



Supervisory Committee

**Annual Report:
April 2021 – March 2022**

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.

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 checks, which include the review of documentation, systems and processes, and through attendance of Board meetings to observe the decision making and governance arrangements in practice.

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

Composition

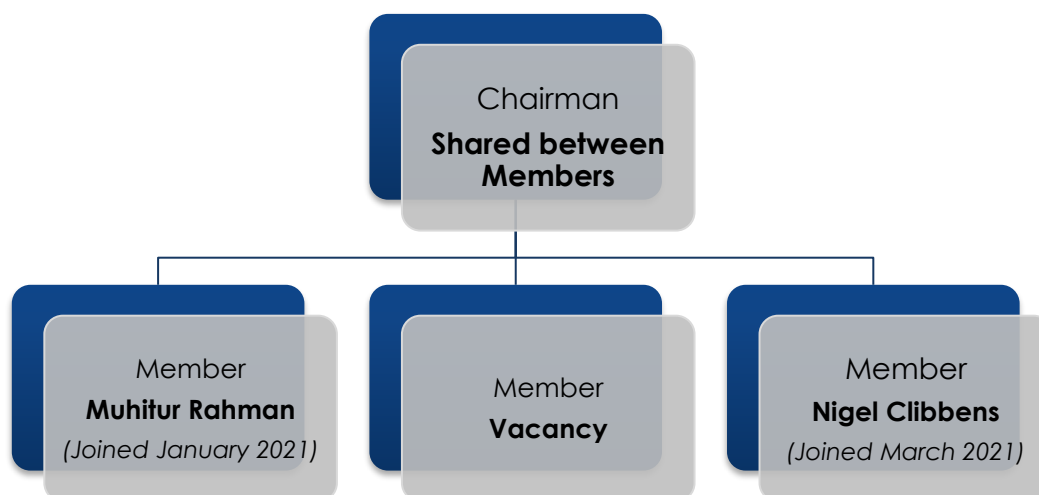
We aim to have **three** members of the Supervisory Committee to ensure a good mix of skills, experience, and resilience to undertake our role. For half of 2021/22 the Committee has comprised two voluntary Members, as such, a key current objective this year is for us to recruit at least one additional member. We are currently running a recruitment campaign in collaboration with the Board of Directors.

Russell Heppleston, who was elected to the Supervisory Committee in 2016, and became Chairman of the Committee in January 2018, resigned at the end of September 2021. Since that time, the role of Chairman and Secretary has been shared between the remaining members. Active rotation of Members is useful, especially in a compliance / oversight role, as it allows objectivity to be reset and for new and fresh ideas to be brought to the work programme.

2022 & beyond

Regarding membership, our focus for the year ahead will be on recruitment and succession.

The structure for the Supervisory Committee as it stands in March 2022 is:



External audit provision

In accordance with our Terms of Reference the supervisory Committee will:

Undertake the procurement and appointment of suitable External Audit for KSCU, and provide oversight and support where necessary

At the previous AGM, Alexander Sloan were re-appointed as external auditors for Kent Savers Credit Union for the accounts from 30 September 2021 and 30 September 2022 with an option to extend for a third year if both parties are agreeable.

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?	Attended By:
27 April 2021	✓	RH, MR & NC
25 May 2021	✓	MR & NC
29 June 2021	✓	RH & MR
27 July 2021	✓	RH, MR & NC
31 August 2021	✓	RH, MR & NC
28 September 2021	✓	RH, MR & NC
26 October 2021	✓	MR & NC
30 November 2021	✓	MR & NC
28 December 2021	Meeting not held	-
25 January 2022	✓	MR & NC
22 February 2022	✓	MR
29 March 2022	✓	MR

The Board met monthly with exception of December 2021. The Supervisory Committee, either as a group or individually, have been present at each meeting. During meetings, the Committee has provided regular update and audit reports, oversight, and challenge where it was felt necessary.

The Supervisory Committee has met independently formally three times and many more times informally to progress our work programme. The purpose of these meetings was to discuss and agree our work plan (**Appendix B**) for the year and consider how to further develop and enhance the Committee. Our plan was presented to the Board for comments in March 2022 and sets out our priorities, duties, and key projects for delivery over the remainder of the financial year.

One member of the Committee attended the New Directors Training in September 2021 and the International Credit Union Day in October 2021.

Our current work includes the annual PRA audit review and revised process mapping in advance of our planned audits for the period April 2022 - March 2023.

Duties & Responsibilities

The remainder of this report sets out how we have discharged our duties and responsibilities, in accordance with our Terms of Reference:

Key Responsibilities	How did we do?
<p><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></p>	<p>Since the last AGM the following internal audits were completed as per our plan:</p> <ul style="list-style-type: none"> • New Memberships (April) • Loan Applications (April) • PRA Review 2020 (May) • Retrospective PRA Review 2019 (June) [Covid-19 Pandemic] • Credit Control (September) • Bad Debts and Provisioning (September) • PRA Review 2021 (March 2022)
<p><i>Report the findings and conclusions of any Internal Audit review to the Board and follow-up on the implementation of recommendations</i></p>	<p>Copies of the internal audit reports have all been presented to the board together with minutes from the formal Supervisory Committee meetings. The Supervisory Committee regularly follow up on the closure recommendations made in audit reports.</p>
<p><i>Undertake the procurement and appointment of suitable External Audit for the Credit Union, and provide oversight and support where necessary</i></p>	<p>Exercise completed within the last 12 months.</p>
<p><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></p>	<p>The annual report will be presented at the AGM on 29 March 2022</p>
<p><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></p>	<p>We have had no complaints referred for investigation in 2021/22. We will consider how best to provide oversight of complaint investigations of Board Members later this financial year.</p>
<p><i>Consider relevant matters referred to them by the Board</i></p>	<p>We have had no matters formally referred to us from the Board 2021/22.</p>
<p><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></p>	<p>We have attended every Board Meeting held over the past 12 months.</p>

Key Responsibilities	How did we do?
<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>	We have proposed no changes during the year.

Report on specific other regulatory items

We are required by the Prudential Regulatory Authority ("PRA") to report on the following items:

Key Requirement
<i>Kent Saver's compliance, or otherwise, with PRA rules concerning Depositor Protection: Rules 11, 12, 14, 15, as applicable</i>
<i>Whether Kent Savers has always maintained a policy of insurance complying with PRA rule 2.10</i>
<i>Any additional activities as described in PRA rules 3.3, 3.5, Chapter 4, 6.4 or Chapter 7 that Kent Savers is carrying out and whether these are in compliance with any requirement of the PRA rules applicable to those additional activities</i>

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. The continued development of the work plan that was refreshed last year has enabled us to re-prioritise our areas of focus for the Committee including our own development. The focus is now on recruiting new Committee Members to increase our capability and strengthen our succession for the future.

Muhitir Rahman and Nigel Clibbens
Supervisory Committee Members
Kent Savers Credit Union

Appendix A

Kent Savers Credit Union

Supervisory Committee: Terms of Reference

Purpose of the Committee

The Supervisory Committee is an independent Committee designed to monitor the operation of Kent Savers Credit Union (KSCU) to ensure that agreed policies and procedures are followed. The Committee provides the Board with a continuous appraisal of the Credit Unions systems of internal control, governance and risk management arrangements. In addition to helping to ensure that the Credit Union operates in accordance with relevant rules and legislation.

For KSCU the Supervisory Committee also fulfils the role of the internal audit function, and will conduct a series of reviews each year into how the Credit Union operates, and report the findings to the Board. These reviews are set out in the Internal Audit Plan which is agreed by the Board annually.

Composition

The Supervisory Committee is comprised of between 2 and 3 voluntary Members of KSCU, usually elected as part of the Annual General Meeting (AMG). A Member may be co-opted during the year, upon agreement by the Committee, and that appointment is then ratified at the next AGM. While not essential, the Committee may elect a Chairman to provide direction and ensure that the duties of the Committee are fulfilled.

Members shall generally hold office for 3 years at which point they shall retire at the Annual General Meeting, but are eligible for immediate re-election.

Restrictions

In order to safeguard the independence of the Supervisory Committee, Members must not be:

- A member of the Board of Directors
- A member of any other permanent committee of the Credit Union
- An employee of the Credit Union
- An undischarged bankrupt

Regulations

Credit unions are regulated by the Financial Conduct Authority. The credit union sourcebook (CRED) [section 8](#) deals specifically with supervision, and gives authority for the Supervisory Committee. Further guidance is set out in the Financial Services handbook supervision chapter known as [SUP](#). The Committee's duties, responsibilities and activities are all undertaken with full regard to these regulations.

Authority

Members of the Supervisory Committee can attend any meeting of KSCU and have the right to be heard at these meetings. However, they shall not have any decision making or voting rights at these meetings.

In accordance with the credit union policies and procedures, Members of the Supervisory Committee have the right to access the office, staff and all systems and documents of the credit unions for the purposes of fulfilling the duties and responsibilities of the Committee. Staff and Board Members will also cooperate with requests made by the Supervisory Committee associated with fulfilment of its role and responsibilities.

Duties & Responsibilities

The Supervisory Committee shall:

- 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
- Report the findings and conclusions of any Internal Audit review to the Board and follow-up on the implementation of recommendations
- Undertake the procurement and appointment of suitable External Audit for KSCU, and provide oversight and support where necessary
- 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
- 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
- Consider relevant matters referred to them by the Board
- 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
- Keep under consideration the Policies and Procedures specific to the operation of the Supervisory Committee, and provide updates where necessary for Board approval

Procedure

The Supervisory Committee will meet a minimum 4 times during the year, and the outcomes of these meetings will be documented and circulated to the Board. Actions arising for the Supervisory Committee will be tracked and followed-up by Members of the Committee and reported to the Board.

The Supervisory Committee will undertake their duties in accordance with the Policies and Procedures KSCU.

Review

These Terms of Reference will be kept under review and any proposals to formally update will be reported to the Board prior to the AGM each year.

2022/23 SUPERVISORY COMMITTEE WORK PLAN

Area	Objective	2022/23 Activities	Progress – To be noted quarterly
Committee Membership	Grow the skills, expertise, and knowledge of the Committee so that it can operate effectively to provide robust oversight, challenge, insight and added value.	<ul style="list-style-type: none"> Recruit to fill existing vacancy Undertake an annual evaluation of skills, competencies, and knowledge (in line with current skills evaluation template) Attend training and industry events as appropriate 	
Regulatory Compliance	To ensure that the Committee is best placed to support the delivery of the regulatory compliance regime and can provide foresight on changes to requirements	<ul style="list-style-type: none"> Incorporate relevant regulatory compliance checks into quarterly audits Undertake annual review of PRA observations Review board responsibility and accountability for the various areas of regulatory compliance 	
Board Oversight	To maintain a regular presence at Board meetings to provide robust oversight, challenge and stimulate debate.	<ul style="list-style-type: none"> Attend all Board meetings & report on progress against the audit plan Provide insight and challenge on key areas of debate Fulfil regulatory obligations with regard to Directors' conduct and activities 	
Quarterly Audits	To deliver a programme of quarterly internal audit checks over key systems and processes. The audits will align to the policy framework for the CU. Undertake reactive audits of specific risk issues that may arise. Reporting outcomes to the Board, including any actions for control improvements.	<ul style="list-style-type: none"> Hold the Board to account on clearing agreed outstanding audit recommendations Delivery quarterly audits as per plan Undertake reviews requested by the Board Report audit findings and recommendations to the board promptly Follow up on the implementation of recommendations as appropriate 	
Profile & Networking	To connect with other Supervisory / Compliance functions to share best practice and raise the profile of the Committee within the sector.	<ul style="list-style-type: none"> Attend appropriate Industry events Consider interaction with other CU functions with similar responsibilities 	

Extract from CREDS 2.2.45 setting out minimum audit coverage

System of Internal Control

The system of internal control is the process for assuring achievement of the credit union's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.

Assurance over the system of internal control is provided mainly through completion of the internal audit plan, which takes into account the key risks in each area of the credit union's business. The objective of each audit review is to determine the adequacy and effectiveness of the controls in place to address those risks.

Minimum Areas for Internal Audit

Areas that should be covered CREDS 2.2.45

- Verification of cash (counting and reconciliation) without prior notification
- Bank reconciliation (checking records against bank statements)
- Verification of passbooks or account statements
- Checking compliance with policies and procedures
- Checking compliance with relevant Acts, secondary legislation and rules
- Checking minutes and reports of the Board for compliance, and assessing regularity and completeness
- Checking loan applications
- Verification of the credit unions assets and investments

Areas that should be covered (risk based)

- Physical Cash and Negotiable item count;
- Review of Investments;
- Bank Account reconciliation;
- Random Sample and review of outstanding loans and loans granted in past 6 months;
- Review of loans on the delinquent loan list;
- Compliance with policies and procedures;
- Determination that general ledger account balances with their subsidiary ledgers;
- Verification of opened and closed accounts;
- Review of employee and directors savings, shares and loan accounts; and
- Review of internal control reports.