



Supervisory Committee

Annual Report
April 2022 – March 2023

Executive Summary

- Nigel Clibbens has resigned following almost a 2 ½ year tenure and James Hodgson has resigned following ½ year with the Supervisory Committee. **Muhitur Rahman is being nominated as Chair of the Supervisory Committee.**
- **Regulatory Compliance satisfied**; no Board Oversight related matters to report; and no complaints or other matters have been referred to the Supervisory Committee during the last year.
- **3 out of 4 planned audits completed** and internal audit action tracker and monitoring log developed to track progress with outstanding audit actions.
- One Member of the Supervisory Committee attended the **International Credit Union Day** in Oct-22 and one person attended an **Internal Audit Training Webinar** in Mar-23. One Member of the Board attended the **ABCUL AGM** in Mar-23.

Purpose

The Supervisory Committee is an **independent** Committee elected to monitor the operation of Kent Savers 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 between **two and three** Members of the Supervisory Committee, **independent of the Board and other Committees**, with a mix of skills, experience, and stature to discharge our duties. We have been operating with between two and three members during 2022/2023.

Nigel Clibbens, who was elected to the Supervisory Committee in 2021, has **resigned** from Kent Savers **effective 16-May-23** and therefore not seeking formal re-election. The Supervisory Committee wishes to express its gratitude to Nigel for providing unwavering guidance and support during his tenure.

James Hodgson, who joined the Supervisory Committee in 2022 has also **resigned** from Kent Savers, **effective 16-May-23** and therefore not seeking formal election. The Supervisory Committee thanks James for his contribution.

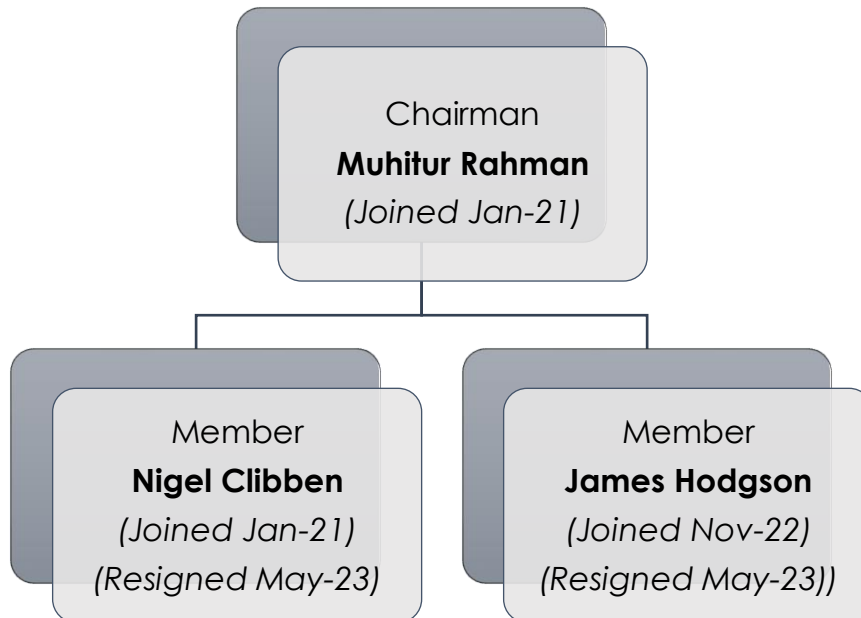
Muhitur Rahman, who was elected to the Supervisory Committee in 2021, is being **nominated as Chair of the Supervisory Committee**.

The Supervisory Committee has **no known conflicts of interest to declare** and continues to promote active rotation of Members to allow for objectivity to be reset and for new thinking and fresh ideas to be brought to the work programme, a particularly important aspect in a compliance and oversight role.

Review of 2022/2023

Committee Membership

The structure for the Supervisory Committee from March 2023 is proposed as:



Regulatory Compliance

Review of PRA Annual Assessment 2022

The **PRA** issued its **annual letter** to the Credit Union sector on **14-Oct-22**:
[PRA Annual Assessment of the Credit Union sector \(bankofengland.co.uk\)](https://www.bankofengland.co.uk/pras/annual-assessment-of-the-credit-union-sector)

The Supervisory Committee, as per previous years, led the review internally at Kent Savers and concluded a **SATISFACTORY** outcome for this review.

PRA Rule Compliance

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

Key Requirement	Compliant?
Kent Saver's compliance, or otherwise, with PRA rules concerning Depositor Protection: Rules 11, 12, 14, 15, as applicable	✓
Whether Kent Savers has always maintained a policy of insurance complying with PRA rule 2.10	✓ (Renewed in Feb-23)
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	✓ (Chapter 4 & Chapter 7) – N/A

External Audit

With respect to **External Audit**, 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

Alexander Sloan were reappointed as external auditors for Kent Savers for the **30 September 2021** and **30 September 2022** accounts, with an **option to extend for a third year** with the agreement of both parties – reappointment is subject to review by 30 September 2023.

Complaints and other matters

No **complaints or other matters have been referred to the Supervisory Committee** during the last year.

Board Oversight

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	Board Attendance	Board Quorum?	Supervisory Committee Member Present?
26-Apr-22 (Apr)	7/9	✓	✓
31-May-22 (May)	8/9	✓	✓
28-Jun-22 (Jun)	6/9	✓	✓
26-Jul-22 (Jul)	7/9	✓	✓
06-Sep-22 (Aug)	7/10	✓	✗
27-Sep-22 (Sep)	6/10	✓	✓
25-Oct-22 (Oct)	7/9	✓	✓
29-Nov-22 (Nov)	8/9	✓	✓
10-Jan-23 (Dec)	7/9	✓	✓
31-Jan-23 (Jan)	7/9	✓	✓
28-Feb23 (Feb)	9/9	✓	✓
28-Mar-23 (Mar)	5/9	✓	✓

The Board has met monthly throughout the last year, usually on the last Tuesday of every month with a couple of variations to cater for holiday seasons. The Supervisory Committee, either as a group or individually, have been **present at every meeting except one**. During these meetings, the Committee has provided regular update and audit reports, oversight, and challenge where necessary.

The Supervisory Committee has **met independently on a formal basis four times (quarterly)** during the year and has usually met monthly on a more informal basis to progress our work programme. The purpose of these meetings was to discuss and agree our work plan for the year and consider how to further develop and enhance the Committee. We issued Quarterly Reports to the Board on the following occasions:

Date	Supervisory Committee Report Issued?
Jun-22	✓
Sep-22	✓
Dec-22	✓
Mar-23	✓

Quarterly Audits

A list of **thematic audits** undertaken by the Supervisory Committee during the last year are displayed with the associated outcomes:

Audit	Date	Outcome
Review of Governance Code and Good Practice	Jun-22	SATISFACTORY
Compliance with PRA Rules	Sep-22	SATISFACTORY
Review of PRA Annual Assessment 2022	Feb-23	SATISFACTORY

The Supervisory Committee had planned 4 audits but were only able to complete 3 during the year as a result of lack of staff support.

During the last year, the Supervisory Committee developed an **internal audit action tracker and monitoring** log to ensure historic audit actions are followed up by the **Management** and **Board** of Kent Savers.

The Supervisory Committee has **thematic audits planned for each quarter of the 2023/2024** year.

Profile & Networking

During the year, one Member of the Supervisory Committee attended the **International Credit Union Day** in Oct-22. One person attended an **Internal Audit Training Webinar** in Mar-23. One Member of the Board attended the **ABCUL AGM** in Mar-23.

2023 & Beyond

Our focus for the year ahead will be on:

Committee Membership

- Recruitment for additional Members and succession planning

Regulatory Compliance

- Review of PRA Annual Assessment
- PRA Rule Compliance
- Oversight of appointment of External Auditor
- Oversight of implementation of the New Consumer Duty
- Referred complaints and other matters

Board Oversight

- Regular attendance at Board Meetings

Quarterly Audits

- Deliver regular thematic audits

Profile & Networking

- Networking at trade association events and continuous Learning & Development

Conclusion

The Supervisory Committee hopes to have evidenced to the Members of Kent Savers, via this Annual Report, how **we have discharged our duties and responsibilities in accordance with our Terms of Reference**. We endeavour to continue to serve our Members into the next year.

Muhitir Rahman
Chair of the Supervisory Committee
Kent Savers Credit Union

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 Chair 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.

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.