

Appendix 1 – Finance Committee

Extract from the Code of Practice for the Governance of Education and Training Boards 2019

Finance Committee

Principle

While the Board has reserved functions in relation to financial matters including the keeping of accounts, the adoption of an annual service plan and the power to borrow money, the Finance Committee has a particular role in supporting the Board in this work by examining and reporting to the Board on financial matters.

Code Provisions

Finance Committee: Each ETB is required in accordance with Section 45 of the Education and Training Boards Act, 2013 to establish a Finance Committee to report to the Board on financial matters. The Finance Committee must report to the Board a minimum of 4 times in each year. The Finance Committee should have at least 3 and not more than 7 members.

The Finance Committee should have members drawn from outside the Board. The Finance Committee should be empowered to recommend that the Board appoint (subject to maximum number of members) additional members to provide specialist skills, knowledge and experience where necessary at a particular time and to procure specialist advice at reasonable and approved expense to the ETB to assist the Committee with specific areas of its business.

Terms of Reference: The roles and responsibility of the Finance Committee should be set out in a written terms of reference which should be communicated to all members of the Committee.

The terms of reference for the Finance Committee should be set by the Board and should include provisions regarding:

- membership;
- reporting requirements;
- authority;
- meetings – timing, conduct, frequency;
- information requirements; and
- reviewing its own effectiveness.

Terms of Reference will be set by the Department in conjunction with the Sector. A template Terms of Reference is included at Appendix 14 to be used by each ETB.

Appointments: Appointments to the Finance Committee will be made by the Board.

The Chairperson of the Board may be a member of, but not chair of, the Finance Committee.

A person with an executive function in any ETB, including the Chief Executive, should not be a member of a Finance Committee, or an Audit and Risk Committee of that ETB.

The Finance Committee should include at least one member who is external to the ETB and who has relevant financial experience.

Duration of Appointment: The duration of appointment of Finance Committee members is for the term of the Board.

Relevant Skills and Experience: The Finance Committee should collectively possess an appropriate range of skills to perform its functions to the required standard. Members should have a thorough understanding of the role of the Finance Committee and financial experience. In this regard, the Finance Committee Chairperson and members should be provided with initial induction and continuing training in relevant matters as appropriate.

Competencies: In addition to the skills outlined above, members should have, or acquire as soon as possible after their appointment, an understanding of;

- the functions of an ETB;
- organisational culture, objectives and challenges;
- organisational structure including key relationships, e.g. the ETB's relationship with the Minister, the Department of Education and Skills and other funding agencies/Departments; and
- relevant legislation and other rules governing the financial operations of the ETB.

Letter of Appointment: There should be a standard letter of appointment for each new Finance Committee member, where appropriate, including:

- role of the Finance Committee;
- duration of appointment and renewal provisions;
- support and training to be provided;
- the time commitment involved;
- level of remuneration (where appropriate);
- rules regarding conflict of interests;
- performance management arrangements; and
- termination arrangements.

2.1 **Conflict of Interest:** The process for recording declarations of conflicts of interest in the Finance Committee should be the same used at Board level. Each member of the

Committee should take personal responsibility to declare any potential conflict of interest arising in relation to any items on the agenda for Finance Committee meetings.

2.2 **Register of Members Interests:** A register of Finance Committee members' interests should be maintained by the Board. Members should be required to declare any potential conflict of interest with any of the business items on the agenda for the Finance Committee meeting. The Committee should specify its procedures where a conflict of interest arises including the requirement that the relevant member brings this to the attention of the Chairperson and, where necessary, leaves the room for the duration of the discussion and not take part in any decisions relating to the discussion. Similar arrangements should apply in relation to meeting documentation, where such documentation is not made available to the member. This should be noted in the minutes of the meeting.

2.3 **Training and Development:** There should be a formal induction process in place (including individually tailored training) for new Finance Committee members. The Finance Committee and Chairperson should make recommendations to the Board on the Committee's and individual member's training needs. The Finance Committee should keep up to date with good practice and developments in financial management and reporting.

2.4 **Frequency of Meetings:** The Finance Committee should meet at least four times a year and invite outsiders with relevant experience to attend meetings if necessary.

2.5 **Authority to query:** The Finance Committee should have explicit authority to query any matters within its terms of reference, as well as having the resources it needs to do so, and full access to information. Where professional advice is deemed to be required, the approval of the Department of Education and Skills should be sought in advance of obtaining the outside professional advice.

2.6 **Relationships:** As the business of the Finance Committee requires, the Chief Executive and/or the Director of Organisation Support and Development, should attend for specific meetings or agenda items at the Committee's request. Executive members of the organisation should be invited to attend Finance Committee meetings to participate in discussions and provide information as required. Executive members of the organisation should maintain an appropriate relationship with the Finance Committee.

2.7 **Communications:** The Finance Committee should ensure that it communicates effectively with the Board. The approved minutes of each Finance Committee meeting should be submitted to the Board as the formal record of each meeting held and items discussed.

2.8 **Reports:** The Finance Committee should report to the Board on:

- the draft Service Plan;
- whether the Chief Executive is implementing the Service Plan, as adopted by the Board, and within the expenditure limits set by the Minister and other funding bodies, as appropriate. This is done by considering the monthly accounts and other financial reports provided to the Board by the Chief Executive;
- whether to accept the annual accounts/draft financial statements as presented by the Chief Executive and to recommend whether they should be signed by the Chairperson. In doing this, the Finance Committee should establish that in the view of the Committee and based on the information available to it, the financial statements properly present the income and expenditure of the Board and the state of affairs of the Board; and
- its view of its own effectiveness with advice on how it can be strengthened and developed.

2.9 **Draft Financial Statements:** The Finance Committee should review the draft financial statements before recommending their adoption by the Board and submission for audit, and taking account of public accountability and the special considerations which attach to ETBs in relation to their management and operation, consider whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for an assessment of the ETB's financial position and financial performance, business model and strategy.

(a) For Accounts to properly present the income and expenditure of the Board and the state of affairs of the Board", they should

1. comply with Accounting Standards applicable to the ETB;
2. incorporate judgement as to valuation, disclosure and materiality aimed to give a True and Fair View;
3. be prudent in making judgements especially where there is uncertainty; and
4. reflect the commercial substance of transactions and not the legal form.

(b) The Finance Committee should review the draft Financial Statements before recommending their adoption by the Board and consider whether;

1. accounting policies, completeness of financial statements, anti-fraud policy and losses are properly recorded and accounted for;
2. suitable processes are in place to ensure that regularity, probity and propriety are achieved;
3. issues raised by the external auditor have been comprehensively and

- appropriately dealt with; and
4. the financial statements present fairly the financial position of the ETB.

(c) As part of this process the Finance Committee will;

1. review the summary report of the Audit and Risk Committee to the Board to ascertain that the ETB has an adequate System of Internal Control that ensures transactions are conducted, recorded and presented with integrity;
2. establish that prior period difficulties have been resolved;
3. consider whether the Statement on the System of Internal Control (SIC) and Letter of Representation are comprehensive, meaningful and consistent with its knowledge of the ETB; and
4. seek any confirmations/assurances it deems reasonable from the Chief Executive.

Where the internal auditor has stated that, in his/ her opinion, s/he is reasonably assured, having regard to the scope of any audit carried out, that management is operating an adequate system of internal control, the Board and the Finance Committee can have confidence that all information provided by executive management is reliable, provided the control systems continue to operate and are not overridden.

2.10 **Chairperson of the Finance Committee:** The Chairperson of the Finance Committee has particular responsibility for ensuring:

- that the Finance Committee is appropriately resourced;
- that reports to the Committee contain relevant information and are provided at the right time in an appropriate format;
- absent Committee members are briefed on meetings and attendance records are maintained and reviewed annually;
- that they report at Board meetings and submit regular written reports to the Board containing relevant information;
- that matters arising are reported on at each subsequent meeting; and
- that they are involved in the appointment of new Committee members.

2.11 **Appraisal:** Appraisal of the Chairperson of the Finance Committee, to ensure that the responsibilities outlined at paragraph 4.21 above, should be overseen by the Chairperson of the Board.

2.12 **Finance Committee Administrative support:** The Chief Executive should assist the members of the Finance Committee in the performance of their functions in such manner as those members may require.