

**CITY OF WATERFORD VOCATIONAL EDUCATION COMMITTEE
REPORT OF THE COMPTROLLER AND AUDITOR GENERAL**

This report has been prepared pursuant to Section 7(4) of the Comptroller and Auditor General (Amendment) Act, 1993.

Deterioration in Financial Position

The financial position of the City of Waterford Vocational Education Committee (VEC) showed a deficit of £202,000 at the end of 1995. In addition, the Department of Education reduced the VEC's 1996 financial allocation by £234,000 in order to recover receipts in excess of the threshold allowed by the funding rules applying to VECs.

Information was sought from the Chief Executive Officer (CEO) as to how the VEC intends to address the effective shortfall of £436,000 (£202,000 plus £234,000).

VEC's Response

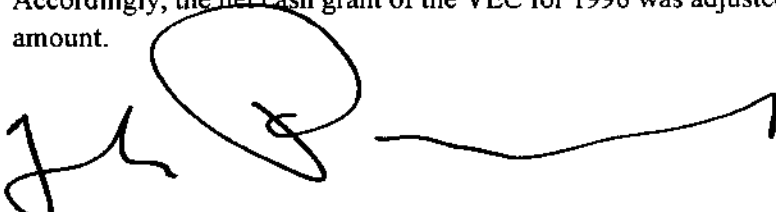
The CEO explained that the deficit at the end of 1995 reflected an undischarged liability of £250,000 identified for the first time on audit in the course of finalisation of the 1994 Financial Statement of the VEC in 1996.

The clawback of £234,000 by the Department is considered by the VEC as inappropriate and it has communicated with the Department to secure restoration of the 1996 allocation.

The CEO pointed out that expenditure was reduced in a severe retrenchment exercise carried out in the second half of 1996 and that the unaudited accounts of the VEC for 1996 record a cumulative deficit of £248,000 at the end of the year.

Department's Comments

The Accounting Officer stated that following a review of the statutory accounts and audit reports of the VEC for the four years ended 31 December 1993, it was noted that a receipt for £247,436, included in the 1993 accounts under the description Contingency Fund, was bank interest. Arising from the review, it was concluded that a net £234,000 was due for surrender to the Department in respect of surplus receipts in 1993. Accordingly, the net cash grant of the VEC for 1996 was adjusted downwards by this amount.



**JOHN PURCELL
COMPTROLLER AND AUDITOR GENERAL**

18 JULY 1997