



Supervisory Committee

Annual Report: April 2018 – March 2019

Purpose

The Supervisory Committee is an independent Committee designed to monitor the operation of Kent Savers CU to ensure that agreed policies and procedures are followed. The Committee provides the Board with a continuous appraisal of the Credit Union's systems of internal control, governance and risk management arrangements.

We work on behalf of the Members to provide objective challenge and to assess the effectiveness of the controls operating throughout the Credit Union. Principally this is achieved through delivery of internal audit projects; which include the review of documentation, systems and processes, and through attendance of Board meetings to observe the decision making and governance arrangements.

The purpose of this report is to provide Members with a summary our activity for the year and to evidence that we have discharged our duties and responsibilities in accordance with our Terms of Reference.

Composition

For 2018/19 the Supervisory Committee has comprised 2 voluntary Members. Russell Heppleston, who was elected to the Supervisory Committee in 2016, and became Chairman of the Committee in January 2018, has continued to Chair the Committee over the course of year.

Anthony Kamps was elected to the Committee at the AGM in May 2018.

We continue to seek additional expertise and have a vacancy. If you have specific finance, audit or governance related skills and expertise, and would like to learn more about what the Committee does, then please contact the Credit Union.



Attendance at Board Meetings

The Terms of Reference for the Supervisory Committee sets a commitment for us to have regular attendance at Kent Savers board meetings. These are generally held monthly. Our role at these meetings is as follows:

- *Maintain a regular presence at monthly Board meetings to provide challenge, oversight and ensure that the Credit Union is being governed in accordance with the regulations and the agreed Policy and Procedures Manual*

Our attendance record is set out below:

Board Meeting	Supervisory Committee Member Present?
24 April 2018	✓
23 May 2018	✓
03 July 2018	✓
31 July 2018	✓
28 August 2018	✓
28 September 2018	✓
30 October 2018	✓
27 November 2018	✓
18 December 2018	✓
19 January 2019 (Board away day)	✓
29 January 2019	✓
26 February 2019	✓
26 March 2019	✓

The Board met 13 times during the year, including an away day in January 2019. The Supervisory Committee, either as a group or individually, has attended all meetings. The papers have been made available to the Committee for each meeting, and during the meeting the Committee has provided oversight and challenge where it was felt necessary.

In addition, for 2018/19 the Committee met 3 times independently. The purpose of these meetings was to discuss and develop the approach and direction of the Committee. For instance, to discuss the audit plan, and to develop templates and approaches for conducting audit work. The Committee has also tried to reach out to other Supervisory Committees to establish sharing of approaches and knowledge. This is something that will continue to be developed over the coming year.

Overall Observations

The Board has acted with due diligence over the course of the year and taken decisions in accordance with the agreed Policies and Procedures. We note that the CU continued to focus efforts on recovery and management of bad debt, have been working on improving budgeting, and reporting better financial management information over the year. The Board has had a full understanding of their obligations, and decisions have been suitably ratified and challenged.

The continual focus on the capital ratio and subordinated loan treatment has meant that at times the Board has had to be wary and work hard to improve governance over the loans being issued. At the beginning of the year this was a significant challenge, as resources were limited. Yet, with the induction of new Board members over the last half of the year there has been a re-energised approach, and an obvious increase in momentum, this has been helped by the Board setting a clearer strategy and establishing supporting work streams with Board ownership and oversight.

Duties & Responsibilities

The remainder of this report sets out how we feel we have been doing against each of our duties and responsibilities over 2018/19. We have included a column that gives an idea of things we will be doing in the future:

Key Responsibilities	How did we do?	Future work
<i>Perform the Internal Audit for KSCU to assess the effectiveness of the internal control, governance and risk management processes as set out in an annual internal audit plan</i>	In April 2018 we refreshed and presented a 3-year internal audit plan to the Board – this was agreed and sets out the work the SC undertakes over the course of the year. Unfortunately we were unable to complete the plan this year	Given the significant changes to the Board composition and the developing work streams to develop the Credit Union, the audit plan will be updated to cover the period 2019 to 2021 and will include a 'compliance' check which can be conducted more regularly.
<i>Report the findings and conclusions of any Internal Audit review to the Board and follow-up on the implementation of recommendations</i>	The following documents have been reported to the Board over the last year: <ul style="list-style-type: none"> • Internal Audit Plan 2018 • Revised Risk Management Policy & risk register <p>Internal Audit reviews will also be reported as and when completed</p>	Following adoption of the risk management policy, the Committee will support and assist with risk management support during the coming year. Outcomes of audit reviews and compliance checks will be reported to the Board and any related actions will be tracked and reported.
<i>Undertake the procurement and appointment of suitable External Audit for the Credit Union, and provide oversight and support where necessary</i>	A full procurement exercise was conducted 2016/17 and auditors were appointed April 2017. The next exercise will be due in April 2020 .	The Committee will continue to act as liaison and support for the Credit Union and External Audit as and when required.
<i>Provide a written report to the Annual General Meeting (AGM) setting out how the Committee has discharged its duties over the course of the year</i>	The annual report will be presented at the AGM in April 2019.	Subject to Member comments, an annual report will be presented each year at the AGM.
<i>Deal with any complaints related to the Complaints Officer, or complaints referred by the Board. The Committee shall provide oversight of complaint investigations of Board Members</i>	We have had no complaints referred for investigation in 2018/19.	The Committee will continue to provide this role as and when it is necessary.
<i>Consider relevant matters referred to them by the Board</i>	This year the Committee worked closely with the Chief Executive and Board to implement the risk management policy and risk register. This has been well received, and will continue to be enhanced over the next year to provide greater insight and ownership of risks and risk issues.	As we seek to fill the vacancy, this should increase the flexibility of the Committee and allow for greater support to be given to the CU as and when issues arise. This will mean the Committee can provide more reactive support over the coming year.
<i>Maintain a regular presence at monthly Board meetings to provide challenge, oversight and ensure that the Credit Union is being governed in accordance with the regulations and the agreed Policy and Procedures Manual</i>	We have maintained a good presence across the year, with Committee attendance at every Board meeting.	As we seek to fill the vacant role on the Committee, we will endeavour to keep a good presence at Board meetings throughout 2019/20
<i>Keep under consideration the Policies and Procedures specific to the operation of the Supervisory Committee, and provide updates where necessary for Board approval</i>	The revised Terms of Reference for the Supervisory Committee were agreed by the Board in April 2018 and there have been no proposed changes during the year.	As the Board progresses a number of key work streams the work of the Supervisory Committee will be aligned to provide assurance over any associated changes and update the

Key Responsibilities	How did we do?	Future work
		Credit Union rules, policies and procedures.

Conclusion

Based on the work undertaken during the year, it is our conclusion that we have progressed and demonstrated work in accordance with our Terms of Reference. However, while we have maintained a consistent presence at Board meetings and provided regular challenge and oversight, our progress in delivery of the audit plan has not been as far as we would have hoped. The approach to providing this vital assurance function is something that the Committee will review and refresh in early 2019 to ensure that future audit plans and work are programmed in and delivered in accordance with our Terms of Reference.

Russell Heppleston

Chairman of the Supervisory Committee

Kent Savers Credit Union