



Standards  
& Testing  
Agency

# **Standards and Testing Agency**

## **Annual Report and Accounts**

**For the year ended 31 March 2017**

**An executive agency of the Department for Education**

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### **For the year ended 31 March 2017**

**An executive agency of the Department for Education**

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# Performance report

## 1. Overview

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

## Accounting Officer's introduction and perspective on performance

- 1.2. This Annual Report and Accounts report (ARA) covers the fifth 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).
- 1.3. Following two high-profile security breaches during the 2015-16 test cycle, which resulted in an independent review of the Agency being commissioned, we did not publish a Business Plan for 2016-17. However, our objectives and key performance indicators remained the same as in 2015-16.
- 1.4. The Agency's main purpose is to provide an effective and robust testing, assessment and moderation system to measure and monitor pupils' progress from reception up to the end of key stage 2 (KS2).
- 1.5. The Agency has delivered against its objectives for this year. From April 2016 to July 2016, the Agency oversaw the delivery, marking and return of results of 3.8 million KS2 test scripts, meeting our key performance indicators for timeliness and quality. We have also continued our successful delivery of key stage 1 (KS1) tasks and tests to inform teacher assessment, and the phonics screening check (now in its fifth year). We have continued to successfully manage the General Qualifications logistics contract and the professional skills test contract.

## Statement of purpose and activities

- 1.6. We are responsible for the development and delivery of assessments and testing in England, under statutory instruments, on behalf of the Secretary of State for Education. In carrying out these functions, we:
- develop and implement assessment policy in schools in line with ministerial priorities

- develop high-quality and rigorous national curriculum tests and assessments in line with ministerial policy
- undertake operational delivery of national curriculum tests and assessments (including printing, distribution, provision of systems, marking and data capture)
- support the process of teacher assessment moderation in order that data is robust and can be used for national statistics
- support schools and other stakeholders.

1.7. In addition to this, we are also responsible for:

- setting and maintaining test standards, including standards related to marking, and producing guidance and exemplification materials for end of KS1 and KS2 English writing teacher assessment
- management of the professional skills test for prospective teachers
- the General Qualifications logistics service provided to centres and examiners.

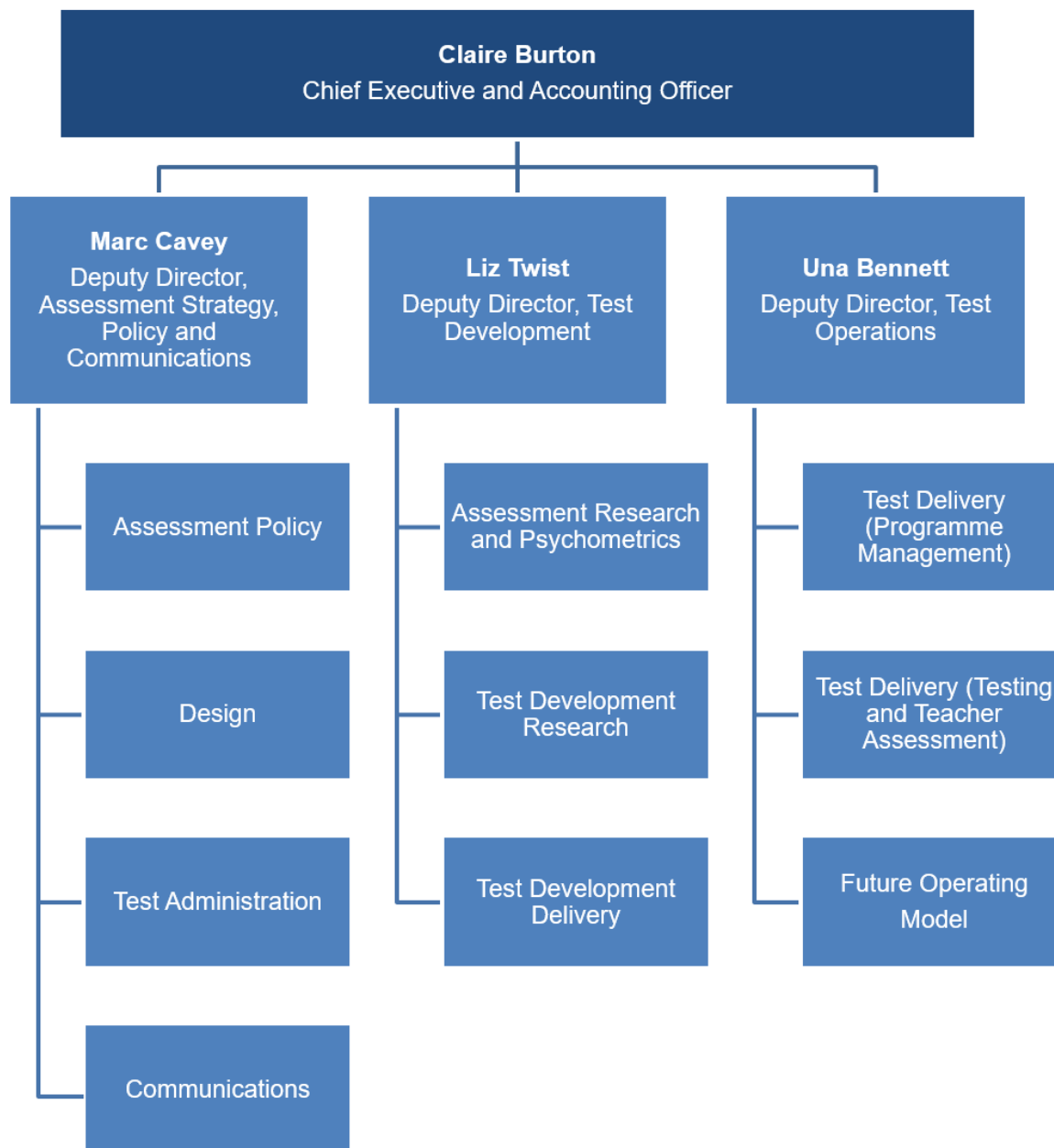
1.8. The Agency is formed of three divisions: Assessment Strategy, Policy and Communications Division; Test Development Division; and Test Operations Division.

1.9. The Assessment Strategy, Policy and Communications Division is responsible for assessment strategy and policy, and communications with the Agency's stakeholders.

1.10. 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.

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

## Structure of the Agency 2016-17



### Key issues and risks facing the entity

- 1.12. The Agency faces a number of strategic risks that could cause our operational delivery to differ from expected outcomes. These risks are detailed below along with a summary of how we managed them in 2016-17.



Risk	Key factors	Mitigation
Key strategic risk - sufficiently valid, reliable 2016 primary level tests are not delivered on time through efficient and effective processes, leading to concerns over the assessment outcomes for individual pupils, schools or the whole English primary education system.	There are a number of component parts (sub-risks) relating to this key risk. They include: poor quality test content; security of the tests; print and logistics supply chain failure or errors; KS2 marking and/or marking reviews quality and/or marking and/or marking reviews service capacity; poor change control; reputational issues; and STA staff capacity/capability.	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.
Changes to the test in 2016 are insufficiently well communicated impacting on schools' ability to administer National Curriculum Assessment Tests.	Given the changes to assessments in 2016 there is a risk that schools do not understand the changes and fail to carry out their statutory duties in regards to testing at the end of KS1 and KS2.	A detailed school and local authority test administration communications strategy and tactical plan was developed and deployed, including the use of new media channels to explain the changes and what schools and other stakeholders needed to do in light of them. This included face-to-face briefing events, videos published on social media channels, and live webinars. The strategy was developed following feedback from schools and local authorities on their preferred communications channels and timing.

- 1.13. The Agency has robust governance arrangements in place to ensure the timely resolution of these challenges as well as the delivery of routine work.
- 1.14. Following the two security breaches relating to the 2015-16 test cycle, detailed in paragraphs 2.18 and 2.19, a review was commissioned in to the Agency's operations. More detail on the review is provided at paragraphs 2.21 to 2.23.
- 1.15. The Department's estimates and forward plans include provision for its continuation. It is therefore appropriate to prepare the Agency's accounts on a going concern basis.

## Performance summary

- 1.16. The scale of our operational delivery includes:
- oversight of the printing and distribution of National Curriculum Assessment (NCA) KS1 and KS2 test materials to, and the collection of KS2 test scripts from 16,500 participating schools
  - recruitment, training and on-going quality assurance of a pool of approximately 5,186 markers for KS2
  - over 3.8 million KS2 test script components marked in a 3-week period to ensure the successful return of results on 5 July 2016
  - management of the successful collection of over 30 million general qualification exam scripts from approximately 5,800 exam centres across England.
- 1.17. We provide further information on our performance within the 'Performance Analysis' section of the report.

## 2. Performance analysis

### Key organisational performance measures

- 2.1. 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	Outcome 2016-17	Status	Notes
<b>Provision of key stage 2 results:</b> 99.9% of assessing pupils receive a complete set of test results data at their respective school, containing a correct test result (not withstanding any marking or process reviews) for every test sat by a pupil by 00:01 on 5 July 2016.	100%	Exceeded	N/A
<b>Return of key stage 2 test scripts to schools:</b> 99.9% of assessing pupils receive a complete set of test scripts marked on screen, at their respective school; and their respective school has access to a complete set of test scripts marked onscreen through the script return website.	100%	Exceeded	N/A
<b>Helpline service:</b> At least 90% of inbound calls to the helpline, for any single working day, are answered by an operator within five rings (15 seconds) during helpline operating hours.	91.26%	Exceeded	N/A
<b>Web-based systems to support schools:</b> NCA Tools is available 24 hours a day with an availability of at least 99.8%.	99.98%	Exceeded	N/A
<b>Professional skills tests for prospective teachers:</b> The system for delivering and operating tests is available for at least 99.9% of the time that the test centres are open for testing.	99.9%	Met	N/A
<b>General Qualifications logistics:</b> 99% of all consignments are collected from centres and delivered for marking.	99.99%	Exceeded	N/A

### Development and performance of the Agency

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

## Objectives

- 2.3. The Department's overall vision is to achieve a highly educated society in which opportunity is equal for young people no matter what their background or family circumstances.
- 2.4. To support this, the Agency supports schools in raising standards in education, through the successful delivery of world-class tests and assessments that enable every child to realise their unique potential.
- 2.5. 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.
- 2.6. 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

- 2.7. Much of the visible delivery activity for statutory national curriculum assessments and testing aligns with the school year. Preparations for each delivery cycle, including the development of tests and arrangements for assessments, the planning of operations, procurement of services/suppliers and development of support materials, takes place in advance of this time period. This report therefore covers work on the delivery of the 2016 test cycle (mainly April to August 2016), the residual work arising from this (e.g. investigating possible maladministration cases) and preparations for the 2017 test cycle and beyond.
- 2.8. During this period, the Agency successfully delivered the conclusion of the 2016 test cycle. This is a critical role for the Agency. The majority of the individual functions, for example printing, logistics and marking are delivered under contract by specialist third party suppliers. This approach has been extremely successful over the past five years and relies on robust contract and supplier management.

- 2.9. 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 5,186 markers for KS2. Over 3.8 million test script components were marked in a seven-week period to ensure the successful return of results to schools on 5 July 2016.
- 2.10. 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.
- 2.11. The current contracts for delivery of the NCA test operations service will come to an end in 2018. Last year's report set out the strategy that the Agency has developed for re-procurement of these critical functions. This year we have continued with the re-procurement process in-line with this strategy. Further detail can be found at paragraph 2.35 to 2.36.
- 2.12. The Agency also managed the successful collection of over 30 million General Qualification exam scripts from approximately 5,800 exam centres across England.
- 2.13. The General Qualification Logistics Application (GQLA) has maintained the 2015 increase in processing speed and the associated saving in time of between 1-2 person days per week, during the busiest examination series (i.e. the summer series).
- 2.14. The vast majority of the tests and assessments that the Agency delivers are designed to measure pupils' attainment at the end of a particular academic year or key stage. The peak period of visible activity for the Agency is therefore in the latter half of the school year (April to August); however, preparation for the annual tests spans academic and financial years. During this period the Agency has also developed, trialled and handed over to print, high quality test materials for the 2017 cycle.
- 2.15. These NCA tests, introduced for 2016, have been developed to assess pupil performance against the new primary curriculum, which was introduced in 2014. They include KS1 and KS2 English reading, KS1 and KS2 English grammar, punctuation and spelling, KS1 and KS2 mathematics, KS2 science sample tests and the Year 1 phonics screening check.
- 2.16. All development processes have been delivered in line with the requirements published in Ofqual's Regulatory Framework for National Curriculum assessments.

- 2.17. The Agency has also developed and published interim frameworks and exemplification material to support statutory teacher assessment at the end of KS1 and KS2 following the removal of levels. In preparation for 2017 teacher assessment, and to meet a commitment by the Secretary of State, the Agency has introduced mandatory training of local authority moderators. 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.
- 2.18. As detailed last year, the Agency encountered two issues in relation to the 2016 test cycle. In December 2015, the Agency published modified versions of the sample test materials online. Regrettably, one of the guidance documents included in that release, for use with the modified large print version of the KS1 spelling test, contained the 2016 live test words rather than sample words. When this issue came to light in April 2016, the Minister of State for Schools announced that schools would not be required to administer the KS1 English grammar, punctuation and spelling tests for 2016. All other KS1 and KS2 tests for 2016 continued as planned.
- 2.19. On 9 May 2016, Pearson Education Limited (PEL), the Agency's external marking supplier, mistakenly uploaded the KS2 English grammar, punctuation and spelling (GPS) test onto its secure marker portal site, 16 hours ahead of schedule. It was only accessible for a short period of time before being taken down. Only contracted markers had access to the site, all of whom were under a contractual obligation not to share sensitive information. This error was spotted by a person unknown and the story leaked to the Guardian newspaper. They chose to publish the story but not the GPS test material. The Agency and PEL took immediate action to identify the root cause of the incident and confirm that the test was not compromised. The Agency conducted intensive internet monitoring and found no evidence that the material was shared more widely prior to the GPS test day. The KS2 English GPS test therefore went ahead as planned on 10 May 2016.
- 2.20. Following these issues, the Minister of State for Schools commissioned a review of the Agency, which took place in the summer of 2016.

## **The STA Review**

- 2.21. The STA Review took place between 11 July and 2 September 2016. 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.

- 2.22. 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 security in-house breach.
- 2.23. A number of actions were taken immediately to address issues raised in the Review, and a change programme to improve in the remaining areas is now being taken forward by staff across the Agency, with regular scrutiny from the Chief Executive and the Permanent Secretary. The Government Internal Audit Agency (GIAA) conducted a formal review of the Agency's progress in the spring of 2017. A Moderate assurance rating was given 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. A number of milestones remain to be delivered and these are reflected in the programme and project delivery plans.

### **Primary assessment consultation**

- 2.24. 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. It also announced that the key stage 1 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.
- 2.25. The consultation, which was launched on 30 March 2017, was mainly concerned with statutory assessment – by which we mean 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. The consultation sought views on key issues, including how to prepare children to succeed at school, the best starting point for measuring the progress that children make during primary school, and the role and operation of teacher assessment.

- 2.26. Assessment arrangements for pupils working below the standard of national curriculum tests are being considered in parallel in a separate consultation document on the recommendations made by the Rochford Review.
- 2.27. The consultations closed on 22 June 2017 and the Agency's responses will be published in September.

### **Reception baseline**

- 2.28. This has been the second year in which schools have had the choice of opting into a new reception baseline assessment for pupils entering primary school. Schools have had the choice of assessments from three approved suppliers.
- 2.29. Schools had the option to continue to use the baseline assessments in 2016/17, should they wish as part of their on-entry assessment of pupils. The outcomes from the assessments will not be used for accountability.
- 2.30. The Department remains committed to measuring the progress of pupils through primary school and will continue to look at the best way to assess pupils in the early years. The consultation raises the possibility of moving the baseline for measuring progress in primary school from year 2 to reception, so that schools can be recognised for the progress they make throughout the child's time in school.

### **Skills tests**

- 2.31. For the third year, the Agency has overseen the successful delivery of professional skills tests for teachers; 105,556 tests were delivered during the reporting period. There are currently 48 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 93.4%.

### **Multiplication tables check and the Year 7 resit test**

- 2.32. In addition to planned delivery, the Agency has continued to work on the commitments of the government's plans for two new national NCA assessments: the Multiplication Tables Check (MTC) and the Year 7 resit test.
- 2.33. The new MTC test is intended to ensure that every 11 year-old knows their times tables off by heart by the end of KS2. The Agency appointed an external trialling agency which worked with Agency and the department's Information Technology Group to develop a 'proof-of-concept' pre-test MTC trial system. The pre-test trial was administered in June 2016 to a nationally representative sample of



approximately 2,800 children in 115 schools. The live MTC check will sit alongside the existing suite of KS2 tests and the proposed live service system will be trialled in 2017/18, with a view to a national rollout in 2019, subject to the outcome of the primary assessment consultation.

- 2.34. The Secretary of State announced on 19 October 2016 that the Year 7 resit would not be compulsory, and that instead, high-quality optional resit papers would be made available for teachers to use if they wish, to help pupils in year 7 who did not achieve the expected standard at the end of KS2.

### **Test operations procurement**

- 2.35. In October 2015, we started the procurement process to select a supplier to deliver a test operations service for the 2019-23 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 two test cycles. The contract will bring together services currently delivered through a number of separate contracts for print, collation, logistics, marking, data, helpline and systems under a single lead supplier. This should enable more effective and integrated operational delivery.
- 2.36. 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 2017.

### **Finance**

- 2.37. The Agency is consolidated into the Department 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.

### **Statement of Comprehensive Net Expenditure**

- 2.38. Funding is received directly from the Department which the Agency uses to further its objectives.
- 2.39. Expenditure for 2016-17 was £50.2 million (2015-16: £50.2 million) against a budget of £55.1 million (2015-16: £51.3 million). The underspend is due to reductions in programme costs.
- 2.40. Staff costs have increased by £0.6 million, due to an increase in staff during the year, which was necessary to deliver our objectives.

- 2.41. Grant expenditure has decreased slightly to £2.6 million. The majority of this is due to a decrease in grants paid to local authorities.
- 2.42. Other expenditure has remained fairly static due to locking into marking expenditure.
- 2.43. Shared services costs of £3.9 million (2015-16: £3.3 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 costs made to enable an approximation to the full cost of the Agency to be disclosed.

### Statement of Financial Position

- 2.44. The Agency does not have any non-current assets, as it is included within the Departmental estate, only working capital of receivables and payables.
- 2.45. Similarly, the Agency is funded by the Department, and does not operate its own bank account.
- 2.46. Payables increased to £8.7 million (2015-16: £4.5 million), due to the delay in invoices being received from a main supplier, compared to previous years.
- 2.47. There has been an increase in the deficit of the Agency to £8.7 million.

### Long-term expenditure trends

- 2.48. The department agreed a settlement with HMT for the next four financial years in November 2015, as part of the 2015 [Spending Review](#)<sup>1</sup>. Following this settlement, the Department's Single Departmental [Plan](#)<sup>2</sup> was published in February 2016. The figures for the Agency are included within the departmental spending plans.
- 2.49. The Departmental accounts covers the expenditure trends for the whole of the departmental group.

## Performance on other matters

### Sustainability

- 2.50. We adopt the Department's policies on sustainability. We aim to manage our business in an environmentally sustainable way and the Department's ARA

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<sup>1</sup> <https://www.gov.uk/government/publications/spending-review-and-autumn-statement-2015-documents>

<sup>2</sup> <https://www.gov.uk/government/publications/department-for-education-single-departmental-plan-2015-to-2020>

describes our performance in this. Further information on the Department's policies on sustainability is contained within their ARA 2016-17.

## **Social and community issues**

- 2.51. We are a customer-focused organisation delivering high-quality services through our skilled and effective people in an environment of continuous improvement, to support institutions to deliver the best services for children and young people.
- 2.52. The Department encourages its employees to take up volunteering opportunities as well as supporting employees' continuing professional development. The Department awards employees a minimum of three special paid days leave for volunteering each year.
- 2.53. In addition, the Department encourages employees to be reservists for the armed forces. Employees can receive at least 15 days paid special leave a year to fulfil their commitments.

**Claire Burton**  
**Accounting Officer**

11 July 2017

# Accountability report

## 3. Corporate governance report

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

### The Directors' report

#### Directors

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

Claire Burton	Chief Executive (from October 2016)
Jennifer Coupland	Interim Chief Executive (to October 2016)
Amanda-Jane Balfour	Deputy Director, Test Operations (to December 2016)
Colin Watson	Deputy Director, Assessment Policy and Development (to July 2016)
Liz Twist	Deputy Director, Test Development (from July 2016)
Marc Cavey	Deputy Director, Assessment Strategy, Policy and Communications (from July 2016)
Una Bennett	Deputy Director, Test Operations (from February 2017)

#### Progress

- 3.3. During this year, there has been a change in management due to my return from maternity leave in October 2016. Jennifer Coupland, interim Chief Executive and interim Accounting Officer departed on my return.
- 3.4. This past year has seen a turnover of all EMB members. Colin Watson left to go on a career break in July 2016. I took this opportunity to restructure what was the Assessment Policy and Development Division. In order to build capacity and capability, I split the division in two and appointed Liz Twist (on secondment from NFER) to lead on Test Development and Marc Cavey to lead on a newly-configured Assessment Strategy, Policy and Communication Division. Amanda-Jane Balfour also went on a career break in December 2016. Una Bennett was appointed her successor as Deputy Director for Test Operations in February 2017.

## Declaration of interest

- 3.5. There has been one potential conflict of interest this year. Liz Twist was appointed on secondment from NFER, one of Agency's suppliers of item writing and trialling services. During the course of Liz's secondment, it can be expected that a number of tenders will be issued and NFER will bid for these. As part of Liz's secondment agreement, a protocol has been developed which removes any involvement in evaluating tenders. I have also written to all organisations on the relevant frameworks informing them of Liz's appointment and the protocol now in place. The Agency maintains a register of interests that contains details of company directorships and other significant interests held by the EMB members. The Agency has arranged to pay Liz' salary and on-costs directly to NFER. The total invoice value of payments for the period is in the range £70,000-75,000.

## Report on personal information breaches

- 3.6. All departments are required to report personal data related incidents that have occurred during the financial year, in accordance with the standard disclosure format issued by the Cabinet Office.
- 3.7. The Cabinet Office defines a 'personal data related incident' as a loss, unauthorised disclosure or insecure disposal of protected personal data. 'Protected personal data' is data that the Department or its delivery partner agrees the release or loss of which could cause harm or distress to individuals, including as a minimum:
- information that links one or more identifiable living person with information about them the release of which would put the person or person at significant risk of harm or distress
  - any source of information about 1,000 or more identifiable individuals, other than information sourced from the public domain
- 3.8. We had no protected personal data related incidents that fell within the criteria for reporting to the Information Commissioner's Office in 2016-17 (2015-16: nil).

## Complaints to the Parliamentary Ombudsman

- 3.9. The Parliamentary and Health Service Ombudsman can investigate complaints against the administrative actions of a wide range of government departments and other public bodies, or the actions of organisations acting on their behalf.
- 3.10. In 2016-17, there were no Agency-related complaints accepted for investigation (2015-16: nil).

- 3.11. 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

- 3.12. Under the *Government Resources and Accounts Act 2000*, HM Treasury has directed the Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.
- 3.13. 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.
- 3.14. The Permanent Secretary, as Principal Accounting Officer of the Department, has designated me as the Accounting Officer of the Agency. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in *Managing Public Money*, published by HM Treasury.
- 3.15. As Accounting Officer, I confirm that:
- there is no relevant audit information of which the auditor is unaware
  - I have taken all the steps that I ought to in order to ensure that I am aware of relevant audit information
  - I have taken all the steps that I ought to in order to establish the Agency's auditor is aware of the information.
- 3.16. 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

- 3.17. 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

- 3.18. The system of governance, internal control and risk management is designed to manage risk to a reasonable level, rather than to attempt to eliminate all risk completely, in order to achieve policies, aims and objectives. It can therefore only provide high and not absolute assurance of effectiveness.
- 3.19. I confirm that I have reviewed the effectiveness of governance, internal control and risk management arrangements in operation within my area of responsibility and consider that they are fit for purpose. My conclusion is informed by the assessment of the deputy directors within my area who have responsibility for the development and maintenance of these arrangements and by the findings of my Executive Management Board.
- 3.20. Every senior civil servant (SCS) in the Agency is required to complete an Assurance Framework Record to detail their compliance with the departmental arrangements regarding risk, control systems, use of resources and to detail any issues. I 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.
- 3.21. I am confident that I have in place the necessary arrangements for good corporate governance and that the effectiveness of these arrangements is reviewed regularly to ensure compliance with *Corporate Governance in Central Government Departments: Code of Good Practice* (the Code) where relevant to the Agency and its remit. I have not identified any departures from the Code.

### Governance at departmental level

- 3.22. As Accounting Officer, I am accountable to the Secretary of State for the performance, leadership and day-to-day management of the Agency, with the Department's Director General for Education Standards Directorate (ESD) performing an oversight role, on behalf of the Secretary of State. My objectives

are agreed by the Director General and aligned with departmental objectives, the Agency's business plan and the requirements for managing public money. I use them to set objectives for my deputy directors. All SCS objectives are agreed and monitored throughout the year.

## Strategic performance review

- 3.23. Throughout the year, the Director General for Education Standards Directorate held 4 quarterly Strategic Performance Reviews (SPRs) to review and challenge the Agency's progress, financial management and the management of risks.
- 3.24. Two out of a possible 4 SPRs were attended by a Non-Executive Director (NED) of the main Department board.
- 3.25. The four SPR meetings took place on 26 April 2016, 30 August 2016, 5 December 2016 and 28 March 2017. Attendees are shown in the table below:

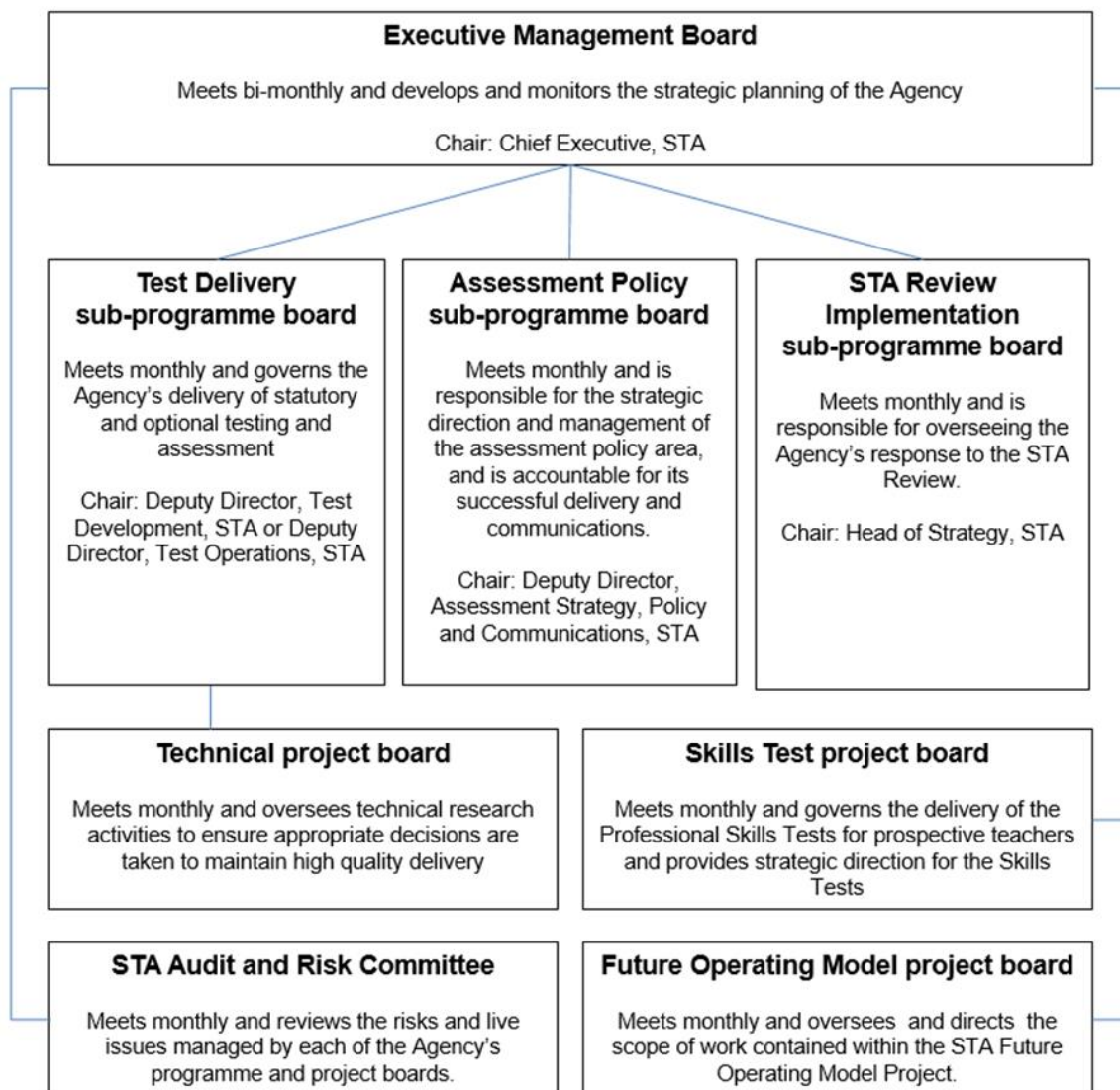
Member	Position	Attendance
Shona Dunn	Director General, Education Standards Division (Chair) (to June 2016)	1 / 1
Juliet Chua	Interim Director General, Education Standards Division (Chair) (from June 2016 to January 2017)	2 / 2
Paul Kett	Interim then substantive Director General, Education Standards Division (Chair) (from January 2017 to March 2017)	1 / 1
Jennifer Coupland	Interim Chief Executive (to October 2016)	2 / 2
Claire Burton	Chief Executive (from October 2016)	2 / 2
Amanda-Jane Balfour*	Deputy Director, Test Operations (to December 2016)	2 / 3
Una Bennett*	Deputy Director, Test Operations (from February 2017)	1 / 1
Colin Watson*	Deputy Director, Assessment Policy and Development (to July 2016)	0 / 1
Marc Cavey*	Deputy Director, Assessment Strategy, Policy and Communications (from July 2016)	1 / 3
Liz Twist*	Deputy Director, Test Operations (from July 2016)	0 / 3
Marion Plant OBE	Departmental Non-executive Director	1 / 4

\* *not required to attend meeting*



## Governance at Agency level

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



## Executive Management Board

- 3.27. The Executive Management Board provides the Chief Executive with the opportunity to hold the deputy directors and their programmes to account. The EMB is responsible for developing and monitoring the strategic planning of the Agency. It oversees corporate performance, the use of financial and human resources, provides oversight of risk management, and ensures maintenance of a sound system of internal control, which includes adequate sources of assurance that internal controls and risk management processes are working effectively. The EMB is additionally responsible for ensuring the Agency is compliant with all policies and corporate business planning.
- 3.28. The bi-monthly EMB is chaired by me, as Chief Executive, and membership comprises the Agency's 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.
- 3.29. Visibility and assurance of progress and an assessment of confidence in delivery of the Agency's workstreams are provided to the EMB by the sub-programme boards and project boards. The EMB receives regular reports on the Agency's operational performance which are subject to challenge at the meetings and are revised as required. Business as usual (BAU) programme and project risks that exceed the pre-determined tolerance are reviewed by the Agency's Audit and Risk Committee and, if appropriate, escalated to the EMB for information or action. The EMB also reviews and manages all strategic risks.
- 3.30. The EMB routinely considers financial reports provided by the Agency finance business partner team. These are produced in-line with departmental standards and processes and allow EMB to take informed decisions on programme and administrative resources. The EMB also routinely considers HR management information provided through the departmental workforce management reporting system.
- 3.31. 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.

- 3.32. 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 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
Jennifer Coupland	Interim Chief Executive Officer	3 / 3
Claire Burton	Chief Executive Officer	3 / 3
Amanda-Jane Balfour	Deputy Director, Test Operations	2 / 4
Una Bennett	Deputy Director, Test Operations	0 / 1
Colin Watson	Deputy Director, Assessment Policy and Development	1 / 2
Marc Cavey	Deputy Director, Assessment Strategy, Policy and Communications	4 / 4
Liz Twist	Deputy Director, Test Operations	4 / 4

Their effective dates are referenced in paragraph 3.2

## Sub-programme boards

- 3.33. The Test Delivery sub-programme board is established to effectively and efficiently govern the Agency's operational delivery of NCA statutory, optional and full test and pilot/pre-test/trial testing and assessment. Significant decisions that have an impact on delivery against performance measures are made at this meeting. It provides assurance on test delivery progress and programme and project risk and issue management. It also provides an assessment of confidence in delivery to the EMB. The Test Delivery sub-programme board meets monthly or more frequently if required by exception.
- 3.34. The Test Delivery sub-programme board is authorised to take technical and operational test service delivery decisions and to advise on expenditure within the value of the respective SCS' delegated financial authority. Strategic decisions and approval of expenditure above this amount are escalated to the EMB. Delegation of any of the SCS' responsibilities and actions to members of the sub-programme board does not dilute the SCS' accountabilities.

- 3.35. 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.
- 3.36. The STA's Review Implementation 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.

## **Project boards**

- 3.37. The Technical Project Board is a sub-group of the Test Delivery sub-programme board and provides support to the Agency as a forum for technical decision-making. Technical decisions are defined as those requiring a level of understanding of the theories and techniques of assessment in order to make an informed decision – for example: which statistical models should be used to analyse test data; the format and structure of test papers; and oversight of assessment research projects.
- 3.38. The Skills Test Project Board oversees the effective governance of the Professional Skills Test for teachers. The board has overseen the successful delivery of the skills tests and been responsible for the mobilisation of the delivery supplier.
- 3.39. 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 Project Executive, or a delegated deputy.

## **Department audit and risk**

- 3.40. The Agency has received oversight from the Department's Audit and Risk Committee (ARC) and Performance Committee, which are both sub-committees of the Department's Board and chaired by Non-Executive Board Members.
- 3.41. 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.

- 3.42. 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.
- 3.43. The Agency is scrutinised and challenged about its governance and control by the Strategic Performance Review, Education Standards Leadership Group meetings and through bilateral meetings between the Director General and myself.
- 3.44. ARC makes recommendations to the Chief Executive as Accounting Officer and the Board on the Agency's risk management and its ARA. The Head of the Chief Executive's Office attended the ARC meeting in July 2016 at which the ARA for 2015-16 along with the Audit Completion Report from the National Audit Office were reviewed.

## Assurance

- 3.45. 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 2016-17. All planned Agency reports have been completed and published and, in addition, the Agency has utilised Internal Audit to obtain assurance on process and controls arrangements as appropriate.

## Internal audit

- 3.46. The Agency is included in any cross-department compliance and themed audits where relevant, and in any audits based on the Resource Management (RM) system. This has included, for example, Employee Expenses, Payroll and HR Case Management. The results of the cross cutting audit work were equally applicable across the Department and its agencies and no Agency specific issues were therefore highlighted.
- 3.47. There have been two Agency specific audits during the reporting period, both covering the Agency's response to the STA review report. GIAA's first report was advisory and concluded that the Agency's plans for addressing the review recommendations were on track at the time of the audit review in March 2017. GIAA's second audit focussed on the adequacy of the action taken in response to a sample of review recommendations. GIAA concluded that overall good progress had been made with delivering agreed actions but there remained a

number of areas where further action was required, and an overall Moderate rating was therefore considered appropriate.

- 3.48. 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 Audit and Risk 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 Head of Internal Audit has provided moderate assurance to the Accounting Officers for the Department and its agencies, including the Agency. This reflects his opinion that some improvements are required to enhance the adequacy and effectiveness of the Department's framework of governance, risk management and control.

## Risk management

- 3.49. The Agency has an established risk management framework, maintained and overseen by the Agency's Test Delivery Programme Management Team, which is based upon the Department's Strategic Risk Framework, HM Treasury's *Orange Book Management of Risk - Principles and Concepts* and *UK Government Management of Risk: Guidance for Practitioners* risk management standards all of which comprise recognised sets of principles and processes for use when managing risks (and issues).
- 3.50. 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 Audit and Risk Committee

- 3.51. Previously the Agency's Risk Committee sat at senior management level and its role was to review the risks and live issues managed by each of the Agency's programme and project boards. This year I reviewed the arrangements following the STA Review and as a result, the Agency's Risk Committee has been redesigned to be a stand-alone ARC. This committee is separate to, and has no direct link with, the department's ARC. 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.

- 3.52. The ARC 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
  - to ensure risks and issues across the range of the Agency's responsibilities are managed in accordance with the Departmental strategic risk management framework.
- 3.53. In order to manage risks at the right level, operational and strategic risks are escalated to the ARC. Where their profile exceeds the Agency's risk tolerances, they are escalated and managed directly by EMB. EMB's risk profile is monitored by the SPR.
- 3.54. Risk management information is regularly shared with the Director General at monthly bilaterals through risk registers. Risks that need or may need action are escalated to the ARC through the EMB as necessary.
- 3.55. From April 2017, the Agency's ARC will be renamed to Risk and Security Committee, to avoid confusion with the Department's ARC.
- 3.56. There have been no lapses in risk management over the course of the last year other than the two security breaches described previously, in paragraphs 2.18 and 2.19.

### **Strategic risks**

- 3.57. The Agency has responsibility for managing one of the Department's strategic risks (formerly known as 'Building Block Risks'). This relates to delivery of the primary testing system. The risk was reviewed by the Department's Performance Committee twice during the reporting period, in August and December 2016.

### **Shared services**

- 3.58. The Department and its Agencies has 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.
- 3.59. There have been no significant failures of service during the year. However, the Department and its Agencies are keen to see an improvement in the service and process quality experienced by staff and in the use transactional service data to generate better quality management information.

- 3.60. 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.
- 3.61. This reduces the degree of assurance that the Department and its Agencies can place on the effectiveness of the controls operated by the shared service provider. However, the Department and its Agencies has been able to rely on the strength of its own internal processes and control environment to manage the risk of control failure with the shared service provider. I am comfortable that these controls continue to operate effectively.
- 3.62. Given the combination of service and control challenges, the Department and its Agencies will be reviewing its transactional service arrangements to ensure it operates processes that are fit for purpose, flexible, and offer the best possible support to the Department and its Agencies.

## **Business continuity**

- 3.63. The Agency has responsibility for managing our business continuity requirements and plans, aligning with the Department's wider arrangements.
- 3.64. The Agency's Business Continuity Plan (BCP) was last reviewed by GIAA in April 2016 and received a moderate rating. GIAA reported that the Agency's plan is broadly consistent with departmental guidance and wider standards and best practice. They advised that additional work was required to ensure that where an event occurs, the Agency could continue to deliver its business critical services within an acceptable timeframe. These comments were accepted and the plan was updated. We will continue to keep the plan under review as the Agency's business portfolio changes, and we will undertake cross-site testing of the plan every 6 months with site and business area specific testing also being completed at a different site and in different areas every six months.

## **Programme and project management**

- 3.65. The Agency has established Programme and Project Management (PPM) practices, based upon the UK Government standard Managing Successful Programmes (MSP) and PRINCE2 methodologies. Both methodologies comprise recognised sets of principles and processes for use when managing programmes and projects.
- 3.66. Key documentation in place for each Agency-led programme and project includes: programme blue print, business case and programme brief; project



business case and initiation document; project product descriptions; programme and project delivery plans; programme/project risk register; programme/project issues log; and, programme/project action and decisions logs. These are reviewed and agreed by the relevant sub-programme and project boards.

- 3.67. 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.
- 3.68. As a result of these measures, we have assurance that we have achieved our objectives.

## **Financial management**

- 3.69. 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.

## **Delivery arrangements and achievements against business plan**

- 3.70. 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.
- 3.71. 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.

- 3.72. 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.
- 3.73. The performance and risk reports scrutinised regularly and shared with the EMB satisfy the Chief Executive that the Agency is performing well to deliver these plans.

## Information risk management

- 3.74. 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 Directorate is the designated Senior Information Risk Owner (SIRO) with overall responsibility for the management of information security in the Department's agencies.
- 3.75. The Agency has a variety of information assets, which are essential to the effective and efficient operation of the organisation and the delivery of its strategic aims and objectives. Delegated Information Asset Owners (IAOs) in the Agency's Assessment Policy and Development and Test Operations divisions have responsibility for protecting the information assets that are assigned to them. The Agency maintains an information asset register with assigned IAOs, giving an understanding of the type and level of all individual information assets it holds. IAOs are prompted to update the asset register and declare the status of their assets on a quarterly basis.
- 3.76. The Agency's deputy directors and the Chief Executive review their Assurance Framework Records quarterly to ensure that all IAOs had complied with their responsibilities. The Agency's deputy directors are required to provide assurance to the Chief Executive that delegated IAOs have performed their functions in their

annual responsibilities assurance declaration in line with departmental procedures.

- 3.77. All staff, except for those on long-term absence, have completed the Responsible for Information Level 1 training package delivered by Civil Service Learning (CSL). The Agency's IAOs have also, as required, completed the Responsible for Information Level 2 CSL training package.
- 3.78. The Agency recognises that a key risk to the security of its information assets is the understanding of the importance of information security within the organisation and with third parties who may access or use our data in carrying out their work. Another risk in this area is the potential loss or corruption of its information assets by suppliers and delivery partners (including their sub-contractors). Therefore, individual Agency contract managers are responsible for ensuring that those suppliers, who manage or handle Agency information systems or information/data, are fully compliant with the requirements of current Department and wider HM Government information assurance and security policy.
- 3.79. 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.
- 3.80. The Agency constantly and actively monitors supplier performance against the contract, including unannounced site inspections. Suppliers are typically required to return or securely destroy data at the end of each test cycle.
- 3.81. This year we have continued to focus on the maintenance of the Risk Management and Accreditation Document Set (RMADs), taking particular care to ensure that our test delivery partners are compliant. Where we have limited assurance of our delivery partners' compliance this is reflected in the Agency risk register.
- 3.82. We have already secured full RMADs accreditation for the 2016 NCA KS2 External Marking Service contract; and, are currently monitoring progress of our new Skills Test contract towards full RMADs accreditation; compliance is currently rated as amber. We have worked closely with the Department's DSU to secure this accreditation.
- 3.83. Since January 2016, all new Agency-let contracts and contract revisions/extensions – where the suppliers concerned are responsible for managing or handling Agency information systems or information/data - have moved to the Department's new Departmental (Information) Security Assurance

Model (DSAM) arrangements. These have been introduced to replace RMADs following changes to HM Government and Cabinet Office policy and guidance in addressing risks to information and information systems, and the Cabinet Office Security Policy Framework.

- 3.84. All security incidents leading to breaches of information are reported to the EMB, along with the action taken and how the incident has been closed. Any significant losses would be reported to the Information Commissioners Office (ICO).
- 3.85. I am satisfied that all of the Agency's procurement and current contracts – where suppliers concerned are responsible for managing or handling Agency information systems or information/data - are compliant with the Cabinet Office Security Policy Framework, which sets out the overall standard for all government departments.

## **Overall assessment**

- 3.86. As Accounting Officer, I am broadly satisfied with the Agency's internal control, risk management and governance arrangements. The Agency continues to deliver successfully across a broad range of areas. Governance arrangements have supported the effective delivery of this significant and high-risk programme of work. The 2 security breaches the Agency experienced last year highlighted weaknesses in some of our processes, which were not previously picked up through our programme and project management arrangements. Following the STA Review, the internal transformation project, which is currently ongoing, will ensure that our operations are as effective and efficient as possible.

## 4. Remuneration and staff report

### Accounting Officer and executive management board members' remuneration policy

- 4.1. 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. Further information about the work of the Review Body can be found at on their [website](#).<sup>3</sup>
- 4.2. 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 award 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](#)<sup>4</sup>
- 4.3. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Readers can find further information about the work of the Civil Service Commission on their [website](#).<sup>5</sup>

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<sup>3</sup> [www.ome.uk.com](http://www.ome.uk.com)

<sup>4</sup> <https://www.gov.uk/government/organisations/civil-service>

<sup>5</sup> <http://www.civilservicecommission.org.uk/>

## Part 1: audited information

### Remuneration (salary, bonuses and pensions)

	2016-17					2015-16				
	Salary £000	Bonus payments £000	Benefits-in- Kind £	Pension benefits £000	Total £000	Salary £000	Bonus payments £000	Benefits-in- Kind £	Pension benefits £000	Total £000
<b>Chief Executive</b>										
Claire Burton (from October 2016)	80-85 <sup>1</sup> (85-90*)	-	100	17	100-105 (105-110)	85-90	-	-	53	135-140
Jennifer Coupland (to October 2016)	45-50 <sup>2</sup> (85-90*)	-	-	57	105-110 (140-145)	10-15 (85-90)	-	-	14	20-25
<b>Deputy Director</b>										
Colin Watson (to July 2016)	25-30 <sup>3</sup> (80-85*)	-	-	10	35-40 (90-95)	80-85	5-10	-	34	125-130
Amanda Balfour (to December 2016)	50-55 <sup>4</sup> (70-75*)	-	-	21	75-80 (90-95)	80-85	5-10	-	32	120-125
Marc Cavey (from July 2016)	50-55 <sup>5</sup> (70-75*)	0-5	-	45	95-100 (115-120)	-	-	-	-	-
Una Bennett (from February 2017)	10-15 <sup>6</sup> (80-85*)	-	-	5	15-20 (85-90)	-	-	-	-	-

\* full year equivalent

<sup>1</sup> Claire Burton returned from maternity leave on 10 October 2016

<sup>2</sup> Jennifer Coupland left on 13 October 2016

<sup>3</sup> Colin Watson left 25 July 2016

<sup>4</sup> Amanda Balfour left 31 December 2016

<sup>5</sup> Marc Cavey started 18 July 2016

<sup>6</sup> Una Bennett started 1 February 2017

- 4.4. Salary includes gross salary; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

## Non-consolidated performance awards

- 4.5. 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](#)<sup>6</sup>, and the Department's performance management framework for managing and rewarding performance throughout the year. Bonuses relate to the performance in the year prior to that in which they become payable to the individual. The bonuses reported in 2016-17 relate to the performance in 2015-16 and the comparative bonuses reported for 2015-16 relate to the performance in 2014-15.

## Accrued pension benefits

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

## Benefits-in-kind

- 4.7. The monetary value of benefits-in-kind covers any benefits provided by the Agency and treated by HM Revenue and Customs as taxable emolument. There are no benefits-in-kind to report.

## Fair pay disclosure

- 4.8. 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.

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<sup>6</sup> <https://www.gov.uk/government/publications/senior-civil-service-performance-management>

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

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

- 4.9. The banded remuneration of the highest-paid director in the Agency in the financial year 2016-17 was £85,000-90,000 (2015-16: £90,000-95,000). This was 2.5 times (2015-16: 2.5) the median remuneration of the workforce, which was £35,000 (2015-16: £36,000).
- 4.10. In 2016-17, no employees (2015-16: nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £23,000-£87,000 (2015-16: £22,000-93,000). 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

- 4.11. 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 AR&A 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](http://www.civilservicepensionscheme.org.uk/)<sup>7</sup>.

<sup>7</sup> [Civil service pension scheme: http://www.civilservicepensionscheme.org.uk/](http://www.civilservicepensionscheme.org.uk/)



**Officials**

	Accrued pension and related lump sum at pension age as at 31 March 2017	Real increase in pension and related lump sum at pension age	CETV at 31 March 2017	CETV at 31 March 2016	Real increase in CETV	Employer contribution to partnership pension account
	£000	£000	£000	£000	£000	Nearest £100
Claire Burton	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 0-2.5	244	228	5	-
Jennifer Coupland	15-20 plus lump sum of 45-50	2.5-5 plus lump sum of 5-7.5	275	236	35	-
Colin Watson	15-20	0-2.5	174	169	3	-
Amanda Balfour	10-15	0-2.5	158	140	10	-
Marc Cavey	15-20 plus lump sum of 50-55	0.25 plus lump sum of 2.5-5	283	254	24	-
Una Bennett	15-20	0-2.5	224	220	3	-

4.12. For 2016-17, employers' contributions of £990,000 were payable to the PCSPS and CSOPS (2015-16 £913,000) 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 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

4.13. No individuals retired early on ill-health grounds (2015-16: nil); the total additional accrued pension liabilities in the year amounted to £nil (2015-16: £nil).

**Civil service pensions**

4.14. The Agency operates a range of pension schemes for its employees, dependent upon the employees' role. The schemes are described further below.

**Principal Civil Service Pension Scheme (PCSPS)**

4.15. 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.

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

nuvos, except that the accrual rate 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

- 4.18. The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 4.19. 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.)
- 4.20. Further details about the Civil Service pension arrangements can be found at the [civil service pensions' website](#)<sup>8</sup>

## Partnership pension accounts

- 4.21. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. In 2016-17, no employees had a partnership pension; therefore, there were no Employers' contributions (2015-16: £3,768).
- 4.22. 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 earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. There were no employer contributions (2015-16: £138), 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, payable to the PCSPS

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<sup>8</sup> [Civil Service Pension Scheme - http://www.civilservicepensionscheme.org.uk/](http://www.civilservicepensionscheme.org.uk/)

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.

- 4.23. There were no contributions due to the partnership pension providers at the balance sheet date (2015-16: £257). Contributions prepaid at that date were nil.

## Cash equivalent transfer values

- 4.24. A cash equivalent transfer value 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.
- 4.25. 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.

## The real increase in the value of the cash equivalent transfer value (CETV)

- 4.26. 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.

## Staff report

4.27. The staff costs for the Agency were £6.3 million (2015-16: £5.8 million) and the average number of full-time equivalent staff employed during the year was 118 (2015-16: 109).

	2017		2016	
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and Salaries	4,769	39	4,808	4,453
Social security costs	521	2	523	382
Pension costs	991	4	995	919
	<b>6,281</b>	<b>45</b>	<b>6,326</b>	<b>5,754</b>
Less recoveries in respect of outward secondments	-	-	-	-
	<b>6,281</b>	<b>45</b>	<b>6,326</b>	<b>5,754</b>

### Senior civil service staff

	Total
Chair	0
Director	2
Deputy Director	5
	<b>7</b>

### Average number of persons employed: audited

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

	2017		2016	
	Permanently employed staff Number	Others Number	Total Number	Total Number
Directly employed	116	-	116	106
Other	-	2	2	3
	<b>116</b>	<b>2</b>	<b>118</b>	<b>109</b>

4.29. 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.

## Reporting of civil service and other compensation schemes: audited

4.30. In both 2016-17 and 2015-16, the Department bore and managed centrally the exit costs of staff in the Agency itself.

### Staff exit packages: audited

Exit package cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2017	2016	2017	2016	2017	2016
<£10,000	-	-	-	-	-	-
£10,001 - £25,000	-	1	-	-	-	1
£25,001 - £50,000	-	1	-	-	-	1
£50,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
<b>Total number of exit packages</b>	-	<b>2</b>	-	-	-	<b>2</b>
<b>Total resource cost (£000)</b>	-	<b>49</b>	-	-	-	<b>49</b>

4.31. During both 2016-17 and 2015-16, Agency staff could choose voluntary exit under an early departure programme. As part of this programme, the Department meets the additional costs of benefits in respect of employees who retire early and of compensation payments payable to employees who take early severance.

4.32. The Agency has paid redundancy and other departure costs in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the *Superannuation Act 1972*. The Department has accounted for exit costs in full in the year of departure. Where the Agency has agreed early retirements, the Agency has met the additional costs and not the civil service pension scheme. The scheme has met the ill-health retirement costs and such costs are not included in the table.

## Part 2: unaudited information

### Analysis of staff policies and practice

#### Sickness absence

4.33. During the year, we lost 544.9 days to sickness absence (2015-16: 947). This equates to approximately 4.9 days sickness absence per employee per year (2015-16: 8.4 days).

#### People management

4.34. Our staff are civil servants and are employed by the Department on its terms and conditions. Responsibility has been delegated to me for the recruitment of staff for the Agency within the parameters provided by our agreed budget and the Department's policies and procedures. Our staff profile as at 31 March 2017, for full time equivalents is as detailed;

#### Number of permanent staff at 31 March 2017

Grade	Male	Female	Total
Director	-	1	1
Deputy director	-	1	1
Grade 6	3	5	8
Grade 7	8	10	18
Senior executive officer	14	21	35
Higher executive officer	7	24	31
Executive officer	10	8	18
	<b>42</b>	<b>70</b>	<b>112</b>

4.35. 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 moderated by deputy directors to ensure consistency

## Commitment to improving diversity

- 4.36. The Department's diversity delivery plan covers the Standards and Testing Agency. This plan sets out the Department's objective to be an exemplary equal opportunities employer, to create a workplace that values diversity and to be free from unfair discrimination. The Department published its Equality, Diversity and Inclusion Plan in September 2015, reflecting the Civil Service Talent Action Plan (TAP). The TAP has a strong focus on women, including measures to improve the recruitment and promotion of talented women, and to provide greater support to ensure those on maternity leave or career break are not disadvantaged when they return to work.
- 4.37. Further research was commissioned to look at the barriers to progression for other under-represented groups. The Department plans to refresh the Equality, Diversity and Inclusion Plan to take account of the findings and analysis of these reports.
- 4.38. The plan sets out a number of specific actions that will help us take steps towards the development of a highly capable, diverse workforce, in which potential can be developed and equality and diversity can be embedded within the culture of our organisation.
- 4.39. The Department is determined to build an organisation which reflects the society we serve, with a workforce with representation rates of groups with protected characteristics which proportionately mirrors the population. Since the launch of the Equality, Diversity and Inclusion Plan in September 2015 the Department's representation rates have remained relatively stable. The table below shows the percentage change since we began implementing the Department's Review. We will continue to monitor rates going forward.

## Addressing under-representation

- 4.40. The Department has chosen not to set specific targets for representation within our workforce, in line with the overall Civil Service approach, but we continue to focus on addressing areas where particular groups of staff are under-represented. The numbers in the table below are based on actual headcount at the specified dates. They will not align exactly with headcount data in the accounts, as these are based on full time equivalents (FTEs).



	31-Mar-17		31-Mar-16		31-Mar-15		31-Mar-14		31-Mar-13	
	%	No:	%	No:	%	%	No:	%	No:	%
Women in Senior Civil Service (SCS)		46	65	45	60	44	59	49	81	
Women in Top Management Positions (TMP)		46	20	43	20	41	14	43	12	
Black and Minority Ethnic (BME) in SCS		4	5	4	<5	6	5	4	<5	
Disabled in SCS		-	<5	3	<5	6	<5	5	5	
Lesbian, Gay, Bisexual and Transgender in SCS (LGBT)		7	10	9	5	7	5	7	6	
Women in feeder grades		54	575	53	600	53	590	53	632	
BME in feeder grades		9	100	11	95	12	95	11	96	
Disabled staff in feeder grades		6	60	10	65	9	55	10	66	
<b>LGBT in feeder grades</b>		<b>2</b>	<b>25</b>	<b>4</b>	<b>25</b>	<b>4</b>	<b>25</b>	<b>5</b>	<b>31</b>	

4.41. The Department is making good progress on implementing the actions set out in the Equality, Diversity and Inclusion Plan. It is a leading department in offering diversity and inclusion learning and has run more unconscious bias, mental health awareness and disability awareness training than the majority of other government departments. It is also a leading department on the Positive Action Pathway scheme, and has supported the first participant on the new talent programme 'Accelerate'. Furthermore, the Permanent Secretary, directors general, and many directors have participated in successfully mentoring talented staff from under-represented groups. A number of staff networks have been established; the women's network's introductory events poll receiving nearly 400 responses from the Department's colleagues. Senior leaders are actively demonstrating their personal responsibility and accountability; each network is sponsored by an active SCS Champion, every Positive Action Pathway cohort has a senior sponsor and every Management Committee member will be participating in the Department's first Mutual Mentoring cohort.

## Expenditure on consultancy

4.42. We employ contractors who are professionally qualified and are employed on short-term contracts. The cost of these contractors in 2016-17 was £124,000 (2015-16: £47,000). The Agency has engaged legal and financial consultants to assist and advise on the procurement of the Future Operating Model which has contributed to the increased costs in 2016-17. 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 2016-17 was £18,000.

## Review of tax arrangements of public sector appointees

- 4.43. As part of the *Review of Tax Arrangements of Public Sector Appointees* published by the Chief Secretary to the Treasury on 23 May 2012, departments were directed to publish information pertaining to the number of off-payroll engagements, at a cost of over £58,200, that were in place on, or after, 31 January 2012 and any off-payroll engagements of board members, and/or senior officials with significant financial responsibility between 1 March 2015 and 31 March 2016. The tables below set out this information.

### Off-payroll engagements as of 31 March 2017, greater than £220 per day and that last longer than six months.

	Number
Number of Existing engagements as of 31 March 2017	18
<b>Of Which the number that have existed for:</b>	
less than one year at time of reporting.	-
between one and two years at time of reporting,	18
between two and three years at time of reporting,	-
between three and four years at time of reporting,	-
four or more years at time of reporting.	-
	<b>18</b>

- 4.44. 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 2016 and 31 March 2017, for more than £220 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 2016 and 31 March 2017	18
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations.	-
No. for whom assurance has been requested.	18
<b>Of which:</b>	
No. for whom assurance has been received.	18
No. for whom assurance has not been received.	-

	Number
No. that have been terminated as a result of assurance not being received	-
	<b>18</b>

**Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017.**

	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.	1

## Staff relations and communications

- 4.45. 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.

## 5. Parliamentary accountability and audit report

### Overview

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

### Parliamentary accountability disclosures

#### Losses and special payments: audited

##### Losses statement

	2016-17	2015-16
Number of cases	6	-
<b>Value</b>	<b>£000</b>	<b>£000</b>
Fruitless payments	9	-
	<b>9</b>	<b>-</b>

#### Special payments

5.2. There were no special payments in the year to 31 March 2017 (2016: £nil).

Claire Burton  
Accounting Officer

11 July 2017

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

I certify that I have audited the financial statements of the Standards and Testing Agency for the year ended 31 March 2017 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 is described in those reports and disclosures as having been audited.

## **Respective responsibilities of the Accounting Officer and auditor**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Standards and Testing Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Standards and Testing Agency; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

## **Opinion on regularity**

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

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Standards and Testing Agency's affairs as at 31 March 2017 and of the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder

## Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and 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 2017**

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 2017

	Note	2016-17 Total £000	2015-16 Total £000
<b>Total operating income</b>		-	-
Staff costs	3	6,326	5,754
Grant expenditure	4	2,591	2,967
Operating expenditure	5	45,203	44,782
<b>Total operating expenditure</b>		<b>54,120</b>	<b>53,503</b>
<b>Net operating expenditure</b>		<b>54,120</b>	<b>53,503</b>
<b>Comprehensive net expenditure for the year</b>		<b>54,120</b>	<b>53,503</b>

The notes on pages 59 to 68 form part of these accounts.

# Statement of Financial Position

as at 31 March 2017

	Note	2016-17 Total £000	2015-16 Total £000
<b>Current assets</b>			
Receivables	6	23	13
<b>Total current assets</b>		<b>23</b>	<b>13</b>
<b>Total assets</b>		<b>23</b>	<b>13</b>
<b>Current liabilities</b>			
Payables	7	(8,686)	(4,548)
<b>Total current liabilities</b>		<b>(8,686)</b>	<b>(4,548)</b>
<b>Total assets less current liabilities</b>		<b>(8,663)</b>	<b>(4,535)</b>
<b>Total assets less total liabilities</b>		<b>(8,663)</b>	<b>(4,535)</b>
<b>Taxpayers' equity and other reserves:</b>			
General fund		(8,663)	(4,535)
<b>Total taxpayers' equity</b>		<b>(8,663)</b>	<b>(4,535)</b>

Claire Burton  
Accounting Officer

11 July 2017

The notes on pages 59 to 68 form part of these accounts



# Statement of Cash Flows

for the year ended 31 March 2017

	Note	2016-17 Total £000	2015-16 Total £000
<b>Cash flows from operating activities</b>			
Net operating cost		(54,120)	(53,503)
Adjustments for non-cash transactions	5	3,915	3,339
(Increase)/decrease in receivables	6	(10)	2
Increase in payables	7	4,138	656
<b>Net cash outflow from operating activities</b>		<b>(46,077)</b>	<b>(49,506)</b>
<b>Cash flows from financing activities</b>			
Exchequer supply from sponsor department		46,077	49,506
<b>Net cash inflow from financing activities</b>		<b>46,077</b>	<b>49,506</b>
<b>Net (decrease)/ increase in cash and cash equivalents in the period</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of year</b>		<b>-</b>	<b>-</b>

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 59 to 68 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2017

	Note	General Fund £000
<b>Balance at 1 April 2015</b>		<b>(3,877)</b>
Net Parliamentary Funding - drawn down		49,506
Comprehensive expenditure for the year		(53,503)
Revaluation gains and losses		-
<b>Non-cash adjustments</b>		
Auditor's remuneration	2.2	35
Notional shared service recharges	2.2	3,304
<b>Balance at 31 March 2016</b>		<b>(4,535)</b>
Net Parliamentary Funding - drawn down		46,077
Comprehensive expenditure for the year		(54,120)
<b>Non-cash adjustments</b>		
Auditor's remuneration	2.1	35
Notional shared service recharge	2.1	3,880
<b>Balance at 31 March 2017</b>		<b>(8,663)</b>

The notes on pages 59 to 68 form part of these accounts.

# Notes to the accounts

## 1. Statement of accounting policies

These accounts have been prepared in accordance with the 2016-17 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 2016-17 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.

### 1.2 Going concern

The Departmental Group's estimates 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.

### 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.

### 1.4 Adoption of FReM amendments

There have been no significant FReM changes in 2016-17.

### 1.5 Early adoption

The Agency has not early adopted any accounting standards in 2016-17.

# 1. Statement of accounting policies (continued)

## 1.6 IFRS 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
<b>IFRS 9 Financial Instruments</b>	<b>1 January 2018</b>	<b>2018-19</b>	<p><b>Change:</b> 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 <i>IAS 39 Financial Instruments: Recognition and Measurement</i>.</p> <p><b>Impact on Agency:</b> The adoption of IFRS 9 has not yet been agreed by HMT. Consequently, the Agency is unable to establish the impact.</p>
<b>IFRS 15 Revenue from Contracts with Customers</b>	<b>1 January 2018</b>	<b>2018-19</b>	<p><b>Change:</b> The changes set out steps for revenue recognition along with requirements for accounting for contract costs.</p> <p><b>Impact on the Agency:</b> For many contracts the accounting for revenue will remain unchanged.</p>

## 1.7 Segmental reporting

In accordance with IFRS 8: Operating Segments, 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 2 for operational disclosures.

## 1. Statement of accounting policies (continued)

### 1.8 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
- 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. Statement of accounting policies (continued)

## 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.

### 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.

### 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. Statement of accounting policies (continued)

### 1.13 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.

### 1.14 Corporation tax

The Agency is exempt from corporation tax.

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

### 1.16 Accounting for programmes

The Agency receives a delegation letter from the Department annually on 1 April. This breaks down the grant the Department transfers to the Agency into programme budgets that fund learning and administration budgets that fund the Agency's costs as an agency. Grants are recognised on an accruals basis. Grant funding is used to support recipients' activities in the financial year of payment.

## 2. Statement of Operating Costs by Operating Segment

For both management and financial reporting purposes, the Agency is split into two operating divisions: Test Operations and Assessment Policy and Development. Additionally, Administration and Shared Services are identified as reporting segments for the analysis required by IFRS 8: Operating Segments. Further details of the operating divisions can be seen in the Performance report paragraphs 1.8 to 1.11.

### 2.1 2016-17

	Assessment and Policy Development £000	Test Operation £000	Admin and Shared Service £000	Total £000
Gross expenditure	11,957	34,685	3,563	50,205
Income	-	-	-	-
<b>Budget net expenditure</b>	<b>11,957</b>	<b>34,685</b>	<b>3,563</b>	<b>50,205</b>
Shared service recharge	-	-	3,880	3,880
Auditor's remuneration	-	-	35	35
<b>Total notional recharges</b>	<b>-</b>	<b>-</b>	<b>3,915</b>	<b>3,915</b>
<b>Net expenditure</b>	<b>11,957</b>	<b>34,685</b>	<b>7,478</b>	<b>54,120</b>

### 2.2 2015-16

	Assessment and Policy Development £000	Test Operation £000	Admin and Shared Service £000	Total £000
Gross expenditure	13,812	33,194	3,158	50,164
Income	-	-	-	-
<b>Budget net expenditure</b>	<b>13,812</b>	<b>33,194</b>	<b>3,158</b>	<b>50,164</b>
Shared service recharge	-	-	3,304	3,304
Auditor's remuneration	-	-	35	35
<b>Total notional recharges</b>	<b>-</b>	<b>-</b>	<b>3,339</b>	<b>3,339</b>
<b>Net expenditure</b>	<b>13,812</b>	<b>33,194</b>	<b>6,497</b>	<b>53,503</b>



### 3. Staff numbers and related costs

			2016-17	2015-16
	Permanently employed staff £000	Others £000	Total £000	Total £000
Wages and Salaries	4,769	39	4,808	4,453
Social security costs	521	2	523	382
Pension costs	991	4	995	919
<b>Sub total</b>	<b>6,281</b>	<b>45</b>	<b>6,326</b>	<b>5,754</b>
Less recoveries in respect of outward secondments	-	-	-	-
<b>Total net costs</b>	<b>6,281</b>	<b>45</b>	<b>6,326</b>	<b>5,754</b>

Further disclosure relating to staff numbers and costs are detailed within the Remuneration and Staff Report in the Remuneration and staff report on page 37.

### 4. Grant expenditure

	2016-17 £000	2015-16 £000
Grants to Local Authorities	2,235	2,524
Grants to others	356	443
<b>Total grant expenditure</b>	<b>2,591</b>	<b>2,967</b>

## 5. Operating expenditure

	2016-17 £000	2015-16 £000
Marking	20,455	19,949
Print and logistics	8,533	8,175
Test research and development	6,587	6,618
Reception baseline assessment	740	3,482
Teachers skills test	1,819	1,172
Other expenditure	3,154	2,047
	<b>41,288</b>	<b>41,443</b>
<b>Non-cash items:</b>		
Auditor's remuneration	35	35
Shared service recharges	3,880	3,304
	<b>3,915</b>	<b>3,339</b>
	<b>45,203</b>	<b>44,782</b>

## 6. Receivables

	2016-17 £000	2015-16 £000
<b>Sums falling due within 1 year:</b>		
Trade receivables	11	11
Deposits and advances	2	2
Other receivables	10	-
	<b>23</b>	<b>13</b>

## 7. Payables

	2016-17 £000	2015-16 £000
Other taxation and social security	136	112
Trade payables	85	71
Other payables	106	106
Accruals and deferred income	8,359	4,259
	<b>8,686</b>	<b>4,548</b>

## 8. Other financial commitments

The agency has entered into non-cancellable contracts (which are not leases or PFI (and other service concession arrangement) contracts), for marking key stage tests. The total payments to which the agency is committed are as follows:

	2016-17 £000	2015-16 £000
<b>Non-cancellable contracts:</b>		
Not later than one year	21,379	20,802
Later than one year and not later than five years	19,656	19,224
Later than five years	-	-
<b>Total</b>	<b>41,035</b>	<b>40,026</b>

## 9. Related party transactions

The Standards and Testing Agency regards the Departmental Group as a related party. During the year, the Agency had a number of material transactions with the Departmental Group 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:

- Liz Twist: National Foundation for Educational Research (NFER) (See paragraph 3.5 for further information)

The following table shows the value of material related party transactions the Agency entered into during the year:

Organisation	2016-17		2015-16	
	Payments £000	Receipts £000	Payments £000	Receipts £000
National Foundation for Educational Research (NFER)	4,999	-	-	-

## 10. Events after the reporting period

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.

On 29 March 2017, the Prime Minister notified the European Council in accordance with Article 50(2) of the Treaty on European Union of the United Kingdom's intention to withdraw from the European Union. The financial effect of this event won't be known until after the reporting period and a reasonable estimate cannot be made at this time.

On 19 April 2017, the House of Commons voted to dissolve the sitting Parliament with a General Election to be held on 8 June 2017. The General Election returned the Conservative party as a minority government. Justine Greening retained her role as Secretary of State for Education, and her ministerial team remained broadly unchanged following the election. The Department's role and policy areas remained broadly stable across the election, we do not anticipate significant changes in the forthcoming year.

## Glossary of terms

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

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