the Rochford Review. We published government responses to both consultations on 14 September 2017.

In the response⁵ to the main primary assessment consultation, available on GOV.UK, the government committed to a number of measures, including:

- improving the Early Years Foundation Stage profile by clarifying the descriptors underpinning the Early Learning Goals and reviewing supporting guidance;
- changing the starting point for primary school progress measures to the reception year – with a new statutory assessment to be introduced in reception from 2020;
- removing statutory end-of-KS1 assessments once the reception baseline assessment has become fully established, from 2023 at the earliest;
- removing the duty for teachers to assess pupils against statutory English reading and mathematics assessment frameworks at the end of KS2 from 2018/19 onwards;
- moving to a more flexible approach of assessing English writing from 2017/18 onwards – new writing frameworks were published on the same day as the consultation response, and exemplification materials followed in October; and
- introducing an online multiplication tables check to be taken by pupils at the end of year 4 from 2019/20

⁵ <https://www.gov.uk/government/consultations/primary-assessment-in-england>

In the response⁶ to the Rochford Review consultation, the government committed to removing P scales, and to extending the pre-key stage standards to all pupils engaged in subject-specific learning from 2018/19. It also set out that STA would pilot the review's recommendation that the 7 areas of engagement in cognition and learning should be used to assess pupils not engaged in subject-specific learning. This pilot commenced in January [2018] across 56 schools nationally and will run until the end of the summer term.

Reception baseline

The Department remains committed to measuring the progress of pupils through primary school. In response to the 2017 primary assessment consultation, the government announced plans to introduce a statutory reception baseline assessment, to be provided by a single supplier, in autumn 2020. This new assessment will allow us to measure the progress that children make throughout the whole of their time at primary school, rather than just from the end of year 2 to year 6. On 11 April 2018, it was announced that the National Foundation for Educational Research (NFER) has been contracted to develop and deliver the new assessment. This includes the trial and pilot phases and the first 2 years of statutory delivery.

General Qualifications logistics

The Agency managed the successful delivery and collection of 0.8 million packages of General Qualification exam scripts from approximately 5,800 exam centres across England during four examinations series.

Skills tests

The Agency has overseen the successful delivery of professional skills tests for teachers; 97,349 tests were delivered during the reporting period. There are currently 38 test centres delivering the skills test within the United Kingdom and three 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 93.5%.

Multiplication tables check

The Agency has continued to undertake user research and development of the new statutory online Multiplication Tables Check (MTC), the policy which was announced in January 2016, with the government's commitment to the check re-affirmed in its response to the primary assessment consultation.

⁶ <https://www.gov.uk/government/consultations/primary-school-pupil-assessment-rochford-review-recommendations>

The check is planned to become mandatory for all schools with year 4 pupils in 2019/20, with an optional rollout for schools in 2018/19. The decision that the check will be administered to year 4 pupils at the end of the academic year, ensures that the check will take place in line with national curriculum expectation; and, will allow schools to both identify pupils who may have fallen behind expectations, and then provide them with additional support to help them to master their tables.

Since the Agency successfully delivered a proof-of-concept trial in summer 2016, it has undertaken extensive user research with and in schools, with both staff and pupils. The purpose of this research is to ensure that the new check is introduced in such a way to minimise burdens on schools, that the online check system works on schools' existing ICT estates, and provides for appropriate access arrangements for pupils with special educational and other access needs.

In addition to the development of the check, the Agency also appointed an external body in January 2017 to run 3 system and item trials:

- Trial 1 - February 2018: A private beta with 55 schools to test the system functionality and data recording;
- Trial 2 - March 2018: 'Question Timing Trial' with 40 schools - to understand the appropriate recall time for year 4 pupils to answer the questions presented in the check; and
- Trail 3 - June 2018 a 'Technical Pre Test' with approx. 200 schools to gather item level data for form construction on national rollout.

Test operations procurement

In October 2015, we started the procurement process to select a supplier to deliver a test operations service. It is the intention that the new contract will be in place for the delivery of the 2020-24 national curriculum KS1 and KS2 tests in the core subjects of English and mathematics, and the phonics screening check. A contract will be awarded with an option to extend for a further one test cycle. 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.

The procurement was conducted through a competitive dialogue process due to the complexity and risk-level of the services. In order to encourage competition and allow new suppliers to come forward, a set-up period has been built into the contract. The intention is to award the contract to begin the set-up year with the supplier from 1 September 2019.

Forward Look

Over the coming year the focus of the Agency is to:

- successfully deliver the 2018-19 test cycle, and
- award the new test operation procurement contract and begin the set-up year

Financial Commentary

The Agency is consolidated into the Departmental Group ARA and further information on the financial outcomes are given in the Departmental Group's ARA, in the financial overview section. As such only a high level analysis is provided here.

Restatement of prior year accounts

During the year management became aware of an error in the area of accruing for contract expenditure, which resulted in a restatement for both 2016-17 and 2015-16.

A review of contracts identified that costs had not been accrued based on work done, the costs were aligned to the invoicing cycle. This was an error as it did not reconcile the costs incurred with the timing of the work performed, and as such the Agency has sought to correct this through a restatement.

The issue predominantly impacts on the Statement of Financial Position as one of the contracts predates 2016 and as such affects the opening and closing balances. The result is a smaller in-year movement in the Statements of Comprehensive Net Expenditure, which is shown in Note 2.

The Agency is reviewing the oversight arrangements on contracts to ensure the year end position accurately reflects the substance of transactions, based on the amount of work performed to that point.

Statement of Comprehensive Net Expenditure

Funding is received directly from the Department which the Agency uses to further its objectives.

Expenditure for 2017-18 (excluding notional recharges) was £49.8 million (2016-17: £50.7 million) The decrease is due to savings in operating expenditure (for test research and print and logistics)

Shared services costs of £4.4 million (2016-17: £3.9 million) are a notional recharge from the Department to the Agency, for which no budget allocation is made. The charge is an allocation of central Group costs made to enable an approximation to the full cost of the Agency to be disclosed.

Statement of Financial Position

The Agency does not have any non-current assets other than software assets, as it operates out of the Departmental estate. Working capital of receivables and payables is shown accordingly.

The software the Agency has recognised for the first time is development expenditure in relation to the year 4 multiplication checks, which will become mandatory in June 2020.

The Agency does not operate its own bank account, funds are held and disburse from Departmental Group bank accounts. Consequently, no cash at bank balance is presented.

Receivables have increased due to VAT being deemed recoverable on expenditure on multiplication checks.

Payables have decreased slightly to £11.6 million (2016-17 restated: £12.3 million), primarily due to a reduction in required accruals

There has been a decrease in the deficit of the Agency to £9.2 million.

Long-term expenditure trends

In November 2015 the Department agreed a settlement with HM Treasury for the next four financial years, as part of the 2015 [Spending Review](#)⁷. Following this settlement, the Department's [Single Departmental Plan](#)⁸ was published in February 2016. The figures for the Agency are included within the Departmental spending plans.

The Departmental Group ARA presents the expenditure trends for the whole of the Departmental Group.

Performance on other matters

Sustainability

We adopt the Department's policies on sustainability. We aim to manage our business in an environmentally sustainable way and the Department's ARA⁹ describes our performance in this.

⁷ <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents>

⁸ <https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020>

⁹ <https://www.gov.uk/government/collections/dfes-annual-reports>

Non-financial matters

The Agency is aligned with the Department in respect to the following matters.

Social matters

The Department strongly encourages volunteering in line with the Government's Big Society agenda. Volunteering is actively promoted by the department as an opportunity to give back to worthwhile causes and the community, whilst also highlighting the personal and skills development that volunteering can deliver.

Our volunteering policy offers a minimum of three days special paid leave for non-statutory volunteering and up to six days special paid leave for statutory volunteering, which includes school governors.

The Department has a Diversity and Inclusion strategy launched in 2014. The plan focuses on attracting, recruiting, managing and supporting a diverse workforce that reflects the community we serve. Our departmental strategy builds on the Civil Service Diversity and Inclusion Strategy released in October 2017.

We have many active networks who meet together as a group, ensuring a coordinated approach to supporting and delivering the actions from the Department's Equality, Diversity and Inclusion Plan.

Respect for human rights

Under the *Equality Act 2006*, the Department encourages and supports the development of society in which:

- people's ability to achieve their potential is not limited by prejudice or discrimination;
- there is respect for and protection of each individual's human rights;
- there is respect for the dignity and worth of each individual;
- each individual has an equal opportunity to participate in society; and
- there is mutual respect between groups based on understanding and valuing diversity, and on shared respect for equality and human rights.

Anti-corruption and anti-bribery matters

The Department is committed to conducting its affairs in an ethical and honest manner, and is committed to implementing and enforcing systems that ensure bribery is prevented. The Department has zero-tolerance for bribery and corrupt activities. We are committed to acting professionally, fairly, and with integrity in all business dealings and relationships, wherever in the country we operate.

The Department will constantly uphold all laws relating to anti-bribery and corruption in all the jurisdictions in which we operate. The Department is bound by the laws of the UK, including the *Bribery Act 2010*.

This year, staff were required to complete mandatory training highlighting their responsibilities in recognising and preventing fraud and bribery. The Department also has a Standards of Behaviour policy, which sets out its expectations from staff in relation to theft and fraud.

Claire Burton
Accounting Officer

5 July 2018

Accountability report

Corporate governance report

This report includes details of the Agency's practices and processes by which it is directed and controlled.

The Directors' report

Directors

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

Claire Burton	Chief Executive
Liz Twist	Deputy Director, Test Development (to 17 September 2017)
Colin Watson	Deputy Director, Test Development (from 7 August 2017)
Marc Cavey	Deputy Director, Assessment Strategy, Policy and Communications
Una Bennett	Deputy Director, Test Operations

Progress

This past year has seen a minor change to the board. Colin Watson returned from career break in August 2017. His replacement, Liz Twist who was on secondment to the Agency, returned to National Foundation for Educational Research (NFER) in September 2017.

Declaration of interest

There have been two potential conflict of interest this year. Firstly, Colin Watson took a career break between July 2016 and August 2017. During that time, he worked at the Australian Council for Educational Research (ACER). As he undertook paid employment during his time off, he notified the interim Chief Executive, who was in post during 2016, prior to signing a contract. The interim Chief Executive gave their approval. As ACER are on the Agency's item writing framework, Colin notified the Chief Executive that he would be working in a separate part of the organisation and would not be involved in any Agency contract work or any bids that ACER made during his time with them.

Secondly, Liz Twist was appointed to cover Colin Watson's role on secondment from NFER, one of Agency's suppliers of item writing and trialling services. During the

course of Liz's secondment, a number of tenders were issued and NFER could have bid for these. As part of Liz's secondment agreement, a protocol was developed which removed any involvement in evaluating tenders. I also wrote to all organisations on the relevant frameworks informing them of this protocol. The Agency maintains a register of interests that contains details of company directorships and other significant interests held by the EMB members. The Agency arranged to pay Liz' salary and on-costs directly to NFER.

Report on personal information breaches

All government 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.

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

Number of protected personal data related incidents that fell within the criteria for reporting to the Information Commissioner's Office:

	2017-18	2016-17	2015-16
No of incidents	Nil	Nil	Nil

Complaints to the Parliamentary Ombudsman

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. The Agency falls within the scope of the ombudsman's activities.

Number of Agency-related complaints accepted for investigation:

	2017-18	2016-17	2015-16
No of complaints	Nil	Nil	Nil

We adhere to the Department's complaints process, which commits to responding to any complaint within 15 working days.

Statement of Accounting Officer's responsibilities

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.

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
- prepare the accounts on a going concern basis.

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.

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.

I confirm that the ARA as a whole is fair, balanced and understandable and I take personal responsibility for the ARA and the judgements required for determining so.

Governance statement

Scope of responsibility

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.

Governance, internal control and risk management

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.

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.

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 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.

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 HMT *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

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 and the requirements for compliance with 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

Throughout the year, the Director General for ESD held 3 quarterly Strategic Performance Reviews (SPRs) to review and challenge the Agency's progress, financial management and the management of risks.

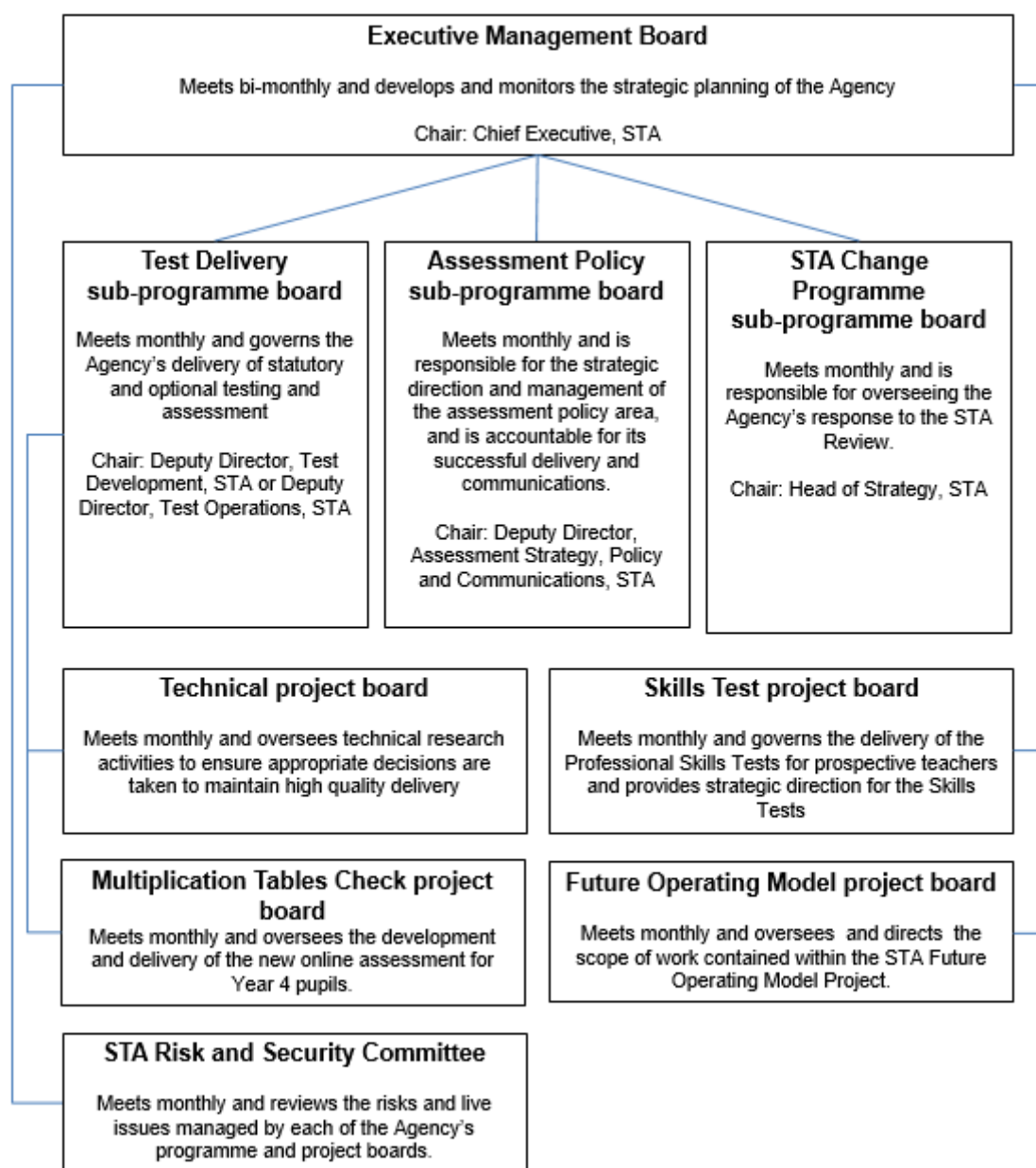
Two out of a possible 3 SPRs were attended by a Non-Executive Director of the main Departmental board.

The 3 SPR meetings took place on 28 June 2017, 28 September 2017 and 30 January 2018. Attendees are shown in the table below:

Member	Position	Attendance
Paul Kett	Interim then substantive Director General, ESD (Chair)	3 / 3
Claire Burton	Chief Executive	3 / 3
Marion Plant OBE	Departmental Non-executive Director	2 / 3

Governance at Agency level

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

The Executive Management Board 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.

The bi-monthly EMB is chaired by me, as Chief Executive, and membership comprises the Agency's deputy directors. Wider Departmental representation and advice is provided by the Department's Finance Business Partnering team in an advisory capacity. Members of the Agency's Senior Management Team attend to report on assessment policy, test development, delivery progress and risk and issue management as required.

Visibility and assurance of progress and an assessment of confidence in delivery of the Agency's work streams 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 their pre-determined tolerance are reviewed by the Agency's Audit and Risk Committee and, if appropriate, escalated to the EMB for information or action. The EMB also reviews and manages all strategic risks.

The EMB routinely considers financial reports provided by the Agency's Finance Business Partnering 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.

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 workforce numbers, where there have been issues with easily obtaining reliable data at an Agency level from the Department's systems. These issues were escalated and were resolved quickly. Prior to submission to EMB, all reports are subject to quality assurance processes by senior managers.

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 complemented by challenge and advice from the advisory member (the Department's Director General). The Agency requires EMB members to register any company and organisation directorships or other significant interests. The Agency maintains a register of interests of the financial, political and other relevant interests of EMB members. The 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	5 / 6
Liz Twist	Deputy Director, Test Development (to 17 September 2017)	3 / 6
Colin Watson	Deputy Director, Test Development (from 7 August 2017)	2 / 6
Marc Cavey	Deputy Director, Assessment Strategy, Policy and Communications	5 / 6
Una Bennett	Deputy Director, Test Operations	5 / 6

Test Delivery sub-programme board

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.

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.

Significant items discussed by the board included:

- amendments to the marking reviews tolerance for 2017/18;
- improvements to training and standardisation of local authority moderators for teacher assessment; and
- supplier arrangements for the 2019 test cycle.

Assessment policy sub-programme board

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.

Significant items discussed by the board included:

The primary assessment consultation;

- Rochford Review;
- primary assessment legislative changes for 2018/19 ; and
- strategic communications, including handling plans for key announcements on primary assessment and stakeholder engagement.

STA change programme sub-programme board

The STA's change programme sub-programme board is responsible for overseeing the Agency's change programme following the review. The board provides a forum for discussion between the Agency's senior management team and the project groups, which were set up to take forward the recommendations across five thematic areas.

Significant items discussed by the board included:

- progress against each of the recommendations;
- approval of new products developed by the work strands (i.e. end-to-end process map, management information pack for senior management); and
- deciding to formally close the change programme.

Project boards

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.

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.

The Future Operating Model Project Board is established to oversee and direct the scope of work contained within the Agency's Future Operating Model Project for procurement of test operation services. This is a decision-making forum chaired by the Senior Responsible Officer, or a delegated deputy.

The Multiplication Tables Check Project Board oversees the development and delivery of the new online assessment for Year 4 pupils that will become statutory in 2020. This is a decision making forum chaired by the Senior Responsible Owner, or a delegated deputy.

Department audit and risk

The Agency has received oversight from the Department's Audit and Risk Committee (ARC) and Performance Committee, which are both sub-committees of the Department's Board and chaired by Non-Executive Board Members.

ARC's primary role is to provide scrutiny and challenge of the Department's and the Agency's ARA 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.

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 ARA.

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.

ARC makes recommendations to the Chief Executive as Accounting Officer and the Board on the Agency's risk management and its ARA. The Chief Executive attended the ARC meeting in July 2017 at which the ARA for 2016-17 along with the Audit Completion Report from the National Audit Office were reviewed.

Assurance

The Agency receives internal audit and assurance services from the Government Internal Audit Agency. 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 2017-18. 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

The Agency is included in any cross-department compliance and themed audits where relevant, and in any audits based on the Single Operating Platform (SOP) system. This has included, for example, Quarterly Payments Testing. No Agency specific issues were highlighted as a result of the cross-department work.

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

- The first was the conclusion of the audit on the Agency's response to the STA Review report. A Moderate assurance opinion was given on the basis that significant progress has been made implementing the recommendations from the STA Review.
- The second audit focused on the Test Operations Service Procurement. The review noted the assurance, governance and accountability processes applied over each stage of the procurement process. Some areas for improvement in documentation were identified and a Moderate assurance opinion was given.
- The third audit focused on Test Materials Handling Processes and Assurance. A Moderate assurance opinion was given as GIAA concluded that the handling processes for test materials are robust overall although a number of areas for improvement were identified, all of which have been addressed.
- The fourth audit focused on Assessment Policy Changes. A substantial audit opinion was given. GIAA concluded that there are robust governance arrangements in place to manage the delivery of policy changes arising from the Rochford review.

All agreed actions arising from audit reports are monitored by the EMB. Progress in implementing them is reported regularly to the SPR and the Agency's Risk and Security Committee. 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. The Group Chief Internal Auditor has provided moderate assurance to the Accounting Officers for the Department and its agencies, including the Agency. This reflects her 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

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).

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).

STA Risk and Security Committee

From April 2017, the Agency's Audit and Risk Committee was renamed the Risk and Security Committee (RASC). Its role is to review the risks and live issues managed by each of the Agency's programme and project boards, review the Agency's management of the Department's key risk on primary assessment that it is responsible for, and oversight of the Agency's security arrangements. 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.

The RASC meets monthly and its objectives are:

- through targeted challenge and scrutiny of key the Agency's risks and issues, to improve identification, ownership, controls, active management and impact of risks;
- through review and challenge, to reduce the incidence, and improve handling, of unexpected issues and near misses; and
- to ensure risks and issues across the range of the Agency's responsibilities are managed in accordance with the Departmental strategic risk management framework.

In order to manage risks at the right level, operational and strategic risks are escalated to the RASC. 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.

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 RASC through the EMB as necessary.

There have been no lapses in risk management over the course of the last year.

Strategic risks

The Agency has responsibility for managing one of the Department's strategic risks. This relates to delivery of the primary testing system. The risk was reviewed by the Department's Performance Committee four times during the reporting period, in April 2017, July 2017, October 2017 and January 2018.

Shared services

The Department and its Agencies have an outsourced shared service arrangement for provision of certain areas of its internal finance, HR and procurement transactional processes. This arrangement has been in place since 2013.

During the year, the service provider's external assessment of the design and operation of controls (undertaken in accordance with *International Standard on Assurance Engagements* (ISAE 3402) received a qualified opinion from its ISAE 3402 auditors, as a number of the controls in place at the service provider had not operated as expected. No impact on financial accounts was identified by the auditors and further progress on addressing them is expected in 2018-19.

There have been a couple of significant failures of service during the year relating to the introduction of the Single Operating Platform. This resulted in the late payment of suppliers and staff salaries. These issues were escalated the Department and were eventually resolved. The Department and its Agencies are keen to see an improvement in the service and process quality experienced by staff and in the use of transactional service data to generate better quality management information.

Business continuity

The Agency has responsibility for managing its own business continuity requirements and plans, aligning with the Department's wider arrangements.

We continue to keep the Business Continuity Plan (BCP) under review as the Agency's remit and business portfolio changes, and we will continue to undertake cross-site 'dry' testing of the plan every 6 months with 'wet' site and business area specific testing also being completed, with focus on a different Agency site and in different business areas every 6 months. Alongside, and underpinning the work on the Agency's BCP, review of tactical business and live NCA test and trialling delivery operations risk contingencies, and business continuity plans continues (including those for the General Qualifications Logistics 'Yellow Label' and the Professional Skills Tests for Prospective Teachers services), with changes and lessons to be learnt feeding back into the main BCP. The main BCP was subject to a full independent review by members of the Department's Education Standards Directorate Support Team (who have responsibility for review of Group level and Agency BCPs falling within ESD's remit, including that of the Agency) – no changes resulted/were required following this review, feedback from which was that the plan reviewed was 'thorough and covered all the areas / issues it needed to'.

Programme and project management

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.

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.

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.

As a result of these measures, we have assurance that we have achieved our objectives.

Financial management

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.

In relation to the restatement in this year's ARA the Agency is in the process of reviewing the arrangements and I am confident that there will be a more consistent approach in future.

Delivery arrangements and achievements against business plan

The Business Plan 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.

All third party suppliers have a designated contract manager within the Agency as well as being assigned to one of the 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.

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 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.

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

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 Insight, Resources and Transformation is the designated Senior Information Risk Owner with overall responsibility for the management of information security in the Department's executive agencies.

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.

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.

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.

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.

Working with the Department'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.

The Agency constantly and actively monitors supplier performance against the contract, including unannounced site inspections. Suppliers are typically required to return or securely destroy data at the end of each test cycle.

This year we have continued to focus on the maintenance of information and systems security documentation, taking particular care to ensure that our test delivery partners are compliant. This has been achieved through the application of the Department's new Departmental (Information) Security Assurance Model (DSAM) arrangements (introduced in 2016). Where we have limited assurance of our delivery partners' compliance this is reflected in the Agency risk register.

We secured full DSAM Assurance for the 2017 test cycle services delivered via the NCA KS2 External Marking Service contract, and are also in a strong position to secure full assurance for the 2018 test cycle services. Improved security processes were introduced during the 2017 test cycle for the External Marking Services which had a positive impact on reducing the number of operational incidents that occurred during the 2017 test cycle, when compared to 2016.

The Skills Test contract has met the requirement for DSAM Assurance. We have worked closely with the Department's DSU to secure this accreditation.

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.

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

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. I am pleased with how the Agency has responded to the security breaches in 2016. The internal change programme, which formally closed in December 2017, addressed the weaknesses that were identified in some of our processes, which were not previously picked up through our programme and project management arrangements. I am confident this work, now and in the future will ensure our operations are as effective and efficient as possible.

Remuneration and Staff Report

Remuneration Part A: Unaudited

Accounting Officer and executive management board members' remuneration policy

The Accounting Officer and all EMB members are senior civil servants whose pay is decided by the senior civil servant pay committee, chaired by the Permanent Secretary, and comprising members of the Department's Management Committee and a non-executive director. The senior civil servant 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](#).

As staff employed by an executive agency of the Department, the Executive Management Board's performance management and contractual terms are as described in the Department's ARA. As such, the Department manages performance management and non-consolidated performance awards for members of the senior civil service within the framework set by the Cabinet Office. The contractual terms of EMB members also comply with requirements set centrally by the Cabinet Office. Cabinet Office's framework and standards can be found on the civil service website.

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.

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 Part B: Audited

Remuneration (including salary) and pension entitlements

	Salary		Bonus Payments		Benefits-in-Kind		Pension benefits		Total	
	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000	2017-18 £	2016-17 £	2017-18 £000	2016-17 £000	2017-18 £000	2016-17 £000
Chief Executive										
Claire Burton	80-85 (85-90)	80-85 (85-90)	-	-	1,128	100	24	17	105-110 (110-115)	100-105 (105-110)
Deputy Director										
Colin Watson (from 7 August 2017)	50-55 (80-85)	25-30 (80-85)	-	-	-	-	18	10	70-75 (95-100)	35-40 (90-95)
Marc Cavey	70-75	50-55 (70-75)		0-5	-	-	31	45	100-105	95-100 (115-120)
Una Bennett	80-85	10-15 (80-85)	-	-	-	-	32	5	110-115	15-20 (85-90)

In the table above the full year equivalent is shown in brackets

Liz Twist was appointed Deputy Director in July 2016 and remained in this post until September 2017. Liz was on secondment from National Foundation for Educational Research (NFER). The Agency arranged to pay Liz' salary and on-costs directly to NFER. The total invoice value of payments for the period is in the range £50,000-£55,000 FTE £95,000-£100,000 (2016-17: £70,000-£75,000 FTE £100,000-£105,000).

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 this ARA.

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 taxable emolument.

During the year one board member received a benefit in kind (2016-17: one).

Bonuses

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 senior civil servants 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.

The timing of awards has changed in 2017-18, formerly being wholly retrospective (awarded in 2016-17 but paid in 2017-18) to being partially paid in the current year (in part awarded in 2017-18 and paid in 2017-18). Therefore, the performance awards disclosed in the remuneration report in 2017-18 cover both 2016-17 and an element of 2017-18 performance. In the accounts bonus is accrued to the year to which it relates.

Pay multiples

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

	2017-18	2016-17	2015-16
Band of highest paid director's remuneration (£000)	85-90	85-90	90-95
Median (£000)	37	35	36
Range (£000)	23-90	23-87	22-93
Remuneration Ratio	2.3	2.5	2.5

The banded remuneration of the highest-paid director in the Agency in the financial year 2017-18 was £85,000-90,000 (2016-17: £85,000-90,000). This was 2.3 times (2016-17: 2.5) the median remuneration of the workforce, which was £37,000 (2016-17: £35,000).

In 2017-18, no employees (2016-17: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £23,000-£90,000 (2016-17: £23,000-£87,000). 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

As an executive agency of the Department, the Agency's staff are members of the Principal Civil Service Pension Scheme that provides pension benefits. The Department's ARA provide information on these arrangements, so we do not reproduce them here. Readers can find details on the scheme at the civil service pensions' website.

Officials

	Accrued pension and related lump sum at pension age as at 31 March 2018 £000	Real increase in pension and related lump sum at pension age £000	CETV at 31 March 2018 £000	CETV at 31 March 2017 £000	Real increase in CETV £000	Employer contribution to partnership pension account Nearest £100
Claire Burton	20-25 plus a lump sum of 45-50	0-2.5 plus a lump sum of 0	268	244	5	0
Colin Watson	15-20	0-2.5	198	181	6	0
Marc Cavey	20-25 plus a lump sum of 50-55	0-2.5 plus a lump sum of 0-2.5	316	283	12	0
Una Bennett	15-20	0-2.5	254	224	17	0

Principal Civil Service Pension Scheme (PCSPS)

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date, all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the PCSPS. The PCSPS has four sections: three providing benefits on a final salary

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha, the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the *Finance Act 2004*.

Partnership pension

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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 0.5% 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, 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 2 schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the [civil service pensions' website](#)

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 cash equivalent transfer value is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the principal civil service pension scheme. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. Cash equivalent transfer values are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in cash equivalent transfer value 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

Compensation for loss of office

The Agency had paid no compensation for loss of office in 2017-18 (2016-17: nil).

Staff report Part A: Audited

Staff costs

The staff costs for the Agency were £7 million (2016-17: £6.3 million) and the average number of full-time equivalent staff employed during the year was 122 (2016-17: 118).

The average number of whole-time equivalent persons employed during the year was as follows:

			2017-18	2016-17
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and Salaries	4,842	633	5,475	4,808
Social security costs	517	4	521	523
Pension costs	979	1	980	995
	6,338	638	6,976	6,326
Less recoveries in respect of outward secondments	-	-	-	-
	6,338	638	6,976	6,326

The Agency pays a flat fee for agency staff, which includes social security, holiday pay, pension costs etc. This note discloses the total sum as wages and salaries.

Average number of persons employed

The average number of the whole time equivalent persons employed during the year is as follows:

			2017-18	2016-17
	Permanently employed staff Number	Others Number	Total Number	Total Number
Directly employed	116	-	116	116
Other	-	6	6	2
	116	6	122	118

Civil service pensions

For 2017-18, employers' contributions of £979,429 were payable to the PCSPS and CSOPS (2016-17: £990,000) 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 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners

No individuals retired early on ill health grounds (2016-17: nil), the total additional accrued pension liabilities in the year amounted to £nil (2016-17: £nil).

Partnership pension accounts

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2017-18, no employees had a partnership pension; therefore, there were no employers' contributions (2016-17: £nil).

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. There were no employer contributions (2016-17: £nil), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, payable to the PCSPS and CSOPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

There were no contributions due to the partnership pension providers at the balance sheet date (2016-17: £nil). Contributions prepaid at that date were nil.

Reporting of civil service and other compensation schemes

The Agency had no compulsory redundancies or other agreed departures in 2017-18 (2016-17: nil)

Part B: Unaudited

Analysis of staff policies and statistics

Staff by grade and gender

The headcount for permanent staff as at 31 March 2018 is as follows:

Grade	Male	Female	Total
Director	-	1	1
Deputy Director	2	1	3
Grade 6	2	7	9
Grade 7	7	13	20
Senior executive officer	11	24	35
Higher executive officer	11	22	33
Executive officer	9	12	21
	42	80	122

Recruitment practice

The Agency has a duty to ensure it is fully compliant with the Civil Service Commissioners' recruitment principles. The Agency's approach to recruitment reflects its commitment to equal and fair opportunity for all. All recruitment processes comply with the *Equality Act 2010*.

Sickness absence

	2017-18	2016-17	2015-16
Total days lost	359.6	544.9	947.0
Sickness absence days per FTE	3.1	4.9	8.4

The figures disclosed above compare well with figures across the Civil Service, which currently average 7.0 working days lost per FTEs¹⁰

Commitment to improving diversity

The agency adopts the Department's diversity and inclusion strategy, launched in January 2018. It sets out action the Department will take in five areas – leadership; recruitment and attraction; talent and progression; collection, sharing and use of data; and inclusive culture and behaviours.

The strategy is underpinned by four key principles:

- everyone has a role to play in creating an inclusive culture and making the department a truly great place to work;

¹⁰ <https://www.gov.uk/government/publications/civil-service-sickness-absence>

- we are all able to 'be ourselves' at work to be different from each other in many ways and feel supported, empowered, valued, respected and fairly treated;
- all of us are able to build successful careers and achieve our potential; and
- we put openness, honesty, challenge and innovation at the core of what we do.

The Agency makes use of the Department's active diversity networks, including a BAME network, a LGBT+ network, a disability group and a neurodivergence network. It also takes advantage of the mental health first aiders providing first line support.

Unconscious bias training is mandatory for all staff, whilst other diversity and inclusion training includes leading inclusive teams workshops and disability confident line manager focus groups.

Addressing under-representation

The Department's diversity and inclusion strategy includes specific targets which have been agreed by Cabinet Office. The Agency is working to support representation of BAME and disabled staff at all levels.

Staff policies for disabled persons

The Department gained Disability Confident Leader Level 3 status in 2017, which extends to the Agency. This means that it is seen as a champion for disability confidence, with a role in supporting other employers to become disability confident.

The Agency operates a policy which allows disabled staff to take disability leave rather than sickness absence when they need to attend appointments or have treatment related to their disability. It also in its recruitment policies guarantees an interview to any disabled candidate who demonstrates that they meet the minimum standard required for the role.

People management

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 five 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; and

- moderated by deputy directors to ensure consistency.

Expenditure on consultancy

We employ contractors who are professionally qualified and are employed on short-term contracts. The cost of these contractors in 2017-18 was £205 (2016-17: £124,000). It is the responsibility of the hiring managers to ensure that all contractors comply with their tax obligations. The framework contracts for contingent workers that the Agency has placed, or draws upon as part of the Department, include provision for workers supplied by these companies to meet their obligations. The cost of contingent labour in 2017-18 was £49,374 (2016-17: £18,000). This increase is due to specific work undertaken to ensure projects complete quickly and efficiently.

Health and safety at work

The Agency is committed to ensuring the health, safety and wellbeing of staff, contractors and all others who could be affected by its activities. It fully accepts its responsibilities under the *Health and Safety at Work etc. Act 1974*.

We recognise that effective management of health and safety makes a significant contribution to our overall business performance and strategic aims, as well as a positive impact on the wellbeing of staff. The Agency acknowledges that positive, proportionate health and safety risk management prevents harm and enables efficient delivery of services across the Agency.

Review of tax arrangements of public sector appointees

Off-payroll engagements as of 31 March 2018, greater than £245 per day and that last longer than six months

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 per annum, 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 between 1 March 2017 and 31 March 2018. The tables below set out this information.

	Number
Number of existing arrangements as of 31 March 2018	21
Of which the number that have existed for:	
less than one year at time of reporting,	4
between one and two years at time of reporting,	17
between two and three years at time of reporting,	-

	Number
between three and four years at time of reporting,	-
four or more years at the time of reporting.	-
	21

All existing off-payroll engagements, outlined above, have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax, and where necessary, that assurance has been sought.

New off-payroll engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018, for more than £245 per day and which last for longer than six months.

	Number
No. of new engagements, or those that reached six months in duration, between 1 April 2017 and 31 March 2018	4
Of which:	
No. assessed as caught by IR35	-
No. assessed as not caught by IR35	4
Of which:	
No. engaged directly (via PSC contracted to department) and are on the departmental payroll	-
No. of engagements reassessed for consistency / assurance purposes during the year	-
No. of engagements that saw a change to IR35 status following the consistency review	-
	-

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2017 and 31 March 2018.

	Number
No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
No. of individuals that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure should include both off-payroll and on-payroll engagements	4

Trade union facility time

The Trade Union (Facility Time Publication Requirements) regulations 2017 requires relevant public sector organisations to report on trade union facility time in their organisations. 2017-18 is the first year of reporting and this information can be found in the Departmental Group ARA, as the information is collected at a group level and not at agency level.

Staff relations and communications

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, regular corporate communications help to build commitment to corporate goals. This includes a weekly all staff email from the Director of Programme Delivery, and monthly site briefings led by Deputy Directors on progress against objectives and potential issues and challenges (including external factors). The monthly Programme Boards also alternate between the Department's sites to allow Agency staff to attend and observe. Divisional sessions are also held throughout the year, which focus on aspects specific to their areas of work. Agency senior civil servants hold teleconferences each week to share information and discuss progress on delivery.

Parliamentary accountability and audit report

Overview

This report includes details of the Agency's losses and special payments.

Parliamentary accountability disclosures: audited

A1 Losses statement

	2017-18	2016-17
Number of cases	2	6
Value	£000	£000
Fruitless payments	6	9
	6	9

A2 Special payments

There were no special payments in the year to 31 March 2018 (2016-17: £nil).

Claire Burton
Accounting Officer

5 July 2018

The Certificate of the Comptroller & Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Standards and Testing Agency (STA) for the year ended 31 March 2018 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 the Parliamentary Accountability disclosures that are described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of STA's affairs as at 31 March 2018 and of the 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 Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of STA in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of STA's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the STA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the STA and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and 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 disclosures 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

17 July 2018

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

Financial Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2018

	Note	2017-18 £000	2016-17 Restated £000
Operating income		(24)	-
Total operating income		(24)	-
Staff costs	4	6,976	6,326
Grant expenditure	5	2,966	2,591
Operating expenditure	6	44,291	45,744
Total operating expenditure		54,233	54,661
Net operating expenditure		54,209	54,661
Comprehensive net expenditure for the year		54,209	54,661

All operations are continuing. The notes on pages 63 to 76 form part of these accounts.

Statement of Financial Position

as at 31 March 2018

	Note	2018 £000	2017 Restated £000	2016 Restated £000
Non-current assets				
Intangible assets	7	2,018	-	-
Total non-current assets		2,018	-	-
Current assets				
Receivables	8	304	23	13
Total current assets		304	23	13
Total assets		2,322	23	13
Current liabilities				
Payables	9	(11,569)	(12,308)	(7,629)
Total current liabilities		(11,569)	(12,308)	(7,629)
Total assets less current liabilities		(9,247)	(12,285)	(7,616)
Total assets less total liabilities		(9,247)	(12,285)	(7,616)
Taxpayers' equity and other reserves:				
General fund		(9,247)	(12,285)	(7,616)
Total taxpayers' equity		(9,247)	(12,285)	(7,616)

The notes on pages 63 to 76 form part of these accounts.

Claire Burton
Accounting Officer

5 July 2018

Statement of Cash Flows

for the year ended 31 March 2018

		2017-18	2016-17
	Note	£000	Restated £000
Cash flows from operating activities			
Net operating cost		(54,209)	(54,661)
Adjustments for non-cash transactions	3.1	4,435	3,915
(Increase) in receivables	8	(281)	(10)
(Decrease) in payables	9	(739)	4,679
Net cash outflow from operating activities		(50,794)	(46,077)
Cash flows from investing activities			
Purchase of intangible assets	7	(2,018)	-
Net cash outflow from investing activities		(2,018)	-
Cash flows from financing activities			
Draw down of supply from sponsor department		52,812	46,077
Net cash inflow from financing activities		52,812	46,077
Net (decrease)/ increase in cash and cash equivalents in the period		-	-
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 63 to 76 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2018

	Note	General Fund £000
Balance at 31 March 2016 before restatement		(4,535)
Restatement		(3,081)
Balance as at 31 March 2016 after restatement		(7,616)
Net Parliamentary Funding - drawn down		46,077
Comprehensive expenditure for the year		(54,661)
Non-cash adjustments		
Auditor's remuneration	6	35
Notional shared service recharges	6	3,880
Balance at 31 March 2017		(12,285)
Balance at 31 March 2017 before restatement		(8,663)
Restatement		(3,622)
Balance as at 31 March 2017 after restatement		(12,285)
Net Parliamentary Funding - drawn down		52,812
Comprehensive expenditure for the year		(54,209)
Non-cash adjustments		
Auditor's remuneration	6	37
Notional shared service recharges	6	4,398
Balance at 31 March 2018		(9,247)

The notes on pages 63 to 76 form part of these Accounts.

Notes to the accounts

1. Statement of accounting policies

These accounts have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury (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 2015. 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 2017-18 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 under the historical cost convention other than the revaluation of intangible assets.

1.2 Going concern

The Department Estimate and forward plans include provision for the Agency's continuation and it is therefore appropriate to prepare the Agency's accounts as a going concern.

Whilst the Agency is in a negative equity position at the year end, this is due to being funded with no bank accounts, which leads to greater payables than assets. Supply funding has been provided to the Agency after the year end to continue its operations.

1.3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported values of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis.

1.3.1 Intangible assets

The recognition of internally developed intangible assets involves two critical judgements by management. The first judgement is over the projected feasibility of

the intangible asset once it has been completed. Internally created intangible assets can only be recognised when management are satisfied that the organisation has the technical and operational ability to complete the development of the asset; which will result in a useable and/or saleable product.

The second critical judgement is the identification of internal costs that are required to be included in the assets carrying value. Internal costs are only included if they are direct costs wholly incurred in developing the future intangible asset once the development project has moved into the development phase.

1.4 Adoption of FReM amendments

There have been no significant FReM changes in 2017-18.

1.5 Early adoption

The Agency has not early adopted any accounting standards in 2017-18.

1.6 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, the Standards and Testing 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. The full impact of the IFRSs in issue but not yet effective is not known and could be material to the accounts: the Agency has therefore, chosen not to early adopt requirements of the following accounting standards and interpretations, which have an effective date after the start of these accounts:

Standard	Effective	FReM application	Impact
IFRS 9 Financial Instruments	1 January 2018	2018-19	<p>Change: This change simplifies the classification and measurement of financial assets, as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>Impact on Agency: The adoption of IFRS 9 has not yet been agreed by HMT. Consequently, the Agency is unable to establish the impact.</p>
IFRS 15 Revenue	1 January 2018	2018-19	<p>Change: The changes set out steps for revenue recognition along with</p>

Standard	Effective	FReM application	Impact
from Contracts with Customers			requirements for accounting for contract costs. Impact on the Agency: For many contracts the accounting for revenue will remain unchanged.
IFRS 16 Leases	1 January 2019	2019-20 (Subject to EU adoption and consultation)	Change: The proposed changes simplify the classification and measurement of leases by introducing a single lessee accounting model, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases which last over 12 months to be recognised as a finance lease (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised. Impact on the Agency: STA does not currently hold any finance or operating leases, therefore the impact of the new standard will be minimal.

1.7 Segmental reporting

In accordance with *IFRS 8: Operating Segments* (IFRS 8), the Agency has considered the need to analyse its income and expenditure relating to operating segments. The Agency has assessed that all lines of operation fall within the same geographical location and regulatory environment as envisaged by IFRS 8. Since segmental information for total assets and liabilities is not regularly reported to the chief operating decision-maker and in compliance with the FReM, it has not been produced in the accounts.

See Note 3 for operational disclosures.

1.8 Income

The Agency receives the following income streams and accounts for it as follows:

1.8.1 Operating income

Operating income is income which relates directly to the operating activities of the Agency.

Income is stated net of recoverable VAT where applicable.

1.8.2 Draw down of supply from the sponsoring department

The Agency has recorded all draw down of supply by the Department as financing, as the Agency regards draw down of supply as contributions from the Agency's controlling party giving rise to a financial interest. The Agency records draw down of supply as financing in the Statement of Cash Flows and draw down of supply to the general reserve.

1.9 Grants payable

The majority of grants made by the Agency are recorded as expenditure in the period in which the claim is paid, as the grant funding cannot be directly related to activity in a specific period. The claims are deemed to be the only appropriate and measurable activity that truly creates an entitlement for the recipient. However, recognition of the entitlement of grant varies according to the individual programme. Where entitlement to the grant has arisen during the period it is accrued in the SoCNE and shown as a liability on the SoFP.

1.10 Grant recoveries

Grants paid to end users that are unspent at the year-end may be retained to fund future activity. The Agency does not recognise a prepayment if the end user has not spent the grant due to timing or delays.

Some grants will result in recognition of a receivable at the year end if there has been over-funding or un-spent amounts:

- Where the Agency pays end users according to a grant payment profile established before the final grant obligation is known, and the actual spend shows over-funding; or
- Un-spent amounts will arise where time bound grants have been provided and not spent within the stipulated timescale.

The accounts will only recognise a receivable when either of the above instances crosses the year-end.

1.11 Pensions

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

Where the Agency contributes to defined contribution and unfunded defined benefit pension schemes (for which there are no underlying assets and liabilities), the Agency recognises contributions payable in the Statement of Comprehensive Net Expenditure.

1.12 Financial instruments

The Agency applies *IFRS 7 Financial Instruments: Disclosures*, *IAS 32 Financial Instruments: Presentation* and *IAS 39 Financial Instruments: Recognition and Measurement*. Financial assets and financial liabilities are recognised when the Agency becomes party to the contractual provisions of the instrument. Embedded derivatives are recognised if separable from the host contract.

1.12.1 Financial assets

The Agency classifies financial assets where appropriate as trade and other receivables.

Trade and other receivables

Trade and other receivables have fixed or determinable payments that are not quoted on an active market. Trade and other receivables do not carry any interest and the Agency recognises them initially at their face value then subsequently measured at amortised cost using the effective interest method. The Agency recognises appropriate allowances (provisions or write-offs) for estimated irrecoverable sums (bad debts) in the Statement of Comprehensive Net Expenditure when there is objective evidence that the asset is impaired. The Agency measures the allowance recognised as the difference between the assets' carrying value and the estimated future recoverable value.

1.12.2 Financial liabilities

The Agency classifies financial liabilities as trade and other payables and accruals.

Trade and other payables

Trade and other payables, including accruals, are generally not interest bearing and the Agency states them at their face value on initial recognition. Subsequently, the Agency values them at amortised cost using the effective interest method.

1.13 Intangible assets

Assets are capitalised as intangible assets where expenditure of £2,500 or more is incurred. Intangible assets are initially valued at cost, then carried at fair value that is determined by reference to an active market where possible. Where there is no active market, we use depreciated replacement cost as a proxy fair value. Assets are amortised over their estimated useful economic lives. Assets under construction (AuC) are not amortised but are assessed for impairment annually.

Asset lives are in the following ranges:

Developed software	3 - 5 years
AuC	n/a

1.14 Value added tax

Most of the activities of the Agency are outside the scope of VAT. 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 or included in the capitalised purchase cost of property and equipment and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.15 Corporation tax

The Agency is exempt from corporation tax.

1.16 Shared services

The Departmental Group provides a number of corporate functions as a shared service reflecting the Department's operating model as follows:

- human resources;
- estates and facilities management;
- communications;
- legal services;
- information, communication and technology services; and
- corporate finance and procurement.

The accounts include a notional recharge from the Department to the Agency to reflect the costs of these shared services. The Department makes direct charges in relation to these services that can be directly apportioned to the Agency whilst the remainder of the Department's recharge to the Agency is an apportionment of costs. The Department calculates the apportionment as a cost per full time equivalent employee within the Departmental Group multiplied by the number of the Agency's full time equivalent employees.

2. Restatement

The Agency has made one restatement of the comparative figures as noted below. The tables below reconcile the affected primary statements published as part of the 2016-17 ARA to those included as comparatives in this ARA.

Adjustment: Accruals in respect of contract expenditure

As per the financial commentary the Agency has previously not accrued expenditure on a number of contracts, relying solely on the payment date. The impact of restating the values are noted below:

2.1 2016-17 Statement of Comprehensive Net Expenditure

	Originally presented £000	Adjustment £000	Restated £000
Operating income	-	-	-
Total operating income	-	-	-
Staff costs	6,326	-	6,326
Grant expenditure	2,591	-	2,591
Operating expenditure	45,203	541	45,744
Total operating expenditure	54,120	541	54,661
Net operating expenditure	54,120	541	54,661
Comprehensive net expenditure for the year	54,120	541	54,661

FINANCIAL STATEMENTS**2.2 2017 Statement of Financial Position**

	Originally presented £000	Adjustment	Restated £000
Current assets			
Receivables	23	-	23
Total current assets	23	-	23
Total assets			
Current liabilities			
Payables	(8,686)	(3,622)	(12,308)
Total current liabilities	(8,686)	(3,622)	(12,308)
Total assets less current liabilities	(8,663)	(3,622)	(12,285)
Total assets less total liabilities	(8,663)	(3,622)	(12,285)
Taxpayers' equity and other reserves:			
General fund	(8,663)	(3,622)	(12,285)
Total taxpayers' equity	(8,663)	(3,622)	(12,285)

2.3 2016 Statement of Financial Position

	Originally presented £000	Adjustment £000	Restated £000
Current assets			
Receivables	13	-	13
Total current assets	13	-	13
Total assets			
Current liabilities			
Payables	(4,548)	(3,081)	(7,629)
Total current liabilities	(4,548)	(3,081)	(7,629)
Total assets less current liabilities	(4,535)	(3,081)	(7,616)
Total assets less total liabilities	(4,535)	(3,081)	(7,616)
Taxpayers' equity and other reserves:			
General fund	(4,535)	(3,081)	(7,616)
Total taxpayers' equity	(4,535)	(3,081)	(7,616)

3. Statement of Operating Costs by Operating Segment

As noted the Agency is split into three divisions for reporting purposes. Administrative costs are split between the divisions at a higher level. Additionally, Administration and Shared Services is identified as a reporting segment for the analysis required by *IFRS 8: Operating Segments*.

The vast majority of the lines of operation fall within the same geographical location and regulatory environment. Segmental analysis of the Agency's assets and liabilities are not reviewed by management and consequently are not provided here.

Further details of the operating divisions can be seen in the Performance report.

3.1 2017-18

	Assessment and Policy Development £000	Test Operation £000	Test Development £000	Admin and Shared Service £000	Total £000
Gross expenditure	667	33,691	11,622	3,818	49,798
Income	-	(24)	-	-	(24)
Budget net expenditure	667	33,667	11,622	3,818	49,774
Shared service recharge	-	-	-	4,398	4,398
Auditor's remuneration	-	-	-	37	37
Total notional recharges	-	-	-	4,435	4,435
Net expenditure	667	33,667	11,622	8,253	54,209

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3.2 2016-17 (restated)

	Assessment and Policy Development £000	Test Operation £000	Test Development £000	Admin and Shared Service £000	Total £000
Gross expenditure	396	34,228	12,559	3,563	50,746
Income	-	-	-	-	-
Budget net expenditure	396	34,228	12,559	3,563	50,746
Shared service recharge	-	-	-	3,880	3,880
Auditor's remuneration	-	-	-	35	35
Total notional recharges	-	-	-	3,915	3,915
Net expenditure	396	34,228	12,559	7,478	54,661

4. Staff costs

Disclosures relating to staff numbers and costs are detailed within the Remuneration and Staff Report.

5. Grant expenditure

	2017-18 £000	2016-17 £000
Grants to Local Authorities	2,219	2,235
Grants to others	747	356
	2,966	2,591

6. Operating expenditure

	2017-18	2016-17
	£000	Restated £000
Marking	20,748	20,352
Print and logistics	7,605	8,533
Test research and development	5,705	7,231
Reception baseline assessment	103	740
Teachers skills test	2,795	1,819
Other expenditure	2,900	3,154
	39,856	41,829
Non-cash items:		
Auditor's remuneration	37	35
Shared service recharges	4,398	3,880
	4,435	3,915
	44,291	45,744

7. Intangible assets

All intangible asset expenditure is currently classed as AuC, and therefore not amortised. The asset being developed is in relation to online multiplication checks.

	2018 £000	2017 £000
Cost	-	-
1 April 2017	-	-
Additions	2,018	-
Disposals	-	-
At 31 March 2018	2,018	-
Amortisation		
1 April 2017	-	-
Charged in year	-	-
Disposals	-	-
At 31 March 2018	-	-
Carrying value as at 31 March 2018	2,018	-
31 March 2017	-	-

8. Receivables

	2018 £000	2017 £000
Sums falling due within 1 year		
Trade receivables	32	11
VAT receivable	277	-
Deposits and advances	-	2
Other receivables	(5)	10
	304	23

9. Payables

	2018 £000	2017 Restated £000
Sums falling due within 1 year		
Other taxation and social security	142	136
Trade payables	1,045	85
Other payables	108	106
Accruals and deferred income	10,274	11,981
	11,569	12,308

10. Capital and other financial commitments

10.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

	2018 £000	2017 £000
Intangible assets	482	-
	482	-

There is a new capital commitment for the Agency in 2017-18. This is in regards to the Multiplication Test Check (MTC). The expenditure for this project was capitalised in 2017-18 and will be capitalised in 2018-19.

10.2 Other commitments

The Agency has entered into non-cancellable contracts (which are not leases or PFI (and other service concession arrangement) contracts), for marking KS tests.

The total payments to which the Agency is committed are as follows:

	2018 £000	2017 £000
Non-cancellable contracts:		
No later than one year	28,109	21,379
Later than one year and not later than five years	198	19,656
Later than five years	-	-
	28,307	41,035

11. Unquantifiable contingent Liabilities

At the year end, and now, the Agency is involved in an ongoing legal dispute with a supplier.

At the date of publication, the Agency is unable to reliably estimate the probable outcome of the case.

12. Related party transactions

The Agency regards the Department as a related party. During the year, the Agency had a number of material transactions with the Department and with other entities for which the Department is the parent department.

In addition, the Agency has had a number of transactions with other government departments and central bodies. Most of these transactions have been with the HMRC and PCSPS.

The Agency's senior civil servants are each required to complete an Assurance Framework Record where they declare related party transactions. The Agency considers the following relationships as related parties and has disclosed the relationships in line with *IAS 24 Related Party Disclosures*:

- Liz Twist: NFER (see page 23 for further information).

	2017-18		2016-17 Restated	
	Net Expenditure £000	Payables £000	Net Expenditure £000	Payables £000
NFER	3,694	1,074	5,597	621

13. Events after the reporting period

13.1 Events after 31 March

No events occurred after the year end that require disclosure.

13.2 Authorisation

The Accounting Officer authorised these accounts for issue on the date they were certified by the Comptroller & Auditor General. These accounts do not consider events after that date.

Annex

Annex A – Glossary of terms

Abbreviation or term	Description
Agency, STA	Standards and Testing Agency
ARA	Annual Report and Accounts
ARC	Audit and Risk Committee
CEO	Chief Executive Officer
DfE, Department	Department for Education
EMB	Executive Management Board
FReM	Financial Reporting Manual
HMT	Her Majesty's Treasury
IAO	Information Asset Owner
KS	Key Stage
LA	Local Authority
NAO	National Audit Office
PCSPS	Principal Civil Service Pension Scheme
RM	Resource Management
SPR	Strategic Performance Review
SRO	Senior Responsible Owner
2016-17 & 2017-18	Financial years, ending on 31 March
2016/17 & 2017/18	Academic years, ended on 31 August

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