



Circular Letter No. F11/05

25 February 2005

Chief Executive Officer of each Vocational Education Committee

Code of Practice for the Governance of Vocational Education Committees

Dear Chief Executive Officer

I am directed by the Minister for Education and Science to refer to the Code of Practice for the Governance of VECs, copy of which is enclosed, that has been developed with the assistance of the Irish Vocational Education Association. The Code sets out principles of corporate governance that your VEC is required to adopt as part of its accountability framework. This Circular Letter has been published on the Web and may be accessed at www.education.ie.

The Code of Practice for Public Bodies was published by the Department of Finance in 2001. This document updated and expanded previous guidelines that issued in March 1992, and took into account, where appropriate, recommendations made in subsequent reports and publications. The Code of Practice for the Governance of VECs is a version of the Code of Practice for Public Bodies as adapted specifically to the circumstances of VECs as public sector bodies. Committees are required to adopt this Code as part of their accountability framework.

The purpose of the Code is to promote best practice in all areas of governance and management in the VEC system and it is anticipated that these guidelines will facilitate Committees and CEOs in meeting the obligations on VECs as public bodies in respect of integrity, accountability and openness.

It is not feasible to have a Code of Practice for the Governance of VECs that will specifically provide for all situations that may arise. Members and Staff of VECs should bear in mind, therefore, that it is primarily their responsibility to ensure that all of their activities, whether covered specifically or otherwise in this document, are governed by the ethical and other considerations implicit in it.

It should be noted that:

- (i) Any reference contained in this Code of Practice, whether a reference to any enactment or otherwise, should be construed as a reference to such provision as amended, adapted or extended from time to time.
- (ii) Where legislation applying to a State body contains provisions governing matters the subject of this Code of Practice, such matters will continue to be governed by the relevant legislation.
- (iii) The provisions contained in this Code of Practice, including the financial thresholds, may be amended from time to time by the Minister for Finance, having consulted with relevant Ministers. The Minister for Finance may also issue circulars and/or guidance notes, from time to time, in relation to the Code of Practice.

To assist VECs, a format for the Report as required in paragraph 8.2(iii) regarding the assessment of internal financial controls of a VEC is set out in Appendix D to the Code. In completing the Report, VECs must examine and adjust the statement if the statement is not correct in any respect.

This Circular Letter should be distributed in the normal way.

Any queries regarding the implementation of this Circular Letter should be addressed to the undersigned or Jerome Kelly in Tullamore. (Tel: 0506-24336, Fax: 0506-25347).

Matthew Ryan
Principal Officer

Code of Practice for the Governance of Vocational Education Committees (VECs)

	Page
1. Introduction	1
2. Codes of Ethics	1
3. Internal Audit	2
4. Procurement	2
5. Disposal of Assets and Access to Assets by Third Parties	3
6. Appraisal and Management of Capital Expenditure	4
7. Remuneration	4
8. Reporting Arrangements	4
9. Tax Compliance	5
10. Strategic Planning	6
11. Diversification	6
12. Borrowing	6

Appendices:

A	Framework Code of Best Practice for Corporate Governance in VECs	7
B	Code of Ethics	18
C	Principles of Quality Customer Service for Learners/Customers and Clients of the VEC	22
D	Format for the Report regarding the assessment of internal financial controls of a VEC as required in paragraph 8.2 (iii)	24

Code of Practice for the Governance of Vocational Education Committees

Introduction

- 1.1 Corporate governance comprises the systems and procedures by which entities are directed and controlled. In the interests of transparency and accountability, it is important that corporate governance of Vocational Education Committees (VECs) should operate to the highest standards applicable. This Code of Practice sets out, at Appendix A, a suggested corporate governance best practice framework.

VECs are required in the conduct of their operations to adopt this Code of Practice and, in accordance with paragraph 8.2, to confirm to the Minister for Education and Science that this has been done. The requirements of this Code of Practice are supplementary to and do not affect existing statutory requirements including the specific statutory provisions relating to the VEC itself and any other relevant legislation (including equality legislation). The Chief Executive Officer should ensure that the Members of the Committee are informed as to their legal responsibilities and that they are familiar with the requirements of any statutory provisions, which have relevance for them in the exercise of their functions as Members.

- 1.2 It is not feasible to have a Code of Practice that will specifically provide for all situations that may arise. Members and Staff of VECs should bear in mind, therefore, that it is primarily their responsibility to ensure that all of their activities, whether covered specifically or otherwise in this document, are governed by the ethical and other considerations implicit in it.

Codes of Ethics

- 2.1. Each VEC should have a written Code of Ethics for Staff and Members of the Committee. A template for such a code is listed in Appendix B to this document. The code, a copy of which should be made available to Staff and Members of the Committee, should be developed via a participative approach and should embrace such matters as duty to the VEC, avoidance of conflict of interest, limits on outside activities, acceptance of gifts and honesty in dealings. The up to date Code of Ethics should be available upon request with a copy of each such code being accessible through the VEC's web site (where relevant).
- 2.2 As part of the report to be furnished in accordance with paragraph 8.2, the Chairperson of the Committee should affirm to the Minister for Education and Science that Codes of Ethics for Staff and Members of the Committee have been put in place and complied with.
- 2.3 In addition to the requirements of their governing legislation, each Member of the VEC and each person holding a designated position of employment with a VEC

should ensure his/her compliance with relevant provisions of the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.¹

- 2.4 VECs should promote the standards of service and the initiatives outlined in the “Principles of Quality Customer Service for Customers and Clients of the Public Service” which was originally launched in 1997 and was revised in 2000, having regard to the VEC’s own quality systems and resources permitting. A copy of these Principles, as adapted for VECs, is set out at Appendix C.

Internal Audit

3. Each VEC is required to have access to a properly constituted internal audit function which should operate in accordance with the suggested Framework Code of Best Practice set out in Appendix A.

Procurement

- 4.1 Competitive tendering should be normal procedure in the procurement process of VECs. It is the specific responsibility of the Committee to ensure that this procedure is implemented and that it is fully conversant with the current value thresholds for the application of procurement rules. The detailed procurement procedures, as set out in the Public Procurement Booklet (1994), in respect of competitive tendering should be applied. It is stressed that, in addition to the national guidelines, the relevant EU Directives, which have the force of law in this State and all Member States, should be complied with. It is the responsibility of the Committee through the VEC Management to ensure such compliance. The Chairperson, following a formal resolution of the Committee, should in the report to the Minister for Education and Science (see paragraph 8.2), affirm compliance with the procurement procedures outlined above.

4.2 Importance of procurement function

¹In brief, the Act requires *inter alia* that persons in State bodies who hold designated directorships and designated positions of employment must make an annual statement or declaration of those interests (as defined in the Act) which could materially influence them in the performance of their functions and refrain them from exercising such functions in accordance with the Act. The annual statement, which may be updated if interests change, must be made to a designated person within the State body, in accordance with the provisions of the Act, and, in the case of those who hold designated directorships, to the Public Offices Commission established under the Act. The Commission will provide advice and publish mandatory procedures concerning steps to be taken by designated directors and holders of designated positions (among others) to ensure compliance with the Act. Where a person who holds a designated directorship or designated position of employment in a State body is advised by the Commission, or it appears from guidelines published by the Commission that his/her interest or the interest of a connected person should be disclosed, that person must make an appropriate statement to the relevant authority in the State body.

The Management, and ultimately the VEC, should ensure that there is a strong focus on the role and expertise of the procurement function and that purchasing personnel are properly conversant with all developments in this area.

4.3 Tax Clearance Procedures

VECs must ensure that the Tax Clearance requirements set out in Department of Finance Circular of 30 July 1991 (F49/13/87), as regards the payment of grants, subsidies and similar type payments, and Department of Finance Circular 22/95, as regards Public Sector Contracts, are fully adhered to.

Disposal of Assets and Access to Assets by Third Parties

- 5.1 Each VEC is required to comply with the statutory provisions (VE (Amendment) Act 1936) and procedures in the Department of Education's Circular Letter 7/88 concerning the disposal of assets or the granting of access to property or infrastructure for commercial arrangements. The disposal of assets, where such assets are surplus to general educational requirements, should be by auction or competitive tendering process, other than in exceptional circumstances (such as a sale to a charitable body). The method used should be both transparent and likely to achieve a fair market-related price. The reserve value for the asset being disposed of should be determined on foot of a professional valuation, normally by the Valuation Office, and recorded in advance in the VEC's records.
- 5.2 If an auction or competitive tendering process takes place and the highest bid is not accepted, it is desirable that specific Committee approval be required before the disposal of the asset, or the granting of access to property or infrastructure for commercial arrangements with third parties, can be completed. For reasons of transparency, such approval together with the reason why a lower bid was permitted to be accepted should be noted in the minutes of the VEC.
- 5.3 If an auction or competitive tendering process does not take place, then specific Committee approval is required before negotiations start and also before the disposal of the asset or granting of access to property or infrastructure for commercial joint venture arrangements with third parties can be completed.
- 5.4 No disposal of an asset or grant of access to property or infrastructure for commercial arrangements with third parties should be completed until the officer authorising the disposal or grant of access has certified formally that (i) specific Committee approval is not necessary, with the reasons therefore, or (ii) specific Committee approval, where necessary, has been obtained.

- 5.5 In accordance with best practice, the disposal of assets to Members of VECs, staff or their families or connected persons,² should, as with all disposals, be by a transparent method and at a fair market-related price. A record of all such disposals to such persons (to include details of the asset disposed of, price paid and name of the buyer) should be noted in a register kept for this purpose (minor disposals below a threshold approved by the Committee may be omitted from the register). This register should be available for inspection, if requested, by the Committee or by any individual Member. The Committee may retain a requirement that any disposal above an approved threshold may not be made without having been formally endorsed by the Committee, which may impose specific restrictions with regard to any such disposal.
- 5.6 In accordance with best practice, details of all disposals of assets or grants of access to property or infrastructure for commercial arrangements with third parties (save for connected third parties which is dealt with in paragraph 5.5 without auction or competitive tendering process should be formally reported, with the paid price and the name of the buyer to the Committee on an annual basis.
- 5.7 The Chairperson of the VEC, following a formal resolution of the Committee, should in the report to the Minister for Education and Science (see paragraph 8.2), affirm that the disposal procedures, as outlined above, are being observed.

Appraisal and Management of Capital Expenditure

- 6.1 Guidelines for the Appraisal and Management of Capital Expenditure Proposals were issued by the Department of Finance in July 1994. These procedures outline best practice for the management of significant capital expenditure proposals in the public sector. VECs should have regard to these guidelines in the planning, appraisal and management of significant expenditure projects.
- 6.2 The Chairperson of the VEC, following a formal resolution of the Committee, should in the report to the Minister for Education and Science (see paragraph 8.2), affirm that these guidelines are being observed.

Remuneration

- 7.1 VECs are reminded that they are required to implement Government pay policy (including procedures and systems in relation to Travel and Subsistence), as expressed from time to time, in relation to Committee Members and Staff and that the arrangements authorised from time to time cover total remuneration.

² See Appendix A, section 3.2(i), pg. 9.

- 7.2 The Department of Education and Science should be consulted in good time on any pay issues which could have implications for general government pay policy.

Reporting Arrangements

8.1 Reports and Accounts of VECs

Existing reporting requirements, as set out in the relevant legislation, should be adhered to.

In addition to these requirements, the Chairperson's statement in the report to the Minister for Education and Science regarding the system of internal financial control (paragraph 8.2(iii)) should be included in the unaudited annual accounts of the VEC. This statement should be reviewed by the Comptroller & Auditor General (C&AG) to confirm that it reflects the audited VEC's compliance with the requirements of paragraph 8.2 and the C&AG should consider if the statement is consistent with the information of which they are aware from their audit work on the financial statements. The C&AG should report their findings accordingly.

8.2 Reporting additional to annual report and accounts

The Chairperson of the VEC should, following formal resolution of the Committee, furnish separately to the Minister for Education and Science with the annual report and accounts of the VEC, a comprehensive report covering the VEC:

- i) Outlining all financially significant developments affecting the VEC in the preceding year, including the establishment of any bodies under its aegis, the purchase and sale of land and/or buildings and major issues likely to arise in the short to medium term.
- ii) Affirming that all appropriate procedures for financial reporting, internal audit, procurement and assets' disposals are being carried out.
- iii) Including a statement on the system of internal financial control in the form set out in Appendix D.
- iv) Affirming that Codes of Ethics for Staff and Members of the Committee have been put in place and adhered to.
- v) Affirming that Government policy on pay is being complied with (see paragraph 7).
- vi) Explaining failure to comply with any of the above and stating any corrective action taken or contemplated.

- vii) Outlining significant post balance sheet events.
- viii) Confirming that the Guidelines for the Appraisal and Management of Capital expenditure proposals are being adhered to where appropriate.
- ix) Confirming that this Code of Practice has been adopted and is being complied with.

Tax Compliance

- 9. VECs should be exemplary in their compliance with taxation laws and should ensure that all tax liabilities are paid on or before the relevant due dates. In addition to the reporting requirements set out in paragraph 8, a report on the VEC's compliance with tax laws should be included each year in the Annual Accounts of the VEC. The report should confirm that the VEC has complied with its obligations under tax law.

Strategic Planning

- 10. VECs are required to comply with the statutory requirements of their governing legislation, where appropriate, in relation to the preparation of Education plans.

Sound corporate planning by VECs is desirable. Each VEC is encouraged to produce regular Education plans. Such Education plans should be approved by the Committee and should set appropriate objectives and goals and relevant indicators and targets against which performance can be clearly measured.

Diversification

- 11. A VEC should obtain the approval of the Minister for Education and Science for any intended action which represents substantial departure from the approved Service Plan of the VEC.

Borrowing

- 12. VECs are required to comply with the statutory provisions of their governing legislation in relation to arrangements for borrowing.

February 2005

Appendix A

Framework Code of Best Practice for Corporate Governance in VECs

1. The Vocational Education Committee (VEC)

1.1 With reference to the reserved functions outlined under the governing legislation, the Committee should meet regularly, ensure effective direction over the VEC and monitor the executive management and performance.

1.2 The Committee should have a formal schedule of matters specifically reserved to it for decision to ensure the direction and control of the VEC. With reference to the reserved functions outlined under the governing legislation, this schedule should include the following:

- a) Significant acquisitions, disposals and retirement of assets of the VEC or its subsidiaries. The schedule should specify clear quantitative thresholds for contracts above which their approval is required.
- b) Acceptance of educational endowments.
- c) Establishment of scholarships.
- d) Approval of annual budgets and corporate plans, including service plans.
- e) Approval of annual reports and accounts.
- f) Adoption of education plans.
- g) Establishment and operation of sub-committees.
- h) Borrowing.
- i) Appointment of the Chief Executive Officer (CEO).
- j) Suspension of officers.
- k) Authorising attendances at and approving expenses for conferences, seminars, meetings or events concerned.
- l) Subscription to certain agencies and associations.

The following should also be conveyed to the Committee:

- (i) Major investments and capital projects, delegated authority levels, treasury policy and risk management policies.
- (ii) Approval of major contracts.

1.3 The collective responsibility and authority of the Committee should be safeguarded. Excessive influence on Committee decision-making by individual Members should be avoided, while allowing Committee Members the opportunity to fully contribute to Committee deliberations.

1.4 All Members of the Committee should have access to the advice and services of the CEO who is responsible to the Committee for ensuring that Committee procedures are followed and that applicable rules and regulations are complied with.

1.5 The Committee should, (in a Committee resolution), lay down formal procedures whereby Members of the Committee, in the furtherance of their

duties, may take independent professional advice, if necessary, at the reasonable expense of the VEC. Such procedures should also be set out in the Code of Ethics for Members of the Committee.

- 1.6 Any business or other interests, which could affect a Member's independence, should be dealt with as outlined in section 3.
- 1.7 It is the Committee's duty to ensure that a balanced and understandable assessment of the VEC's position is made in presenting its annual report and accounts to the Minister for Education and Science.
- 1.8 The Committee should state in the annual report that it is responsible for preparing/approving the accounts. There should also be a statement by the external auditors about their reporting responsibilities.
- 1.9 The Committee should review annually the effectiveness of the VEC's system of internal controls, including financial, operational and compliance controls and risk management.
- 1.10 The Committee should report that it has a reasonable expectation, at the time of approving the financial statements, that the VEC has adequate resources to continue its operations for the foreseeable future. For this reason the financial statements have been prepared on the 'going concern' basis.
- 1.11 The Committee should be supplied, in a timely fashion, with information that is of a suitable quality to enable Committee Members to satisfactorily discharge their duties.
- 1.12 The Committee is responsible for compliance with all statutory obligations applicable to the VEC. Where individual Committee Members become aware of non-compliance with any such obligation, they should immediately bring this to the attention of their Committee with a view to having the matter rectified. However, if the matter cannot be rectified and/or constitutes a flagrant breach of Members' obligations, the Chairperson should advise the Minister accordingly.
- 1.13 The Committee has a responsibility to establish procedures for maintaining an appropriate relationship with the external auditors.

2. Briefing for new Committee Members

- 2.1 Members of VECs have duties under the Acts and it is the responsibility of each Member to act in conformity with the applicable provisions of those Acts.
- 2.2 On appointment of new Committee Members, the CEO of the VEC should provide them with the following information:
 - (a) A formal schedule of matters reserved to the Committee for decision.

- (b) Procedures for obtaining information on relevant new laws and regulations.
- (c) Procedures to be followed when, exceptionally, decisions are required between Committee meetings.
- (d) A schedule detailing the composition of all VEC Committees and sub-Committees and their terms of reference.
- (e) A statement explaining the Committee Members' responsibilities in relation to the preparation/approval of the accounts, the VEC's system of internal control and audit with supporting assumptions or qualifications as necessary.
- (f) A statement informing the Committee Members that they have access to the advice and services of the CEO, who is responsible to the Committee for ensuring that Committee procedures are followed, and the applicable rules and regulations are complied with.
- (g) Code of ethics/conduct for Committee Members, including disclosure of Committee Members' interests.
- (h) Specific institution information.
- (i) A copy of the most up to date version of the 'Code of Practice for the Governance of VECs' together with any relevant circulars and/or guidance notes.

3. Disclosure of Interests by VEC Members, CEO and other Designated Members of Staff

3.1 Declarations, as set out below, are to be completed on an annual basis and additionally in the case of a significant change of circumstances between annual declarations, by the Members, CEO and other Officers in the employment of the VECs, which are designated under the terms of the Ethics in Public Office Act 1995 and the Standards in Public Office Act, 2001. In the case of the CEO, the declarations specified below will be made to the Chairperson of the Committee.

3.2 In addition to the legal requirements under their governing legislation, the requirements of the Ethics in Public Office Act 1995 and the Code of Ethics as adopted by the Committee based on the draft Code of Ethics provided with this documentation, the following procedures should be observed:

- (i) On appointment to a VEC, each Member/Holder of a Designated Post should furnish to the CEO of the Committee details relating to his/her employment and all other business interests including shareholdings, professional relationships etc., which could involve a conflict of interest or could materially influence the Member/Holder of a Designated Post in relation to the performance of his/her functions as a Member/Holder of a Designated Post of the Committee. Any interests of a Member/Holder of a Designated Post's family of which he/she could be expected to be reasonably aware or of a person connected with the Member/Holder of a Designated Post which could involve a conflict of interest or could materially influence the Member/Holder of a Designated Post in the performance of his/her functions should also be disclosed. For this

purpose, persons and bodies connected with a Member/Holder of a Designated Post should include:

- (a) A spouse, parent, brother, sister, child or step-child.
- (b) A body corporate with which the Member/Holder of a Designated Post is associated.
- (c) A person acting as the trustee of any trust, the beneficiaries of which include the Member/Holder of a Designated Post or the persons at (a) above or the body corporate at (b) above.
- (d) A person acting as a partner of the Member/Holder of a Designated Post or of any person or body who, by virtue of (a) - (c) above, is connected with the Member/Holder of a Designated Post.

Each Member/Holder of a Designated Post should furnish to the CEO details of business interests on the lines above of which he/she becomes aware during the course of his/her membership of the Committee or being the Holder of a Designated Post in the VEC.

- (ii) Where it is relevant in any matter which arises, the Member/Holder of a Designated Post should furnish to the CEO the employment and any other business interests of all persons connected with him/her, as defined at (i).
- (iii) The Committee may exercise discretion regarding the disclosure by Members of minor shareholdings. In respect of disclosure by the CEO, such discretion may be exercised by the Chairperson. In the case of a Holder of a Designated Post, such discretion may be exercised by the CEO. As a general guideline, shareholdings valued at more than €15,000 or of more than 5 per cent of the issued capital of a company should be disclosed.
- iv) If a Member/CEO/Holder of a Designated Post has a doubt as to whether this Code requires the disclosure of an interest of his/her own or of a connected person, the Member/CEO should consult the Chairperson. In the case of the Holder of a Designated Post, he/she should consult with the CEO.
- v) Details of the above interests should be kept by the CEO in question in a special confidential register and should be updated on an annual basis. Changes in the interim should be notified to the CEO as soon as possible. With the exception of the Audit Committee, only the CEO of the VEC should have access to the register. In the case of the CEO, the Chairperson should have access to the register.
- vi) Should a matter relating to the interests of the Chairperson arise, he/she should depute the Deputy Chairperson or another Committee Member to chair the Committee meeting and should absent himself/herself when the Committee is deliberating or deciding on a matter in which the

Chairperson or a person or body connected with the Chairperson has an interest.

- vii) Committee documents on any case which relate to any dealings with the above interests should not be made available to the Member/Holder of a Designated Post concerned prior to a decision being taken. (Such documents should be taken to include those relating to cases involving competitors to the above interests). Decisions once taken should be notified to the Member/Holder of a Designated Post.
- viii) As it is recognised that the interests of a Member/Holder of a Designated Post and persons connected with him/her can change at short notice, a Member/Holder of a Designated Post should, in cases where he/she receives documents relating to his/her interests or of those connected with him/her, return the revised declaration to the CEO at the earliest opportunity.
- ix) A Member/Holder of a Designated Post should absent himself/herself when the Committee is deliberating or deciding on matters in which that Member/Holder of a Designated Post (other than in his/her capacity as a Member/Holder of a Designated Post of the Committee) or a person or body connected with the Member/Holder of a Designated Post has an interest. In such cases a separate minute (to which the Member/Holder of a Designated Post would not have access) should be maintained.
- x) Where a question arises as to whether or not a case relates to the interests of a Member/or a person or body connected with that Member, the Chairperson of the Committee should determine the question. In a case of the interests of the CEO being under consideration, the determination should be made by the Chairperson. In the case of the Holder of a Designated Post, the determination should be made by the CEO.
- xi) Committee Members and former Committee Members, Holders and former Holders of a Designated Post should treat commercially sensitive information received while acting in that capacity as confidential.

4. VEC Audit Committee

- (a) The Committee should establish a VEC Audit Committee of, at most, seven non-executive Members with written terms of reference, which deal clearly with its authority and duties. (Members of the VEC Audit Committee should not include the Chairperson of the Committee or CEO, both however have the right of attendance). The VEC Audit Committee may draw on the advice and expertise of the Vocational Support Service Unit (VSSU) and/or appropriate advisors.

- (b) The constitution and terms of reference of the VEC Audit Committee and other VEC sub-committees should be reviewed by the main Committee and updated as appropriate.
- (c) The VEC's Audit Committee should normally meet between two and four times a year.
- (d) The VEC Audit Committee as a body is empowered in the discharge of its functions to have full access to all information and be entitled to obtain any information it requires from staff and external parties. The VEC Audit Committee should have a discussion with the C&AG normally once a year.

4.1 Internal Audit Function

The operation of the internal audit should comply with the following procedures:

- (i) The Internal Audit Function should have a formal charter, including terms of reference, which has been approved by the Committee. Where the internal audit function for the VEC is provided by the VSSU, the VSSU's terms of reference may be adopted by the VEC as its formal charter.
- (ii) The reporting structure for internal audit/VSSU should be clear and formally documented by the VEC.
- (iii) In carrying out its ongoing work the internal audit/VSSU should review, appraise and report on systems of internal control on all specific areas covered by the charter in order to ensure that the VEC is fully complying with all requirements and the internal audit/VSSU should report its findings to the VEC's Audit Committee.
- (iv) The internal audit/VSSU should liaise frequently with the C&AG so that the potential for co-operation is maximised.
- (v) In planning, executing and reporting its work, the internal audit/VSSU should ensure that value-for-money auditing receives adequate attention.
- (vi) The internal audit/VSSU should review compliance with procurement and disposal procedures as required by the VEC's Audit Committee, from time to time, and report to the VEC's Audit Committee.

4.2 Charter for Internal Audit

The principle objective of Internal Audit is to provide an independent appraisal of the VEC's internal operating procedures. Each VEC should insure that adequate internal audit arrangements are put in place that are appropriate to the VEC's size and activities.

A charter for the internal audit which has been approved by the Committee (A Draft Charter and Terms of Reference are provided below) should include the following:

(a) **Committee policy statement**

This should state the Committee's policy to support and develop the internal audit.

(b) **A mission statement**

This should set out the contribution of internal audit to the organisation.

(c) **Terms of Reference**

The terms of reference of the internal audit should include:

(i) **Scope and authority**

The VEC should provide the internal audit/VSSU with authority to act on its behalf in carrying out internal audit. There should be no operational areas or levels within the organisation, regardless of how these are funded or regulated, precluded from internal audit review. The Internal audit/VSSU should have access to such records, assets and personnel as are necessary for the proper fulfilment of its responsibilities.

(ii) **Independence, role and responsibilities**

The internal audit/VSSU should serve the best interests of the VEC as a whole and carry out its work in a manner that is consistent with the Standards for the Professional Practice of Internal Auditors, published by the Institute of Internal Auditors. In order to demonstrate that due professional care has been taken in performing its work, it is necessary to have comprehensive records of activity showing that the work has been performed in accordance with accepted standards of best practice.

In order to ensure objectivity and independence, internal audit staff should be free from all operating responsibility.

Charter for Internal Audit

Policy

(Name of VEC) undertakes to establish, maintain and develop an internal audit service and an Audit Committee.

Internal Audit

Internal audit can be described as an independent, objective assurance and consulting activity designed to add value and to improve the organisation's operation.

It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

For VECs, an internal audit function is provided by the VSSU.

Mission and Role:

The mission of the internal audit is to:

- Ensure that resources are adequately protected.
- Ensure that financial, managerial and other operational information is reliable and accurate.
- Ensure that the actions of the VEC and its staff are in compliance with policies, procedures and applicable laws and regulations.

It is the role of internal audit to:

- Ascertain for the Committee through its Audit Committee that the processes for controlling operations as designed and presented by management, are adequate and functioning appropriately.
- Provide independent assurance to the Committee through the Audit Committee that risks are being managed to an acceptable level.
- Facilitate improvements to the organisation's risk management and internal control framework through consultancy, training and advisory activity.

Terms of Reference - Internal Audit

It is the responsibility of the Internal Audit to conduct a work schedule of on-going review in order to monitor the system of internal controls which provide assurance of operational efficiency, reliable financial reporting and compliance with the relevant law and regulatory framework.

The Internal Audit will report to the Audit Committee and have unrestricted access to the Chief Executive Officer and to such other VEC staff as are necessary for the conduct of its functions in accordance with this Charter.

The Internal Audit will have full access to the programmes, records, property and personnel of the Committee and will have access to the Audit Committee.

The Internal Audit is not a substitute for executive management, it should be free of other operational duties and it cannot audit its own work.

Internal Audit will have the following primary responsibilities:

- Audit the risk management, internal control, corporate governance and legislative and conduct compliance.
- Develop and carry out an annual audit plan and report on such to the Audit Committee.
- Issue reports to the Audit Committee addressing the results of audits conducted, summarising observations and recommendations made and the management responses to the audit findings.

In addition, it shall have the following subsidiary responsibilities:

- Liaise with external auditors to provide maximum audit coverage.
- Develop and disseminate best practice guidelines within the organisation.
- Advise the VEC management in relation to control issues in the implementation of significant systems change in the organisation.
- Provide technical assistance to management in the investigation of suspected fraudulent activity in the organisation.
- Assist VEC management with training in risk management and internal control.

The Audit Committee – Terms of Reference

Policy

The Committee will establish and maintain an Audit Committee as a sub-committee of the Committee, under the provisions of Section 31(1) of the Vocational Education (Amendment) Act 2001 and Section 22 of the Vocational Education Act 1930, to provide the Committee with an oversight function in respect of the Executive in its management responsibilities for:

- The implementation of the Committee's Education Plan and its Service Plan.
- Adherence to the Code of Governance and the Code of Ethics as adopted by the Committee.
- Compliance with relevant legislation and government guidelines.
- The effectiveness of the internal control system.

Mission and Role

It is the mission of the Audit Committee to monitor the conduct of the Executive in the carrying out of its functions, to provide assurance to the Committee as to the adequacy and effectiveness of the internal control procedures and to provide the Committee and the Executive with analyses, appraisals, relevant information and recommendations in respect of the organisation's internal control systems.

In the performance of its role the Audit Committee shall have the assistance and expertise of the Executive, Internal Audit and the External Audit (C&AG).

While the Audit Committee has the functions and powers as set out here, it is not the function of the Audit Committee to conduct audits or investigations. Whilst the Audit Committee is responsible for reporting to Committee on compliance and

recommending the adoption by the Committee of the Annual Report and Accounts, it operates by reviewing reports, statements and information presented by the Executive, Internal Audit and the External Audit (C&AG).

Membership

- (Name of VEC) Committee will appoint the Audit Committee members and nominate the Chairperson.
- Best practice indicates that the Audit Committee will consist of at least three and not more than seven non-executive members of the Committee. *(An executive member is a member who has a contract of employment or service with the particular VEC).*
- A quorum will consist of three members of the Audit Committee.
- Where the Audit Committee members do not have sufficient knowledge or experience in a particular area, the Audit Committee may invite persons with relevant expertise to attend meetings.
- The Audit Committee Chairperson and members will be provided with initial induction and continuing training in such matters as, corporate governance, the role of internal and external audit and risk management.
- Members of the VEC Audit Committee should not include the Chairperson of the Committee or CEO, who both will, however, have the right of attendance.

Duties

- To review the adequacy, application, effectiveness and efficiency of Internal Control.
- To review the adequacy of policies and practices to ensure compliance with relevant legislation and policies and to report thereon to Committee.
- To review the reliability of financial information presented to the Committee and to report thereon to Committee.
- To review the findings of any examinations by regulatory agencies and any observations made at internal or external audit and to report thereon to Committee.
- To review the activities of the Internal Audit, including its annual work programme.
- To ensure the Internal Audit is adequately resourced and has appropriate standing within the organisation.
- To review the operation of the Committee's Code of Ethics for the Committee Members and Staff.
- To review such matters as may be referred by the Committee.
- To submit an annual report and such other reports as may be warranted in exceptional circumstances, to the Committee.
- To have a meeting with the external auditors (C&AG) normally once a year.

Authority

- The VEC Audit Committee as a body is empowered in the discharge of its functions to have full access to all information and be entitled to obtain any information it requires from staff or external parties.
- Retain professional advice or assistance in the performance of its functions.
- Invite persons with relevant expertise who are not Members of the Committee to attend Audit Committee meetings.
- Meet with the Committee officers, Internal Audit and External Auditors (C&AG).

Meetings

- The Audit Committee shall meet normally between twice and four times a year. It is a matter for the Audit Committee, in consultation with the CEO, to decide the frequency and timing of the meetings.
- All Audit Committee members are expected to attend each meeting.
- The Audit Committee will meet with the external auditors (C&AG) at least once a year.
- Only the Audit Committee members are entitled to be present at a meeting of the Audit Committee. The Audit Committee may invite members of management, the internal audit, external auditors (C&AG) or others to attend as necessary. The Audit Committee may ask those who are not members to withdraw to facilitate open and frank discussion of matters.
- Members of the VEC Audit Committee should not include the Chairperson of the VEC Committee and CEO, who have, however, the right of attendance.
- The CEO or the Chairperson of the VEC Committee may ask the Audit Committee to convene further meetings to consider particular issues.
- The CEO will make the necessary arrangements for the administrative requirements of the Audit Committee, including the preparation and issue of meeting agenda, briefing documents etc. in advance and in a timely manner to Audit Committee members.
- Minutes of meetings will be prepared and issued in a timely manner to Audit Committee members.
- The minutes of Audit Committee meetings will be furnished to VEC Committee Members to be noted.

Appendix B

Code of Ethics

This is a suggested framework for a Code of Ethics for all Staff and Members of the VEC. The Code should be prepared via a participative approach and should be approved by the Committee, taking into account the implications of the Ethics in Public Office Act, 1995 and the Standards in Public Office Act, 2001.

1. Introduction

(Name of VEC) has developed this Code of Ethics for Staff and Members of the Committee. This Code of Ethics takes account of the implications of the Ethics of Public Office Acts, 1995 and 2001. A copy of the Code will be available upon request and be placed on the VEC's web site, where applicable.

2. Intent and scope

The purpose of the Code is to provide guidance to the chairperson, Members and Staff of the (Name of VEC) in performing their duties.

3. Objectives

The objectives of the Code are:

- To set out an agreed set of ethical principles.
- To promote and maintain confidence and trust in the Members and Staff of (Name of VEC).
- To promote the development and acceptance of ethical practices.
- To promote the highest legal, management and ethical standards in all the activities of (Name of VEC).
- To promote compliance with best current management practice in all the activities of (Name of VEC).

4. General Principles

It is the policy of (Name of VEC) to maintain its high reputation for ethical behaviour and fair dealing in the conduct of its business.

It is not possible to provide for every situation in the Code of Ethics. If there is doubt about the probity of any particular situation, the Chairperson of the Committee must be consulted in the case of Members and the CEO/Personnel Office in the case of staff, by the individual concerned.

The Staff and Members of the Committee are required to observe the following fundamental principles, as set out under the following headings:

- (a) Integrity.
- (b) Confidentiality.
- (c) Obligations.
- (d) Disclosure of Interest.
- (e) Loyalty.
- (f) Fairness.
- (g) Consideration for Work/External Environment.

(a) Integrity

- Members and Staff of the Committee are required to disclose outside employment/business interests which they consider may be in conflict or in potential conflict with the business of (Name of VEC).
- Management or Staff of the Committee will not be involved in outside employment/business interests in conflict or in potential conflict with the business of (Name of VEC).
- Members and Staff of the Committee will refrain from giving or receiving corporate gifts, hospitality, preferential treatment or benefits which might affect or appear to affect the ability of the donor or the recipient to make independent judgement on business transactions.
- (Name of VEC) will collaborate vigorously, energetically, ethically and honestly with other educational institutions, commercial and other providers of research and advisory services.
- (Name of VEC) is committed to conducting its purchasing activities of goods/services in accordance with public policy and best business practice and its purchasing regulations reflect this.
- (Name of VEC) is committed to ensuring that its engagement of consultancy and other services is in compliance with public policy guidelines.
- (Name of VEC) is committed to ensuring that its accounts/reports accurately reflect its performance and are not misleading or designed to be misleading.
- Staff and Members of the Committee are required to avoid the use of (Name of VEC's) resources or time for personal gain, for the benefit of persons/organisations unconnected with the institutions or its activities.
- (Name of VEC) is committed to acquiring information or business secrets by proper means only.

(b) Information

- (Name of VEC) is committed to providing access to general information relating to its activities in a way that is open and enhances its accountability to the general public.
- Members and Staff of the Committee are required to respect the confidentiality of sensitive information held by (Name of VEC). This would constitute material such as:
 - Personal information.

- Information received in confidence by (Name of VEC).
- Any commercially sensitive information or other information sensitive to the reputation of (Name of VEC).
- Any other material, release of which might constitute an unlawful or unethical act.
- (Name of VEC) will observe appropriate prior consultation procedures with third parties where, exceptionally, it is proposed to release sensitive information in the public interest.
- (Name of VEC) will comply with all relevant statutory provisions (e.g. Data Protection Acts, 1998 and 2003, and the Freedom of Information Act, 1997).
- Members and Staff of the VEC will observe the strictest confidentiality in relation to all discussions and decisions taken at meetings of the Committee and in (Name of VEC).

(c) Obligations

- (Name of VEC) will fulfil all regulatory and statutory obligations imposed on (Name of VEC) by the Vocational Education Acts, 1930 to 2001, and other relevant legislation.
- (Name of VEC) will comply with detailed tendering and purchasing procedures, as well as complying with prescribed levels of authority for sanctioning any relevant expenditure.
- (Name of VEC) has introduced controls to prevent fraud and to ensure compliance with prescribed procedures in relation to levels of authority for sanctioning any relevant expenditure including expenses for business travel.
- Members will make every reasonable effort to attend all Committee meetings.
- It is acknowledged that the acceptance of positions following employment and/or engagement by a VEC can give rise to the potential for conflicts of interest and to confidentiality concerns. The (Name of VEC) Committee will also ensure that any procedures that it may put in place in this regard are monitored and enforced.

(d) Loyalty

The Committee Members and Staff of (Name of VEC) acknowledge:

- The responsibility to be loyal to (Name of VEC) and to be fully committed to all its activities while mindful that (Name of VEC) itself must at all times take into account the interests of its students and funders, including tax payers.
- The duty of all to conform to the highest standards of business ethics.

(e) Fairness

(Name of VEC)

- Is committed to complying with employment equality and equal status legislation.
- Is committed to fairness in all business dealings.

- Values its students, staff, suppliers and customers, and treats all its students, employees, suppliers and customers equally.

(f) Work/External Environment

(Name of VEC)

- Places the highest priority on promoting and preserving the health and safety of its staff and students.
- Will ensure that community concerns are fully considered in its activities and operations.
- Will minimise any detrimental impact of its operations on the environment.

(g) Responsibility

(Name of VEC)

- Will circulate this Code of Ethics (and a policy document on disclosure of interests) to all Members of the Committee and Staff for their retention.
- Will ensure that all Members of the Committee and Staff receive a copy of the Code and understand its contents.
- Will provide practical guidance and direction as required on such areas as gifts and entertainment and on other ethical considerations, which arise routinely.

(h) Review

- (Name of VEC) will review this Code of Ethics as appropriate.
- Any proposed revisions to this Code must be considered and approved at a meeting of the Committee and submitted to the Minister for approval.

Note In the case of Committee Members, breaches of the Code of Ethics will be notified to the Audit Committee and to the Comptroller and Auditor General, and may be notified to the Minister for Education and Science with the annual accounts and report.

In the case of staff, breaches of the Code of Ethics will be regarded as a breach of discipline and will be dealt with, in accordance with the disciplinary code, by the Chief Executive Officer or by the delegated officer, as appropriate.

Appendix C

Principles of Quality Customer Service for Learners/Customers and Clients of the VEC

In their dealings with the public, VECs as Public Service organisations will:

Quality Service Standards

- Publish a statement that outlines the nature and quality of service which customers can expect and display it prominently at the point of service delivery.

Equality/Diversity

- Ensure the rights to equal treatment, established by equality legislation, and accommodate diversity, so as to contribute to equality for the groups covered by the equality legislation (under the grounds of gender, marital status, family status, sexual orientation, religious belief, age, disability, race and membership of the Traveller Community).
- Identify and work to eliminate barriers to access to services for people experiencing poverty and social exclusion, and for those facing geographic barriers to services.

Physical Access

- Provide clean, accessible public offices that ensure privacy, comply with occupational and safety standards and, as part of this, facilitate access for people with disabilities and others with specific needs.

Information

- Take a proactive approach in providing information that is clear, timely and accurate, is available at all points of contact and meets the requirements of people with specific needs.
- Ensure that the potential offered by information technology is fully availed of and that the information available on VEC web sites follows the guidelines on web publication.
- Continue the drive for simplification of rules, regulations, forms, information leaflets and procedures.

Timeliness and Courtesy

- Deliver quality services with courtesy, sensitivity and the minimum delay, fostering a climate of mutual respect between provider and customer.

- Give contact names in all communications to ensure ease of ongoing transactions.

Complaints

- Maintain a well-publicised, accessible, transparent and simple-to-use system of dealing with complaints about the quality of service provided.

Appeals

- Similarly, maintain a well-publicised, accessible, transparent and simple-to-use system of appeal/review for learners/customers who are dissatisfied with decisions in relation to services.

Consultation and Evaluation

- Provide a structured approach to meaningful consultation with, and participation by, the learner/customer in relation to the development, delivery and review of services.
- Ensure meaningful evaluation of service delivery.

Choice

- Provide choice, where feasible, in service delivery including payment methods, location of contact points, opening hours and delivery times.
- Use available and emerging technologies to ensure maximum access and choice and quality of delivery.

Official Languages Equality

- Provide quality services through Irish and/or bilingually and inform customers of their right to choose to be dealt with through one or other of the official languages.

Better Co-ordination

- Foster a more co-ordinated and integrated approach to delivery of public services.

Internal Customer

- Ensure staff are recognised as internal customers and that they are properly supported and consulted with regard to service delivery issues.

Appendix D

Statement of System of Internal Financial Control

Responsibility for the System of Internal Financial Control

As Chairperson of (Name of VEC), I acknowledge the responsibility of the Committee for ensuring that an effective system of internal financial control is maintained and operated. The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

The Committee has taken steps to ensure an appropriate control environment by:

- Clearly defining management and staff responsibilities.
- Establishing procedures for reporting significant control failures and ensuring appropriate corrective action.
- Establishing procedures for identifying and evaluating all risks which could prevent the VEC from achieving its objectives.

The system of internal financial control operated in (Name of VEC) is based on:

- Detailed administrative procedures
- Segregation of duties
- Specific authorisations
- Monthly management review of reports outlining the actual and budgeted results of programmes operated by the V.E.C.

The Committee's monitoring and review of the effectiveness of the system of internal control is informed by the:

- Work of the audit committee which oversees internal audit.
- Chief Executive Officer who has responsibility for the financial control framework.
- Recommendations made by the Comptroller and Auditor General in management letters or other reports.

An Internal Audit is provided by the VEC Support Services Unit. The most recent Internal Audit was conducted in [year] and included a review of the effectiveness of the internal financial controls in the VEC.

Alternate:

An Internal Audit is provided by the VEC Support Services Unit. An Internal Audit is scheduled to take place in [year] and will include a review of the effectiveness of the internal financial controls in the VEC.

Annual Review of Controls

(Name of VEC) is committed to operating an efficient, effective and economic internal control system. I confirm that in the year ended 31 December 200_ the VEC conducted a review of the effectiveness of the system of internal financial controls.

Alternate:

A review of the internal controls was not carried out by the VEC in the year 200_. The VEC will in 200_ (next year), conduct a review of internal financial controls.

Signed _____

Date:
