



Department of
Education

www.deni.gov.uk

AN ROINN
Oideachais

MÄNNYSTRIE O
Lear

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Department of Education

RESOURCE ACCOUNTS

for the year ended 31 March 2010

**Department of Education Resource Accounts
For the year ended 31 March 2010**

*The Accounting Officer authorised these
financial statements for issue*

on

30 June 2010

*Laid before the Northern Ireland Assembly by the
Department of Finance and Personnel under
section 10(4) of the Government Resources
and Accounts Act (Northern Ireland) 2001*

on

2 July 2010

© Crown Copyright 2010

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to the Office of Public Sector Information, Information Policy team, Kew, Richmond, Surrey, TW9 4DU. E-mail: licensing@opsi.gov.uk.

DEPARTMENT OF EDUCATION

Annual Report and Accounts for the year ended 31 March 2010

Contents	Page
Annual report	
Introduction	1
Management Commentary	6
Corporate Governance	36
Remuneration Report	41
Resource Accounts	
Statement of Accounting Officer's Responsibilities	49
Statement on Internal Control	51
Certificate and Report of the Comptroller and Auditor General	62
Statement of Parliamentary Supply	65
Operating Cost Statement	67
Statement of Financial Position	68
Statement of Cash Flows	69
Statement of Changes in Taxpayers' Equity	70
Statement of Operating Costs by Departmental Strategic Objectives	72
Notes to the Accounts	73
Report of the Comptroller and Auditor General	109

DEPARTMENT OF EDUCATION

Accounts for the year ended 31 March 2010

Abbreviations and terms used

AEN	Additional Educational Needs
ALBs	Arm's Length Bodies
AMPS	Assembly Members' Pension Scheme (Northern Ireland) 2008
ARMC	Audit and Risk Management Committee
BELB	Belfast Education and Library Board
BREEAM	Building Research Establishment Environmental Assessment Method
C&AG	Comptroller and Auditor General
C2K	Classroom 2000
CCEA	Northern Ireland Council for the Curriculum, Examinations and Assessment
CETV	Cash Equivalent Transfer Value
CFERs	Consolidated Fund Extra Receipts
CIFNI	Construction Industry Forum for Northern Ireland
CIGNI	Construction Industry Group for Northern Ireland
CoPE	Centres of Procurement Expertise
CSP	Civil Service Pensions
DEL	Departmental Expenditure Limit
DEL*	Department for Employment and Learning
DFP	Department of Finance and Personnel
DHSSPS	Department of Health, Social Services and Public Safety
ELB	Education and Library Board
ESA	Education and Skills Authority
ESAIT	Education and Skills Authority Implementation Team
ESD	Education for Sustainable Development
EU	European Union
FReM	Government Financial Reporting Manual
GCCG	Government Construction Clients' Group
GTCNI	General Teaching Council Northern Ireland
HSS	Health and Social Services
IAS	International Accounting Standard
ICT	Information, Communication and Technology
IFI	International Fund for Ireland
IFRS	International Financial Reporting Standard
InCAS	Interactive Computerised Assessment System
MLA	Member of Legislative Assembly
NDPB	Non-Departmental Public Body
NHS	National Health Service
NICS	Northern Ireland Civil service
NILGOSC	Northern Ireland Local Government Officers' Superannuation Committee
NIPSA	Northern Ireland Public Service Alliance
NISRA	Northern Ireland Statistics and Research Agency
ONS	Office of National Statistics

Abbreviations and terms used

PCSPS (NI)	Principal Civil Service Pension Scheme (Northern Ireland)
PfG	Programme for Government
PFI	Public Finance Initiative
PPEs	Post Project Evaluations
PPP	Public Private Partnership
PSA	Public Service Agreement
PSEEP	Pre-School Education Expansion Programme
PSfG	Professional Skills for Government
RMF	Risk Management Framework
RPA	Review of Public Administration
RPI	Retail Prices Index
SCS	Senior Civil Service
SEN	Special Educational Needs
STEM	Science, Technology, Engineering and Maths
TSS NI	Teachers' Superannuation Scheme Northern Ireland
UK GAAP	UK Generally Accepted Accounting Practice
VAT	Value Added Tax
WELB	Western Education and Library Board

DEPARTMENT OF EDUCATION

ANNUAL REPORT

INTRODUCTION

1. Ministerial responsibility

During the year, the following Minister had responsibility for the Department of Education:

Minister with responsibility for Education: Ms Caitriona Ruane MLA

2. Senior officers

The Department is headed by the Minister for Education, supported by the Permanent Secretary, two Deputy Secretaries, executive directors and two independent non-executive directors. The composition of the senior management team as at 1 April 2009, when a divisional structure existed, was as follows:

Mr Will Haire	Permanent Secretary (to 31 January 2010)
Mr Paul Sweeney	Permanent Secretary (from 1 February 2010)
Mr John McGrath	Deputy Secretary
Dr Robson Davison	Deputy Secretary
Mr Stanley Goudie	Chief Inspector, Education and Training Inspectorate
Mr Gavin Boyd	Chief Executive (Designate), Education and Skills Authority (ESA)

Heads of Divisions

Mrs Dorothy Angus
Dr Mark Browne

Mrs Catherine Daly
Mrs Katrina Godfrey
Mrs Maura McCusker
Mr Eugene Rooney
Mr Chris Stewart
Ms Louise Warde Hunter

Non-executive directors

Dr Roger Platt
Mr Kevin Steele

Divisions

Supporting and Safeguarding Children
Education and Skills Authority Implementation
Team (ESAIT) (to 31 May 2009)
Finance Director
Raising Standards
Corporate Services
Development and Infrastructure
Review of Public Administration
Early Years, Youth and School Finance (to 26
July 2009)

A new Departmental Organisational Structure was implemented on 5 May 2009 which resulted in the Divisional structure being reorganised into a Directorate based structure. The Directorates and Directors are as follows:

Directors

Mrs Dorothy Angus
Vacant

Mrs Catherine Daly
Mrs Katrina Godfrey
Mrs Maura McCusker
Mr Denis McMahon

Mr Diarmuid McLean

Mrs La'Verne Montgomery

Mr Eugene Rooney
Mr Chris Stewart
Ms Linda Wilson

Directorates

Access, Inclusion and Well-Being
Education and Skills Authority Implementation Team (ESAIT)
Finance
Curriculum, Qualifications and Standards
Equality and all-Ireland (to 31 March 2010)
Investment and Infrastructure (from 1 May to 30 September 2009)
Investment and Infrastructure (from 1 October 2009)
Education Workforce Development (from 2 September 2009)
Planning and Performance Management
Review of Public Administration
Families and Communities (from 21 September 2009)

Non-executive directors

Dr Roger Platt
Mr Kevin Steele

3. Senior official appointments

The Permanent Head of the Department of Education took up his present post on transfer from the Department of Culture, Arts and Leisure. His appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Mr Diarmuid McLean, Investment and Infrastructure Directorate, took up his present post on transfer from the Department of Finance and Personnel. His appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Mrs La'Verne Montgomery, Education Workforce Directorate, took up her present post after an open competition. Her appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

Ms Linda Wilson, Families and Communities Directorate, took up her present post on transfer from the Department of Culture, Arts and Leisure. Her appointment is for an indefinite term under the terms of the Senior Civil Service contract. The rules for termination are set out in the Northern Ireland Civil Service Pay and Conditions of Service Code.

4. Departmental accounting boundary

These accounts have been prepared in accordance with directions given by the Department of Finance and Personnel in pursuance of the Government Resources and Accounts Act (Northern Ireland) 2001 and relate to the activities of the Department of Education and the Special Educational Needs and Disability Tribunal. All other associated education and health bodies are outside the accounting boundary defined within the *Government Financial Reporting Manual (FRM)*.

5. Associated bodies

The Department provides funding to a number of public and private sector bodies which are outside the Departmental Resource Accounting boundary. For resource accounts purposes, with the exception of the Special Educational Needs and Disability Tribunal, all of the Non-Departmental Public Bodies (NDPBs) fall outside the Departmental accounting boundary and their results are not therefore consolidated with those of the Department. Financial information in respect of the individual NDPBs may be obtained from their separately published annual report and accounts.

The following list represents those bodies for which the Department had direct funding responsibility during this financial year.

Executive NDPBs

Belfast Education and Library Board
Council for Catholic Maintained Schools
Northern Ireland Council for the Curriculum, Examinations and Assessment
North Eastern Education and Library Board
Southern Education and Library Board
South Eastern Education and Library Board
Staff Commission for Education and Library Boards
Western Education and Library Board
Youth Council for Northern Ireland

Tribunals

Special Educational Needs and Disability Tribunal

Public and Private sector bodies

Grant Maintained Integrated Schools *
Voluntary Grammar Schools *
Northern Ireland Council for Integrated Education
Comhairle na Gaelscolaíochta
Middletown Centre for Autism
Health and Social Care Board

* Note: Other schools, maintained and controlled, are funded via the Education and Library Boards.

6. Departmental reporting cycle

The Department's original Estimates for the year were included in the "*Northern Ireland Main Estimates 2009-2010*" publication. These Estimates were subject to in-year revision and revised Estimates were included in the "*Northern Ireland Spring Supplementary Estimates 2009-2010*" publication. Both these publications are available from The Stationery Office.

The Department's Estimates include provision for the Education and Library Boards; the Northern Ireland Council for the Curriculum, Examinations and Assessment; the Council for Catholic Maintained Schools; Voluntary and Grant Maintained Integrated Schools; the Youth Council for Northern Ireland and Youth Services; EU Programme for Peace and Reconciliation funding; Early Years Services; the Integrated Development Fund; Departmental administration; miscellaneous education services and community relations.

Key non-financial targets are detailed in the Department's Public Service Agreements. Progress is monitored quarterly.

7. Payment of suppliers

The Department is committed to the prompt payment of bills for goods and services received, in accordance with the Better Payment Practice Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later.

During the year 87% of bills were paid within this standard. No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

As part of the Northern Ireland Assembly's efforts to support businesses during the current economic position, DAO (DFP) 12/08 asked Accounting Officers to support a commitment to paying invoices within 10 working days. During the year the Department has paid 62% of bills within this target.

8. Pension liabilities

Treatment of pension liabilities is disclosed in accounting policy note 1.12 and in the Remuneration Report.

9. Company directorships

There are no company directorships or other significant interests held by senior management team members which conflict with their management responsibilities.

10. Auditor

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. He is head of the Northern Ireland Audit Office and he reports his findings to the Northern Ireland Assembly. He and his staff are wholly independent of the Department

The audit of the financial statements for 2009-10 resulted in a notional audit fee of £70,725 which is included in the administration costs in the operating cost statement. The Northern Ireland Audit Office did not undertake any non-audit work in the Department during the 2009-10 financial year.

11. Equality Statement

The Department in carrying out its functions has a statutory responsibility, to have due regard to the need to promote equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with disability and persons without; and
- between persons with dependants and persons without.

In addition, without prejudice to the above obligation, the Department should also in carrying out its functions, have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

12. Personal Data Related Incidents

There were no significant personal data related incidents in the Department during 2009-10.

13. Sickness Absence

Sickness absence rates for the Department for the period April 2009 to March 2010 indicate that the Department will achieve an average of 9.9 days lost (2008-09: 9.2 days post validation) per whole time equivalent member of staff against a target of 8.5 days. It is important to note, however, that this information has not yet been validated.

MANAGEMENT COMMENTARY

14. Nature, objectives and strategy of the Department

Vision: To ensure that every learner fulfils his or her full potential at each stage of development.

Mission: To work together as partners in education and youth services to ensure a high standard of education for all children and young people, which will put them at the centre of education, motivate them, build their confidence and enrich their lives, and provide the foundation for a strong and vibrant economy.

Supporting objectives:

- Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society; and
- Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

Primary statutory duty: To promote the education of the people in Northern Ireland and to ensure the effective implementation of education policy. Its key functions include:

- advising ministers on the determination of education policy;
- framing legislation;
- accounting for the effectiveness of the education system;
- allocating, monitoring and accounting for resources; and
- through the Education and Training Inspectorate, evaluating and reporting on the quality of teaching and learning and teacher education.

The Department's main areas of responsibility are in 0-5 provision, pre-school, primary, post-primary and special education; the youth service; the promotion of community relations within and between schools; and teacher education and salaries.

Planning framework

In order to realise our vision and mission statement, the education service's activity is characterised by the following four main strategic objectives:

- **Enable learners to fulfil their potential** through ensuring equality of access to a quality education and tackling the barriers to children's learning;
- **Prepare every learner for life** through improving quality and raising standards for all children, supporting a curriculum which is relevant to individual aspirations and to social and economic needs, and motivating and empowering our young people to contribute positively to society, now and in the future;
- **Transform education for learners** by building the best support for educators across all sectors and phases and maximising the resources focused on teaching and learning; and
- **Provide the best environment for learning** by securing the provision of buildings, equipment and materials that offer children a motivating and rich environment in which to learn.

Progress against key non-financial targets

The Programme for Government (PfG) sets out the strategic priorities and key plans of the Northern Ireland Executive for 2008-11.

The Programme's over-arching aim is to build a peaceful, fair and prosperous society in Northern Ireland, with respect for the rule of law and where everyone can enjoy a better quality of life now and in years to come. Its priorities are to pursue an innovative and productive economy and a fair society that promotes social inclusion, sustainable communities and personal health and well-being. It will do this in ways that protect and enhance the physical and natural environment and use resources as efficiently and sustainably as possible.

To support the Executive's priorities and help realise its goal of a shared and better future, a framework of twenty three Public Service Agreements (PSAs) has been developed. PSAs are a clear commitment to the public on what they can expect for their money and each agreement sets out explicitly which Minister is accountable for delivery of targets underpinning that commitment. PSAs confirm the key actions to be taken in support of the priorities, and the outcomes and targets to be achieved during the period 2008-11. Each PSA is underpinned by a Delivery Agreement. The Department of Education has lead responsibility for two PSA Delivery Agreements. These are:

- PSA 10 – Helping our children and young people achieve through education; and
- PSA 19 – Raising standards in our schools.

However, as the framework of PSAs cuts across departmental boundaries, in some cases other departments are required to contribute to the achievement of the targets and outcomes underpinning the Department of Education's PSAs.

PSA 10 – Helping our children and young people achieve through education.

Vision

- Education is important for every child's present and future. Education provision of high quality should be available to all children from their pre-school years and through compulsory school-based education into post-16 provision. This education can be through the medium of English or Irish.
- Education at all levels should promote the highest standards and ensure that all children achieve to their full potential.
- The right support should be provided at the right time particularly for children and young people with learning difficulties, a learning disability or facing barriers to learning to ensure that they realise their full potential and make the most of the learning opportunities provided.

Objectives

In line with that vision the following objectives have been set:

- Objective 1: Provide for effective early intervention through more coherent education and care provision for pre-school children;
- Objective 2: Reduce the gap in educational outcomes by addressing the needs of disadvantaged and vulnerable children and young people;
- Objective 3: Provide more effective interventions to support children and young people with Special Educational Needs (SEN) and Additional Educational Needs (AEN); and
- Objective 4: To maximise high-quality Irish-medium provision for those children whose parents wish it.

Measurement

Progress in achieving the above objectives is measured by a number of indicators. The following table summarises the position at 31 March 2010. These are the most recent results available for publication.

Summary of Performance against PSA 10

Indicator	Baseline	Target	Next Milestone	Current Position	Comment
1. Deliver new early years strategy which will bring early years care and education together in a coordinated way, to support integration of service delivery.	Consultation on draft strategy launched Spring 2010. Strategy due for publication October 2010.				
2. By 2011, increase to 30% the percentage of students, with entitlement to Free School Meals, gaining a level 2 qualification including English and Maths, by the time they leave school.	2005-06 26%	2011 30%		2008-09 30%	Target achieved
3a. By 2010, bring the attainment levels of primary and post primary schools identified as having 51% or more of pupils living at a postcode within a Neighbourhood Renewal Area, up to within 5% of the Northern Ireland average at Key Stage 2.	2005-06 Gap of 18% in English, 14% in Maths	2011 Within 5%	2009-10 Gap of 7% in English, 8% in Maths	2008-09 Gap of 13.7% in English, 13.4% in Maths	Progress reviewed with ELBs. Action plans drafted.
3b. By 2010, bring the attainment levels of post primary schools identified as having 51% or more pupils living at a postcode within a Neighbourhood Renewal Area, up to within 3% of the Northern Ireland average at GCSE.	2005-06 Gap of 12%	2011 Within 3%	2009-10 Gap of 5.5%	2007-08 Gap of 6%	Interim milestone target achieved
4. By 2010, reduce the number of pupils achieving no GCSEs attending schools identified as having 51% or more of their pupils living at a postcode within a Neighbourhood Renewal Area, to within 1% of the Northern Ireland average.	2005-06 Gap of 5%	2011 Within 1%	2009-10 Gap of 4%	2008-09 Gap of 3.4%	Interim milestone target exceeded
5. By 2009, attract at least 98,000 visitors per annum to organised educational visits at National Museums.		March 2009 98,000	April 2010 105,000	March 2010 100,246	Target achieved
6. By 2010-11, introduce greater consistency and better value for money in the delivery of Special Educational Needs services.	<p>July 2008: Proposals from SEN review issued to Executive.</p> <p>July 2009: Executive agreed to Department commencing consultation.</p> <p>August 2009: Public Consultation document issued.</p> <p>Consultation period extended to 31 January 2010.</p> <p>Responses are currently being considered.</p> <p>January 2010: Work began on planning for the development and delivery of a capacity building programme for schools to be rolled out from September 2010.</p>				
7. Implementation of agreed recommendations of the Irish Medium Education Review.	The Review of Irish Medium Education made twenty four recommendations which were broadly accepted by the Minister on 13 March 2009. The Department has established a Standing Group to take forward the implementation of these recommendations and the development of policies to facilitate the continued and sustainable growth of the sector for the next decade.				

PSA 19 – Raising standards in our schools.

Vision

Our vision is to help every school here to become a good school; to raise overall educational achievement by young people; and to ensure that they are well prepared for life and work in the 21st century, enabling all to achieve their full potential and make a positive contribution to their communities.

While many young people are fortunate to have their aspirations nurtured and supported in schools with a real focus on excellence, there are still far too many pupils who are not reaching their full potential – and still too many schools where performance could be better. That is why quality and standards are at the very heart of our vision for school improvement. We want to do more to raise levels of achievement, especially in literacy and numeracy and Information, Communication and Technology (ICT).

Objectives

In line with the above vision, the following objectives have been set:

- Objective 1: To improve the overall performance of schools;
- Objective 2: To improve the fundamental skills of literacy, numeracy and ICT;
- Objective 3: To maintain a particular focus on levels of literacy and numeracy and ICT in those schools which currently have lower than expected levels of achievement and/or which draw their pupils from areas of high socio-economic disadvantage; and
- Objective 4: To ensure that mainstream pupils leave school with formal qualifications.

Measurement

Progress in achieving the above objectives is measured by a number of indicators. The following table summarises the position at 31 March 2010. These are the most recent results available for publication.

Summary of Performance against PSA 19

Indicator	Baseline	Target	Next Milestone	Current Position	Comment
1. By 2011, 68% of students to achieve a Level 2 qualification by the time they leave school.	2005-06 64%	2011 68%	2009-10 67%	2008-09 70%	Interim milestone and final target exceeded
2. By 2011, 65% of students undertaking A level examinations gaining 3+ A levels, A-C or equivalent in Year 14.	2005-06 63%	2011 65%	2009-10 64%	2008-09 64%	Interim milestone target achieved
3. By 2011, raise the participation rate of 16/17 year olds in full-time education or vocational training to 95%.	2005-06 87%	2011 95%	2009-10 94%	2008-09 87%	Figures from the Department for Employment and Learning (DEL*) on the numbers entering full time training have been revised. DEL* reported that enrolments in part time courses (not included here) have increased substantially.
4. By 2011, 55% of students gaining a Level 2 qualification, including GCSEs A*-C in English/Maths (or equivalent) by the time they leave school.	2005-06 54%	2011 55%	2009-10 56%	2008-09 56%	Interim milestone target achieved
5. By 2011, 30% of students with entitlement to Free School Meals gaining GCSEs A*-C in English and Maths by the time they leave school.	2005-06 26%	2011 30%	2009-10 29%	2008-09 30%	Interim milestone target exceeded
6. By 2011, 90% of students gaining GCSEs A*-G in English and Maths (or equivalent) by the time they leave school.	2005-06 85%	2011 90%	2009-10 89%	2008-09 88%	Interim milestone target exceeded
7. By 2011, reduce percentage of year 12 pupils with no qualification at GCSE level or equivalent to 1.5%.	2005-06 3%	2011 1.5%	2009-10 1.6%	2008-09 1.1%	Interim milestone target achieved

Convergence

Due to the delay in the establishment of the new Education and Skills Authority, a convergence delivery programme will be taken forward under the direction of the Department's ESA Implementation Team. The implementation of the convergence programme will require agreement amongst the existing statutory bodies and the development of assurance within those bodies around service continuity.

The Department recognises the scale and complexity of such a change process. Formal governance and accountability arrangements within the sector are being enhanced in response to the specific challenges of the change programme. There will be a particular focus on the formal and informal monitoring and reporting arrangements between the Department and its funded bodies to ensure no diminution of effective financial management and accountability.

The implementation of the Convergence Delivery Plan will include targeted measures designed to achieve costed savings, which will be necessary in the context of the overall financial environment. The Plan will be supported with an invest to save allocation from the Budget to facilitate the change management process and to underscore the need for change and the importance of realising real term cash savings in the current year and in the planning period. The Plan has been approved by the Minister in pursuance of her priorities to raise standards, reduce bureaucracy and protect front-line services.

The delay in the establishment of ESA has meant that the expected standardisation of functions has not yet been possible. The wider change programme within Education has significant implications for the workload of the Department which will have to be managed within existing resources. The Department will continue to ensure optimum allocation and effective utilisation of existing resources in line with Departmental priorities and will monitor this position.

15. Current and future development and performance

Investment in education and the development of young people have a major contribution to make to society and economic growth, providing opportunity for all and preparing young people for life and work in a rapidly changing and diverse world where skills and enterprise are at a premium. The Directorates within the Department each have a role to play in achieving these objectives.

➤ Education and Skills Authority Implementation Team

The ESA Implementation Team (ESAIT) was established in 2006 to support the establishment of the Education and Skills Authority (ESA). ESA will bring together the eleven organisations which currently administer education in Northern Ireland, into one organisation. The key aim of ESAIT is to support the Chief Executive designate in building this new organisation. There are currently thirty five staff in the team, all of whom have been seconded from the affected organisations.

In August 2009 the Minister appointed the Chairperson designate of ESA and set in motion the process to appoint members to ESA. Six Directors designate were also appointed in autumn 2009 and they began the process of considering the future design of ESA within their respective service areas.

The ESA design process focused on identifying the staff, skills and resources to deliver each service effectively, and the appropriate organisational design and location of functions to ensure the delivery of high quality, efficient and effective services under ESA.

The Chief Executive designate was appointed as an additional Accounting Officer of the Department with responsibility for exercising high level executive oversight of all the existing organisations.

In December 2009 the Minister announced that due to the delay in the progress of the first Education Bill, ESA would not be established by 1 January 2010. To maintain the drive towards the efficiency savings that would be achieved by ESA, the Minister asked the Chair designate and the Chief Executive designate to develop a Convergence Delivery Plan with the aim of delivering more efficient and consistent services by the existing organisations and to obtain some of the cost savings anticipated by the establishment of ESA. Detailed plans are currently being drafted on how to implement the convergence plan in partnership with the existing organisations.

To support the proposals outlined in the Review of Irish Medium Education an Irish Medium Support Project Manager was seconded. He will work with the Directors designate to ensure that the sector-specific needs for Irish-Medium schools are met within the wider support structures in ESA.

Whilst continuing to work towards the establishment of ESA there will be extensive collaboration with the existing organisations to ensure that the Convergence Delivery Plan is delivered across all the organisations and that the necessary efficiency savings are achieved. This will be achieved by the streamlining of management and increased equality of access and consistency in provision.

Together with the affected organisations, ESAIT will lead the convergence of education services and help develop regional management structures for service areas. The budget allocation will enable a targeted approach to the identification and implementation of the voluntary severance programme which will play a key role in the implementation of these new structures.

Work to establish the new committee structures and policy implementation groups is already underway to ensure that the Minister's key convergence objectives, to improve educational standards, remove variability of service and ensure greater efficiency, are delivered.

➤ **Curriculum, Qualifications and Standards Directorate**

Following internal restructuring, the Curriculum, Qualifications and Standards Directorate was created in May 2009.

During the 2009-10 year, the Directorate progressed work in a number of areas related to the Department's wider objectives of improving pupil attainment and tackling the achievement gap. Achievements included:

- the completion of the roll out of the revised curriculum so that, from September 2009, it was in place for all year groups in all grant-aided schools;
- the publication of a new school improvement policy, Every School a Good School: A Policy for School Improvement and the implementation of new measures to support schools in delivering improvement, including a Formal Intervention Process designed to ensure tailored, responsive support for schools found following inspection, to be providing a less than satisfactory education for their pupils;
- the completion of the joint Department of Education/Department for Employment and Learning Review looking at the promotion of Science, Technology, Engineering and Maths (STEM);
- the designation of a further ten specialist schools, including six schools with specialisms in STEM-related areas;
- the delivery of a new, state-of-the-art STEM truck which is providing mobile laboratory and teaching facilities to specialist and other schools, including primary and special schools, to promote pupils' interest in STEM subjects and STEM-related careers;
- the extension of the Primary Languages Programme to include an extra language, Polish, and to improve the matching of tutors and languages to the preferences of primary schools; and
- the production of regulations covering arrangements for the assessment of pupils and the reporting of pupil outcomes in writing to parents.

The Directorate also continued to provide support to the Literacy and Numeracy Taskforce as well as working to finalise the arrangements for assessing pupil progress in literacy and numeracy and to incorporate these into a new Literacy and Numeracy Strategy which will focus on raising attainment for all pupils in the core skills of literacy and numeracy.

During the year, the Directorate also dealt with two major incidents, ensuring a prompt response that was designed to safeguard the interests of pupils. One related to the discovery of two separate sets of errors in the reports produced from the Interactive Computerised Assessment System (InCAS) diagnostic assessment tool. The Directorate worked closely with the Council for the Curriculum, Examinations and Assessment (CCEA) and others on a five point plan focusing on:

- remediation (correcting the errors that occurred and ensuring that schools had accurate information on which to report pupil progress to parents);
- communication (explaining the nature of the problem and our handling to schools and more widely);
- assurance (to take the necessary steps to provide assurance that such problems could not recur);
- support and recompense for schools (including recognising the additional work involved in running new reports and providing feedback to parents); and
- confidence-building (rebuilding confidence in the InCAS statutory assessment tool following the errors).

The second related to internet safety and the discovery that a widely used educational resource website, Sparklebox, was being operated by a convicted paedophile. This

resulted in a Ministerial statement to the Assembly along with two reviews, one within the Department and one within Classroom 2000 (C2K), looking at how information about the operator was shared and acted upon within the education system; at the degree of risk to teachers and pupils; and at what additional steps might need to be taken to ensure that schools and pupils could only access appropriate and safe websites from the C2K managed network.

➤ **Access, Inclusion and Well-being Directorate**

Access, Inclusion and Well-being Directorate develops and maintains policies on school admissions; transfer from primary to post-primary school; school transport; support to address a range of barriers to learning (including special educational needs, newcomer pupils, Traveller children, looked after children, school age mothers and young carers); safeguarding; behaviour; alternative education provision; and promotion of emotional well-being. The Directorate endeavours to bring a whole child/whole school approach to building resilience, supporting pupils to mitigate difficulties and addressing issues arising from learning and health or social impacts along a spectrum of need.

During 2009-10 a number of initiatives were progressed or put in place to improve the equality of access to education, to support children and young people with barriers to learning and to improve their health and well being.

In June 2009 guidance on Transfer 2010 was issued to all schools and education and library boards, reflecting the Department's policy not to include academic criteria in its menu of recommended criteria and recommending that priority should be given to applicants entitled to free school meals in proportion to the numbers of such applicants. A circular to schools was issued in September 2009. Leaflets were issued to parents in September and December 2009. Arrangements have been put in place for the establishment of a new Exceptional Circumstances Body to which parents can apply for a direction that their child should be admitted on grounds of exceptional circumstances to a specific grant-aided post-primary school.

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES

Following the agreement of the Executive in July 2009, the proposals from the Review of Special Educational Needs and Inclusion were published for consultation in mid August 2009 with the consultation period running until the end of January 2010. During that period twelve public meetings were held across a range of geographical areas. The analysis of some one thousand six hundred responses to the consultation is underway.

The Middletown Centre for Autism has continued to develop with a training programme that has covered over three thousand education and health professional staff and two hundred and eighty parents. The Department of Education and the Department of Education and Science are working towards a phased multi-annual plan for the future development of the Centre, taking into account international best practice and the development of autism services on the island of Ireland since the Centre was established.

The Taskforce on Traveller Education, established by the Minister, met on a number of occasions during 2009-10 and sub-groups have completed a range of work on specific issues to assist the Department to develop an action plan on the education of Traveller children and young people.

The statutory and voluntary sector members of the five work streams of the Pupils' Emotional Health and Well-being Programme have continued their work to ensure that, through an understanding of their own well-being and building resilience and coping strategies, young people are ready to learn and can derive maximum benefit from the opportunity that school and other educational settings present. Inserts for homework diaries for the 2010-11 academic year have been provided to all schools. These include advice and contact details on a range of issues of concern to young people. A new contract for counselling in post primary schools was awarded in July 2009 and arrangements are underway to provide counselling in special schools.

Tackling disadvantage and meeting the requirements of children and young people with additional educational needs will continue to be a priority for the Department during 2010-11.

The Department will issue guidance on Transfer 2011 and work with the education and library boards on the admissions process.

Following consideration of the consultation responses on the review of special educational needs and inclusion, final policy proposals for the way forward will be presented to the Minister for consideration. A capacity building programme for the school workforce will be developed in line with existing requirements and responsibilities on schools to meet the needs of children and young people with special educational needs and will equip the workforce better to adapt to and implement any developments which might emerge from the review. Work will continue to develop an autism strategy while the Department will pursue improvements to the provision for special educational needs in Irish medium education.

The Taskforce on Traveller Education expects to complete its work towards the end of the year with a report which will inform the development of an action plan.

The development of the Pupils' Emotional Health and Well-being Programme will be brought to a conclusion in 2010-11 and the Department will contribute to the deliberations on the implications of the Ryan Commission Report and investigations into clerical abuse.

➤ **Education and Training Inspectorate**

Through inspection and reporting publicly to the educational stakeholders, in 2009-10, the Education and Training Inspectorate has continued to play a pivotal role in maintaining and developing the quality of provision and achievement in pre-school, school, further education, work-based learning, youth and teacher education settings.

In addition to this, it has provided up-to-date evidence-informed advice to the Department of Education, the Department for Employment and Learning and the Department of Culture, Arts and Leisure. It has undertaken inspections for the Department of Agriculture and Rural Development, the Department of Health, Social Services and Public Safety and, from time-to-time, has undertaken joint work with other agencies including the Regulation and Quality Improvement Authority and Criminal Justice Inspection Northern Ireland.

During the 2009-10 financial year the Education and Training Inspectorate achieved all the key targets that were identified in the 2008-09 Annual Business Report, which is available on the website at www.etini.gov.uk.

In March 2010, the Education and Training Inspectorate was subjected to a rigorous, structured, independent assessment process to ensure it had been providing standards of a high quality for its customers and stakeholders. This resulted in the organisation

being re-accredited for Charter Mark. To continue this process of good practice, the Inspectorate will be assessed in the 2010-11 financial year.

The Education and Training Inspectorate plans to provide a high-quality service in the 2010-11 financial year. It aims to:

- carry out inspection and evaluation activities in a manner consistent with ‘the principles of inspection’, outlined in ‘The Government’s Policy on Inspection of Public Services’ (Office of Public Service Reform, 2003), to promote improvements in provision, standards and achievements for all learners;
- provide timely, evidence-informed advice to Departments to support policy development, including change to existing policy. In doing so, the Inspectorate will seek to promote joined-up government through sharing our knowledge, understanding and experience across the Departments and other Public Bodies; and
- work to ensure that the members of the Inspectorate are highly valued and motivated and well-placed to respond to significant changes in education, youth and/or work-based learning.

The work of the Inspectorate for the 2010-11 financial year will be determined by the Service Level Agreements negotiated with the commissioning departments. The Business Plan 2010-11 will identify the key areas of work to be conducted by the Inspectorate and will be placed on the Inspectorate’s website once agreed and approved.

➤ **Families and Communities Directorate**

The key focus of this Directorate, which was newly created in 2009-10, is to develop relevant policies to enable the creation of a suite of good quality, coherent services and provision that complement and support formal education. This spans the range from Sure Start and other early years provision (0-4) to the availability of after-school and out-of-school services, and youth services (4-25). This range of service has a particular focus on those children who would not otherwise have a level playing field in terms of educational opportunity.

Early Years

Work continued to complete an important new strategy for the early years (0-6) which is now ready for consultation.

The budget for the funding of voluntary/private sector places in the Pre-School Education Expansion Programme (PSEEP) was over £10m for 2009-10. In June 2009, the Northern Ireland Audit Office published a report on the PSEEP which commended the programme and acknowledged it as a ‘review of good practice’.

The budget for Sure Start was approximately £20m in 2009-10. These funds were used to ensure coverage of the top 20% most disadvantaged wards with Sure Start services, through support to thirty two Sure Start partnerships, and included funding for the Sure Start Developmental Programme for 2-3 Year Olds. Sure Start is delivered in close co-operation with the Health and Social Care Board and Health and Social Care Trusts.

Over 2008-2011, the Department secured funding from the Investment Strategy for Northern Ireland to develop a small grants capital programme to modernise and improve the physical infrastructure of the voluntary sector settings, to bring them up to the required standard. The capital fund for 2009-10 was £2.63m and some sixty six grants were awarded to playgroups and Sure Start partner settings, in both urban and rural areas. This small grants capital scheme has been very well-received by the early years sector.

Over the coming year, the Directorate will work to progress a range of key policy areas. Consultation will be undertaken on the Early Years Strategy (0-6) and the document will be finalised. A major evaluation of Sure Start will be commissioned to provide evidence on how best to develop the initiative. The Department will also continue to manage the PSEEP to ensure the best match possible between children and places.

Youth and Schools in the Community

During 2009-10 policy responsibility for youth services and extended schools were brought together in this Team.

Extensive pre-consultation for a new strategy entitled “Priorities for Youth in Education” was completed during 2009-10. The findings from the consultations with

children and young people, and further seminars including the series of seminars which took place during November 2009 as part of Youth Work Month will all be used to inform the development of the new Strategy. Following this extensive pre-consultation, work on the preparation of the draft Strategy document is currently underway.

In 2010-11, it is intended to publish Priorities for Youth in Education for consultation. This will be a broad based exercise as the document will aim to set the agenda for the coming years. Guidance will also be issued on Community Use of Schools.

In relation to Extended Schools, funding was maintained at previous levels of £10m. A strategic way forward was agreed for Full Service (Model Schools) following a positive evaluation report and resources were secured to take forward six agreed areas of development in North Belfast. The Full Service Community Network, which was launched in April 2009, aims to deliver a range of comprehensive family support services in the Greater Falls and Upper Springfield areas of West Belfast.

A Community Use of Schools Working Group was established in June 2009 to consider and recommend ways to increase community use of schools. The Working Group reported in March 2010.

Community Cohesion

The Directorate assumed responsibility for a number of new areas, including Neighbourhood Renewal and Integrated Development Funding.

The new Community Relations, Equality and Diversity in Education policy was finalised for public consultation at the end of the financial year. Following Budget 2010-11, the associated budget for this work was significantly reduced and work to review the affordability of the policy is in progress.

Procedures for the management of Neighbourhood Renewal education projects were streamlined. Twenty five new applications were processed, which together with five existing projects, resulted in management of thirty projects (over £1.6m in value). Major projects, with a combined total of £2.9m, were also implemented through the Integrated Development Fund in West and North Belfast.

As the Managing Agent for the International Fund for Ireland's Sharing in Education programme, the Department successfully brought forward projects to the value of £5.3m, exceeding targets for this work.

In 2010-11, work will be taken forward on the Community Relations, Equality and Diversity policy alongside the delivery of the budget.

Participation and Parenting

During 2009-10 the Healthy Schools Team continued with its work on tackling social need and disadvantage. The school uniform grants scheme was extended to cover pupils in primary schools. The eligibility criteria for free schools meals were extended, from the 2010-11 school year, to include families with children in full-time

nursery places and/or primary schools in receipt of working tax credit and with a taxable income below £16,190 (in 2010-11). The Team also provided funding for administrative assistance to schools where pupils are in receipt of education maintenance allowances.

With input from the Department of Health, Social Services and Public Safety (DHSSPS), the Team developed and consulted upon a draft Food in Schools Policy. Significant contributions were also made to the development of DHSSPS's draft Obesity Prevention Strategic Framework and the DHSSPS led New Strategic Direction for Drugs and Alcohol.

In 2010-11, work will continue on the first phase of the introduction of the extended eligibility criteria for free school meals. The Food in Schools Policy will be finalised and introduced later in the year. Revised school uniform guidance is to be introduced. A review of the education maintenance allowance scheme, led by the Department for Employment and Learning, will be completed.

Irish Medium and Integrated Education Project Team

Implementation of the cross cutting Review of Irish Medium education, which impacts across the work of the Department, continued. A Steering Group comprising senior officials from the Department and representatives of Comhairle na Gaelscolaíochta and Iontaobhas na Gaelscolaíochta has been established to oversee its implementation.

In 2010-11, the Directorate will press ahead to promote the implementation of the Irish Medium Review. It will also develop terms of reference and provide leadership and a secretariat to the Irish Medium Group established through the Convergence Plan.

➤ Education Workforce Development Directorate

The Education Workforce Development Directorate was created within the Department's new Directorate structure introduced on 5 May 2009 and has policy responsibility for workforce development for staff in the education sector, including youth and early years.

Responsibilities of the Education Workforce Development Directorate include:

- a focus on quality, supply and demand, and professional development of the workforce, with a particular recognition of the pre-eminent role of teachers in raising standards;
- ensuring that pay and conditions of service are appropriate to maintain an able, committed and flexible workforce that will secure high and improving standards of school education for all children in Northern Ireland;
- development of policy and legislation in relation to the Northern Ireland Teachers' Superannuation Scheme and on early retirement or other severance arrangements

for teachers; and the conditions under which retired teachers may be re-employed; and

- ensuring that ESA makes effective provision for all employment matters relating to its Employer role.

The core of the Education Workforce Development Directorate is made up of two existing teams, the Teacher Negotiating and Pension Policy Team and the Teacher Education Team. As both of these teams currently deal exclusively with teacher related issues, it is necessary to identify the optimum staffing capacity to deal with the school support staff, youth and early years dimensions.

In 2009-10 the Directorate's key successes have been:

- the completion of the Teacher Education Review: the Department for Employment and Learning and the Department of Education jointly launched a review of teacher education in 2003 and in 2010 both Ministers cleared the review document to go to the Executive for public consultation;
- the initiation of exploratory discussions with relevant stakeholders on future arrangements for meaningful engagement with trade unions representing school-based staff;
- the review of draft terms of reference for a fundamental review of the school workforce including renewed consultation with stakeholders; and
- the introduction of regulations to effectively manage the costs associated with the Premature Retirement Compensation Scheme.

In April 2010 the Teachers' Pay and Pensions Team, based in Waterside House, joined the Directorate.

In 2010-11 the Directorate's key strategic themes will be to:

- develop a Framework for qualifications and professional development for the education workforce;
- develop an Education Workforce Strategy;
- negotiate pay and conditions of service that are appropriate to maintain an able, committed and flexible workforce;
- enhance the professional skills of teachers;
- deliver a fit for purpose pension system solution to administer the Northern Ireland Teachers' Superannuation Scheme;
- manage the Teachers' Payroll;
- develop access to data to support the Workforce Strategy; and

- have an appropriately skilled team in place to deliver on targets.

➤ **Planning and Performance Management directorate**

The Directorate has overall responsibility for the development and maintenance of robust strategic business planning in the Department and across the Department's non-departmental public bodies and, in due course, the new Education and Skills Authority, ensuring consistency and alignment across the organisations. It coordinates the setting of formal performance objectives and targets in conjunction with the Department's other directorates and the monitoring of performance against targets. The Directorate carries oversight responsibilities for governance issues in the Department and the NDPBs, including compliance with the terms of Management Statements. It is also responsible for policy on school governance. Within the Department, it is responsible for the provision of assurance regarding the risk management, control and governance arrangements operating to ensure achievement of Departmental objectives.

During the year the Directorate was responsible for developing arrangements for the effective governance and accountability of the ESA which was due to be established on 1 January 2010, whilst at the same time ensuring that the systems for accountability and performance reporting continued to be discharged effectively in regard to the Education and Library Boards during the transition. The key areas of work included organising the competitions for the selection and appointment of the Chair and Members of ESA and developing the accountability and performance management frameworks for ESA.

Following the Minister's Statement to the Assembly on 1 December 2009 on the introduction of transitional governance and management arrangements across the education sector in the absence of the ESA, the Directorate took forward the exercise to reconstitute the Education and Library Boards.

Other key areas progressed during 2009-10 were:

- publication of the main education statistical series results including the 2009 School Census and 2009 School Leavers Survey;
- inputting to two reviews of education statistics by the UK Statistics Authority;
- supporting the Accountability Reviews and regular Accounting Officers' meetings with the NDPBs;
- delivering the Department's audit plan, including provision of independent assurance on the eligibility of EU Programme expenditure;
- progressing the reconstitution exercise for school Board of Governors across the education sector; and
- production of a revised risk management framework for the Department.

The work of the Directorate will be impacted significantly by the timescales for a political agreement on the establishment of ESA. The immediate focus in the next few months will be on the governance and accountability arrangements required for the transitional period before ESA is established. This will include completing the Education and Library Board (ELB) reconstitution work and centralising of sponsorship in the Department across the Department's NDPBs. The Directorate will also be working closely with ESAIT on progress with the Convergence delivery work. The Directorate will also be undertaking production of the key education statistics, and delivering a comprehensive audit programme.

➤ **Investment and Infrastructure Directorate**

Investment and Infrastructure Directorate is responsible for delivery of the Department's capital investment plan. This includes: assessment of all development proposals for schools; scrutiny of all proposed major capital works projects; management of conventional major and minor capital works schemes at various stages of planning and construction; management of youth capital projects and monitoring the capital budgetary position.

The capital spend for the Department in 2009-10 was £242m representing 99.9% of the available budget.

Schools' Major Capital Works

Of the original one hundred and eight major capital projects listed in the Investment Delivery Plan, sixteen projects were completed in the 2009-10 financial year with a total capital investment of almost £138m. These were De La Salle College, Belfast; Drumragh Integrated College, Omagh; Mount Lourdes Grammar School, Enniskillen; Ballinderry Primary School; St Colman's College, Newry; Towerview Primary School, Bangor; Pond Park Primary School, Lisburn; St Peter's Primary School, Cloughreagh; Abbey Grammar School, Newry; Ashfield Girls' High School, Belfast; St Catherine's College, Armagh; Templepatrick Primary School; Orangefield Primary School; Belfast Model School for Girls; and Glendhu and Ravenscroft Nurseries, Belfast.

PHOTO REDACTED DUE TO THIRD PARTY RIGHTS OR OTHER LEGAL ISSUES



In addition to those completed, a further sixteen major capital school projects are currently on site representing a further capital investment of over £252m in our schools' estate.

Capital Review

In October 2009, the Minister announced a review of all capital schemes to ensure that they are supportive of the Department's policy framework and hence will be viable and sustainable in the long term. The review is currently ongoing and is designed to ensure that investment in the Education Estate is consistent with, and supportive of the policy framework in place. The review will also ensure that the available resources are used to secure the best outcomes for children and maximum value for the taxpayer.

Lisanelly

In 2009-10, the Department, supported by the Strategic Investment Board Limited, reached a significant milestone in the development of a shared educational campus at Lisanelly, Omagh with the appointment of an integrated design team in March 2010 to take forward the exemplar design. The Lisanelly site (comprising approximately one hundred and thirty nine acres) is part of a former military base at Omagh and is to be gifted to the Northern Ireland Executive as part of the financial settlement on Northern Ireland policing and justice. Many of the post primary schools in Omagh are in need of major capital development and the vision is for up to six local schools to re-locate to the Lisanelly site.

During 2010-11, the Exemplar Design Team will work with the schools and the local community to begin the process of working up design proposals for the Lisanelly site.

Minor Capital Works and Maintenance

The Minor Works programme covers capital works projects with a capital value less than £500,000. In 2009-10 the Department approved around five hundred minor works schemes in the voluntary and maintained sectors, spending around £49m, including £6m on professional fees. The Education and Library Boards spend a similar amount in the controlled sector, bringing the total capital investment in minor works across the estate to over £89m in 2009-10.

Coupled with this in 2009-10, the Education and Library Boards spent £26.5 million of resource funding on maintenance in controlled and maintained schools. This includes an additional £5m which the Minister specifically set aside for maintenance in this period.

Youth and Other Capital

The Department has worked with a number of organisations to drive forward a vibrant Youth Services programme which has included projects in support of the Boys' Brigade Ganaway Activity Centre; the Bytes Projects in Poleglass, Twin Spires and New Lodge; Portrush Sea Cadets; as well as a wide range of youth clubs, community organisations and activity centres. The Department's investment in 2009-10 in such projects amounted to over £6.7m.

The Department has responsibility for a range of Early Years provision and priority was given to applications, valued at over £2m in 2009-10, which had been recommended to improve health and safety, or increase access for children with disabilities.

Looking forward, the net capital budget for the Department in 2010-11 is £169.3m which represents a decrease of £84m (33%) and will present major challenges given the level of investment needed in the schools' estate and the current pipeline of projects. While capital spending plans for 2010-11 have not been finalised, there are currently seven Public Private Partnership schools' projects currently on site and scheduled to open in 2010-11. In addition, there are seven capital projects on site.

16. Future budget allocation

The Department's Budget Allocation, as detailed in the revised 2010-11 spending plans for Northern Ireland departments (www.pfgbudgetni.gov.uk), is as follows:

Current expenditure	2009-10	2010-11
	£m	£m
Objective A		
Schools Mainstream	1,836.1	1,874.0
Schools Infrastructure	11.5	11.3
Total Objective A	1,847.6	1,885.3
Objective B		
Youth and Community Relations	31.8	29.5
Total Objective B	31.8	29.5
Departmental Total	1,879.4	1,914.8
Investment		
Objective A		
Schools Mainstream	1.9	1.1
Schools Infrastructure	246.4	163.2
Total Objective A	248.3	164.3
Objective B		
Youth and Community Relations	5.0	5.0
Total Objective B	5.0	5.0
Total	253.3	169.3

17. Resources

A key resource available to the Department is its employees. Both staff and managers at all levels of the organisation continue to face a programme of modernisation that will provide efficient and focused services. An Organisation Design and Implementation Project, in liaison with Corporate Services and Review of Public Administration (RPA) Directorates, has completed work on areas such as the High Level Functional Analysis in order to identify the posts to transfer to ESA when it is established and human resource issues for Departmental RPA affected staff, including the Department's Staff Transfer Scheme. Staff have been kept fully informed of developments in all these areas.

Equal opportunities

The Department is an Equal Opportunity employer and fully endorses the Northern Ireland Civil Service Equal Opportunities Policy Statement. The policy is that all

eligible persons shall have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for the work. Everyone has the right to equality of opportunity and to a good and harmonious working environment in which no person feels under threat or intimidated.

The Department is fully committed to the elimination of all forms of discrimination, harassment and victimisation, not only because of the legal requirements under which it operates, but because it makes sound business sense and ensures that working relationships are based on mutual trust, respect and understanding.

The Department seeks to create a working environment where individual differences are valued and respected enabling all staff to give of their best and assisting them to respond more effectively to the needs of the people we serve.

Employment of people with disabilities

The Northern Ireland Civil Service's Equal Opportunities Policy and the Code of Practice on the Employment of People with Disabilities provide the framework used by the Department to achieve equality of opportunity for people with disabilities. The Department is committed to ensuring that consideration and the implementation of reasonable adjustments are made to ensure that disabled staff can make full use of their skills and abilities.

Provision of information to employees

Information on matters of interest to employees is provided to them by a number of means such as the HR Connect Portal, the Department's intranet, the in-house magazine, issue of circulars and regular team briefings.

The Department has agreed consultation arrangements with the recognised trade union, the Northern Ireland Public Service Alliance (NIPSA), and meets formally twice a year. In addition, trade union side is regularly consulted on matters relating to employees' terms and conditions.

18. Risks and uncertainties

Risk management is incorporated into the corporate planning and decision-making processes of the Department. The Department's Risk Management Framework (RMF) defines the framework and describes the process for identifying and managing risks within the Department. The RMF has recently been reviewed and substantially revised in a number of areas, including:

- a clearer description of the Department's appetite for risk relative to different risk areas, i.e. financial risks, risks to health/well-being, compliance/regulatory/legal risks, operational/policy delivery risks, and reputational risks;
- further guidance on the identification, assessment, management, reporting and review of risks;

- new risk evaluation criteria and a revised risk assessment matrix;
- new arrangements for the escalation of risks;
- enhanced arrangements to manage risks relating to the Department's sponsorship of Arm's Length Bodies; and
- requirements to improve the management of fraud risks.

Further details on the Department's capacity to handle risk, the risk and control framework within which the Department operates, and a review of the effectiveness of the Department's system of internal control are provided in the Statement on Internal Control which identifies any significant internal control issues faced by the Department.

19. Relationships

The Department provides funding to a number of executive NDPBs and Public and Private Sector Bodies (detailed in paragraph 5), which have responsibility for the delivery of Educational and Youth Services. The performance of these bodies which directly influences the ability of the Department to achieve its objectives, is monitored by sponsor teams within the Department. Sponsor teams are responsible for governance and accountability issues, budgetary allocation and planning, monitoring and general financial control of income and expenditure by the bodies they sponsor.

20. Financial position

Comparison of outturn against Estimate

The Department's Net Resource Outturn for the year was £2,027m compared to a total of £2,051m authorised by the Northern Ireland Assembly. The main factors causing this variance were:

A-1 Education and Library Boards – Departmental overheads

The major contributory factors to the underspend on this line were staff costs, ICT and ESA Day 1 costs which were lower than expected due to the delay in the implementation of ESA.

A-4 Miscellaneous Educational Services

The underspend was due to less than expected spend across a number of budgets; the main elements of underspend were in respect of miscellaneous Pupil Support grants, lower than expected costs for the Special Educational Needs and Disability Tribunal and lower than expected costs due to Home Office delays in the introduction of the Vetting and Barring Scheme.

A-6 Early Years Services

The planning and allocation process for Early Years Development (Sure Start) required a longer timeframe than expected giving rise to an underspend in 2009-10. In addition, planned expenditure did not occur due to recruitment delays by Health Boards in the areas of Sure Start core services and the 2 Year old programme.

Expenditure on consultation on the Early Years 0-6 Strategy was delayed due to the loss of key specialist staff which resulted in a delay in drafting the Early Years 0-6 Strategy. The consultation process is due to begin in the 2010-11 financial year.

A-8 Education and Library Boards

Spring Supplementary Estimates included £5,296,000 for voluntary severance costs which were not incurred due to the delay in the implementation of ESA. The remaining variance of £8,959,000 represents an underspend of less than 1% against the total estimate for this line.

A-9 Voluntary and Grant Maintained Integrated Schools

The underspend within the Education and Library Boards' line (A8) was utilised within the Voluntary and Grant Maintained Integrated Schools' line (A9) giving rise to an overspend against estimate on this line. Virement approval has been secured from the Department of Finance and Personnel (DFP) to provide appropriate authorisation for this expenditure.

A-10 Council for the Curriculum, Examinations and Assessment (CCEA)

Spring Supplementary Estimates included £926,000 for voluntary severance costs which were not incurred due to the delay in the implementation of ESA.

Other areas where planned spend did not occur include:

- the future of assessment policy; and
- InCAS developments.

Due to delayed decisions on the future of assessment policy, it was not possible to hold planned information sessions for school principals and senior school management on the arrangements or to undertake planned development of training provision.

As a result of errors in autumn InCAS scores, issues arose over the possible renewal of the InCAS contract. As advice on this matter and decisions on the way forward regarding contract renewal were delayed, it was not possible to undertake previously planned developments to existing InCAS provision.

A-11 Council for Catholic Maintained Schools

Spring Supplementary Estimates included £500,000 for voluntary severance costs which were not incurred due to the delay in the implementation of ESA.

A-12 Staff Commission for Education and Library Boards

Spring Supplementary Estimates included £241,000 for voluntary severance costs which were not incurred due to the delay in the implementation of ESA.

B-3 Youth Services

Expenditure on Youth Capital was less than anticipated.

B-7 Education and Library Boards

The underspend was due to lower than anticipated drawdown of grant-in-aid by Education and Library Boards to fund recurrent and capital expenditure on Youth Services.

IFRS prior period adjustments

An adjustment was made to the Statement of Parliamentary Supply in respect of a prior period adjustment which arose as a result of implementing International Financial Reporting Standards. Details are included at note 2.

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	2009-10	2008-09
	£000	£000
Net Resource Outturn (Estimates)	2,026,654	1,938,102
<i>Adjustments to additionally include:</i>		
Prior period adjustments	(574)	-
Consolidated Fund Extra Receipts in the OCS	(2,986)	(4,425)
Net Operating Cost (Accounts)	2,023,094	1,933,677
<i>Adjustments to remove:</i>		
Capital grants	(6,125)	(3,028)
Voted expenditure outside the budget	(1,946,156)	(1,865,453)
Notional inter-departmental charges	(4,088)	(4,119)
<i>Adjustments to additionally include:</i>		
Other Consolidated Fund Extra Receipts	2,986	4,410
Resource consumption of non-departmental public bodies	1,958,321	1,921,033
Prior period adjustments	574	-
Resource Budget Outturn (Budget) *	2,028,606	1,986,520
of which		
Departmental Expenditure Limits (DEL)	1,834,564	1,794,309
Annually Managed Expenditure	194,042	192,211

* 2009-10 figures are provisional outturn; 2008-09 figures are final outturn.

Going concern

The statement of financial position at 31 March 2010 shows negative taxpayers equity of £48.0m. This reflects the inclusion of liabilities falling due in future years, which are to be financed mainly by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from grants of Supply approved annually by the Northern Ireland Assembly, to meet the Department of Education's Net Cash Requirement. Under the Government Resources and Accounts Act (Northern Ireland) 2001, no money may be drawn from the Fund other than required for the service of the specified year or retained in excess of that need. All unspent moneys, including those derived from the Department's income, are surrenderable to the Fund.

In common with other government departments, the future financing of the Department of Education's liabilities is accordingly to be met by future grants of Supply and the application of future income, both to be approved annually by the Northern Ireland Assembly. Such approval for amounts required for 2010-11 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Contingent liabilities included for Parliamentary reporting and accountability

The Department has no contingent liabilities to report for the purpose of parliamentary reporting and accountability.

21. Environmental, social and community issues

The Northern Ireland government estate is centrally managed by the Department of Finance and Personnel (DFP).

The Department of Education contributes to central targets and has implemented waste management and recycling schemes. Key areas are:

- use of 100% recycled paper for printing and photocopying and all waste paper segregated and recycled;
- double sided printing where equipment permits;
- recycling scheme for IT equipment and consumables;
- recycling of aluminium cans, cardboard and plastics;
- reuse of good quality second hand office furniture;
- use of a mains water filtration system; and
- nightly checks of the office environment to ensure lights and office equipment are turned off.

The DFP led nature of both the management of the government estate and procurement means that a number of key targets are set centrally. These targets relate primarily to the government estate but this Department has a role to play in managing its particular contribution towards those targets for example, in relation to the schools' estate and the curriculum for schools.

The Department is committed to the achievement of sustainability in construction procurement. Sustainable construction is about building, engineering and refurbishment projects that promote environmental, social and economic gains now and for the future, helping to create a better quality of life today and for generations to come. The Sustainable Construction Group, membership of which includes representation from Centres of Procurement Expertise (CoPEs) and Government Construction Clients in Northern Ireland issues advice and guidance on this subject. The Department issues essential guidance on sustainability to all the education providers in Northern Ireland in the form of Guidance Notes published by the Central Procurement Directorate. All school projects that receive capital funding from the Department are expected to comply with the requirements detailed in these Guidance Notes. The Department also works with the school authorities who have capital schemes in planning to ensure compliance with the requirements relating to the Achieving Excellence Initiative for Northern Ireland.

The Construction Industry Forum for Northern Ireland (CIFNI) provides a strategically focused interface between representatives from Government and the construction industry, where both parties can consider matters of mutual interest. Through CIFNI, the Government Construction Clients Group (GCCG) and the construction industry, as represented by the Construction Industry Group for Northern Ireland (CIGNI), jointly explored how sustainability issues could be incorporated into construction contracts. A CIFNI Sustainability Task Group developed proposals to promote the economic, social and environmental elements of sustainable development through sustainable procurement in construction. These proposals have been incorporated into the CoPEs' construction procurement contracts.

The Building Research Establishment Environmental Assessment Method (BREEAM), is used to assess the environmental performance of both new and existing buildings. The Department's building handbooks are designed to support the achievement of a BREEAM rating of 'excellent' in new school builds. In addition, projects funded in the education sector through the Central Energy Efficiency Fund (administered by DFP) complement the need for the overall Schools' Capital Programme to take account of energy efficiency/renewable technologies in school buildings.

The statutory revised curriculum, which is now in place in all grant aided schools, includes Education for Sustainable Development (ESD) as a key element across all Key Stages of the curriculum.

Through ESD, pupils explore issues such as environmental and climate change, biodiversity and the need to manage the human impact on the environment. The aim is to develop pupils as contributors to the environment so that they come to understand the interdependence of society, the economy and the environment; to develop respect

for the needs of both present and future generations; and to act towards promoting an improved environment.

The Department's role in relation to social and community issues is shaped by a range of strategies from other areas of government. Those strategies with the most direct bearing on education are 'Children and Young People in Northern Ireland 2006-2016' (www.allchildrenni.gov.uk); 'A Shared Future' (www.asharedfutureni.gov.uk) which is due to be refreshed in light of the emerging programme for Sharing, Cohesion and Integration; and the 'Investment Strategy for Northern Ireland 2008-2018' (www.dfpni.gov.uk). In addition, an overriding priority for education is to promote equality of opportunity, so that all learners are given an equal chance to succeed.

22. Disclosure of information to auditors

As Accounting Officer I can confirm that I am not aware of any relevant audit information of which the Department's auditors are unaware. I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

CORPORATE GOVERNANCE

23. Operation of the Departmental Board

The Board comprises the Permanent Secretary, as chair, the Deputy Secretaries, a professional Head of Finance (in line with paragraph 3.3 of the HM Treasury Code of Good Practice on Corporate Governance in Central Government Departments (the Code)), the Chief Inspector of the Education and Training Inspectorate and two independent non-executive directors. The Board leads the work of the Department by charting the overall strategic direction, and providing leadership on major operational and management issues including the following:

- leading the Department and the education and youth service by providing and communicating a system-wide strategy and vision;
- leading the Department and the education and youth service in the implementation of that strategy and vision through:
 - setting the Department's standards and values;
 - ensuring delivery of the Department's business plans;
 - the development of policy and the directing of change; and
 - the allocation of resource.
- monitoring the implementation of that strategy by:
 - tracking delivery progress against targets and expenditure;
 - holding the Department and its delivery partners to account for this progress;
 - safeguarding against and managing risk; and
 - maintaining internal controls.
- managing, monitoring and improving the performance of the Department, leading organisational change where it is necessary.

The Board meets on the first Thursday of each month. In the month preceding the Board meeting, the Board Secretariat draws up the meeting agenda from a Board Forward Planner of Routine and non-Routine Business. This document plots the Board's fulfilment of its responsibilities by timetabling five categories of Board business:

- financial matters and allocations;
- business planning;

- policy and strategy;
- management; and
- risk management and internal controls.

The Board is regularly serviced by reports and updates across all these areas. Minutes of the Board meetings are made available to staff.

24. Independent Board members

Dr Roger Platt and Mr Kevin Steele were appointed as non-executive Board members in October 2006. The appointment process followed the guidance set down in paragraph 2.8 of the Code, including an emphasis on transparency, objectivity and induction. The Board has assured itself of the independence of the non-executive board members.

The role of the non-executive members of the Board is to provide an independent and external perspective on the work of the Board and to bring specific expertise to its discussions.

25. The work of the Departmental Board's Audit and Risk Management Committee

The Department of Education Board has established an Audit and Risk Management Committee (ARMC) to support the Board in its responsibilities for issues of risk, control and governance and associated assurance. The ARMC is a sub-committee of the Departmental Board and is an independent advisory committee with no executive functions. The Terms of Reference for the ARMC is approved by the Departmental Board and is reviewed annually.

The Department regularly reviews the makeup and remit of the ARMC to ensure that it aligns with best practice guidance and properly reflects the existing governance and Board structures in the Department. The ARMC is chaired by an independent non-executive member of the Department's Board and current membership consists of a second independent non-executive board member, both Departmental Deputy Secretaries and a senior officer from within the organisation who does not have a direct role in the production of financial information or formal management responsibility for finance or internal control issues. Membership of the Committee is currently under review. The ARMC meets quarterly and a minimum of two members will be present for the meeting to be deemed quorate.

The ARMC is regularly attended by the Department's Finance Director, Head of Internal Audit, Head of Accounts and Northern Ireland Audit Office representatives. The Department's Accounting Officer and other Departmental officials including Heads of Directorates and Teams attend meetings to assist the Committee with its discussions.

Following each meeting the Committee provides a report to the Department's Board clearly communicating the ARMC's advice and recommendations. A copy of the full agenda for each meeting is also provided to the Board. The chair of the ARMC meets separately with the Accounting Officer and produces a formal report to the Board at year end reporting on its effectiveness and outlining the key aspects of Committee work during the year.

The ARMC is supported by a professionally qualified Internal Audit service. As determined by a recent external assessment, the service conforms with the International Standards for the Professional Practice of Internal Auditing. The Head of Internal Audit and the Northern Ireland Audit Office representatives (external audit) have free and confidential access to the Chair of the Committee.

The Department has formally reviewed the degree to which it meets the requirements of the Audit Committee Handbook and has reported a substantial level of compliance. ARMC principles are kept continually under review to ensure that best practice is maintained.

The Department has disseminated Audit Committee best practice guidance to all of its Arm's Length Bodies (ALBs) and has reviewed the extent to which its ALBs are compliant with the Audit Committee Handbook. The majority of ALBs have reported full compliance or have actions planned to achieve full compliance. Where full compliance was not reported, the Department has planned a range of actions to assist ALBs to meet the spirit of the guidance, whilst taking account of the individual circumstances of those bodies concerned. The Department's proposed arrangements for the formation of an Audit Committee in the Education and Skills Authority have been founded upon the principles of the Audit Committee handbook.

26. Management of the Department's relationships with arm's length bodies including NDPBs

The Department has written agreements with all arm's length bodies. Mechanisms are in place for performance reporting during the year and at year-end, by the arm's length bodies.

27. Other Corporate Governance arrangements

The Department also has the following Corporate Governance arrangements in place:

- Statements on Internal Control are completed annually and are discussed with the Audit and Risk Management Committee and discussed and agreed with the Departmental Board;
- the Department's policy on the identification, assessment and management of risk is outlined in its Risk Management Framework, which seeks to reduce the risk of fraud, financial loss, poor performance, complaints, disruption of service and adverse events and enable the Accounting Officer to demonstrate sound systems of risk management within the Department;
- senior managers provide the Accounting Officer annually with signed assurances regarding their areas of responsibility;
- the Department's Board members possess a range of appropriate business skills and undertake continual professional development; and
- a system exists for succession management and talent development of the Department's Board members.

28. Developments in the Department's Corporate Governance arrangements

The Department's Corporate Governance arrangements are a vital element of the overall control framework. In recognition of the importance of having information on their adequacy and effectiveness they were formally documented within the Corporate Governance Framework. The contents of the Framework are reviewed and updated annually.

The purpose of the Department's Corporate Governance Framework is to provide a combined summary of the specific areas and responsibilities for Corporate Governance actions within the Department, together with an evaluation of each of the areas identified from a range of assurance sources. This composite information can then be utilised for the following purposes:

- to inform the Accounting Officer's overall opinion of the risk management, control and governance arrangements when compiling the Department's Statement on Internal Control and to identify areas where further assurance is required;
- to provide the Departmental Board with an overview of the Corporate Governance processes and responsibilities within the Department at given points in time throughout the year;
- to provide the means through which management can monitor compliance and direct further improvements to enhance Departmental performance;

- to provide an effective tool by which to verify the effectiveness of management direction and control; and
- to help promote compliance with the HM Treasury Corporate Governance in Central Government Departments: Code of Good Practice.

To promote compliance with the framework, Corporate Governance is recognised by all concerned as an integral component of the Department's management function.

The Department's Corporate Governance arrangements are reviewed regularly by the Department's Internal Audit Branch. Reviews have concluded that the core elements of Corporate Governance are operating satisfactorily within the Department.

Governance arrangements for ESA are being developed taking account of the recommendations of the following reports:

- Dear Accounting Officer letter (DFP) 14/07 Public Bodies: A guide for NI Departments;
- NIAO report "Good Governance - Effective relationships between Departments and their Arm's Length Bodies"; and
- Managing Public Money Northern Ireland.

REMUNERATION REPORT

29. Remuneration policy

The remuneration of senior civil servants is approved by the Minister for Finance and Personnel following independent advice from the Review Body on Senior Salaries. Further information about the work of the Review Body can be found at <http://www.ome.uk.com/>.

The Northern Ireland Permanent Secretary Remuneration Committee helps determine pay on entry and the annual review of Northern Ireland Civil Service (NICS) Permanent Secretaries, in line with the agreed response to the annual recommendations of the Senior Salaries Review Body.

The pay award for staff in the Northern Ireland Senior Civil Service (SCS) is normally comprised of two elements; a base pay uplift and a non-consolidated bonus. Both elements are based on performance. The senior civil service pay award in 2009-10 comprised a base pay uplift only, with individuals' awards differentiated on the basis of performance and position on the relevant pay band. There were no non-consolidated bonus payments to any senior civil servants as part of the pay award.

30. Performance Management

The Performance Management System for the Senior Civil Service provides a means to improve management of individual performance and a better link between organisational success, individual contribution and reward. It links objective setting to business objectives; encourages the development of skills and knowledge in line with the PSfG; focuses on personal development through the mid-year development review; and rewards results through the performance review and pay awards.

31. Service contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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.

Dr Roger Platt's appointment as a non-executive director was extended from 1 October 2008 to 30 September 2010 and Mr Kevin Steele's appointment was extended from 1 October 2008 to 30 September 2011. The Department and the non-executive directors may terminate the appointment before the expiry of the fixed period by giving three months' notice in writing.

Further information about the work of the Civil Service Commissioners can be found at www.nicscommissioners.org.

32. Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Minister and most senior management of the Department. The Remuneration of Independent Board Members is laid down in guidance on appointments, provided by the Office of the First Minister and Deputy First Minister.

Remuneration (Audited)

Minister	2009-10 Salary £	2009-10 Benefits in kind (to nearest £100)	2008-09 Salary £	2008-09 Benefits in kind (to nearest £100)
Ms Caitriona Ruane MLA	37,801	-	37,801	-
Officials	2009-10 Salary £000	2009-10 Benefits in kind (to nearest £100)	2008-09 Salary £000	2008-09 Benefits in kind (to nearest £100)
Mr Paul Sweeney Permanent Secretary From 1 February 2010	15-20 (100-105 full year equivalent)	-	-	-
Mr Will Haire Permanent Secretary Until 31 January 2010	90-95 (105-110 full year equivalent)	-	115-120	-
Mr John McGrath Deputy Secretary	90-95	-	95-100	-
Dr Robson Davison Deputy Secretary	105-110	-	115-120	-
Mr Stanley Goudie Chief Inspector	90-95	-	85-90 (90-95 full year equivalent)	-
Ms Marion Matchett Chief Inspector Until 31 August 2008	-	-	45-50 (95-100 full year equivalent)	-
Dr Mark Browne Director Until 31 May 2009	10-15 (65-70 full year equivalent)	-	75-80	-
Mrs Dorothy Angus Director	65-70	-	75-80	-

Officials	2009-10	2009-10	2008-09	2008-09
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Mrs La'Verne Montgomery Director From 2 September 2009	30-35 (55-60 full year equivalent)	-	-	-
Mrs Catherine Daly Director	60-65	-	60-65	-
Mr Eugene Rooney Director	65-70	-	75-80	-
Ms Linda Wilson Director From 21 September 2009	30-35 (60-65 full year equivalent)	-	-	-
Ms Louise Warde Hunter Director Until 26 July 2009	15-20 (60-65 full year equivalent)	-	65-70	-
Mr David Woods Director Until 30 November 2008	-	-	60-65 (85-90 full year equivalent)	-
Mrs Maura McCusker Director Until 31 March 2010	65-70	-	65-70	-
Mrs Katrina Godfrey Director	55-60	-	60-65	-
Mr Diarmuid McLean Director From 1 October 2009	30-35 (65-70 full year equivalent)	-	-	-
Mr Chris Stewart Director	65-70	-	70-75	-
Mr Gavin Boyd Chief Executive Designate, ESA	155-160	-	160-165	-
Dr Roger Platt Non-executive director	5-10	-	5-10	-
Mr Kevin Steele Non-executive director	5-10	-	5-10	-

Salary

“Salary” includes gross salary; performance pay or bonuses; 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 and any gratia payments.

The Department of Education was under the direction and control of Ms Caitriona Ruane MLA during the financial year. Her salary and allowances were paid by the Northern Ireland Assembly and have been treated as a notional cost in this resource account. These amounts do not include costs relating to the Minister’s role as MLA which are disclosed elsewhere.

Benefits in kind

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

Pension Benefits (Audited)

Minister	Accrued pension at age 65 as at 31 March 2010 £000	Real increase in pension at age 65 £000	CETV at 31 March 2010 £000	CETV at 31 March 2009** £000	Real increase in CETV £000
Ms Caitriona Ruane MLA	0-5	0-2.5	26	16	9

**The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2008 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As Ministers will be Members of the Legislative Assembly they may also accrue an MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for Ministers provide benefits on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a Member.

Benefits for Ministers are payable at the same time as MLA's benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Retail Prices Index. Ministers pay contributions of either 6% or 11.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 23.3% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65 or immediately on ceasing to be an active member of the scheme if they are already 65.

The Cash Equivalent Transfer Value (CETV)

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETV's are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 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 is the increase in accrued pension due to the Department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using common market valuation factors for the start and end of the period.

Pension Benefits (Audited)

Officials	Accrued pension at age 60 as at 31 March 2010 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2010 £000	CETV at 31 March 2009*** £000	Real increase in CETV £000	Employer contribution to partnership account (nearest £100)
Mr Paul Sweeney Permanent Secretary From 1 February 2010	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 0-2.5	815	773	5	-
Mr Will Haire Permanent Secretary Until 31 January 2010	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 5-7.5	831	729	48	-
Mr John McGrath Deputy Secretary	35-40 plus lump sum of 110-115	0-2.5 plus lump sum of 5-7.5	879	741	55	-
Dr Robson Davison Deputy Secretary	50-55 plus lump sum of 155-160	0-2.5 plus lump sum of 7.5-10.0	1,303	1,145	70	-
Mr Stanley Goudie Chief Inspector	40-45 plus lump sum of 125-130	0-2.5 plus lump sum of 5-7.5	1,065	905	58	-
Ms Marion Matchett Chief Inspector Until 31 August 2008	-	-	-	1,070	-	-
Dr Mark Browne Director Until 31 May 2009	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	343	338	3	-
Mrs Dorothy Angus Director	25-30 plus lump sum of 80-85	0-2.5 plus lump sum of 5-7.5	649	543	44	-

Officials	Accrued pension at age 60 as at 31 March 2010 and related lump sum £000	Real increase in pension and related lump sum at age 60 £000	CETV at 31 March 2010 £000	CETV at 31 March 2009*** £000	Real increase in CETV £000	Employer contribution to partnership account (nearest £100)
Mrs La'Verne Montgomery Director From 2 September 2009	0-5	0-2.5	6	-	5	-
Mrs Catherine Daly Director	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 5-7.5	473	388	34	-
Mr Eugene Rooney Director	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 2.5-5.0	467	385	29	-
Ms Linda Wilson Director From 21 September 2009	20-25 plus lump sum of 70-75	0-2.5 plus lump sum of 0-2.5	544	495	9	-
Ms Louise Warde Hunter Director Until 26 July 2009	0-5	0-2.5	69	60	7	-
Mr David Woods Director Until 30 November 2008	-	-	-	951	-	-
Mrs Maura McCusker Director Until 31 March 2010	25-30 plus lump sum of 175-180	2.5-5.0 plus lump sum of 82.5-85.0	741	666	-	-
Mrs Katrina Godfrey Director	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 2.5-5.0	241	203	23	-
Mr Diarmuid McLean Director From 1 October 2009	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 0-2.5	381	342	8	-
Mr Chris Stewart Director	15-20 plus lump sum of 55-60	0-2.5 plus lump sum of 2.5-5.0	313	258	22	-
Mr Gavin Boyd Chief Executive Designate, ESA	5-10	0-2.5	120	70	37	-
Dr Roger Platt Non-executive director	-	-	-	-	-	-
Mr Kevin Steele Non-executive director	-	-	-	-	-	-

*** The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2009.

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based “final salary” defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality “money purchase” stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 are eligible for membership of the nuvos arrangement or they can opt for a partnership pension account. Nuvos is an “earned pension” arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%. Earned pension benefits are increased annually in line with increases in the RPI and attract annual pension increase. However, in line with RPI for September 2009 being in the negative, there will be no other increase for any public sector pensions in 2010.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years’ 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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. 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 at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**.

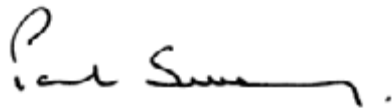
Further details about the CSP arrangements can be found at the website www.civilservice-pensions.gov.uk.

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. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively 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.



Signed: _____
Accounting Officer

Date: 28 June 2010

DEPARTMENT OF EDUCATION

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance and Personnel has directed the Department of Education to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department of Education and of its net resource outturn, resources applied to objectives, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the principal 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 Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of Finance and Personnel has appointed the Permanent Head of the Department as principal Accounting Officer of the Department of Education. In addition, the Department of Finance and Personnel has appointed an additional Accounting Officer to be accountable for those parts of the Department's accounts relating to specific requests for resources and the associated assets, liabilities and cash flows. This appointment does not detract from the Head of Department's overall responsibility as Accounting Officer for the Department's accounts.

The allocation of Accounting Officer responsibilities in the Department is as follows:

RFR A

Function Lines (A8, A10, A11, A12 and A13):

Gavin Boyd (Chief Executive Designate of the Education and Skills Authority)

All Other Function Lines

Paul Sweeney (Permanent Secretary)

RFR B

Function Lines (B7, B8 and B9):

Gavin Boyd (Chief Executive Designate of the Education and Skills Authority)

All Other Function Lines

Paul Sweeney (Permanent Secretary)

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 Department of Education's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in *Managing Public Money Northern Ireland*.

DEPARTMENT OF EDUCATION

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Education's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money Northern Ireland*.

All relevant internal control considerations, including any issues of risk, are taken into account with regard to the achievement of departmental policies, aims and objectives and where necessary are brought to the attention of the Minister.

The risk management, control and governance process within the Department includes the arrangements by which the Department manages relationships with NDPBs. This Statement on Internal Control takes account of any significant control issues or failures within the Department's NDPBs.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Department of Education for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with the Department of Finance and Personnel guidance.

3. Capacity to handle risk

The Department's Board has collective responsibility for monitoring and reviewing the high level risks recorded in the Department's risk registers. The Board has procedures in place for verifying that risk management and internal control are regularly reviewed and reported on.

The Department's Risk Management Framework provides direction on the Department's underlying approach to risk management, including the roles and responsibilities of the Departmental Board, the Audit and Risk Management Committee, Directors, Heads of Teams, Internal and External Audit.

4. The risk and control framework

The Department has set out its approach to risk management in a Risk Management Framework, which also outlines the mechanisms through which potential risks to the achievement of the departmental objectives are identified and evaluated. Appropriate procedures have been carried out to ensure that risks associated with the Department's key objectives have been assessed, and determine a control strategy for each of the significant risks. Risk ownership has been allocated to the appropriate staff.

The nature of the risk, the current level of control, any further action being taken, and risk owners, are recorded in the Department's risk registers. The Department's Risk Management Framework includes guidance which helps to ensure consistent evaluation of risk.

The Department's approach to risk management is manifested in various ways as outlined below:

- the Departmental Board assumes responsibility for risk management across the Department as a whole;
- the Departmental Board adopts an open and receptive approach to discussing and addressing risks across the Department;
- the Departmental Board ensures conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- senior management undertakes monitoring of key risks;
- senior management supports the Directorate/Team implementation and ongoing management of risk; and
- the risk management process is integrated with normal management processes and informs the annual business planning cycle so as to link risk management and internal control firmly with the Department's ability to fulfil its business objectives.

The Department's Board describe the Department's risk appetite as risk aware and prudent, reflecting the fact that public money can only be used for the purposes intended and authorised. Risks are identified, evaluated and managed to ensure that the Department's exposure is within an acceptable range. The Department has established an evaluation framework to assist managers in assessing the level of risk.

The Department's Board has ultimate responsibility for ensuring an effective risk management process is in place and is regularly reviewed. The Department's Board works with Directors to agree collectively the risks to be included in the Department's Corporate Risk Register and to assign ownership of each risk.

The Department has data security policies, systems and controls in place to ensure security of data and to ensure that staff take appropriate measures when accessing and processing personal information to maximise the security of such data.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Department's Board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Department's Board is responsible for setting the tone and influencing the culture of risk management within the Department including:

- determining the Department's "appetite for risk";
- determining which types of risk are acceptable and which are not;
- discussing and approving issues that significantly affect the Department's risk profile or exposure;
- continually monitoring the management of significant risks and ensuring that actions to remedy control weaknesses are implemented;
- satisfying itself that the less significant risks are being appropriately managed by senior management at Directorate/Team level; and
- reviewing annually (or more frequently) the effectiveness of the organisation's process of internal control and ensuring the Department is compliant with corporate governance best practice including ongoing maintenance and development of risk management and review processes.

In relation to risk management, the Audit and Risk Management Committee provide a forum to discuss risk management matters and advise the Department's Board on:

- the strategic processes for risk and adequacy of risk management and internal control;
- the quality of the Corporate Risk Register and Directorate Risk Registers; and
- the outcome of internal monitoring of Corporate and Directorate Risk Registers.

The role of Directors in the risk management process includes responsibilities for:

- establishing and maintaining a sound system of internal control within his/her Directorate;
- identifying and managing the key risks within their business area and summarising these in the form of Directorate Risk Registers;

- monitoring and reporting to the Department's Board on key risks and controls in the context of regular management reports or other agreed arrangements;
- notifying the Department's Board and the Audit and Risk Management Committee when there is a significant change to the Directorate risk profile; and
- providing an annual assessment of the significant risks and controls for their Directorate in accordance with best practice corporate governance requirements.

The Heads of Team role in the risk management process includes responsibilities for:

- establishing and maintaining a sound system of internal control within their Team;
- identifying and managing the key risks within their Team on a day by day basis;
- providing supplementary assurance to Directors, as and when required, on aspects of the Team's risk management and internal control framework; and
- liaising with Directors on a regular basis to review risk exposure within the Team and identifying and capturing those risks within the Directorate risk register that are considered to be of appropriate significance.

Internal Audit carry out independent reviews of the effectiveness of risk management and control and report these results to Heads of Team and the Accounting Officer. Internal audit also has a role to play in providing advice on the management of risk, especially those issues surrounding the design, implementation and operation of systems of internal control; and promoting risk and control concepts within the Department.

The risk management arrangements currently in place have been independently assessed by Internal Audit against HM Treasury guidance. This review has confirmed a high level of compliance with the guidance.

My review of the effectiveness of the system of internal control is also informed by:

- regular performance information provided by managers with executive responsibilities;
- the subsidiary statements on internal control presented by Heads of Team and Directors within the Department, who have responsibility for the development and maintenance of the internal control framework in their respective areas;
- the statements on internal control, and associated documentation, submitted by the Accounting Officers of the Department's NDPBs; and
- comments made by the external auditors in their management letters and other reports.

In regard to Job Evaluation Schemes in Education and Library Boards (ELBs), an accredited Job Evaluation Scheme in line with a UK agreed process was undertaken by ELBs to address a major risk, i.e. to stem the flow of the growing number of equal pay claims arising in the public sector and to ensure fairness and objectivity in the treatment of staff. A moratorium has been placed on any new evaluations and any re-evaluations until a way forward on job evaluation has been agreed for the new Education and Skills Authority. In the absence of the establishment of ESA this is being progressed by the Education and Library Boards through the auspices of the Joint Negotiating Council.

6. Significant internal control issues

Risk Management Control and Governance Assurance

The Head of Internal Audit has provided me with a report on internal audit activity within the Department during the year and an annual assurance statement. The Internal Audit assurance reflects an aggregate of the assessment ratings of Internal Audit over a three year period from 2007-08 to 2009-10. These indicate that, overall, the system of governance, risk management and control within the Department is *satisfactory*. However, the report did highlight that one audit review concluded that it was only able to provide limited assurance. This was specifically in relation to the public expenditure approval process within the Department. This issue is commented on in detail below.

The Department has a process in place whereby audit reports that receive a less than satisfactory assurance rating are subject to regular follow up to ensure that appropriate management action is taken in a timely manner. The ARMC also provide a scrutiny role, challenging management to ensure that systems are promptly strengthened to address the weaknesses identified in the audit.

Managing the Programme of Change Process

The delay in the establishment of ESA has meant continuing uncertainty across the education sector in relation to the administrative arrangements for education and the implementation of a significant programme of change. In the absence of ESA the Minister has agreed a Convergence Delivery Plan to bring a greater focus to those convergence activities which should be taken forward before ESA is established. The implementation of the plan will help remove duplication, streamline management and administration, create greater efficiencies and reduce variability of service delivery. This period of uncertainty, together with the potential impact of continued vacancy control across RPA affected bodies within the education sector inevitably gives rise to risks with potential implications in relation to maintaining service delivery and improving standards. In recognition of this the Department has put in place enhanced accountability and governance arrangements for the NDPBs. Specific arrangements endorsed by the Departmental Board include:

- the introduction of more frequent Governance and Accountability meetings with the main NDPBs;
- introduction of a quarterly Assurance Statement on Internal Control; and

- centralisation within the Department of the sponsorship function for all NDPBs funded by the Department.

Replacement Teachers' Payroll System

Subsequent to the implementation of the permanent Teachers' Payroll system in April 2009, the temporary Teachers' Payroll system was implemented in November 2009. The only control weakness which exists, at present, is the reconciliation of the payroll with the ELBs. Work is progressing on this particular issue with further testing imminent on the teachers' payroll for May 2010. A resolution is expected for 2010-11.

Data Security

Following an Internal Audit review of the adequacy and effectiveness of the Department's data security arrangements only limited assurance could be provided. An action plan was taken forward and, in a follow up audit, Internal Audit confirmed that fifty three of the sixty three recommendations have been implemented and seven partially implemented which moved the assurance rating to "satisfactory".

Public Expenditure Approval Process

A key aspect of the overall financial control process for public expenditure is the effective operation of delegated limits for approval of expenditure between the Department and DFP and between the Department and its funded bodies. Compliance with this process is essential to ensure regularity of expenditure. Six projects were identified in the 2008-09 Statement on Internal Control where retrospective approval by DFP had either not been secured or was unlikely to be secured. Subsequent to this, in the course of the 2009-10 financial year the Department failed to secure retrospective approval for a further two business cases i.e. external consultancy Business Cases in respect of the Classroom 2000 (C2K) project; and the extension of the original approval for the Schools' Modernisation Programme business case. This has resulted in irregular expenditure during the 2009-10 financial year of £2,004,000. In addition to this, there are a further two business cases which it appears have not been processed in line with the requirements of the approval process in respect of the change in scope of the original business case for the Schools' Modernisation Programme and a business case for the legal costs associated with the appeal on the court ruling on the Schools' Modernisation Programme. Details in respect of each of these projects are set out below:

Classroom 2000 (C2K)

The expenditure for which appropriate approvals had not been obtained was in relation to Lot 7 of this project (Procurement of Local Area Network services to Post Primary/Special Schools and Wide Area Services and Management Information Systems to All Schools). The original business case which was submitted to the Department in June 2008 was considered by the Department not to be sufficiently robust for submission to DFP. Following revisions to the business case by the Western Education and Library Board (WELB) it was submitted to DFP for approval in July 2009. However, approval of the business case was not granted by DFP because, based on the Department's assessment that the original business case submitted in June 2008 was not compliant with the guidance applicable at that time (DAO (DFP) 03/05), DFP determined that it was unlikely that if they had been approached at the date that the original business case was submitted, that they would have granted approval. As

this expenditure was incurred by the WELB, this matter was recognised in the Statement on Internal Control in the WELB Annual Accounts for 2008-09. The expenditure amounted to £38,000 in 2008-09 and £61,000 in 2009-10.

Schools' Modernisation Programme

The main objective of the Schools' Modernisation Programme was to establish modern, streamlined procurement arrangements that could efficiently and effectively deliver the required level of capital investment in the schools' estate. These procurement arrangements were planned to be delivered by procurement vehicles known as frameworks. It was anticipated that three separate frameworks would be set up to procure Major Works, Professional Services and Minor Works and Maintenance.

Work on the major works framework was at an advanced stage with the agreement signed by the Department and the eight framework participants on 25 February 2008. However, this framework has been the subject of a legal challenge. In October 2008, the judge ruled in favour of the plaintiff and in December 2008, the major works framework was set aside by the High Court. The Department has subsequently lodged an appeal against the ruling and redirected its focus to establishing a single procurement approach to procuring major works schemes outside the framework. The Professional Services framework (signed on 10 July 2008) was not affected by the judge's ruling.

The legal challenge has resulted in unexpected delays in the procurement of major works schemes (some even having to be retendered as a result), a change in the major works procurement approach and additional legal expenditure to take forward the Department's case and appeal:

- i. During the 2009-10 financial year the Department failed to secure DFP approval for an extension of a previous business case for use of consultants (Addleshaw Goddard) in respect of the Schools' Modernisation Programme i.e. a programme for the development and implementation of new procurement and delivery arrangements for the schools' capital programme. A condition of the approval of the original business case was a clear requirement on the Department to inform DFP and seek their approval in advance if the commission were to be extended beyond 31 March 2009. Retrospective approval was not granted for the £8,000 of expenditure on this project because approval was not sought within the appropriate timeframe.
- ii. There is a further aspect of expenditure associated with the Schools' Modernisation Programme for which approval may not be secured because it appears that the Department may have failed to comply with the requirements of the approval process. This relates to expenditure of £79,000 which has been incurred by the Department in respect of legal costs associated with the appeal against the use of frameworks for managing the capital works programme (Schools' Modernisation Programme). The expenditure incurred in relation to the appeal is outside of the scope of the original business case and as such DFP approval should have been sought for this expenditure. A business case for this purpose has been prepared and will be submitted to DFP in line with the relevant guidance.
- iii. Further to this, in light of the High Court ruling to set aside the major works framework it was necessary for the Department to develop an alternative procurement mechanism to

avoid a significant impact on the schools' modernisation programme in terms of delays. This change represented a change in the scope of the business case which was originally approved. The expenditure incurred by the Department as a result of the change in scope is £51,000. A business case detailing the change in the scope of the project has been prepared and will be submitted to DFP for retrospective approval, however, it is likely that approval may not be granted because it appears that the Department may have failed to comply with the requirements of the business case approval process.

In addition to these projects, an internal test drill exercise of external consultancy projects undertaken in 2008-09 (see below) has identified four consultancy projects within the Department's delegated limits (thus DFP approval is not required) which have not secured the necessary Departmental approval. The costs contained in these projects were £39,000 for a Schools Leadership Project (funded jointly with the Department of Education and Science), £19,000 for the employment of a Departmental catering advisor, £49,000 in respect of ESAIT service delivery workshops and £24,000 in respect of an audit of the non-school accommodation within the education sector.

Actions

The 2008-09 Statement on Internal Control detailed a number of actions to be implemented to ensure enhancement of controls and more effective governance and compliance with the approval process. A summary of the progress in relation to each of these actions is set out below:

- The first two actions i.e. (i) increased (quarterly) monitoring of compliance with Business Case approval processes at Directorate level and reporting to the Departmental Board; and (ii) a specific requirement within the Directorate Statements on Internal Control to confirm adherence to the business case process contained in the Northern Ireland Practical Guide to the Green Book and associated internal Departmental guidance, are complimentary actions. The quarterly monitoring is facilitated through the completion of a Statement on Internal Control by Directors on a quarterly basis (as opposed to an annual basis previously). Within this, Directors are specifically required to confirm compliance with the relevant guidance. This exercise has been carried out at September quarter end, December quarter end, and March quarter end and a similar process has been carried out for the Department's ALBs. This process has not identified any further instances where DFP approval has not been sought.
- In line with the actions detailed in the 2008-09 Statement on Internal Control, the Department's Internal Audit team undertook an assessment of the business case process operating within the Department. Whilst this assessment did not identify any further instances of potential irregular expenditure it highlighted weaknesses in relation to the current process.

The draft report is currently being reviewed and assessed. An appropriate programme of actions will be put in place to deal with the issues identified as soon as the report is finalised.

- The Department completed a test drill of external consultancy projects undertaken in 2008-09 within the Department and its NDPBs to ensure that the appropriate standards

had been applied, that decisions were taken on a proper basis and that the appropriate approvals had been secured in advance of the work commencing.

Of those projects examined, the test drill revealed that four projects had not secured the necessary approvals in accordance with the delegation arrangements operated by the Department.

In light of the findings of this test drill exercise it is intended that the 2009-10 test drill will focus on the governance and accountability of the business case approvals' process within the Department and its NDPBs and that an assessment will be made of the effectiveness of the controls which have been implemented in 2009-10. It is anticipated that this exercise will be completed by September 2010.

- Directors within the Department and its funded bodies were asked to supply details of all projects undertaken since 1 July 2006 to ensure that business cases had been completed for all projects, appropriate approvals had been secured and that post project evaluations had been completed. Returns have been received and an initial analysis has been carried out, however further work is required in this area. This exercise is currently reaching completion.

The importance of compliance with the public expenditure process is recognised fully by the Department. This is an area which will be the subject of ongoing scrutiny by the Department. The recommendations detailed in the Internal Audit report will be implemented in full.

CCEA

During autumn 2009 CCEA reported to the Department the occurrence and discovery of two significant errors in the InCAS assessment tool provided under contract by the Centre for Evaluation and Monitoring at the University of Durham. The errors resulted in incorrect scores for some pupils being provided to schools and, in some cases, reported to parents following the completion of diagnostic assessments via InCAS which is a statutory assessment tool. The Department immediately initiated a five point plan, focusing on: ensuring the errors were corrected and accurate information provided to schools; communicating with schools and more widely the nature and consequence of the errors; action to prevent recurrence; support and recompense for schools which had to rerun assessment meetings with parents and pursuing contractual issues with the contractor; and steps to rebuild confidence in statutory assessment following the discovery of the errors, including the creation of an InCAS Working Group.

During 2009-10, following scrutiny of pay remit business cases and discussions with CCEA, it became apparent that there had been a breach of governance within CCEA in relation to decisions reached on the structure and remuneration of the interim top management team. That breach occurred because the necessary approvals were not sought or received from the Department before decisions were made. The Department has signalled to the CCEA chair and members the serious nature of such breaches and has also required CCEA to carry out a full audit of pay and wider governance processes to ensure that lessons are learned and that such a situation could not recur. Members of the reconstituted Council are also undergoing updated training to ensure clarity about their roles and responsibilities in relation to governance and accountability.

The Council has now submitted a revised business case for the top management team which, in the Department's view, complies with the requirements of the public sector pay policy. The Department is continuing to assess pay remits for CCEA in line with HMT pay policy.

Assessment of Post Project Evaluations

Every NICS Department is required to complete periodic sample testing of Post Project Evaluations (PPEs) each year and report subsequent findings to their Accounting Officer and DFP by 30 June. The Department has submitted a total of nineteen PPEs to DFP from those outstanding from 2007 and 2008, leaving thirty three outstanding from 2007 and 2008. An additional fourteen PPEs were due for completion for 2009 and 2010. There are currently forty PPEs outstanding in the Department. The Department is continuing to work closely with DFP on the clearance of all of those outstanding.

National Fraud Initiative

The Department has a statutory obligation, which aligns with its commitment to zero tolerance of fraud, to participate in the National Fraud Initiative. To date, all recommended matches have been reviewed. All reviewed matches have either been fully processed or processed as far as possible by the Department. No potential frauds were identified by the Department during the course of this exercise.

HR Connect

DFP Internal Audit are responsible for providing assurance on all Enterprise Shared Services provided by DFP. Within HR Connect, the HR Connect payroll service Contractor had planned to undertake ten quality assurance reviews which, when combined with the direct audit work undertaken by DFP Internal Audit, would facilitate the provision of an overall audit assurance. The Contractor, however, has only completed two of its ten planned reviews and those are considered by DFP Internal Audit to lack rigour, breadth and depth. As such, DFP Internal Audit was unable to provide additional assurance on those areas. Therefore, although satisfactory assurance was provided in six audits undertaken by DFP Internal Audit a limited assurance rating was provided for HR Connect overall. DFP Internal Audit will undertake all audits in HR Connect from 2010-11 onwards.

Teachers' Superannuation Scheme NI (TSS NI)

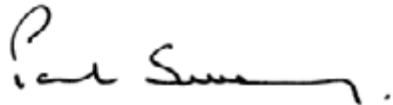
The Department is Scheme Manager for the TSS NI. The Statement on Internal Control contained within the TSS Resource Accounts for 2009-10 provides details of any matters which are relevant to the Scheme. These are also detailed below.

In the course of the 2009-10 financial year, the Department failed to operate adequate internal controls to manage effectively the alignment of the budgeting and estimates process, which is dependant upon intricate interactions between a number of stakeholders within and external to the Department. As a result of this, the TSS Request for Resource within the Spring Supplementary Estimates for the Department has been exceeded. The Spring Supplementary Estimate for 2009-10 provided a Request for Resource of £467.774m. The net outturn for 2009-10 is £471.471m, representing an excess Request for Resource of £3.697m.

The Department immediately commenced a formal review of its processes for managing effectively the alignment of the budgeting and Estimates process. Recommendations for enhancements to the internal controls will be implemented and these will be kept under review. These recommendations include the development of a process map, documented procedures and clarification of responsibilities for management sign off of the key inputs to the process and the accuracy of future Estimates.

Overall Context

This statement identifies some important control issues and I do not take these lightly. The Department has taken substantial steps to ensure that these controls are tightened and that the risk of future occurrences is reduced. However, these issues should be set within an overall context in which the Department's overall standard of control has been improving, reflected in the overall satisfactory rating given by Internal Audit. It is important that this improvement is sustained especially given the challenges of maintaining effective controls of the education system during the convergence process.



Signed: _____
Accounting Officer

Date: 28 June 2010

DEPARTMENT OF EDUCATION

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Department of Education for the year ended 31 March 2010 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash flows, the Statement of Changes in Taxpayers' Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the 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 the financial statements in accordance with applicable law and 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 Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

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

Qualified Opinion on Regularity due to irregular expenditure on external consultancy projects

In accordance with Managing Public Money Northern Ireland, Department of Finance and Personnel (DFP) approval is required for each separate engagement of external consultants expected to cost over £75,000. If expenditure has been committed without prior DFP approval then retrospective approval may be granted in exceptional circumstances and only under very specific conditions. In the case of the Department, expenditure was incurred during 2009-10 on six projects that failed to obtain the proper approvals from DFP.

Except for the expenditure of £2,083,175 incurred on external consultancy projects where proper approvals were not obtained, in my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions 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 Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, cash flows, changes in taxpayers' equity and net operating costs applied to departmental strategic objectives for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel 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 Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland); and
- the information given in the Introduction and 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 are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

See also my report attached to these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

30th June 2010

DEPARTMENT OF EDUCATION

STATEMENT OF PARLIAMENTARY SUPPLY

Summary of Resource Outturn 2009-10

Request for Resources	Note	Estimate			Outturn			2009-10 Net total outturn compared with Estimate: saving/ (excess) £000	2008-09 Net total Outturn £000
		Gross expenditure £000	Accruing Resources £000	Net total £000	Gross expenditure £000	Accruing Resources £000	Net total £000		
Request for Resources A	3	2,008,909	(222)	2,008,687	1,988,332	(221)	1,988,111	20,576	1,902,544
Request for Resources B	3	42,601	(28)	42,573	38,571	(28)	38,543	4,030	35,558
Total resources	4	2,051,510	(250)	2,051,260	2,026,903	(249)	2,026,654	24,606	1,938,102
Non-operating cost Accruing Resources		-	-	-	-	-	-	-	(175)

Net Cash Requirement 2009-10

Net cash requirement	Note	Estimate £000	Outturn £000	2009-10 Net total outturn compared with Estimate: saving/ (excess) £000	2008-09 Net total Outturn £000

Summary of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

		Forecast 2009-10		Outturn 2009-10	
	Note	Income £000	Receipts £000	Income £000	Receipts £000
Total	6	3,586	<i>3,586</i>	2,986	<i>2,614</i>

Explanations of variances between Estimate and outturn are given in note 3 and in the Management Commentary.

The notes on pages 73 to 108 form part of these accounts.

DEPARTMENT OF EDUCATION

Operating Cost Statement for the year ended 31 March 2010

		2009-10			2008-09		
	Note	Staff costs £000	Other costs £000	Income £000	Staff costs (restated) £000	Other costs (restated) £000	Income (restated) £000
Administration costs:							
Staff costs	9	17,351	-	-	18,141	-	-
Other administration costs	10	-	5,463	-	-	7,638	-
Operating income	12	-	-	(204)	-	-	(59)
Programme costs:							
Request for Resources A							
Staff costs	9	9,627	-	-	6,190	-	-
Programme costs	11	-	1,956,589	-	-	1,872,558	-
Less: Income from EU (DE principal)	12	-	-	(372)	-	-	(546)
Less: Income	12	-	-	(2,631)	-	-	(4,604)
Request for Resources B							
Programme costs	11	-	37,299	-	-	35,131	-
Less: Income from EU (DE principal)	12	-	-	(28)	-	-	(768)
Less: Income	12	-	-	-	-	-	(4)
Totals		26,978	1,999,351	(3,235)	24,331	1,915,327	(5,981)
Net operating cost	4			2,023,094			1,933,677

All income and expenditure are derived from continuing operations.

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at note 2.

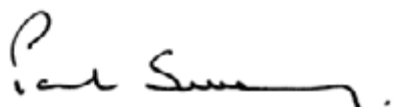
The notes on pages 73 to 108 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Financial Position as at 31 March 2010

	Note	2010 £000	2009 (restated) £000	2008 (restated) £000
Non-current assets:				
Property, plant and equipment	13	61	186	355
Intangible assets	14	632	599	388
Financial assets	15.1	1,560	1,560	1,560
Total non-current assets		2,253	2,345	2,303
Current assets:				
Trade and other receivables	17	18,132	23,251	15,846
Cash and cash equivalents	18	-	-	1
Total current assets		18,132	23,251	15,847
Total assets		20,385	25,596	18,150
Current liabilities				
Trade and other payables	19	(63,266)	(49,186)	(48,309)
Total current liabilities		(63,266)	(49,186)	(48,309)
Non-current assets less net current liabilities		(42,881)	(23,590)	(30,159)
Non-current liabilities				
Provisions	20	(5,118)	(2,402)	(498)
Total non-current liabilities		(5,118)	(2,402)	(498)
Assets less liabilities		(47,999)	(25,992)	(30,657)
Taxpayers' equity:				
General fund		(48,021)	(26,065)	(30,764)
Revaluation reserve		22	73	107
Total taxpayers' equity		(47,999)	(25,992)	(30,657)

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at notes 2, 13 and 14.



Signed: _____
Accounting Officer

Date: 28 June 2010

The notes on pages 73 to 108 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Cash Flows for the year ended 31 March 2010

	Note	2009-10 £000	2008-09 (restated) £000
Cash flows from operating activities			
Net operating cost	4	(2,023,094)	(1,933,677)
Adjustments for non-cash transactions	10	6,362	5,590
Decrease/(increase) in trade and other receivables	17	5,119	(7,405)
<i>less movements in receivables relating to items not passing through the operating cost statement</i>	17	(6,409)	8,751
Increase/(decrease) in trade payables excluding bank overdraft	19	16,341	(2,436)
<i>less movements in payables relating to items not passing through the operating cost statement</i>	19	3,776	(3,486)
Use of provisions	20	(380)	(199)
Net cash outflow from operating activities		(1,998,285)	(1,932,862)
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(38)	(17)
Purchase of intangible assets	14	(272)	(435)
Proceeds of disposal of property, plant and equipment		-	175
Net cash outflow from investing activities		(310)	(277)
Cash flows from financing activities			
From the Consolidated Fund (supply) – current year		1,998,530	1,930,427
From the Consolidated Fund (supply) – prior year	17	9,088	337
Net financing		2,007,618	1,930,764
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		9,023	(2,375)
Payments of amounts due to the Consolidated Fund		(6,762)	(939)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
		2,261	(3,314)
Cash and cash equivalents at the beginning of the period		(3,529)	(215)
Cash and cash equivalents at the end of the period		(1,268)	(3,529)

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at note 2.

The notes on pages 73 to 108 form part of these accounts.

DEPARTMENT OF EDUCATION

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Note	General fund £000	Revaluation reserve (property, plant & equipment) £000	Revaluation reserve (intangible assets) £000	Total reserves £000
Balance at 31 March 2008		(30,190)	95	12	(30,083)
IFRS adjustment – IAS19 Employee Benefits		(574)	-	-	(574)
Restated balance at 1 April 2008		(30,764)	95	12	(30,657)
Changes in taxpayers' equity for 2008-09					
Net loss on revaluation of property, plant and equipment		-	(22)	-	(22)
Net gain on revaluation of intangible assets		-	-	2	2
Non-cash charges – cost of capital	10, 11	(847)	-	-	(847)
Non-cash charges – accommodation and other charges	10, 11	4,049	-	-	4,049
Non-cash charges – auditor's remuneration	10, 11	70	-	-	70
Transfers between reserves		14	(3)	(11)	-
Net operating cost for the year	4	(1,933,677)	-	-	(1,933,677)
Total recognised income and expense for 2008-09		(1,930,391)	(25)	(9)	(1,930,425)
Net parliamentary funding – drawn down		1,930,427	-	-	1,930,427
Supply debtor – current year	17	9,088	-	-	9,088
CFERs repayable to Consolidated Fund	7	(4,425)	-	-	(4,425)
Balance at 31 March 2009		(26,065)	70	3	(25,992)
Changes in taxpayers' equity for 2009-10					
Net loss on revaluation of property, plant and equipment		-	(64)	-	(64)
Net gain on revaluation of intangible assets		-	-	18	18
Non-cash charges – cost of capital	10, 11	(1,178)	-	-	(1,178)
Non-cash charges – accommodation and other charges	10, 11	4,017	-	-	4,017
Non-cash charges – auditor's remuneration	10, 11	71	-	-	71

	Note	General fund £000	Revaluation reserve (property, plant & equipment) £000	Revaluation reserve (intangible assets) £000	Total reserves £000
Transfers between reserves		5	(1)	(4)	-
Net operating cost for the year	4	(2,023,094)	-	-	(2,023,094)
Total recognised income and expense for 2009-10		(2,020,179)	(65)	14	(2,020,230)
Net parliamentary funding – drawn down		1,998,530	-	-	1,998,530
Supply debtor – current year	17	2,679	-	-	2,679
CFERs repayable to Consolidated Fund	7	(2,986)	-	-	(2,986)
Balance at 31 March 2010		(48,021)	5	17	(47,999)

Under the Reinvestment and Reform Initiative, loans are made available to the Northern Ireland Block. The loans are financed by borrowing from the National Loans Fund and the funding is paid directly to the Northern Ireland Consolidated Fund. The associated cash, £23,037,000.00 (2008-09: £nil) is paid to Departments from the Northern Ireland Consolidated Fund through the normal supply process.

Revaluation reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments.

Donated asset reserve

The Department does not have any donated assets.

The notes on pages 73 to 108 form part of these accounts.

DEPARTMENT OF EDUCATION

Consolidated Statement of Operating Costs by Departmental Strategic Objectives for the year ended 31 March 2010

Aim: To educate and develop the young people of Northern Ireland to the highest possible standards.

			2009-10			2008-09	
	Note	Objective 1 £000	Objective 2 £000	Total £000	Objective 1 £000	Objective 2 £000	Total £000
Gross expenditure		1,987,781	38,548	2,026,329	1,903,332	36,326	1,939,658
Income		(3,207)	(28)	(3,235)	(5,209)	(772)	(5,981)
Net expenditure	21	1,984,574	38,520	2,023,094	1,898,123	35,554	1,933,677

The Department of Education's total assets of £20,385,000 (2008-09: £25,596,000) are deemed to be employed exclusively for the achievement of Objective 1, on the basis of materiality.

The Department's objectives were as follows:

Objective 1

Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society.

This objective links to PSA targets 10 and 19.

Objective 2

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals; and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

This objective links to PSA target 10.

See note 21.

The notes on pages 73 to 108 form part of these accounts.

DEPARTMENT OF EDUCATION

ANNUAL REPORT AND ACCOUNTS 2009-10

Notes to the Departmental Resource Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRS) 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 Department of Education for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Department of Education are described below. They have been applied consistently in dealing with items considered material to the accounts.

In addition to the primary statements prepared under IFRS, the *FReM* also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Consolidated Statement of Operating Cost by Departmental Strategic Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

In accordance with the *FReM*, the Department is not able to accrue funding due from the Consolidated Fund in respect of Assembly Grant to match current liabilities recorded within the statement of financial position. Under International Accounting Standard (IAS) 1 (revised), Presentation of Financial Statements, such a closing financial position which shows a surplus of liabilities over assets requires the Accounting Officer to make an assessment of the viability of the Department as a going concern. However, no material uncertainties affecting the Department's ability to continue as a going concern have been assessed and these accounts have therefore been prepared under the going concern principle.

1.1 Accounting convention

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

1.2 Basis of consolidation

These accounts comprise a consolidation of the non-agency parts of the Department (the core department) and the Special Educational Needs and Disability Tribunal which falls within the Departmental boundary as defined in the *FReM*. Transactions between entities included in the consolidation are eliminated.

As the results of the Core Department are not materially different from those of the Consolidated Department, the results of the Special Educational Needs and Disability

Tribunal have not been separately disclosed on the Operating Cost Statement, Statement of Financial Position and supporting notes.

A list of all those entities within the Departmental boundary is given at note 29.

1.3 Property, plant and equipment

Property, plant and equipment are initially recognised at cost, including directly attributable costs in bringing the asset into working condition for its intended use. Assets classified as “under construction” are recognised in the statement of financial position to the extent that money has been paid or a liability has been incurred.

At each annual reporting date, property, plant and equipment are stated at fair value, determined as follows:

- Land and Buildings

Title to land and buildings shown in the accounts is held by the Department of Education. Land and buildings are restated to current value using a professional valuation, which is provided every five years and appropriate indices in intervening years.

- Other

With the exception of land and buildings and assets under construction, fair value is estimated by restating the value annually by reference to indices compiled by the Office of National Statistics (ONS). The minimum level for capitalisation is £1,000. PCs (including laptops) and network equipment are grouped for all assets utilised in connection with the Departmental Local Area Network.

1.4 Depreciation

Depreciation of property, plant and equipment is provided on a straight-line basis by reference to current values and to the remaining economic useful lives of assets and their estimated residual value. Freehold land is not depreciated. Assets under construction are not depreciated until they are commissioned.

Asset lives are reviewed annually and are normally within the following ranges:

Buildings	25 years
Transport equipment	4 years
Information technology	3 to 10 years
Plant and machinery	3 years

The overall useful life of the Department’s buildings takes account of the fact that different components of those buildings have different useful lives. This ensures that depreciation is charged on those assets at the same rate as if separate components had been identified and depreciated at different rates.

Property, plant and equipment, other than land and buildings are re-valued annually on the basis of the latest available indices. Revaluations below historic cost which are not temporary fluctuations in market value are treated as an impairment in accordance with IAS 36, *Impairment of Assets*, and charged in full to the Operating Cost Statement.

Impairment reviews of property, plant and equipment are performed annually and additionally where there is an indication of an impairment as defined by IAS 36.

1.5 Intangible assets

Software and associated licences are capitalised as intangible assets where expenditure of £1,000 or more is incurred on the purchase of an individual or grouped asset. Intangible assets are carried at fair value which is estimated by restating the value annually by reference to indices compiled by the ONS. Software licences are amortised over the shorter of the term of the licence and their useful economic life. Other intangible assets are amortised over three years.

1.6 Investments

In 2004-05 the Department invested in the ‘‘Middletown Centre for Autism (Holdings) Limited’’, which is a company registered in Northern Ireland and limited by guarantee. The Company is a joint venture between the Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland and is funded equally by each department.

The primary object of the company is to purchase, acquire and hold the property located at Middletown, Co Armagh, Northern Ireland for the purpose of supporting the promotion of excellence throughout Northern Ireland and Ireland in the development and harmonisation of education and allied services to children and young people with autistic spectrum disorders.

An Oversight Committee of four members monitors the effectiveness and management of the company. The Department of Education in Northern Ireland and the Department of Education and Science in the Republic of Ireland each appoint two members to the committee.

Although categorised as a joint venture in line with IAS 31, *Joint Ventures*, the company is deemed by the Department in agreement with the Department of Finance and Personnel to fall outside the Departmental boundary and has therefore been treated as an investment in the Departmental Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the Department’s Statement of Financial Position.

1.7 Inventories

Inventories are not deemed to be material, and are expensed to the Operating Cost Statement as purchased.

1.8 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises contributions from the European Union but also includes other income such as that from the sale of property, plant and equipment. It includes both operating Accruing Resources and income payable to the Consolidated Fund which in accordance with the *FReM* is treated as operating income. Operating income is stated net of Value Added Tax (VAT).

1.9 Administration and programme expenditure

The Operating Cost Statement is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or as programme follows the definition of administration costs set by the Department of Finance and Personnel. Administration costs reflect the costs of running the Department. These include both administrative costs and associated operating income. Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

1.10 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities except for:

- cash balances with the Consolidated Fund (including balances in Departmental bank accounts within the centralised NICS pool of accounts currently held at the Northern Bank), where the charge is nil;
- liabilities for amounts to be surrendered to the Consolidated Fund, where the credit is at a nil rate.

1.11 Foreign exchange

Transactions which are denominated in a foreign currency and which are covered by a related forward contract are translated into sterling at the exchange rate specified in the contract. Transactions which are not covered by a related forward contract are translated into sterling at the exchange rate ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for the period is used. Monetary assets and liabilities denominated in foreign currency at the reporting period date are translated at the rates ruling at that date. These translation differences are dealt with in the Operating Cost Statement.

1.12 Employee Benefits including Pensions

Under the requirements of IAS 19, *Employee Benefits*, staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end. This cost has been estimated using average staff numbers and costs applied to the average untaken leave balance

determined from the results of a survey to ascertain leave balances as at 31 March 2008. It is not anticipated that the level of untaken leave will vary significantly from year to year.

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS(NI)) which are described in Note 9. The defined benefit scheme is unfunded and non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS(NI) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS(NI).

1.13 Early departure costs

DE employees

The Department meets the additional cost of benefits beyond the normal PCSPS(NI) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS(NI) over the period between early departure and normal retirement date. The Department provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes announced in current or previous years. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance and Personnel Superannuation Vote. The amount provided is shown net of any such payments.

Teachers

The Teachers' Premature Retirement Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs fall within the remit of the scheme and are therefore not included as a cost within the Departmental Resource Accounts.

1.14 Leases

All leases are regarded as operating leases and the rentals are charged to the Operating Cost Statement on a straight-line basis over the term of the lease.

1.15 Grants payable

In line with the *FReM*, the Department recognises grant on the basis of the underlying activity of the recipient as follows:

- The extent of the grant liability in relation to the Education and Library Boards and other Non-Departmental Public Bodies for both recurrent and capital expenditure is equal to their expenditure to the extent that the latter has been properly incurred. Expenditure in this context is when the ELBs/NDPBs make the payments which are due to be funded by the Department. This is equivalent to grant issued by the Department.

- Grant issued to Voluntary Grammar and Grant Maintained Integrated Schools in respect of recurrent funding as at 31 March each year reflects the totality of the schools' entitlement under the Local Management of Schools' arrangements.
- Grant issued to Voluntary and Grant Maintained Integrated Schools in respect of capital project funding is recognised based on the payments actually made plus accruals for valid grant claims in the possession of the Department.
- Other grant payments are recognised on an accruals basis where such information is available or on the basis of the extent of the grant issued or approved for payment as at 31 March each year.

1.16 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the reporting period date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury (currently 2.2 per cent).

1.17 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, the Department discloses for Northern Ireland Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Northern Ireland Assembly in accordance with the requirements of *Managing Public Money Northern Ireland*.

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

1.18 Value Added Tax

Most of the activities of the Department are outside the scope of VAT and in general output tax does not apply, however input tax on purchases is recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.19 Financial instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is

derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when, it is extinguished.

The Department has financial instruments in the form of an investment in the Middletown Centre for Autism (Holdings) Limited, trade receivables and payables and cash and cash equivalents.

In accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, the investment in the Middletown Centre for Autism (Holdings) Limited is classified as “held to maturity” and trade receivables, cash and cash equivalents and trade payables are classified as “loans and receivables”. The investment held to maturity is measured at cost less any impairment. Loans and receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method less any impairment.

The Department assesses at each reporting period date whether there is any objective evidence that a financial asset or group of financial assets classified as loans and receivables is impaired.

The Department measures the amount of the loss as the difference between the carrying amount of the asset and the present value of estimated future cash flows from the asset discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Operating Cost Statement and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

When a financial asset is deemed unrecoverable the amount of the asset is reduced directly and the impairment loss is recognised in the Operating Cost Statement to the extent that a provision was not previously recognised.

Financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

1.20 Third party assets

Third party assets are assets for which the Department acts as custodian or trustee but in which neither the Department nor government more generally has a direct beneficial interest. Third party assets are not public assets, and hence are not recorded in the

primary financial statements. In the interests of general disclosure and transparency, details of the Department's third party assets are provided in note 28.

1.21 Currency and rounding

The functional currency is Sterling and, except where otherwise stated, figures have been rounded to the nearest thousand pounds.

1.22 Implementation of International Financial Reporting Standards

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at notes 2, 13 and 14.

Management has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management consider that these are unlikely to have a significant impact on the accounts in the period of initial application.

2. First-time adoption of IFRS

Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the date of transition 1 April 2009

	General fund £000	Revaluation reserve £000
Taxpayers' equity at 31 March 2008 under UK GAAP	(30,190)	107
Adjustments for:		
IAS 19 Employee Benefits	(574)	-
Taxpayers' equity at 1 April 2008 under IFRS	(30,764)	107

Reconciliation of UK GAAP reported taxpayers' equity to IFRS at the end of the final UK GAAP reporting period 31 March 2009

	General fund £000	Revaluation reserve £000
Taxpayers' equity at 31 March 2009 under UK GAAP	(25,471)	73
Adjustments for:		
IAS 19 Employee Benefits	(594)	-
Taxpayers' equity at 1 April 2009 under IFRS	(26,065)	73

Reconciliation of UK GAAP reported net operating cost to IFRS for the year ended 31 March 2009

	£000
Net operating cost for 2008-09 under UK GAAP	1,933,677
Adjustments for:	
IAS 19 Employee Benefits	20
Associated increase in cost of capital credit	(20)
Net operating cost for 2008-09 under IFRS	1,933,677

In addition to the cash balances of (£3,529,000) reported under UK GAAP at 31 March 2009, the Department did not hold any further cash equivalents.

3. Analysis of net resource outturn by section

	Outturn						2009-10 Estimate	2008-09	
	Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000	Net total £000	Net total outturn compared with Estimate £000	Prior- year outturn £000
Request for Resources A									
Departmental Expenditure in DEL:									
1. Education and Library Boards – Departmental overheads	10,326	11,903	-	22,229	(201)	22,028	24,884	2,856	20,606
2. Non-Departmental Public Bodies – Departmental overheads	762	16	-	778	-	778	805	27	805
3. Voluntary and Grant Maintained Integrated Schools – Departmental overheads	5,629	134	-	5,763	-	5,763	5,966	203	6,871
4. Miscellaneous Educational Services	944	2,088	8,967	11,999	-	11,999	13,403	1,404	11,875
5. EU Programme for Peace and Reconciliation	-	-	25	25	(20)	5	7	2	247
6. Early Years Services	159	351	25,089	25,599	-	25,599	26,677	1,078	22,186
7. Settlement of NICS Equal Pay claims	-	2,913	-	2,913	-	2,913	2,913	-	-
Non-Budget:									
8. Education and Library Boards	-	-	1,508,404	1,508,404	-	1,508,404	1,522,659	14,255	1,453,476
9. Voluntary and Grant Maintained Integrated Schools	-	-	376,897	376,897	-	376,897	374,690	(2,207)	354,201
10. Council for the Curriculum, Examinations and Assessment (CCEA)	-	-	20,916	20,916	-	20,916	22,616	1,700	22,440
11. Council for Catholic Maintained Schools (CCMS)	-	-	5,238	5,238	-	5,238	6,156	918	4,008
12. Staff Commission for Education and Library Boards	-	-	385	385	-	385	628	243	377
13. Integrated Development Fund	-	-	2,743	2,743	-	2,743	2,770	27	1,526
14. IFRS Prior Period Adjustments	-	551	-	551	-	551	570	19	-
15. Notional Charges	3,892	-	-	3,892	-	3,892	3,943	51	3,926
Total	21,712	17,956	1,948,664	1,988,332	(221)	1,988,111	2,008,687	20,576	1,902,544

	Outturn						2009-10 Estimate	2008-09	
	Admin £000	Other current £000	Grants £000	Gross resource expenditure £000	Accruing Resources £000	Net total £000	Net total outturn compared with Estimate £000	Prior- year outturn £000	
Request for Resources B									
Departmental Expenditure in DEL:									
1. Education and Library Boards – Departmental overheads	376	-	-	376	-	376	386	10	427
2. Youth Council – Departmental overheads	81	-	-	81	-	81	83	2	84
3. Youth Services	198	-	4,790	4,988	-	4,988	6,481	1,493	3,452
4. Voluntary Bodies and Other Services supporting Community Relations	251	-	1,474	1,725	-	1,725	1,766	41	1,717
5. EU Programme for Peace and Reconciliation	-	-	36	36	(28)	8	9	1	260
6. Settlement of NICS Equal Pay claims	-	147	-	147	-	147	147	-	-
Non-Budget:									
7. Education and Library Boards	-	-	26,478	26,478	-	26,478	28,848	2,370	24,811
8. Youth Council	-	-	4,412	4,412	-	4,412	4,522	110	4,349
9. Integrated Development Fund	-	-	109	109	-	109	109	-	265
10. IFRS Prior Period Adjustments	-	23	-	23	-	23	24	1	-
11. Notional Charges	196	-	-	196	-	196	198	2	193
Total	1,102	170	37,299	38,571	(28)	38,543	42,573	4,030	35,558
Resource Outturn	22,814	18,126	1,985,963	2,026,903	(249)	2,026,654	2,051,260	24,606	1,938,102

Explanation of variance between Estimate and outturn

Request for Resource A

Request for Resources A shows a total underspend of £20.6m (1.02%) against the Estimate for the year. A portion of the underspend arose as Spring Supplementary Estimates included cover for voluntary severance costs which were not incurred due to the delay in the implementation of ESA. The remainder of the underspend represents lower than expected grant requirements in respect of Miscellaneous Educational Services, Early Years Services, Education and Library Boards and the Council for the Curriculum, Examinations and Assessment. The underspend is partially offset by an overspend within the Voluntary and Grant Maintained Integrated Schools' line (A9). Virement approval has been secured from DFP to provide appropriate authorisation for this expenditure.

Request for Resource B

Request for Resources B shows a total underspend of £4.0m (9.47%) against the Estimate for the year. The underspend represents lower than expected grant requirements in respect of Youth Services and Education and Library Boards.

IFRS prior period adjustments

An adjustment was made to the Statement of Parliamentary Supply in respect of a prior period adjustment which arose as a result of implementing International Financial Reporting Standards. Details are included at note 2.

Detailed explanations of the variances are given in the Management Commentary.

Key to Request for Resources

Request for Resource A

Ensuring that all young people, through participation at school, reach the highest possible standards of educational achievement, that will give them a secure foundation for lifelong learning and employment; and develop the values and attitudes appropriate to citizenship in an inclusive society.

Request for Resource B

Promoting, through the youth service, the personal and social development of children and young people and assisting them to gain knowledge, skills and experience to reach their full potential as valued individuals: and, through community relations measures for young people, encouraging the development of mutual understanding and promoting recognition of and respect for cultural diversity.

4. Reconciliation of outturn to net operating cost and against administration budget

4(a) Reconciliation of net resource outturn to net operating cost

			2009-10 Outturn compared with Supply Estimate £000	2008-09 Outturn £000
	Note	Outturn £000	Estimate £000	Estimate £000
Net resource outturn (Note a)	3	2,026,654	2,051,260	24,606
Prior period adjustments	2	(574)	-	574
Non-supply income (CFERs)	6	(2,986)	(3,586)	(600)
Net operating cost (Note a)		2,023,094	2,047,674	24,580

Details of the prior period adjustment are included at note 2.

Note a - Net operating cost is the total of expenditure and income appearing in the operating cost statement. Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate.

4(b) Outturn against final administration budget

	Budget £000	2009-10 Outturn £000	2008-09 Outturn £000
Gross administration budget	19,215	18,726	21,660
Income allowable against the administration budget	(201)	(201)	(48)
Net outturn against final administration budget	19,014	18,525	21,612

5. Reconciliation of net resource outturn to net cash requirement

	Note	Estimate £000	Outturn £000	2009-10 Net total outturn compared with Estimate: saving/ (excess) £000	2008-09 Prior-year outturn (restated) £000
Resource Outturn	3	2,051,260	2,026,654	24,606	1,938,102
Capital:					
Acquisition of property, plant and equipment	13, 14	352	310	42	452
Investments	15.1	-	-	-	-
Non-operating Accruing Resources					
Proceeds of asset disposals		-	-	-	(175)
Accruals Adjustments					
Non-cash items	10	(6,819)	(6,362)	(457)	(5,590)
Changes in working capital other than cash		-	(19,199)	19,199	6,527
Changes in payables falling due after more than one year	19	-	-	-	-
Use of provision	20	512	380	132	199
Adjust for effects of prior period adjustment	2	(594)	(574)	(20)	-
Net cash requirement		2,044,711	2,001,209	43,502	1,939,515

Details of the prior period adjustment are included at note 2.

Explanation of variance between Estimate and net cash requirement

The Net Cash Requirement shows a total underspend of £43.5m (2.13%) against the Estimate for the year. A portion of the underspend arose as Spring Supplementary Estimates included cover for voluntary severance costs which were not incurred due to

the delay in the implementation of ESA. The remainder of the underspend represents lower than expected grant requirements in respect of Miscellaneous Educational Services, Early Years Services, Education and Library Boards, the Council for the Curriculum, Examinations and Assessment and Youth Services. The underspend is partially offset by an overspend within the Voluntary and Grant Maintained Integrated Schools' line (A9). In addition, the movement in working capital was less than forecast as creditors were higher than anticipated.

6. Analysis of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	Forecast 2009-10		Outturn 2009-10	
		Income £000	Receipts £000	Income £000	Receipts £000
Operating income and receipts – excess Accruing Resources		-	-	-	-
Other operating income and receipts not classified as Accruing Resources		3,586	<i>3,586</i>	2,986	<i>2,614</i>
		3,586	<i>3,586</i>	2,986	<i>2,614</i>
Non-operating income and receipts – excess Accruing Resources	8	-	-	-	-
Total income payable to the Consolidated Fund	7	3,586	<i>3,586</i>	2,986	<i>2,614</i>

7. Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009-10 £000	2008-09 £000
Operating income	12	3,235	5,981
Gross income		3,235	5,981
Income authorised to be Accruing Resources	3	(249)	(1,556)
Non-operating income – excess Accruing Resources	8	-	-
Operating income payable to the Consolidated Fund	6	2,986	4,425

8. Non-operating income – Excess Accruing Resources

	2009-10 £000	2008-09 £000
Proceeds on disposal of property, plant and equipment	-	-
Non-operating income – excess Accruing Resources	-	-

9. Staff numbers and related costs

Staff costs comprise:

	2009-10 Total £000	Permanently employed staff £000	Others £000	Ministers £000	2008-09 (restated) Total £000
Wages and salaries	22,219	18,750	3,432	37	19,775
Social security costs	1,466	1,461	-	5	1,337
Other pension costs	3,375	3,366	-	9	3,219
Sub total	27,060	23,577	3,432	51	24,331
Less recoveries in respect of outward secondments	(82)	(82)	-	-	-
Total net costs*	26,978	23,495	3,432	51	24,331
These costs are shown in the Operating Cost Statement as:					
Administration Costs	17,351	16,689	611	51	18,141
Programme Costs	9,627	6,806	2,821	-	6,190
Total net costs	26,978	23,495	3,432	51	24,331
Analysis by Objective					
Objective 1	26,141	22,658	3,432	51	23,631
Objective 2	837	837	-	-	700
Total net costs	26,978	23,495	3,432	51	24,331

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at note 2.

* No staff costs have been charged to capital. Permanently employed staff includes the cost of the Department's Special Adviser, who is paid in the pay band £57,300-£82,531.

The Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) is an unfunded multi-employer defined benefit scheme, but the Department of Education is unable to identify its share of the underlying assets and liabilities. The most up to date

actuarial valuation was carried out as at 31 March 2007 and details of this valuation are available in the PCSPS(NI) resource accounts.

For 2009-10, employers' contributions of £3,373,031.94 were payable to the PCSPS(NI) (2008-09: £3,215,747.60) at one of four rates in the range of 16.5 to 23.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2010-11, the rates will be in the range 18 to 25 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £2,045.51 (2008-09: £3,524.56) 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 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £151.95 (2008-09: £286.24), 0.8 per cent of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the reporting period date were £nil (2008-09: £nil). Contributions prepaid at that date were £nil (2008-09: £nil).

Two individuals (2008-09: One) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,172.34 (2008-09: £85.28).

Average number of persons employed

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

Departmental Strategic Objective	2009-10 Total Number	Permanently employed staff Number	Others Number	Ministers Number	Special advisers Number	2008-09 Total Number
1	714	627	85	1	1	647
2	31	31	-	-	-	30
Total	745	658	85	1	1	677

10. Other administration costs

	Note	£000	2009-10 £000	£000	2008-09 (restated) £000
Rentals under operating leases			71		69
Non-cash items (Note a)					
Depreciation		25		29	
Amortisation		261		180	
Loss on disposal of property, plant and equipment		-		6	
Permanent diminution in non-current asset values		70		-	
Cost of capital charges		(1,178)		(847)	
Auditor's remuneration and expenses		71		70	
Accommodation and other notional charges		3,966		3,998	
Provision provided for in-year	20	25	3,240	2,105	5,541
Other expenditure					
Travel and subsistence		131		141	
Telephone, printing and stationery		467		443	
Accounting and information technology		224		288	
Other general		1,330	2,152	1,156	2,028
Total			5,463		7,638

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at note 2.

During the year the Department did not purchase any non-audit services from its auditor, the Northern Ireland Audit Office.

Note a - the total of non-cash transactions included in the reconciliation of resources to net cash requirement in note 5.

	2009-10 £000	2008-09 (restated) £000
Other administration costs – non-cash items (as above)	3,240	5,541
Notional charge for Minister's salary (included in staff costs)	51	51
Programme costs – non-cash items (Note 11)	3,071	(2)
Total non-cash transactions (Note 5)	6,362	5,590

11. Programme costs

	Note	2009-10 £000	2008-09 £000
Rentals under operating leases		141	138
Current grants and other current expenditure		1,990,615	1,905,537
EU expenditure		61	2,016
Staff costs	9	9,627	6,190
Non-cash items (Note 10a)			
Provisions provided for in-year	20	3,071	(2)
		2,003,515	1,913,879
Less: Programme income	12	(3,031)	(5,922)
Total		2,000,484	1,907,957

12. Income

	RfRA £000	RfRB £000	2009-10 Total £000	2008-09 Total £000
Administration income:				
Contribution from IFI	204	-	204	59
	204	-	204	59
Programme income:				
Contribution from European Union – DE acting as principal for EU	372	28	400	1,314
Sale of land and buildings (NDPBs)	2,025	-	2,025	4,489
Other income	606	-	606	119
	3,003	28	3,031	5,922
Total operating income	3,207	28	3,235	5,981

13. Property, plant and equipment

	Land £000	Buildings £000	Transport equipment £000	Information technology £000	Plant and machinery £000	Asset under construction £000	Total £000
Cost or valuation							
At 1 April 2009	90	73	14	109	66	366	718
IFRS adjustment – IAS 38 Intangible Assets	-	-	-	-	-	(366)	(366)
Restated balance at 1 April 2009	90	73	14	109	66	-	352
Additions	-	-	-	5	33	-	38
Disposals	-	-	-	(5)	(12)	-	(17)
Reclassification	-	-	-	(13)	13	-	-
Reclassification to intangible assets	-	-	-	(2)	-	-	(2)
Revaluations	(90)	(73)	-	9	1	-	(153)
At 31 March 2010	-	-	14	103	101	-	218
Depreciation							
At 1 April 2009	-	17	14	74	61	-	166
Charged in year	-	3	-	18	4	-	25
Disposals	-	-	-	(5)	(12)	-	(17)
Reclassification	-	-	-	(13)	13	-	-
Reclassification to intangible assets	-	-	-	(2)	-	-	(2)
Revaluations	-	(20)	-	5	-	-	(15)
At 31 March 2010	-	-	14	77	66	-	157
Net book value at 31 March 2010	-	-	-	26	35	-	61
Net book value at 31 March 2009 (as restated)	90	56	-	35	5	-	186
Asset financing							
Owned	-	-	-	26	35	-	61
Net book value at 31 March 2010	-	-	-	26	35	-	61

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Under UK GAAP externally developed software was classified as property, plant and equipment however under IAS 38, *Intangible Assets*, externally developed software is classified as an intangible asset.

Note a – Land and Buildings are usually revalued on a quinquennial basis by Land and Property Services, an agency of the Department of Finance and Personnel. During intervening years, they are revalued on the basis of the latest available indices. For the purpose of the 2009-10 resource accounts land and buildings were revalued to nil. The land and buildings comprised a school which was originally vested in 1909 under the terms of the Leases for Schools (Ireland) Act 1881. The school has closed and under the terms of the Leases for Schools (Ireland) Act 1881 the property has to be offered back to the grantor or their successors-in-title. The Department will not be entitled to any recompense.

Other assets were revalued on the basis of the latest available indices.

	Land £000	Buildings £000	Transport equipment £000	Information technology £000	Plant and machinery £000	Asset under construction £000	Total £000
Cost or valuation							
At 1 April 2008	110	76	13	979	67	-	1,245
Additions	-	-	-	17	-	366	383
Disposals	-	-	-	(882)	(4)	-	(886)
Revaluations	(20)	(3)	1	(5)	3	-	(24)
At 31 March 2009	90	73	14	109	66	366	718
Depreciation							
At 1 April 2008	-	14	13	804	59	-	890
Charged in year	-	4	-	22	3	-	29
Disposals	-	-	-	(748)	(3)	-	(751)
Revaluations	-	(1)	1	(4)	2	-	(2)
At 31 March 2009	-	17	14	74	61	-	166
Net book value at 31 March 2009	90	56	-	35	5	366	552
Net book value at 31 March 2008	110	62	-	175	8	-	355
Asset financing							
Owned	90	56	-	35	5	366	552
Net book value at 31 March 2009	90	56	-	35	5	366	552

14. Intangible assets

Intangible assets comprise externally developed software and purchased software licences for the Department.

	Information technology £000	Purchased software licences £000	Total £000
Cost or valuation			
At 1 April 2009	-	991	991
IFRS adjustment – IAS 38 Intangible Assets	366	-	366
Restated balance at 1 April 2009	366	991	1,357
Additions	272	-	272
Disposals	(281)	(17)	(298)
Reclassified from purchased software licences	454	(454)	-
Reclassified from property, plant and equipment	-	2	2
Revaluations	27	1	28
At 31 March 2010	838	523	1,361
Amortisation			
At 1 April 2009	-	758	758
Charged in year	123	138	261
Disposals	(281)	(17)	(298)
Reclassified from purchased software licences	361	(361)	-
Reclassified from property, plant and equipment	-	2	2
Revaluations	5	1	6
At 31 March 2010	208	521	729
Net book value at 31 March 2010	630	2	632
Net book value at 31 March 2009 (as restated)	366	233	599

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Under UK GAAP externally developed software was classified as property, plant and equipment however under IAS 38, *Intangible Assets*, externally developed software is classified as an intangible asset.

	Information technology £000	Purchased software licences £000	Total £000
Cost or valuation			
At 1 April 2008	-	1,285	1,285
Additions	-	69	69
Disposals	-	(363)	(363)
Revaluations	-	-	-
At 31 March 2009	-	991	991
Amortisation			
At 1 April 2008	-	897	897
Charged in year	-	180	180
Disposals	-	(317)	(317)
Revaluations	-	(2)	(2)
At 31 March 2009	-	758	758
Net book value at 31 March 2009	-	233	233
Net book value at 31 March 2008	-	388	388

15. Financial Instruments

International Financial Reporting Standard 29 (IFRS 29), *Financial Instruments: Disclosures*, requires disclosure that enables evaluation of the significance of financial instruments for the Department's financial position and performance, the nature and extent of risks arising from financial instruments to which the Department is exposed during the period and at the reporting date, and how the Department manages those risks. As a result of the non-trading nature of its activities and the way in which Government Departments are financed, the Department of Education is not exposed to the degree of financial risk faced by business entities.

Classification of financial instruments

The Department's investments are measured at historical cost, less any impairment while all other financial instruments are measured at amortised cost. The Department's financial assets include investments (note 15.1) which are classified as held to maturity, trade and other receivables (note 17) and cash and cash equivalents (note 18) which are classified as loans and receivables. The Department's financial liabilities are classified as loans and receivables and comprise payables and accruals, excluding tax liabilities (note 19). The carrying value of these financial assets and liabilities, as disclosed in the notes to the accounts, approximates to fair value because of their short maturities.

The following table shows the net gains/losses recognised through the Operating Cost Statement by measurement category:

	From interest £000	At fair value £000	From subsequent measurement		Net loss	
			Currency translation £000	Impairment /reversal of impairment £000	2009-10 £000	2008-09 £000
Loans and receivables	-	-	-	(38)	(38)	(243)
Financial liabilities measured at amortised cost	-	-	-	-	-	-
Total	-	-	-	(38)	(38)	(243)

The Department recognises the components of net gain/loss through the Operating Cost Statement.

The net currency translation losses on financial assets classified as loans and receivables are attributable to monies due from the European Union (EU) in respect of grant payments.

Risk management

Financial risks include credit risk, liquidity risk and market risks (interest rate and currency).

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Department is not exposed to significant credit risk and manages its exposure via credit risk management policies which require review of the credit history of the organisations that the Department wishes to trade with. Publicly available credit information from recognised providers is utilised for this purpose where available. The maximum exposure to credit risk is represented by the carrying amounts of the trade receivables carried in the Statement of Financial Position.

Liquidity risk

The Department's net revenue resource requirements are financed by resources voted annually by the Northern Ireland Assembly, as is its capital expenditure. The Department of Education is not, therefore, exposed to significant liquidity risks.

Currency risk

Currency risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Department receives reimbursement of certain grant payments from the EU. Transactions with the EU are denominated in euro and therefore exposed to currency risk. The revenue due from the EU is recognised as a receivable when it is initially paid to grant recipients. However, only when the Department submits claims to the EU is the relevant portion of the receivable subject to exchange rate risk.

The Department does not have the authority to manage currency risk through hedging.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

All of the Department’s financial assets and liabilities carry nil or fixed rates of interest. The Department is therefore not exposed to any interest rate risk.

15.1 Investments in other public sector bodies

	Middletown Centre for Autism (Holdings) Limited £000
At 1 April 2008, 31 March 2009 and 31 March 2010	1,560

In the year to 31 March 2005 the Department invested in the “Middletown Centre for Autism (Holdings) Limited” as a joint venture with the Department of Education and Science in the Republic of Ireland. Both parties fund the company equally.

Although categorised as a joint venture in line with IAS 31, the company is deemed by the Department, in agreement with the Department of Finance and Personnel, to fall outside the departmental boundary and therefore has been treated as an investment in the Departmental Resource Accounts. In agreement with the Department of Finance and Personnel the investment has been valued at cost within the Department’s Statement of Financial Position.

The Department’s share of the net assets and results of the above body for the year ended 30 June 2009 are summarised below.

	Middletown Centre for Autism (Holdings) Limited £000
Net assets at 30 June 2008	2
Turnover	29
Surplus for the year	1
<hr/>	
Net assets at 30 June 2009	2
Turnover	29
Surplus for the year	-

16 Impairments

	2009-10 £000	2008-09 £000
Charged to operating cost statement	76	-
Charged to revaluation reserve	67	-
	143	-

17 Trade receivables and other current assets

	2009-10 £000	2008-09 £000	2007-08 £000
Amounts falling due within one year:			
Trade receivables	571	942	492
Other receivables	776	609	57
Prepayments and accrued income	424	169	116
EU accrued income	13,682	12,443	14,844
	15,453	14,163	15,509
Amounts due from the Consolidated Fund in respect of Supply	2,679	9,088	337
	18,132	23,251	15,846

Included within trade receivables is £3,501,319.36 (2008–09: £3,129,447.54; 2007-08: £5,079,631.29) that will be due to the Consolidated Fund once the debts are collected.

There were no amounts falling due after more than one year at 31 March 2010 or 31 March 2009.

The following table shows the impairment of trade receivables through the bad debt provision account at the reporting period date:

	2009-10 £000	2008-09 £000
At 1 April 2009	117	167
Impairment losses recognised on trade receivables	38	46
Amounts written off as uncollectable	(25)	(96)
At 31 March 2010	130	117

In determining the recoverability of a trade receivable, the Department considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

No interest is charged on the trade receivables. The Department has provided for trade receivables over six months old where there have been no cash receipts in the six months prior to the year end because historical experience is such that trade receivables that are past due beyond six months are generally not recoverable.

The following table shows the ageing of receivables past due but not impaired; no provision has been made as there has not been a significant change in credit quality and the Department believes that the amounts are still fully recoverable:

	2009-10	2008-09	2007-08
	£000	£000	£000
Neither past due nor impaired trade receivables			
Less than 1 month	3	165	19
1 to 3 months	44	123	10
3 to 6 months	21	50	20
Past due but not impaired trade receivables	14,185	13,047	15,287
Impaired trade receivables	130	117	167
Gross carrying value	14,383	13,502	15,503
Less: impairment	(130)	(117)	(167)
Net carrying value	14,253	13,385	15,336

17.1 Intra-government balances

	Amounts falling due within one year		
	2009-10	2008-09	2007-08
	£000	£000	£000
Balances with other central government bodies	4,001	9,936	645
Balances with Voluntary and Grant Maintained Integrated Schools	41	-	-
Sub total: intra-government balances	4,042	9,936	645
Balances with bodies external to government	14,090	13,315	15,201
Total receivables at 31 March	18,132	23,251	15,846

18 Cash and cash equivalents

	2009-10	2008-09
	£000	£000
At 1 April 2009	(3,529)	(215)
Net change in cash and cash equivalents	2,261	(3,314)
At 31 March 2010	(1,268)	(3,529)
The following balances at 31 March were held at:		
Commercial banks and cash in hand	(1,268)	(3,529)
At 31 March 2010	(1,268)	(3,529)
The balance comprises:		
Cash in hand	-	-
Cash at bank	-	-
Bank overdraft	(1,268)	(3,529)
	(1,268)	(3,529)

19 Trade payables and other current liabilities

	2009-10	2008-09	2007-08
	£000	(restated)	(restated)
		£000	£000
Amounts falling due within one year:			
Bank overdraft (Note 18)	1,268	3,529	216
Other taxation and social security	16,502	16,161	16,698
Trade payables	23,342	16,361	22,276
Other payables	11,413	381	322
Accruals and deferred income	5,829	4,066	3,595
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
received	1,411	5,559	122
receivable	3,501	3,129	5,080
	63,266	49,186	48,309

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at note 2.

There were no amounts falling due after more than one year at 31 March 2010 or 31 March 2009.

19.1 Intra-government balances

	Amounts falling due within one year		
	2009-10 £000	2008-09 (restated) £000	2007-08 (restated) £000
Balances with other central government bodies	33,609	25,470	22,730
Balances with Voluntary and Grant Maintained Integrated Schools	19,563	16,304	20,472
Balances with local authorities	-	-	2
Balances with NHS and HSS Trusts	-	2	-
Sub total: intra-government balances	53,172	41,776	43,204
Balances with bodies external to government	10,094	7,410	5,105
Total payables at 31 March	63,266	49,186	48,309

Balances with Voluntary and Grant Maintained Integrated schools have been separately disclosed, as these organisations have been classified as public sector bodies for budgeting purposes from 1 April 2006.

20 Provisions for liabilities and charges

	Equal pay claims £000	Early departure costs £000	Legal claims £000	Other £000	Total £000
At 1 April 2009	-	56	2,341	5	2,402
Provided in the year	3,060	173	37	11	3,281
Provisions not required written back	-	-	(185)	-	(185)
Provisions utilised in the year	-	(77)	(292)	(11)	(380)
At 31 March 2010	3,060	152	1,901	5	5,118

	Early departure costs £000	Legal claims £000	Other £000	Total £000
At 1 April 2008	125	353	20	498
Provided in the year	50	2,070	5	2,125
Provisions not required written back	-	(5)	(17)	(22)
Provisions utilised in the year	(119)	(77)	(3)	(199)
At 31 March 2009	56	2,341	5	2,402

All provisions are current liabilities due within one year. A discount rate has not been applied to any of the provisions as the time value of money is not significant.

20.1 Equal pay claims

This provision represents the Department's expected share of the settlement payment to be made to staff at Administrative Assistant, Administrative Officer, Executive Officer II and analogous grades in the NICS as the result of an agreement with NIPSA in respect of Equal Pay.

As over 13,000 staff are affected, each with their own personal circumstances, implementation of the settlement will be a major administrative exercise and will take several months to fully complete. The exact amount to be paid will depend on a number of factors, including the number of staff who agree to the settlement and the amount that Her Majesty's Revenue and Customs calculate is due from departments to discharge taxation obligations.

20.2 Early departure costs

The Department is required to meet the costs of paying the pensions of employees who retire early, from the date of their retirement until they reach normal pensionable age, and must provide in full for the cost of meeting pensions resulting from such early retirement schemes. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Department of Finance and Personnel Superannuation Vote.

20.3 Legal claims

Provision has been made for various legal claims against the Department. The provision reflects all known claims where legal advice indicates that it is more than 50% probable that the claim will be successful and the amount of the claim can be reliably estimated.

Legal claims which may succeed but are less likely to do so or cannot be estimated reliably are disclosed as contingent liabilities in note 25.

20.4 Other

Eligible teachers in Northern Ireland are entitled to have their General Teaching Council Northern Ireland (GTCNI) annual fee reimbursed in full. The majority of the fees are deducted/reimbursed at source from the teacher payroll system early in the financial year. Teachers who are outside this process must pay their fee to the GTCNI and claim their reimbursement from the Department. The provision reflects the Department's estimate for claims outstanding at the year end.

21 Notes to the Consolidated Statement of Net Operating Costs by Departmental Strategic Objectives

Programme grants and other current expenditure have been allocated as follows:

	Objective 1 £000	Objective 2 £000	2009-10 Total £000	Objective 1 (restated) £000	Objective 2 £000	2008-09 Total (restated) £000
Programme grants and other current expenditure	1,956,589	37,299	1,993,888	1,872,558	35,131	1,907,689
Staff costs	26,141	837	26,978	23,631	700	24,331
Other administration costs	5,051	412	5,463	7,143	495	7,638
Income	(3,207)	(28)	(3,235)	(5,209)	(772)	(5,981)
Net operating costs	1,984,574	38,520	2,023,094	1,898,123	35,554	1,933,677

The 2008-09 figures have been restated to implement International Financial Reporting Standards. Details of the restatement are included at note 2.

The Department of Education's total assets are deemed to be employed exclusively for the achievement of Objective 1, on the basis of materiality.

Administration costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

Notional costs are apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

The cost of capital charge is apportioned between the two objectives based on the respective percentages of Departmental personnel employed working on each objective.

22 Capital commitments

	2009-10 £000	2008-09 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Property, plant and equipment	428	62

23 Commitments under leases

23.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2009-10 £000	2008-09 £000
Obligations under operating leases comprise:		
Buildings		
Not later than one year	62	129
Later than one year and not later than five years	-	62
	62	191
Other		
Not later than one year	81	75
Later than one year and not later than five years	9	72
	90	147

23.2 Finance leases

The Department does not have any finance leases.

24 Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of security, facilities management, evaluation and other services.

The payments to which the Department is committed, analysed by the period during which the commitment expires are as follows.

	2009-10	2008-09
	£000	£000
Not later than one year	794	1,055
Later than one year and not later than five years	4,794	131
	5,588	1,186

At 31 March 2010 the Department is committed to paying Grant in Aid to the South Eastern Education and Library Board in respect of a business case for external consultancy expenditure which the Department failed to secure retrospective approval for.

	2009-10	2008-09
	£000	£000
Derry Diocesan PPP Project	-	139
Holy Cross College PPP Project	-	101
Down and Connor/De La Salle PPP Project	-	197
Lagan College/Tor Bank Special School PPP Project	234	271
	234	708

During 2009-10 the Department failed to secure retrospective approval for four further business cases. There are no outstanding commitments at 31 March 2010 for these business cases.

24.1 Financial Guarantees, Indemnities and Letters of Comfort

The Department has not entered into any quantifiable guarantees, indemnities or provided letters of comfort.

The Department has no contingent liabilities to report for the purpose of Northern Ireland Assembly reporting and accountability.

25. Contingent liabilities disclosed under IAS 37

25.1 Contingent liabilities

The following contingent liabilities at 31 March 2010 have not been accrued.

Nature	Number of cases	Value £000
Judicial review	1	Unable to quantify
Comhairle na Gaelscolaíochta (CnaG) – Membership of NILGOSC Pension Scheme	1	60
Employer's liability guarantee	1	Unable to quantify
Judicial review	1	17
Legal challenge	1	500

25.2 Contingent assets

The following contingent assets at 31 March 2010 have not been accrued.

Nature	Number of cases	Value £000
Probable recoupment of monies from school trustees following closure	12	8,795

26. Losses and special payments

26.1 Losses statement

In 2009-10 there were losses to the value of £28,143.67 which represented three claims (2008-09: there were losses of £96,151.32 which represented twenty seven claims). None of these claims were in excess of the threshold of £250,000.

26.2 Special Payments

In 2009-10 there were special payments to the value of £51,707.83 which represented five claims (2008-09: there were special payments of £37,765.39 which represented nine claims). None of these claims were in excess of the threshold of £250,000.

26.3 Other notes

Details of any losses and special payments made by the Education and Library Boards, the Northern Ireland Council for the Curriculum, Examinations and Assessment, the Youth Council for Northern Ireland, the Council for Catholic Maintained Schools and the Staff Commission for Education and Library Boards will be reported in the accounts of those bodies.

27. Related-party transactions

The following list represents those bodies for which the Department had direct funding responsibility during this financial year. These bodies are regarded as related parties with which the Department has had material transactions during the year.

Executive NDPBs

Belfast Education and Library Board
Council for Catholic Maintained Schools
Northern Ireland Council for the Curriculum, Examinations and Assessment
North Eastern Education and Library Board
Southern Education and Library Board
South Eastern Education and Library Board
Staff Commission for Education and Library Boards
Western Education and Library Board
Youth Council for Northern Ireland

Tribunals

Special Educational Needs and Disability Tribunal

Public and private sector bodies

Grant Maintained Integrated Schools*
Voluntary Grammar Schools*
Northern Ireland Council for Integrated Education
Comhairle na Gaelscolaíochta
Middletown Centre for Autism
Health and Social Care Board

* Note: Other schools, maintained and controlled, are funded via the Education and Library Boards.

The Department of Education has had a small number of transactions with other Government Departments and other Central Government bodies. Most of these transactions have been with the Department of Finance and Personnel.

No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

28. Third-party assets

The Department administers the Endowment and Miscellaneous Trust Funds on behalf of a number of Royal Schools. These are not Departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and listed securities. They are set out in the table immediately below.

	31 March 2009 £000	Gross inflows (Note a) £000	Gross outflows (Note a) £000	31 March 2010 £000
Monetary assets such as bank balances	2	23	(23)	2
Listed securities	434			557

Note a – The inflow and outflow figures do not equal the change in the value of listed securities over the year, because movements caused by revaluation to 31 March prices are not reflected in the inflows and outflows figures.

The Department also holds legal title to a number of Turbary rights (the right to extract peat) and associated land which is held in Trust.

These assets are not included within the Departmental accounts on the grounds that the legal basis of the trusts involved ensures that the Department cannot obtain economic benefit from these assets.

29. Entities within the departmental boundary

The entities within the boundary during 2009–10 were as follows:

Supply-financed agencies:	None
Non-executive NDPBs:	Special Educational Needs and Disability Tribunal
Other entities:	None

30. Events after the reporting period

There are no events after the reporting period relating to the 2009-10 financial year.

The Accounting Officer authorised these financial statements for issue on 30 June 2010.

31. Premature retirement compensation

The Teachers' Premature Retirement Scheme for Northern Ireland recovers compensation costs via increased employer contributions. Compensation costs fall within the remit of the scheme and are therefore not included as a cost within the Departmental resource accounts.

The Department is responsible as compensating authority for Voluntary Grammar Schools, Grant Maintained Schools and a number of smaller bodies.

The number of compensating cases, for which the Department is compensating authority, for the current year and in total broken down by employer group are:

Total number of teachers retiring on grounds of premature retirement in the year to 31 March 2010

	Efficient discharge	Redundancy
Voluntary Grammar Schools	-	15
Other Grant Maintained Schools	-	1
Other Bodies	-	1
Total	-	17

Total number of teachers retired on grounds of premature retirement as at 31 March 2010

	Efficient discharge	Redundancy
Voluntary Grammar Schools	162	655
Other Grant Maintained Schools	6	18
Other Bodies	27	82
Total	195	755

The Combined Financial Statements of the Teachers' Pension Scheme for Northern Ireland and the Teachers' Premature Retirement Scheme for Northern Ireland provide complete information on premature retirement compensation. The statements are available on request from the Department.

The Accountant
Department of Education
Rathgael House
43 Balloo Road
Rathgill
BANGOR
BT19 7PR

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

DEPARTMENT OF EDUCATION RESOURCES ACCOUNTS 2009-10

Irregular Expenditure on External Consultancy Projects

Introduction

1. In accordance with the requirements of Managing Public Money Northern Ireland (MPMNI) and DAO(DFP) 06/05, the Department of Finance and Personnel (DFP) has delegated to departments authority to enter into commitments and to spend within defined limits, subject to certain restrictions. Prior DFP approval is required for each separate engagement of external consultants expected to cost over £75,000 (or otherwise agreed with DFP). DFP approval in such instances is only granted on completion of a satisfactory business case.
2. It is a general condition of DFP approval that it must be notified if at any time costs or any other key assumptions vary by more than 10 per cent from the estimates given in the business case upon which the approval was based, or if implementation is delayed by more than 24 months.
3. If a department wishes to make any significant change to a project or to its proposal for procurement, after approval has been granted, DFP agreement must be obtained before any expenditure is committed and before procurement is commenced.

Retrospective Approval

4. If expenditure has been committed or procurement commenced without DFP approval then DFP may be prepared to consider granting retrospective approval in exceptional circumstances and only under specific conditions as defined in MPMNI.
5. The purpose of this report is to explain my qualification of the Department of Education (the Department) Resource Accounts 2009-10 on irregular expenditure incurred in respect of external consultancy fees on six projects which specifically required the approval of DFP.
6. In 2008-09 we reported on this subject. Consultancy expenditure amounting to £2,576,624 had been identified for which the Department had not obtained the necessary DFP approval. This was irregular, but because it had been accounted for in years other than 2008-09 the regularity opinion in that year was unqualified. Subsequent information has, however, identified £211,592 of expenditure in the 2008-09 financial year for which the approval of business cases in line with the relevant guidance was not secured. This is summarised in Table 1 below.

Table 1**Irregular Expenditure Incurred on external consultancy costs in 2008-09**

Name of Project	Irregular Expenditure 2008-09 £
Classroom 2000	38,350
Northern Ireland School Modernisation Programme - Legal costs incurred due to appeal process; - Costs incurred to develop alternative procurement mechanism	2,430 49,199
School Leadership Project [50% of total expenditure incurred applicable to the Department]	39,238
Appointment of School Meals Advisor	9,197
Education and Skills Authority Implementation Team Audit of Non-school Accommodation	23,728
Education and Skills Authority Implementation Team Service Delivery Workshops	49,450
Total	211,592

7. The Department recognised that the failure to obtain the necessary approvals in the various cases was a serious breakdown in the project management process. A series of actions to be undertaken to enhance the arrangements within the Department and its funded bodies were outlined in the 2008-09 Statement on Internal Control.
8. There were three projects namely Holy Cross College Strabane PPP, Derry Diocese PPP and RPA Project Management Consultancy Support where retrospective approval from DFP to incur expenditure had been refused. There were three other projects where the Department considered it unlikely that retrospective approval would be given by DFP namely Down and Connor De La Salle PPP, Lagan/Tor Bank PPP and the Belfast Education and Library Board (BELB) Strategic Partnership (for which the Department was responsible for 50% of the expenditure).
9. In the case of Down and Connor De La Salle PPP the Department was advised by DFP that retrospective approval was not being granted. For the other two cases the Department did not seek retrospective approval.
10. The consultancy requirements on the RPA Project Management Consultancy Support and BELB Strategic Partnership have come to an end with no expenditure incurred in 2008-09 or 2009-10.
11. The Department had anticipated irregular expenditure of £708,000 on the other four projects. Actual irregular expenditure in 2009-10 amounted to £1,935,429 a

difference of £1,227,429 (173 per cent increase). I asked the Department to explain why there was such a variance. The Department advised '*it was not aware of the additional tasks in the Derry Diocese PPP, Down and Connor De La Salle PPP and Lagan/Tor Bank PPP when the information was being supplied for the 2008-09 resource accounts*'. I am disappointed the Department did not provide accurate and reliable information on these projects and the costs associated with them.

12. The Department was asked by my staff, as part of the 2008-09 audit, to determine whether there were any other projects where DFP approval had not been sought. As outlined above 3 cases were identified. Representations were given by management that they were not aware of any other cases. However, in October 2009 another case emerged namely Classroom 2000 (C2K) –Appointment of external consultancy to support completion of Lot 7 Outline Business Case. Since then another project has been identified – The Northern Ireland Schools' Modernisation Programme. In addition, four other consultancy projects within the Department's delegated limits (i.e. not requiring DFP approval) have been identified which have not secured the necessary departmental approval.
13. In summary the Department has now identified 12 projects which have in all likelihood incurred irregular expenditure amounting to £4,358,348 between 2004-05 and 2009-10. This is shown in Table 2.

Table 2**Total Irregular Expenditure incurred by the Department**

Name of Project	Irregular Expenditure £ incurred on external consultancy costs						Total
	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	
RPA Project Management Consultancy Support	0	0	19,170	8,730	0	0	27,900
BELB Strategic Partnership	0	0	520,564	364,146	0	0	884,710
Derry Dioceses PPP	613,879	0	77,313	287,852	152,574	44,631	1,176,249
Down and Connor De La Salle PPP	832,841	0	0	0	0	0	832,841
Lagan/Tor Bank PPP	389,751	0	0	49,133	0	0	438,884
Holy Cross College Strabane PPP	98,958	0	0	162,168	129,984	237,942	629,052
Classroom 2000	60,748	38,350	0	0	0	0	99,098
Northern Ireland School Modernisation Programme							
- Legal advisers	8,178	0	0	0	0	0	8,178
- Legal costs	76,967	2,430	0	0	0	0	79,397
- Procurement mechanism	1,853	49,199	0	0	0	0	51,052
School Leadership Project	0	39,238	0	0	0	0	39,238
Appointment of School Meals Advisor	0	9,197	9,374	0	0	0	18,571
Audit of Non-school Accommodation;	0	23,728	0	0	0	0	23,728
Service Delivery Workshops	0	49,450	0	0	0	0	49,450
Total	2,083,175	211,592	626,421	872,029	282,558	282,573	4,358,348

Classroom 2000

14. The C2k project is a PFI scheme which provides an IT system to schools to support teaching, learning and administration. The project was split into a series of Lots. Retrospective DFP approval was sought for the appointment of external consultancy support to take the Lot 7 contract to procurement/final business case stage.
15. In September 2009 the Department was advised that retrospective approval had not been granted because the business case submitted in June 2008 was not compliant with guidance applicable at the time and was therefore not sufficiently robust to justify retrospective approval. DFP also registered concern over the time taken to develop the business case. *'It appeared to have taken over a year to develop into a robust business case by which point the consultancy contract appears to be almost complete. The delay suggests that proper weight was not given to the business case or approvals process.'* DFP were also disappointed to note that measures taken by the Department to enforce proper business case practice had not been successful in preventing a recurrence.

Northern Ireland Schools' Modernisation Programme

16. One of the main objectives of the Northern Ireland Schools' Modernisation Programme was to establish modern, streamlined procurement arrangements to deliver the capital investment needed in the schools' estate. These arrangements were planned to be delivered by procurement vehicles known as frameworks.
17. One of these frameworks was at an advanced stage when it was the subject of a legal challenge. The judge ruled in favour of the plaintiff and the framework was set aside by the High Court. The Department has lodged an appeal against this ruling. There are three elements to this project which have given rise to irregular expenditure in 2009-10:
 - the extension of a previous business case for the continued use of legal advisers in developing and implementing the procurement frameworks for the NISMP. A condition of the DFP approval of the external consultancy case was a requirement on the Department to inform DFP and seek approval in advance if the contract was to be extended beyond 31 March 2009. The Department did not do this therefore retrospective approval was not granted by DFP. DFP commented that *'you refer to a number of actions specifically introduced to ensure that controls in this area are improved and which will be subject to scrutiny by the NIAO in their audit of the 2009-10 resource accounts. However, the simple fact in relation to this and other cases is that substantial room for improvement remains'* ;
 - the Department has indicated retrospective approval may not be secured in relation to the expenditure incurred on legal costs associated with the appeal. This expenditure is outside the scope of the original business case and as such DFP approval should have been sought for this expenditure. A business case for this purpose has been prepared by the Department but has not yet been submitted to DFP to request retrospective approval; and
 - the High Court ruling necessitated the development of an alternative procurement mechanism outside the framework. The costs associated with the development of the procurement mechanisms were not part of the business case scope originally approved. A business case detailing the change in scope has been prepared and will be submitted for DFP retrospective approval, however, the Department has once again indicated that approval is unlikely because of the failure to comply with the requirements of the business case approval process.

Delegated Departmental Approval

18. Departmental approval refers to the delegation by DFP to the Department of the authority to enter into commitments and to spend within defined limits, subject to certain restrictions, without the prior approval of DFP. The four projects that did not receive departmental approval were:
 - the School Leadership Project which was jointly funded on a 50:50 basis by the Department of Education Northern Ireland and the Department of Education and Skills in the Republic of Ireland. The Regional Training Unit which, for accountability purposes, is classed as part of the Belfast Education and Library

Board (the Board), and Leadership Development for Schools in the Republic of Ireland were tasked with taking forward the project. The Board has the authority to appoint consultants for a single contract without recourse to the Department up to a total of £50,000 as stipulated in the Board's Financial Memorandum (FM), however under the terms of the FM, the Department's approval is required if the total cost of the assignment exceed £50,000. As the estimated costs for this project were £80,000, the Board should have submitted the business case to the Department for approval.

- the appointment of a part-time school meals advisor for a two year period from April 2007 to 2009, to provide professional advice to the Department and to Voluntary Grammar and Granted Maintained Integrated Schools on all aspects of the school meals service;
- the audit of non-school accommodation within the education sector with a view to providing a comprehensive platform to assist Education and Skills Authority Implementation Team (ESAIT) in the development of a location strategy; and
- the provision of a series of service delivery workshops.

Progress on Actions Outlined in the 2008-09 Statement on Internal Control

19. The 2008-09 Statement on Internal Control outlined a number of actions to be implemented to enhance the arrangements within the Department and its funded bodies to ensure robust and effective processes are in place in terms of governance and compliance with the approvals control procedures.
20. The Department committed to increased monitoring on a quarterly basis of compliance with business case approval processes at Directorate level and reporting to the Departmental Board; and a specific requirement within the Directorate Statements on Internal Control to confirm adherence to the business case process. I can confirm that quarterly monitoring has been carried out at September 2009, December 2009 and March 2010. All directorates have made the necessary returns, however, I would urge the Department to ensure the assurance statements are received on a more timely basis.
21. The Department's Internal Audit team undertook an assessment of the business case process operating within the Department and reported a Limited¹ assurance level.
22. Internal Audit identified nine areas requiring improvement within the business case approvals process and made six recommendations, of which three are priority one². The recommendations include the development of a comprehensive finance manual to cover all aspects of the business case approvals process; and the need

¹ Limited means that 'there is considerable risk that the system will fail to meet its objectives. Prompt action is required to improve the adequacy and effectiveness of risk management, control and governance.'

² Priority one means that the weaknesses are deemed to be significant and should therefore be addressed immediately.

for management to remind staff to comply with current departmental guidance. It is my understanding that management are currently reviewing and assessing Internal Audit's recommendations and intend to put in place a programme of actions as soon as the report is finalised.

23. The Department committed to a 'test drill' of external consultancy projects undertaken in 2008-09 within the Department and its ALBs. The purpose of this exercise was to ensure that appropriate standards had been applied, that decisions had been taken on a proper basis and that the appropriate approvals had been secured in advance of work commencing.
24. The review examined a sample of seventeen business cases, thirteen from the Department and four from ALBs. A number of failings were identified. The Department has informed me that the details of the test drilling exercise are to be disseminated within the Department and across all the ALBs highlighting the need to ensure that business cases are completed with appropriate and proportionate effect.
25. In addition, the review identified the four projects referred to earlier that had not secured the necessary departmental approval.
26. In light of these findings the Department intends to complete a similar exercise for the 2009-10 year with a view to having it completed by September 2010. Given the outcome of the 2008-09 exercise the potential risk of more irregular expenditure being identified clearly exists.
27. The final action point relates to Directors within the Department and its ALBs supplying details of all projects undertaken since 1 July 2006 to ensure that business cases have been completed for all projects, appropriate approvals secured and that post project evaluations have been completed. An initial analysis of the information received has been completed by the Department but a full report on the outcome of the exercise is not yet available. I have therefore asked the Department to provide me with a synopsis of the current position and whether any further projects are likely to emerge which have not followed the proper approvals process.
28. The Department informed me 'that a database of projects has been compiled but that information within this is deficient. This is currently being addressed by the Department with a view to having a comprehensive report completed in early September. Whilst the information, at this stage, has not identified any additional cases where appropriate approvals have not been secured, the Department was unable to confirm whether any further instances would emerge.'
29. I welcome the disclosure in the Accounting Officer's Statement on Internal Control on progress against the 2008-09 action plan and the need for further action in light of the findings emanating from the work undertaken by the Department during 2009-10.

Conclusion

30. In forming my opinion on the Department of Education Resource Accounts 2009-10, I am required to confirm whether in material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them. On the basis of my findings above, I conclude that expenditure in 2009-10 amounting to £2,083,175 (incl. VAT where it cannot be reclaimed) has been identified for which the Department has not obtained the necessary approvals. This expenditure did not conform to the proper authorities and is therefore irregular. My regularity opinion has been qualified in this respect.
31. The findings are disappointing, particularly in light of information and representations that were given during the 2008-09 audit. I therefore urge the Department to ensure these matters are fully remedied and appropriate actions are taken and controls put in place to prevent any recurrence of the failings. I will keep progress under review.

Kieran J Donnelly

K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU

30th June 2010



Published by Corporate Document Services and available from:

CDS Belfast
4c Heron Wharf
Sydenham Business Park
Belfast
BT3 9LE

Telephone: 028 9045 7772
Email: cds-ni@cds.co.uk

CDS 41882

ISBN 978-1-84712-858-4

