

Mrs Flavell presented the draft Annual Report and Accounts 2017/18** (ARA/5/18/6) and advised that the document was structured in three parts: the Performance Report, the Accountability Report, and the Financial Statements. She said that the Financial Statements required further work on Annual Managed Expenditure (AME) and to finalise schools' stock counts. Mrs Flavell said that the Financial Statements currently reflected the figure of £8.3m for stock counts for over 200 schools and, as officers continued to work through the process, this figure would change. She also outlined work involved with the full valuation of the education estate which took place every five years and the impact this had on AME figures.

Mrs Flavell said that the draft Annual Report and Accounts were required to be submitted to the NIAO and DE on 1 June 2018. Audit work would commence in September.

Mrs Flavell drew attention to key Notes within the Financial Statements. Note 27 (Financial Target - Resource) provided details of year end outturn for DE and DfE funding. This was showing an overspend of £28.7m against DE schools and would be subject to change following confirmation of additional Earmarked allocations. Note 28 (Financial Target - Capital) was showing an underspend of £118k. She also advised that the value of the EA estate included in the Statement of Financial Position was £2.1b and included assets at controlled schools, school meals kitchens at controlled and maintained schools, and EA offices including youth premises. It did not include maintained, voluntary grammar and grant maintained integrated schools.

Mrs Flavell advised that Note 22 (Pension Obligations) reflected EA's attributed share of the NILGOSC pension liability (£768m). She said that pension liability changed year on year based on assumptions used by the Actuary and that the liability had increased over the previous year.

The Chair said that the basis for the overspend against DE schools should be made explicit in the report. Miss Bill said that the provisional outturn against DE schools was showing an overspend of £28.7m. This figure would reduce following confirmation of allocations from DE. This overspend was driven by a range of structural matters including increasing and unavoidable demands for policy, statutory and contract based services to schools and children and young people. It related to special educational needs including transport (£12.9m), free school meals and loss of meals income due to adverse weather (£2.6m), decline in stock values (music and book) (£600k), and the Apprenticeship Levy (£5.4m) which was a new statutory requirement and unfunded. Miss Bill said that confirmation was expected imminently from DE on Earmarked funding. Once received, it was anticipated that the overspend position would reduce to £17.7m (estimated) following confirmation of allocations from DE. This figure was lower than the position for 2016/17. She reminded Members that the spending power of budgets within education had significantly declined since 2010/11.

The approach to schools' budgets for 2018/19 was discussed. Mr Boyd referred to the exercise where officers were prioritising engagement with schools to process as many school plans as possible by the end of June 2018. This exercise would seek to establish the scale of financial challenge across schools and would be used to determine what actions schools could take and where schools could not take any further actions to reduce costs. This information would be shared with DE.

Members discussed the content of the Performance Report which reflected the structure of EA's Business Plan. While recognising the significant amount of work undertaken to compile the report and the value of having a comprehensive assessment of progress, Members requested that the Performance Report should be reviewed to ensure a sharper focus on EA's key performance targets and to include reference to significant achievements which were not currently fully captured in the report.

The Chair drew attention to challenges in respect of progressing area planning.

The Committee noted that the Governance Statement, previously considered by the Committee at its meeting on 19 April 2018, was being finalised by officers following suggested amendments from DE. The revised Governance Statement would be reviewed by the Chair, in conjunction with Mr Boyd, for incorporation into the Annual Report and Accounts.

The Committee agreed, on the proposal of Mr Cargo and seconded by Miss Rainey, to submit the Annual Report and Accounts for 2017/18 to NIAO and DE on 1 June 2018 in accordance with the agreed timeframe while noting that some further work was required on the Annual Report and Accounts.

The Committee commended staff on the compilation of the document within the tight timeframe.

During discussion, Ms O'Connor left the meeting temporarily at 10.55 am and re-entered the meeting at 11.03 am and Ms Kane left the meeting temporarily at 11.02 am and re-entered at 11.09 am.

Action: *Performance Report to be reviewed to ensure a sharper focus on EA's key performance targets and to include reference to significant achievements which are not currently fully captured in the report; Chair to consider revised Governance Statement prior to its incorporation into the Annual Report and Accounts.*

9. NORTHERN IRELAND AUDIT OFFICE

AUDIT STRATEGY FOR 2017/18

Ms Kane presented the NIAO letter* dated 10 May 2018 and the draft Audit Strategy* (ARA/5/18/7.1) which set out the audit approach to the 2017/18 Annual Report and Accounts and the actions to be taken by those charged with governance. She advised that, following an initial assessment of EA's operations and control environment, audit had not identified any significant risks of material misstatement. Ms Kane set out the basis for materiality. She also drew attention to four risk factors that had been identified in the initial audit assessment which would be monitored throughout the audit. These included procurement and contract management, funding of voluntary grammar and grant maintained integrated schools, the effect of budget constraints, and the IT environment.

Miss Bill asked if materiality had reflected the transfer of VG / GMI schools. Ms Kane advised that the calculation of materiality was based on prior year expenditure but this would be reassessed again during the audit.

A Member welcomed the scrutiny to be given to risks associated with the IT environment.

Ms Kane said that audit testing would commence on 3 September with the intention that the Financial Statements would be certified by 30 November and the Report to Those Charged with Governance issued on 14 December 2018.

The Committee noted that both EA and NIAO would be working to challenging timescales.

Ms Kane said that the first draft of the Report on the Financial Health of Schools was currently being considered by DE and EA.

10. DIRECT AWARD CONTRACTS

A Member referred to provision for support and advice to schools in specialist curriculum areas. He queried the process to evaluate such provision and the potential to disseminate good practice. Mr Boyd said that a report on the uptake of such programmes by schools would be provided to the Committee.

A Member drew attention to provision for an advertising campaign on television to promote the FE Awards Scheme. She pointed out that, for future years, it might be more appropriate to promote the Scheme by targeting young people through social media.

The Committee noted the Direct Award Contracts* (ARA/5/18/8).

Action: *Report to be provided to the Committee around support and advice to schools in specialist curriculum areas.*

11. ACCOUNTABILITY AND FINANCIAL MANAGEMENT

The Committee noted the following circulars:

- FD DoF 04 18 - Guidance on the format of the Remuneration Report 2017-18
- DCM DoF 01 18 - Designation of Bodies for Whole of Government Accounts 2017-18
- FReM Exposure Draft (18) 01 - IFRS 16 Leases

12. DATE OF NEXT MEETING

Members were asked to hold the date of 8 October 2018 as a possible date for the next meeting. This date would be confirmed.

The meeting ended at 11.40 am.

Chair

Date

* Paper circulated

** Paper tabled