



Standards
& Testing
Agency

Standards and Testing Agency

Annual Report and Financial Statements 2012-13

(For the year ended 31 March 2013)

An Executive Agency of the Department for Education



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Introduction from Chief Executive

The year from 1 April 2012 to 31 March 2013 was the first full year of operation for the Standards and Testing Agency (STA or Agency), as an executive agency of the Department for Education (the Department).

Since being set up in October 2011, I am delighted to say that the STA has made strong progress, including the successful delivery of its first major test cycle. In addition to the organisational change, 2012-13 posed real challenges for the STA with the implementation of the new phonics screening check and the introduction of Level 6 tests for the most able pupils at Key Stage 2. Transitional arrangements arising from the government's decision to provide a choice between internally and externally marked English writing papers, alongside an overall teacher assessment of performance in this subject were a further challenge. Nonetheless, the STA delivered successfully, meeting all of its key performance indicators.

We are not, however, complacent. Further challenges face us in 2013-14 with the introduction of a new grammar, punctuation and spelling test. Further ahead, a new National Curriculum will require brand new tests at Key Stages 1, 2 and, for the first time, 4 (on a sample basis to ensure that standards are maintained), for delivery from 2016.

We will need to mobilise our new external marking services contract (again with Pearson Education Limited) for delivery from 2014 onwards. In doing so we must ensure that secure delivery remains paramount whilst demonstrating value for money for the taxpayer in difficult financial times.

We will need to contribute to the development of the new National Curriculum, to ensure that testing and assessment are embedded at the earliest stages, looking to deliver to the highest standards in the most efficient manner possible. Our focus will be on continuous improvement, keeping all of our systems, processes and contracts under continual review and taking action where necessary.

It is a testament to the commitment and determination of the staff that we have had a successful first full year of operation. I am grateful to them for their on-going support, which will be critical to us meeting our challenges in 2013-14.

**Ian Todd
Chief Executive**

11 July 2013

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1. Scope

About this report

This Report covers the year to 31 March 2013.

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

Our business plan, covering 1 April 2013 - 31 March 2014, is available at www.education.gov.uk/sta

2. Management Commentary

2.1 History and Vision

2.1.1 History

The STA was established by the Secretary of State for Education as an executive agency of the Department for Education on 1 October 2011. The STA has responsibility, on behalf of the Secretary of State for Education, for the development and delivery of statutory assessment and testing in England.

With effect from 1 October 2011, all responsibility for development and delivery of statutory assessment and testing for children, in England, transferred from the Qualifications and Curriculum Development Agency (QCDA) to the STA.

The STA's current remit is to provide an effective and robust testing, assessment and moderation system to measure and monitor pupils' progress from the early years up to the end of Key Stage 3. To provide an independent measure of national performance at Key Stage 4, STA will this year, subject to consultation, begin the development of statutory Key Stage 4 sample tests for the first time.

STA has responsibility for the development and delivery of statutory assessments and testing in England, under statutory instruments, on behalf of the Secretary of State for Education. In carrying out these functions, STA:

- develops high quality and rigorous National Curriculum tests and assessments in line with Ministerial policy;
- undertakes operational delivery of National Curriculum tests and assessments (including printing, distribution, provision of systems, marking and data capture);
- supports the process of teacher assessment moderation in order that data is robust and can be used for national statistics; and
- supports schools and other stakeholders by providing guidance, communications and helpdesk support.

STA is responsible for setting and maintaining test standards, including standards related to marking, and producing guidance and exemplification materials for the Early Years Foundation Stage (EYFS) Profile, Key Stage 1 (KS1) and Key Stage 2 (KS2) English writing teacher assessment.

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

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2.1.2 Our Vision

“Supporting 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”.

‘Supporting schools’ means:

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

‘Successful delivery’ is:

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

‘World class tests and assessments’ are developed using recognised procedures, such as pre-testing, expert review and statistical analysis. This generates evidence to demonstrate that the tests satisfy Ofqual’s common assessment criteria of validity, reliability, comparability, minimising bias and manageability.

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2.2 Business/Performance Review

Much of the visible delivery activity for statutory assessments and testing aligns with the school year. Preparations for each delivery cycle, including the development of tests and arrangements for assessments, the planning of operations, procurement of services/suppliers and development of support materials, takes place in advance of this time period. We therefore report on the delivery of the 2012 test cycle (mainly April to August 2012), the residual work arising from this (e.g. maladministration) and our preparations for the 2013 test cycle and beyond.

The vast majority of the tests and assessments that the STA 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 STA is therefore in the latter half of the school year (April to August) and therefore the first report to contain a full test cycle since the STA was established in October 2011.

To meet Ministerial commitments, the programme plans for 2012-13 and 2013-14 have been compressed. This poses a challenge for the STA as there is no contingency within the plans and all aspects of delivery must be achieved on time.

During the period the Test Development Division has developed and handed over to print, high quality test materials for the 2013 cycle in KS2 English reading, KS2 English grammar, punctuation and spelling, KS2 mathematics and Year 1 phonics screening check, ensuring all development processes have been delivered in line with the requirements published in Ofqual's Regulatory Framework for National Assessments. The division has verified the standard for the threshold mark for the new phonics screening check and published a Technical Report demonstrating that the check meets the Ofqual common criteria for assessment.

The division has completed the implementation of a new test development process and has commissioned new items to meet the requirements of the review of testing in all subjects for use in 2014 and beyond. This new process has resulted in considerable cost savings to the Department, as well as increased satisfaction levels from schools.

During 2012 the Minister agreed that science sample testing should move to a pupil-level matrix sample approach and be conducted biennially. A new test is being developed to meet this requirement. Pupils will sit this test for the first time in 2014. There will be no science sample test delivered in 2013.

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

The division has worked closely with colleagues from the Assessment Policy Division in the Department to define the arrangements for the moderation of teacher assessment judgements at the end of Key Stage 2 English writing in 2013 (which will be on a statutory

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basis for the first time), produce communications for schools and LAs, and develop a plan to support LAs to carry out their duties.

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

2013 will see the introduction of the revised EYFS Profile and substantial support materials, including guidance and exemplification, have been created and disseminated. So far, feedback on the materials has been positive.

During the period the Test Operations Division has successfully delivered its first full test cycle. Notwithstanding the challenges of introducing new arrangements at KS2, such as the option for schools to have internally or externally marked English writing test papers and the introduction of level 6 tests for the most able, the return of results, on time, exceeded performance expectations with a success rate of 99.9%. The new phonics screening check was also delivered successfully.

For 2013 a series of web based systems that support administration of the KS2 tests, Test Orders, Access Arrangements and Pupil Registration systems went live on time for schools and LAs to access.

As at 31 March 2013, recruitment of the required number of markers to mark National Curriculum tests was on track. High quality marker training materials have been developed and arrangements have been made for the training and supervision of markers and quality assurance measures to ensure the quality of marking reviewed and refined as necessary.

The STA remains well placed to deliver the 2013 test cycle to the same high standards as were achieved in 2012.

In parallel, the STA conducted a procurement exercise for the main external marking services contract, to commence in 2014. This open procurement has taken substantial time and human resource. A contract award was made in April 2013 and the STA will need to devote significant time during 2013 to the set up phase of the contract with the supplier, to ensure successful delivery in 2014. The process has been subjected to Office of Government Commerce (now Major Projects Authority) gateway reviews, to ensure independent assurance of progress and compliance.

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

2.3 Financial Review

Foreword to the Financial Review

Prior to the application of shared service charges the STA achieved its financial objective to remain within its budgets during the financial year.

Total Expenditure

Expenditure for the financial year 2012-13 was £38.8m (budget £37.4m), including the shared service cost of £3.4m. The overspend of £1.4m is detailed below.

Programme Costs

During the twelve months actual Programme costs totalling £29.8m (budget: £31.9m) were reported, an underspend of £2.1m. This is broken down into three divisions as follows:

- **Test Operations – actual spend £23.9m (budget £25.4m).** This is the largest division and the majority of the £1.5m underspend in this area relates to savings within print and logistics.
- **Test Development - actual spend £4.3m (budget £4.4m).** This division's expenditure was on track with budget for the twelve months.
- **Test Support – actual spend £1.5m (budget £2.1m).** This division was underspent by £0.6m, mainly as a result of work not being undertaken in EYFS Profile and KS2 moderation.

Administration Costs

Administration costs of £9.0m have been recorded for the twelve months compared to a budget of £5.4m. The overspend is predominantly due to accrued costs in relation to annual leave not taken at 31 March 2013 and as a result of the central service recharge of £3m which was not included in the budget.

The full time equivalent number of employees averaged 89 for the year (2011-12: 87.9).

Income

During 2012-13 income of £1.8m was generated mainly from the sale of tests to international and independent schools. The income recovered was equal to the cost of production of the tests.

Taxpayers' Deficit

Taxpayers' deficit recorded at the end of the reporting period was £3.9m.

Treasury management

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

Fixed assets

There are no fixed assets held by the STA.

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2.4 About the Standards and Testing Agency

The following areas are centrally managed by the Department. Data is not collected at Agency level. Policies and outcomes are published within the consolidated annual report and accounts for the departmental group.

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

The Departmental consolidated annual report and accounts will not be published until January 2014, when these policies can be viewed on line. However data for previous years can be viewed on line at:

<http://education.gov.uk/aboutdfe/departmentalinformation/reports/a00390/annual-departmental-reports-accounts-and-spending-reviews>.

Sickness Absence

During the year 405 days were attributable to sickness absence. Using the average number of staff employed over the year (per note 3.2 of the financial statements) this equates to approximately 5 days sickness per employee per year.

2.5 Basis of Account Preparation

These financial statements cover the financial year 2012-13 and have been prepared in accordance with a direction issued by HM Treasury under Section 7 of the Government Resources and Accounts Act 2000 and in accordance with the Government's Financial Reporting Manual (FReM 2012-13).

As an executive agency of the Department for Education, the STA's financial statements are consolidated within the resource accounts produced and published by the Department for Education.

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

3. Audit Arrangements

The financial statements are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000. For the statutory audit carried out on this report and financial statements, the STA will recognise notional fees of £35k (2011-12: £35k). There were no charges for other non-audit services.

4. Disclosure of relevant information to auditor

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

**Ian Todd
Chief Executive
11 July 2013**

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

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

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

observe the Accounts Direction issued by the Secretary of State including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;

make judgements and estimates on a reasonable basis;

state whether applicable accounting standards, as set out in the Government's Financial Reporting Manual, have been followed and disclose and explain any material departures in the financial statements; and

prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

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

Remuneration Report

Part 1: Unaudited information

REMUNERATION POLICY

Chief Executive and Strategic Leadership Team (SLT) members' remuneration policy.

The Chief Executive and SLT members are Senior Civil Servants (SCS) whose pay is decided by the SCS Pay Committee, chaired by the Permanent Secretary, and comprising members of the Department's Executive Management Board. The SCS Pay Committee makes decisions within the limits and delegated authorities set by the government in response to the annual report of the Senior Salaries Review Body (SSRB). The Permanent Secretary meets separately with a non-executive member to determine the pay of board members.

Performance management and reward policy for members of the Senior Civil Service including board members is managed within the central framework set by the Cabinet Office. It allows for annual performance related base pay and bonus awards, agreed centrally each year following SSRB recommendations. The Senior Civil Service Performance Management and Reward principles for 2012-13, which include explanations of how base pay and bonus levels are determined and their relative value, can be found at: www.civilservice.gov.uk. The SCS performance bonuses are allocated from a central salary 'pot' expressed as a percentage of the Department's SCS salary bill, which is agreed centrally each year following the SSRB recommendations. In 2011-12 this 'pot' was limited by the Cabinet Office to less than 5% (2010-11 5%) of the total SCS salary bill from which individuals were awarded varying amounts, dependent on performance.

Summary and explanation of policy on duration of contracts, notice periods and termination payments:

The Chief Executive is responsible to the Secretary of State for the performance, leadership and day to day management of the STA.

All SLT members' contractual terms comply with the requirements set centrally for the Senior Civil Service by Cabinet Office, and the exact terms offered reflect the requirements of the post. The principles governing recruitment to, and departure from the Civil Service, including details of compensation for early termination, are set out in the Civil Service Management Code at www.civilservice.gov.uk.

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

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

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Salary and Benefits in Kind

Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Department and thus recorded in these financial statements.

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2011-12.

Part 2: Audited Information

Remuneration (salary and payments in kind)

	2012-13			2011-12		
	Salary	Bonus Payments	Benefits in kind	Salary (see note)	Bonus Payments	Benefits in kind
	£000	£000	£000	£000	£000	£000
Ian TODD Chief Executive	105-110	-	-	50-55 (105-110)	-	-
Elysia MCCAFFREY Deputy Director	65-70	5-10	-	30-35 (65-70)	-	-
Amanda-Jane BALFOUR Deputy Director	60-65	-	-	25-30 (55-60)	-	-
Colin WATSON Deputy Director	80-85	-	-	40-45 (80-85)	-	-

Salary data for 2011-12 is quoted as 6 months with the annualised figure shown in brackets below.

In the course of his duties the Chief Executive is required to work on several Departmental sites as a result he has been paid expenses of £5,300.

Pension Benefits

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by

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Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

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The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Officials	Accrued pension and related lump sum at pension age as at 31/3/13 £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/13 £000	CETV at 31/3/12 £000	Real increase in CETV £000
Ian TODD Chief Executive	25-30 plus lump sum 0-5	25-27.5 plus lump sum 0-2.5	251	15	51
Elysia MCCAFFREY Deputy Director	5-10 plus lump sum 20-25	0-2.5 plus lump sum 0-2.5	91	80	4
Amanda-Jane BALFOUR Deputy Director	15-20 plus lump sum 25-30	0-2.5 plus lump sum 0-2.5	220	190	15
Colin WATSON Deputy Director	15-20 plus lump sum 0-5	0-2.5 plus lump sum 0-2.5	188	163	13

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

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Hutton Review of Fair Pay

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

The annualised banded remuneration of the highest paid director in the Agency in the financial year 2012-13 was £105-£110k (2011-12: £105k-£110k). This was 2.7 (2011-12: 3.0) times the median remuneration of the workforce, which was £40k (2011-12: £35k).

In 2012-13, no employees received remuneration in excess of the highest paid director.

Total remuneration includes salary, non-consolidated performance related pay and benefits in kind, and it does not include employer pension contributions, severance pay or the cash equivalent transfer value of pensions.

**Ian Todd
Chief Executive
11 July 2013**

Governance Statement

Scope of responsibility

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

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

Governance

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

The arrangements for the governance, accountability and operation of the STA have been agreed between the Secretary of State, the Director General for Education Standards and me in my role as Chief Executive of the STA, and approved by HM Treasury.

The STA's detailed governance arrangements have been prepared in line with the Corporate Governance Code.

Governance of the STA at Departmental Level

At Departmental level, the corporate performance of the STA is subject to scrutiny and challenge through the Strategic Performance Review (SPR) process. Quarterly meetings are chaired by the Director General for Education Standards and include independent oversight from a Departmental Non-Executive Director. All aspects of the STA's corporate performance are reviewed at these meetings, including the interactions between the STA and the shared services provision from the Department.

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

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

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Governance at Agency Level

Executive Management Board

The Agency's Executive Management Board (EMB) assists me in the discharge of my duties and ensures the efficient and effective management of the STA.

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

The EMB is chaired by the Chief Executive and membership comprises the STA Deputy Directors and the Deputy Director of the Assessment Division from the Education Standards Directorate (to December 2012, then the relevant Grade 6 following Departmental reorganisation). Shared Services are represented as required. Members are appointed by the Chief Executive. The EMB generally meets monthly, with additional meetings convened as required. During the period, 1 April 2012 to 31 March 2013, the EMB planned to meet and met 10 times.

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

EMB oversight of the STA's corporate wellbeing and delivery functions, throughout 2012-13, was instrumental in a first successful test cycle being delivered. 99% of test results were returned on time, despite the significant changes to the testing arrangements during the year. This performance exceeds that achieved by the QCDA previously.

Work is on-going to ensure that the right level of corporate reporting, suitable for the needs of the EMB, is provided on a regular basis. The role of the CEO Office Manager has been revised to ensure that these duties are explicit.

The EMB is currently conducting a self-evaluation of its effectiveness. The results of the self-evaluation questionnaire were presented to the Strategic Performance Review in April 2013 and will be discussed at EMB early in 2013-14, with an action plan formulated as necessary.

The STA requires EMB members to register any company and organisation directorships or other significant interests. The STA maintains a register of interests of the financial, political and other relevant interests of EMB members. The register is available for inspection on request during normal working hours at the Agency's office at 53-55 Butts Road, Earlsdon Park, Coventry, CV1 3BH.

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The following people served during the year 2012-13:

Member	Title	Attendance
Ian Todd (Chair)	Chief Executive	100%
Amanda-Jane Balfour	Deputy Director, Test Support	90%
Colin Watson	Deputy Director, Test Development	90%
Elysia McCaffrey	Deputy Director, Test Operations	90%
Matthew Young	Deputy Director, Assessment Policy (to November 2012)	50%
Jane Pierce	Grade 6, Assessment Policy (from December 2012)	50%

Deputies were in attendance for all meetings where the named member could not be present.

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

- resourcing issues and the process for filling vacancies;
- changes to test delivery models, including pupil registration for Level 6 tests;
- late payments to suppliers;
- processes for managing the payments to and processing of tax for independent education experts;
- procurement of services for future delivery cycles;
- the adoption of a continuous improvement methodology within the Agency;
- security arrangements; and
- service level agreements and ways of working with Shared Services.

Sub-Programme Boards

The sub-programme boards exist at agency level to support the relevant Senior Responsible Owners (SROs) in the direction, leadership and overall management of the programmes of work within agreed tolerances of time, quality and cost.

The STA's sub-programme boards provide visibility and assurance, and an assessment of confidence in delivery to the EMB by ensuring the effective and efficient governance of the:

- Test Development programme of work;
- Test Delivery functions; and
- Test Support elements of Moderation/Teacher Assessment and Commercial activities (covering financial, procurement and contractual matters).

Each sub-programme board assesses monitors and manages the relevant risks.

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

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

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

The Test Delivery sub-programme board meets monthly and exceptional meetings are scheduled where emerging issues arise. The Test Development sub-programme board meets when a technical decision is required.

During 2012 an additional programme board was set up to manage the reprocurement of the main external marking services contract, for implementation in 2014. Due to the importance of this work, the Chief Executive was appointed as SRO with support from a Deputy Director as Deputy SRO and an experienced Grade 6 as Project Manager.

Risk Committee

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

To ensure best practice, an independent chair (who is a Civil Servant from the Highways Agency, experienced in operational risk management), was appointed in January 2012 and chaired the Risk Committee meetings throughout 2012-13. Unfortunately, due to day to day work commitments, the Chair had to resign in April 2013 and we are currently seeking a replacement.

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

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Internal Control

Risk Management and Assurance

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

Risk information is shared with the wider Department and notifies the wider Department of risks that need or may need action by the wider Department as necessary.

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

Internal audit

The STA receives internal audit and assurance services from the Department's Internal Audit Unit (IAU). IAU provides independent and objective assurance to me on the adequacy and effectiveness of the STA framework of governance, risk management and control by measuring and evaluating the STA's effectiveness in achieving its agreed objectives. A full audit plan was produced and delivered for 2012-13.

The STA is included in any cross-Department compliance and themed audits where relevant, and in any audits based on the Resource Management (RM) system. Additional advice and guidance consultancy services are also available.

In their annual assurance report the Head of Internal Audit concluded that assurance can be taken that overall governance, risk management and internal control systems are operating reasonably and, given that this is the second year of operation, considerable progress has been made to establish and evolve an effective control framework. The report highlighted a number of weaknesses in control that had been identified which put the achievement of some STA objectives at risk; key amongst these are those relating to governance, resourcing and shared services and a particular risk in relation to the External Marking Services procurement (this since having expired with the signing of a new contract in April 2013).

The Head of Internal Audit further concluded that it is key that the STA focuses on effective management of the issues identified to ensure that I am well placed to confirm that the STA is meeting HM Treasury requirements for corporate governance, internal control and risk management.

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

External Assurance

The 2014 External Marking Services procurement programme was subject to an independent review, in accordance with Major Projects Authority (formerly Office of Government Commerce) procedures. An amber-red rating reflected the tight timescales required to deliver this programme and the critical nature of it to the STA's delivery of future

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testing and assessment. An action plan was created and delivered in response to the review's findings. Shortly after year end a new three year contract was signed. A full lessons learned exercise is currently in progress.

Programme and Project Management

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

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

Information: IT Management and Data Safeguarding

Arrangements are in place to ensure that the STA complies with the requirements of both HM Government and Cabinet Office policy and guidance in addressing risks to information and information systems. The Department has a designated Senior Information Risk Owner (SIRO) with overall responsibility for the management of information security throughout the STA.

The STA has a variety of information assets which are essential to the effective and efficient operation of the organisation and the delivery of its strategic aims and objectives. Information asset owners (IAOs) have the responsibility for protecting the information assets that are assigned to them. The STA maintains an information asset register with assigned IAOs, giving an understanding of the type and level of information assets it holds.

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

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

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All security incidents affecting breaches of information are reported to the SMT and EMB, along with the action taken and how the incident has been closed. Any significant losses are reported to the Information Commissioners Office (ICO), although this proved unnecessary in the reporting period.

Financial Management

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

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

Budgets are monitored regularly by the budget managers and Financial Management Division. Where necessary, during the year, underspends against budget have been declared to the Department and returned as required. In the main, underspends have been the result of new contractual arrangements leading to lower than anticipated costs, although the need for improved budget forecasting is noted. Financial performance reporting has improved throughout the year, however, the Departmental wide RM system for making payments to suppliers continues to cause challenges. The STA has paid 99% of its suppliers on time but this masks some considerable delays in relation to some invoices. It appears that contributing factors for this include the legacy of a lack of training for STA staff on transfer, and invoices which are rejected and sent back to suppliers without informing STA. We continue to work hard with the Finance Business Partner Team to find the root cause of these issues and address them appropriately.

Delivery Arrangements and Achievement against Business Plan

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

People Management

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

Arrangements are supported by systems and processes which encourage and support high levels of individual performance and on-going development to ensure business needs are delivered. Health and safety issues have been addressed. Despite a restricted learning and development budget this year staff have utilised Civil Service learning opportunities and other courses where relevant and beneficial to the STA.

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Key control mechanisms

The STA has the following key controls in place:

- governance arrangements (outlined in section 2), policies and procedures and the STA's corporate governance framework. The STA's policies and procedures and systems of delegation were implemented in 2012-13 to ensure that they provide control and assurance;
- a system of delegation of authority with defined spend authorisation limits;
- an independently chaired Risk Committee and OGC management of risk compliant processes;
- wider Departmental scrutiny through the SPR and ARC (formerly DARAC) Committees, both of which have non-executive director involvement;
- regular operations meetings (daily at peak times) where operational management information is required and progress against planned activity reported;
- regular reviews by the SMT of delivery management information, operational reports, including risks and slippage against plans, and financial reports including performance against forecasts;
- a comprehensive budgeting system with an annual budget that is reviewed and signed off by the SMT; and
- a business continuity plan.

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Areas for development

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

- strengthen Audit Committee arrangements based upon the decisions taken by the Department's ARC in December 2012 to expand role of quarterly strategic performance review and facilitate reporting to ARC;
- appoint an independent expert to support the strategic performance review;
- set targets and monitor the requisition, purchase order and receipting processes to ensure every payment to suppliers is made in accordance with the agreed terms and conditions;
- fully contribute to the Departmental Review ensuring that appropriate, timely decision making and governance processes are in place, allowing relevant freedom for the Accounting Officer enabling him to fulfil his role whilst continuing to provide adequate levels of assurance to the Department;
- Review the terms of reference and frequency of all agency Governance Boards (to include sub-programme boards) in line with changing DfE and agency requirements;
- Establish a programme of work to look at the organisational development of the STA including the identification of areas that would benefit from a continuous improvement review; and
- Develop staff and STA working practices in line with government Lean procurement methodologies.

**Ian Todd
Accounting Officer
11 July 2013**

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

I certify that I have audited the financial statements of Standards and Testing Agency for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer and Chief Executive'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. 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.

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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 2013 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Management Commentary 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

12 July 2013

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

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Statement of Comprehensive Net Expenditure

for the year to 31 March 2012-13

		2012-13			Six Months 2011-12 Restated
	Note	Staff costs £000	Other costs £000	Income £000	Total £000
Administration costs:					
Staff costs	3	5,134			5,134
Other administration costs	4		3,841		3,841
Programme costs:					
Programme costs	5		31,567		31,567
Income	6			(1,818)	(1,818)
Net operating costs for the period ended 31 March 2013					
		5,134	35,408	(1,818)	38,724
Total Expenditure				40,542	40,542
Total Income				(1,818)	(1,818)
Net operating costs for the period ended 31 March 2013					
				38,724	14,700
Total comprehensive expenditure for the period ended 31 March 2013					
				38,724	14,700

All income and expenditure reported in the Statement of Comprehensive Net Expenditure is derived from continuing operations.

During 2012-13 the Department re-charged Corporate Service charges to its Agencies. These include the Shared Service, Finance and Commercial, IT Estates, HR, Legal and Communications functions. The value of these services apportioned to the STA was £3.44m.

The notes on pages 33 to 44 form part of these financial statements.

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Statement of Financial Position

as at 31 March 2012-13

		31 March 2013	31 March 2012
		£000	Restated £000
Note		£000	
Current assets:			
		46	0
		Trade and other receivables	1,280
8	<u>1,368</u>	<u>1,414</u>	<u>1,280</u>
		Total current assets	1,280
		<u>1,414</u>	<u>1,280</u>
Total assets			
Current liabilities:			
		Trade and other payables	(4,247)
9	<u>(5,299)</u>	<u>(5,299)</u>	<u>(4,247)</u>
		Total current liabilities	(4,247)
		<u>(3,885)</u>	<u>(2,967)</u>
		Assets less liabilities	(2,967)
Taxpayers' equity and other reserves:			
		General fund	(2967)
		<u>(3,885)</u>	<u>(2967)</u>
		Total taxpayers' equity	(2,967)
		<u>(3,885)</u>	<u>(2,967)</u>

The notes on pages 33 to 44 form part of these financial statements.

**Ian Todd
Accounting Officer
11 July 2013**

Statement of Cash Flows

for the year ended 31 March 2013

	2012-13	Six months to 31 Mar 2012 Restated
	£000	£000
Cash flows from operating activities		
Net operating cost	(38,724)	(14,700)
Adjustments for non-cash transactions	3,476	1,244
(Increase) / decrease in trade and other receivables	(134)	(1,280)
Increase / (decrease) in trade and other payables	1,052	4,247
Net cash outflow from operating activities	(34,330)	(10,489)
Cash flows from financing activities		
Advances from Net Parliamentary Funding – Drawn down	(34,330)	10,489
Net cash flows from financing activities	-	-

The notes on pages 33 to 44 form part of these financial statements.

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Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

	Note	General Fund	Total Reserves
		£000	£000
Balance at 30 September 2011			
Net Parliamentary Funding – drawn down		11,698	11,698
Comprehensive expenditure for the six months ended 31 March 2012		(14,700)	(14,700)
Non-cash Adjustments:			
Non-cash changes – service recharges		35	35
Balance at 31 March 2012 Restated		(2,967)	(2,967)
Net Parliamentary Funding - drawn down		34,330	34,330
Comprehensive expenditure for the year	2	(38,724)	(38,724)
Non-cash Adjustments:			
Non-cash changes			
- auditors remuneration		35	35
- Recharge of Shared Services		3,441	3,441
Balance at 31 March 2013		(3,885)	(3,885)

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

The notes on pages 33 to 44 form part of these financial statements.

Notes to the Financial Statements

1. Statement of Accounting Policies

These accounts have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury, as set out in the statutory Accounts Direction issued pursuant to section 5(2) of the Government Resources and Accounts Act 2000. 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 2012-13 are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1. Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Adoption of amendment to FReM

The only significant FReM change that affected the Agency that took effect in 2012-13 was as follows:

Accounting boundaries – The Agency has adopted the amended requirement to account for business combinations under common control as either transfers by merger or transfers by absorption. We have accounted for new combinations of our executive agencies and ALBs as transfers by absorption. The carrying value of the assets and liabilities of the functions were not adjusted to fair value on consolidation. There was no recognition of goodwill and no restatement of comparatives in the financial statements. The net asset or liability carrying values were recorded as a non-operating gains or loss from the transfer of function within other comprehensive expenditure. Revaluation reserves were transferred in full.

1.3 IFRSs in issue but not yet effective

In order to comply with the requirements of *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, the Agency must disclose where it has not applied a new IFRS that has been issued but is not yet effective. The Agency has carried out a review of the IFRSs in issue but not yet effective, to assess their impact on its accounting policies and treatment, and found that none of the updates have any material impact on the accounts. The Agency, therefore, has chosen not to adopt early requirements of the following accounting standards and interpretations, which have an effective date after the date of these financial statements:

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Standard	Effective	FReM Application	Impact
IAS 1 Presentation of Financial Statements (Other Comprehensive income)	Accounting periods commencing 1 July 2012	2013-14	The standard requires items of OCI to be grouped on the basis of whether they might at some point be reclassified from OCI to Profit or where they will not.
IAS 12 – Income Taxes (Amendment)	Accounting periods commencing 1 July 2012	Subject to Consultation	The standard requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount through use of sale
IAS 19 Post-employment benefits	Accounting periods commencing 01 January 2013	2013-14	This amended standard introduces changes in the recognition and presentation that arose from the corridor approach. This approach is not permitted by FReM and therefore will not be adopted by the Department. It also introduces improved disclosure requirements that will better show the characteristics of defined benefit plans and risks rising from those plans
IAS 16 Property, Plant and Equipment	Accounting periods commencing 01 January 2013	2013-14	This standard states that the classification of servicing equipment (Spare parts, Service and stand by equipment) is recognised under ISA16 when they meet the definition of property, plant or equipment. They are otherwise classified as inventory under IAS2
IAS 27 Separate Financial Statements	Accounting periods commencing January 2013	Subject to Consultation	The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 <i>Financial Instruments</i>

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Standard	Effective	FReM Application	Impact
IAS 28 Investments in Associates and Joint Ventures	Accounting periods commencing 01 January 2013	Subject to Consultation	The standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.
IAS 32 Financial Instruments: Presentations	Accounting periods commencing 01 January 2013	2013-14	The standard identifies the tax effect of distribution to holders of equity instruments
IFRS 9 Financial Instruments	Accounting periods commencing 01 January 2015	Subject to Consultation	The standard introduces new requirements that address three areas; the classification and measurement of financial instruments; the calculation and disclosure of financial assets impairments and further information on hedge accounting principles and hedging relationships
IFRS 10 Consolidated Financial Statements	Accounting periods commencing 01 January 2013	Subject to Consultation	The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.
IFRS 11 Joint Arrangements	Accounting periods commencing 01 January 2013	Subject to Consultation	The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.
IFRS 12 Disclosure of Interest in Other Entities	Accounting periods commencing 01 January 2013	Subject to Consultation	The standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

**Standards and Testing Agency
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Standard	Effective	FReM Application	Impact
IFRS 13 Fair Value Measurement	Accounting periods commencing 01 January 2013	Subject to Consultation	<p>The standard replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.</p> <p>This Standard defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.</p>

1.4 Areas of judgement

The preparation of these accounts requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts 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. Specific areas of judgement include provisions and impairment.

1.5 Transfer of functions

As part of the ALB reform programme, the Department closed or abolished seven of its ALBs on 31 March 2012 and reorganised its extended activities. The exam administration functions of the Quality and Curriculum Development Agency (QCDA) were transferred into the Department whilst the QCDA's National Curriculum assessment functions were transferred into the Agency.

1.6 Financial instruments

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

Financial assets

Financial assets are classified where appropriate as loans and receivables; available-for-sale or financial assets at fair value through profit and loss. Financial assets include cash and cash equivalents and trade and other receivables. The Agency determines the classification of its financial instruments at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable costs. The Agency's financial assets include trade and other receivables and cash.

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

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Trade and other receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits

Financial liabilities

Financial liabilities are classified, where appropriate, at fair value through profit or loss, or as financial liabilities measured at amortised cost (face value plus any discounts). Financial liabilities include trade and other payables and accruals.

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

Trade and other payables

Trade and other payables including accruals are generally not interest bearing and are stated at their face value on initial recognition. Subsequently, they are measured at amortised cost using the effective interest method.

1.7 Research and Development

Research expenditure is reported in the Statement of Comprehensive Net Expenditure in the year in which it is incurred. Development expenditure is also recognised in the Statement of Comprehensive Net Expenditure when incurred unless it meets the specific criteria for capitalisation within *IAS 38 Intangible Assets*.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Agency. It includes both income as authorised in the Supply Estimate (such as general administration receipts and income from other departments), and income to the Consolidated Fund that HM Treasury has agreed should be treated as operating income. Income is stated net of VAT.

1.9 Administration and programme expenditure

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

Administration costs reflect the costs of running the Agency as defined under the administration cost control regime, together with associated operating income. Income is analysed in the notes between that which is allowed to be offset against gross administrative costs in determining the outturn against the administration budget, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Agency. These costs relate directly to the front line delivery of specific programmes.

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1.10 Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased assets to the lessee. All other leases are classified as operating leases. Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure as expenditure is incurred.

1.11 Pensions

In respect of the defined contribution pension schemes and/or unfunded defined benefit schemes the Agency recognises the contributions payable for the year.

1.12 Provisions

The Agency makes provision in the accounts where the following criteria are met in accordance with *IAS 37: Provisions, Contingent Liabilities and Contingent Assets* (IAS 37). The criteria are as follows:

- a legal or constructive obligation exists that will result in the transfer of economic benefit;
- the transfer is probable; and
- a reliable estimate can be made.

The provision's value is discounted when the time value of money is material. Changes in the discount rate applied will be recognised in the year in which the change occurred. Comparative figures were not adjusted as this is a change in accounting estimate.

1.13 Contingent liabilities

In addition to statutory contingent liabilities recognised in these accounts in accordance with IAS 37, the Agency also discloses non-statutory contingent liabilities. The disclosure of the non-statutory contingent liabilities (i.e. they are not sufficiently probable to require recognition in the accounts) is to comply with Parliamentary reporting and accountability purposes in accordance with the requirements of HM Treasury's *Managing Public Money* publication and regime.

Where the time value of money is material, statutory IAS37 contingent liabilities are discounted and the amount reported to Parliament separately noted. Non-statutory contingent liabilities are not discounted and are disclosed at the amounts reported to Parliament.

1.14 Value Added Tax

Most of the activities of the Agency are outside the scope of VAT. However, the Agency sits within the Department's group VAT registration allowing for Agency to be partially VAT-registered. In general output tax does not apply, or where it does, input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property and equipment and intangible assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.15 Inventory

Stock is valued at the lower of cost and net realisable value.

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2. Statement of operating costs by operating segment

2.1. For both management and financial reporting purposes, the STA is split into three operating divisions: Test Operations, Test Development and Test Support. These are each classed as reportable segments.

	Test Development	Test Operations	Test Support	Admin	2012-13 Total	Six months to 31 Mar 2012 Restated Total
	£000	£000	£000	£000	£000	£000
Gross expenditure	4,316	25,686	1,488	9,052	40,542	15,980
Income	-	(1,818)	-	-	(1,818)	(1,280)
Net expenditure	4,316	23,868	1,488	9,052	38,724	14,700
Total net expenditure per statement of comprehensive net expenditure					38,724	14,700

3. Staff numbers and related costs

3.1. Staff Costs:

	2012-13			Six months To 31 Mar 2012
	Permanently employed staff	Others	Total	Total
	£000	£000	£000	£000
Wages and salaries	3,930	72	4002	1,850
Social security costs	364	-	364	163
Other pension costs	768	-	768	377
Total Net Costs	5,062	72	5,134	2,390

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

For 2012-13, employers contributions of £751k were payable to the PCSPS (six months of 2011-12 £374k) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years

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following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers contributions of £16k (six months of 2011-12: £2k) were paid to one or more of the panel of three appointed stakeholder pension providers.

Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £710 (six months of 2011-12: £212), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1k (2011-12:£1k). Contributions prepaid at that date were nil.

Nobody (2011-12: none) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2011-12: £nil).

3.2. Average number of persons employed

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

Number	2012-13			Six months to 31 Mar 2012
	Permanently employed staff	Others	Total	Total
Directly employed	88	-	88	87
Other	-	1	1	1
Total	88	1	89	88

3.3. Reporting of Civil Service and other compensation schemes - exit packages

There were no redundancy or other compensation packages paid during the period (2011-12: none).

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4. Other administration costs

The following expenditure has been classified as Other Administration Costs.

	2012-13	Six months to 31 Mar 2012 Restated
	£000	£000
Rentals under operating leases:		
Other operating leases	5	5
Non-cash items:		
Auditor's remuneration	35	35
Total administration non-cash items	40	40
Recharges or Central Services cost	3,441	1,212
Travel and subsistence	214	96
Consultancy	63	7
Computers and telecoms costs	27	7
Other office services	23	12
Other expenditure	33	27
Total	3,841	1,401

5. Programme costs

The following expenditure has been classified as Programme Costs.

	2012-13	Six months to 31 Mar 2012
	£000	£000
IT and telecoms	1,189	311
Professional fees	2,149	413
Travel	214	20
Communications and media	1,102	1,712
Other office services	3,727	1,617
Other expenditure	959	2
Programme contract expenditure	21,975	8,114
Research and development	252	-
Total	31,567	12,189

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6. Income

	2012-13	Six months to 31 Mar 2012
	£000	£000
Programme income:		
Other income	(1,818)	(1,280)
Total Revenue	(1,818)	(1,280)

During the year income of £1.8m was generated from the sale of tests and has been accounted for on an accruals basis to match with related costs.

7. Financial instruments

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

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

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

8. Trade receivables

	31 March 2013	Six months to 31 March 2012
	£000	£000
Amounts falling due within one year:		
Trade and other receivables	(11)	-
Deposits and advances	(1)	-
Prepayments and accrued income	(1,356)	(1,280)
	(1,368)	(1,280)

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8.1. Intra-Government balances

Amounts Falling due within one year

	31 March 2013	31 March 2012
	£000	£000
Balances with other central government bodies	-	-
Balances with local authorities	4	-
Sub total – intra-government balances	4	-
Balances with bodies external to government	1,364	1,280
Total receivables at 31 March	1,368	1,280

9. Trade payables and other current liabilities

	31 March 2013	31 March 2012
	£000	£000
Amounts falling due within one year:		
Other taxation and social security	105	135
Trade payables	253	290
Amounts due re Pensions	81	74
Other payables	0	1
Accruals and deferred income	4,860	3,747
	5,299	4,247

9.1. Intra-Government balances

Amounts falling due within one year

	31 March 2013	31 March 2012
	£000	£000
Balances with other central government bodies	560	209
Balances with local authorities	17	3
Sub total – intra-government balances	577	212
Balances with bodies external to government	4,722	4,035
Total payables at 31 March	5,299	4,247

10. Capital commitments

There were no capital commitments at 31 March 2013 (2012: None).

11. Contingent liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability

There were no contingent liabilities at 31 March 2013 (31 March 2012: None).

12. Related party transactions

The Agency is an executive agency of the Department for Education and for the purposes of these financial statements is regarded as a related party. During the year the Department had a significant number of transactions with the Department for Work and Pensions on behalf of the Agency.

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

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

13. Events after the reporting period

The financial statements were authorised by the Accounting Officer for issue on 16 July 2013.

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Glossary

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



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