



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem



# Supervisory Engagement 2016

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## Key observations from 2016 engagements

- **162**

- In addition, there were thematic inspections on Fitness & Probity and Outsourcing as well as a number of engagements that fell outside PRISM (e.g. asset reviews, engagements relating to transfers of engagements).



## Key observations from 2016 engagements

First the good news...

- **Evidence of progress** from previous visits noted in a significant number of credit unions. It is clear where credit unions have acted on previously issued RMPs and proactively set their own compliance agenda.
- Degree of **bedding in** of the main roles from the 2014 Act, Internal Audit, Risk and Compliance functions.
- In some cases, **better strategic plans**.
- Evidence seen of **more robust/ professional underwriting**.



## Key observations from 2016 engagements

It hasn't been all good though...

- Worrying lack of **internal financial controls**.
- Financial planning **analysis absent** from strategic thinking.
- Boards continuing to involve themselves in the **day to day operations** rather than focussing on their strategic role.
- **Failure to engage** with Risk/ Compliance and Internal Audits.
- Some **poor practices** persisting in underwriting



## Thematic Reviews

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- **Thematic Reviews** undertaken in relation to Outsourcing and Fitness & Probity in 2016.
- **Sample** selected for both reviews made up of a mix of large and small, industrial and community and rural and urban credit unions.
- Have now completed our inspections and are in the process of **collating our findings** with a view to producing communications for the sector.



## Thematic Review - Outsourcing

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### Summary of Initial Findings:

- Lack of Board **engagement** with process of selecting and monitoring outsource providers.
  - Degree of **informality** around selection of outsource provider.  
Compliance box ticking?
  - A lack of **quality control/ oversight** of the outsource provider.
  - Failure by credit unions to recognise the **value** that can be added from outside professionals.
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## Thematic Reviews – F&P

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### Summary of Initial Findings:

- Some not following aspects of **guidance** provided by Central Bank.
- Examples of lack of **process/documentation**.
- Over-Reliance on **local/personal knowledge**.
- **Encouraged** by examples of credit unions who have fully engaged with the F&P framework.
- At the other end of the scale we have seen examples of some that are taking a more **“tick box”** type approach to their implementation of F&P requirements.



## Thematic Reviews

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### Next Steps

- **Finalise** review.
- Issue **communications** to sector setting out an overview of the findings
  - This will include **examples** of good practice and practices which can be improved on.
  - Setting out our supervisory **expectations** in this area.





## Supervisory Priorities for 2017

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Currently planning for the upcoming year in terms of both the credit unions to be visited and the focus of the visits. **Specific areas** of focus for 2017 will include:

- **Post transfer** of engagements.
- Mortgage **underwriting**.
- Internal financial **controls**.