



PAC-R-548

**Correspondence 3A.3  
Meeting – 28/06/2012**



AN ROINN OIDEACHAIS | DEPARTMENT OF  
AGUS SCILEANNA | EDUCATION  
AND SKILLS

**Oifig an Ard-Rúnaí**  
An Roinn Oideachais agus Scileanna

**Office of the Secretary General**  
Department of Education and Skills

Mr John McGuinness TD  
Chairman  
Committee of Public Accounts  
Houses of the Oireachtas  
Leinster House  
Kildare Street  
Dublin 2



Our Ref: S1109368

19 June 2012

Dear Mr McGuinness,

I refer to the meeting of the Committee of Public Accounts of 9<sup>th</sup> February 2012 at which my predecessor, Ms. Brigid McManus, undertook to consider steps the Department might take to ensure better oversight of VEC expenditure.

I now wish to advise you of a number of developments in that regard. The changes that are being made result from work that was already underway in relation to the audit function for the sector and an assessment of risk informed by the type and range of issues that were considered recently by your committee. These revised and additional approaches seek to strike the appropriate balance between the respective roles of the Department, the internal audit function established by the Department for the sector, and the role of individual VECs including the role of each CEO as statutory accounting officer.

As you will be aware, the Vocational Support Services Unit (VSSU) provides an internal audit service to 32 of the 33 VECs. Currently, City of Dublin VEC has its own internal audit unit. The terms of reference for the VSSU were drawn up at the Unit's inception, in 2000. The Department has been developing revised terms of reference to reflect developments since the foundation of the VSSU. These revised terms of reference, inter alia, define the role of the Unit and its relationship with the VECs, the Department and the VSSU Steering Committee.

Most importantly, the revised terms of reference set out and define clearly future reporting arrangements between the VSSU and the VECs, the VSSU and the VSSU Steering Committee and the VSSU and the Department. This is the first time that the



reporting arrangements between the VSSU and the Department have been formally defined and I am confident that the arrangements, as proposed, will fill a lacuna in relation to the level of assurance provided to the Department regarding the financial arrangements of VECs. As the proposed reporting procedures have not yet been agreed by the various stakeholders you will appreciate that it would not be appropriate to go into their detail at this point in time. However, I will of course be happy to provide the Committee with a copy of such procedures, once agreed.

The VSSU Steering Committee, comprises representatives of VEC CEOs, VEC staff, the IVEA and the Department. The Steering Committee ensures that the VSSU is fulfilling its role, as set out in the terms of reference. It considers and approves the annual audit plan, financial plan and report of the Unit. The Department considers that the Steering Committee can play an enhanced role in terms of oversight. In particular it is the Department's intention, through this Committee, to have the unit include in its audit work programmes areas of activity across VECs that may be of particular concern or potential risk.

Currently there is a requirement that VECs seek the prior approval of the Minister for Education and Skills in order to enter into certain undertakings (e.g. disposal of property, borrow money). The Department is introducing new procedures to increase the areas of expenditure where specific approval has to be sought before any financial commitment is made. The focus here will be on activities outside the spheres of mainstream primary, post primary, post leaving certificate and further education provision established and specifically funded by this Department where national rules of allocation and controls apply. In this way risks arising from proposed atypical or once off activities can come under greater scrutiny.

The Department is also in the process of revising the Code of Practice for the Governance of VECs. Included in the draft revised Code, which has been circulated to the IVEA, is the requirement that each VEC Audit Committee include at least one external member (i.e. a person who is not a member of the VEC main committee). The Department believes that this stipulation can enhance the level of objectivity in the work of Audit Committees.

In addition, given their essential role, it is the Department's intention that each VEC will be required by legislation to establish an Audit Committee and the Education and Training Board Bill makes provision for same.

Taken together I believe the changes we are making and the new practices that are being initiated will strengthen the VEC oversight arrangements in the management of financial risk.

Yours sincerely,



Seán Ó Foghlú  
Secretary General