

Supervisory Committee



IRELAND

## Supervisory Committee's Report

1. The Supervisory Committee notes with sincere appreciation the support extended to it by the movement in respect of its report to the CGM 2006. We now present our annual report for 2006.

By virtue of Rule 6.4.1, we are conscious of being charged to do our "*duty of ensuring the preservation of the integrity and philosophy of the credit union movement*".

2. With this in mind, the Supervisory Committee notes the growing emphasis in credit unions' investment portfolios as the loan-to-assets ratio decreases, effectively creating wholesale collection agencies for other financial institutions. This was not the reason for the establishment of credit unions. These investments do not benefit the local community, local lending does.

### **Operating principle 10 - Social Responsibility.**

*"Continuing the ideals and beliefs of co-operative pioneers, credit unions seek to bring about human and social development. Their vision of social justice extends both to the individual members and to the larger community in which they work and reside. The credit union ideal is to extend services to all who need and can use them. Every person is either a member or a potential member and appropriately part of the credit union sphere of interest and concern. Decisions should be taken with full regard for the interests of the broader community within which the credit union and its members reside."*

In an era of increasing personal indebtedness, the credit union members are obtaining loans elsewhere. The moneylender of old has been replaced today by legalised credit sources, which charge high interest rates in comparison to credit unions. It is in this area where credit unions should focus their resources, ensuring that good value credit is available to all in their community. Also the strategy of using business loans to increase the loan book is, in our view, too speculative and credit unions should engage in this area only if the necessary expertise and underwriting skills are available to them.

It is incumbent upon the League Directors to steer the movement in a direction that will seek to service the total financial needs of members and potential members.

Are the inhibitors in the growth of lending linked to the:

- a. Lack of a uniform national interest rate?
- b. Inability to provide full financial services to its membership?
- c. The lack of uniform standards and operating procedures?
- d. The lack of a uniform public image?

If credit unions cannot satisfy the needs of present members, we cannot expect to attract new members.

Indeed some credit unions are, in our view, failing in their primary function of servicing the financial needs of their members, and are no longer the innovators of the financial services sector.

3. While there are significant threats to the credit union movement at large, the most significant comes from within the membership, in relation to both business and compliance issues.

The movement must act as a unified, co-operative movement, adhering to standards set by the League. In order to ensure the maintenance of standards, there must be an acceptance of a robust monitoring process reinforced by sanctions. We would ask the members to urgently consider empowering the League to impose stronger sanctions on the few credit unions who deviate from the movement's own standards.

Our on-going strategies must address these and other issues.

4. All credit unions at this stage should be in full compliance with Resolution 82, passed at BDM 2005, Killarney, which laid down the requirements for the adoption of movement-wide electronic communications by June 2006. Sadly, there are some who, as of yet, have not met the requirements.

Where electronic communication has been adopted, significant time and cost saving benefits have accrued. We share the often-expressed anxiety at the volume, complexity, duplication and verbosity of correspondence, which is a barrier to development not a support.

5. Along with the wider movement, we are also disappointed at the lack of positive, authoritative and opportune responses to the frequently vitriolic and inaccurate attacks on the credit union movement. Such attacks frequently require rapid PR response, which does not materialise often enough. The League Board needs to review its strategy in this regard.
6. Over a protracted period, we have conveyed our concerns regarding the conduct of Board meetings to the Board of Directors by way of reports to the Board.

These reports have recommended that:

- a. agendas be less overloaded
- b. greater prioritisation be implemented
- c. specific and coherent standing orders be introduced
- d. rules of debate be adhered to
- e. an agreed code of conduct be introduced
- f. the length of meetings be curtailed

Information for consideration by the Directors should be concise, clear and timely to enable adequate consideration prior to the decision-making process.

We are conscious that, individually, each Director would welcome moves to improve the current deficiencies.

7. We reiterate our opinion that the current structure of one training weekend for the League Board in isolation is not adequate. Training requirements should be based upon a 'training needs analysis', and should be tailored to both the collective and individual needs of the Directors and should be on-going.
8. We would suggest that the role of President be re-examined in light of the ever-increasing expectations presented by the membership in relation to internal representation e.g. functions, Chapter meetings, AGMs and many additional social functions.

There is a need for a policy to prioritise the events that the President is requested to attend. Such a policy should also consider local League Directors representing the Office of President.

9. We continue to be disappointed in the election processes of Directors to the Foundation Board. The Supervisory Committee is of the opinion that the Foundation should come under the direct control of the membership, under the chair of a League Board Director appointed by the League Board. The remaining Directors should be elected by postal ballot from candidates nominated by individual credit unions.
10. We commend to the movement the work of the National Technology Committee, culminating in its recent report. We are of the opinion that this report provides a basis for discussion leading to the establishment of a beneficial movement-wide IT strategy.
11. We welcome the initiative undertaken during the year to enhance the role of Chapters and empower them via the Policy Forums and new Chapter Agenda. Unfortunately, we are of the opinion that, to date, the effectiveness of this process is impaired by the:
  - a. The timing of the initiation of the initiative
  - b. The number of position papers presented
  - c. The complexity of the papers
12. Our previously expressed opinions in relation to the Supervisors' Forum remain unchanged until such times as it comes under the umbrella of the League.
13. The Committee has met regularly during the past year. The majority of these meetings have been scheduled, where possible, to coincide with the League Board and/or League Committee meetings. We have attended all League Board meetings and individual Committee members have attended meetings of the various committees.
14. The Supervisory Committee is charged with examining the expenses claimed by individual Directors and the Board collectively. We have checked Directors' and Supervisors' expense claims and are happy to report that all expenses claimed are reasonable and legitimate. The details are shown in the Annual Report to Members.
15. We have sought information on the progress of Resolutions passed at BDM 2005 and previous AGMs. We are satisfied that a full and up-to-date progress report has been circulated to member credit unions prior to this meeting.

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16. During the year, in compliance with (Rule Sect.6.3.2), the Supervisory Committee met with the Board.

Breaking new ground, at the last of these meetings, the Chairman of the Supervisory Committee chaired the meeting, thus setting a precedent for future meetings.

A further precedent was set, in line with (Rule Sect. 6.6), when the Committee met with representatives of PwC, the League Auditors, prior to the annual audit. This meeting was also chaired by the Committee Chairman.

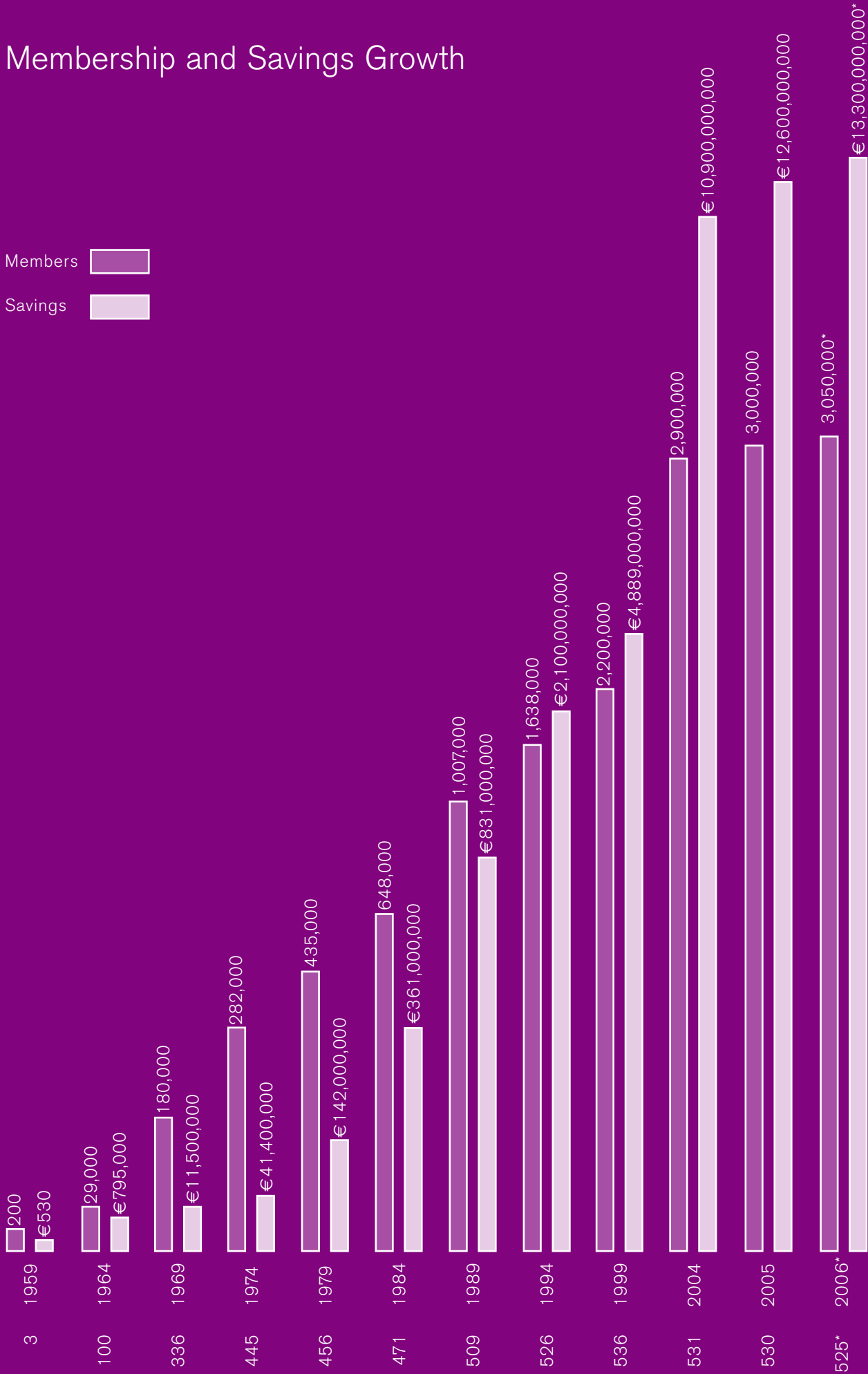
This year, both Anne O'Byrne and Carmel Dowling retire after completing their tenure of office, as per the League Rules. Both have served the movement diligently in a number of capacities including Carmel as Treasurer and Anne as the first female President of the League. On behalf of the movement, we thank them for their contributions over the years.

We would wish to record our warmest and sincere thanks to the President, Board members, CEO and staff for their courtesy and co-operation throughout the year. We acknowledge the welcome and the facilities extended to this Committee by both Castleblaney and Longford credit unions. We recognise the hard work undertaken by all to maintain and improve the support and services provided by the Irish League of Credit Unions to member credit unions.

# Membership and Savings Growth

Members 

Savings 



\*These are estimated figures. Estimated figures include all ILCU affiliated credit unions in the movement, and 6 unaffiliated credit unions in the Republic.