

Clockwise Credit Union

safe savings & affordable loans

ANNUAL REPORT 2018



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Introduction

Clockwise Credit Union Limited covers Leicester, Leicestershire and Rutland. Registered number FRN213498.

As of 30th September 2018, Clockwise had 11,200 members, with a total of £3.93m in savings, a rise of £380,000 on last year. In addition, we hold £310,000 of young savers and Child Trust Fund accounts. The Clockwise net loan book stands at £3.9m, an increase of 21% on last year.

Vision

"Community savings and loans; leading the way in improving the financial wellbeing of our community and its people through sustainable financial products and quality customer service."

Mission

Credible, responsible and accessible

We will be a responsible and respected provider of a broad range of affordable and quality financial services, easy to access and managed responsibly.

Offering effective money management

We will encourage the development of good financial practice, focusing on affordability and putting people in control of their own finances.

People not profits

We aim to improve the financial wellbeing of the people we serve by encouraging loans and savings that benefit our communities and by putting people at the heart of our decision. Our goal is to maintain an operating surplus no higher than is prudently necessary to ensure the organisation's sustainability.

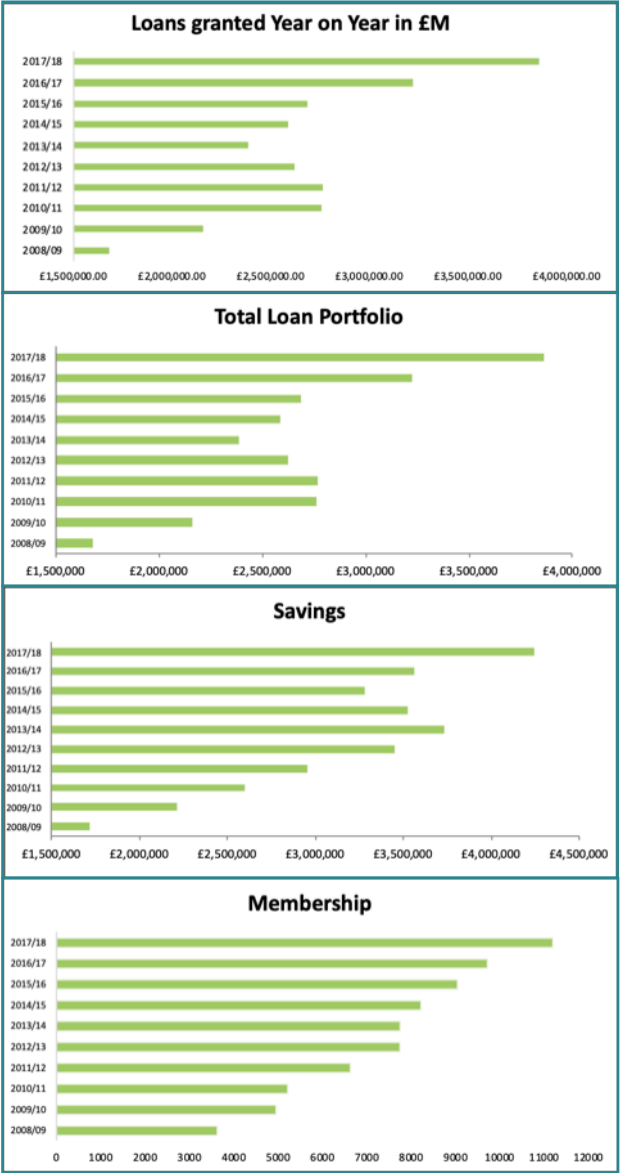
Credit Union

We are proud to be part of the credit union community and will continue to foster the credit union ethos as a local, not-for-profit, members' owned alternative for your money.



Report from the Chair

Once again, it gives me great pleasure to announce another successful year for Clockwise Credit Union. Membership, savings and loans have all increased as you can see in the graphs below. We are now reaching more and more people in Leicester, Leicestershire and Rutland, providing services to meet their needs.



Report from the Chair

For the fourth year in a row we have generated a surplus, this year £87,052. This is a fantastic achievement for our long-term sustainability and growth plans. It also enables us to continue to reward our members and the Board have this year committed to:

1. **Rewarding Savers:** We are proposing an increase of the dividend to 1.75%. I am sure you will agree this is a very competitive rate and compares very favourably with many instant access accounts available on the high street. We have also increased the interest rate on ISA's and Child Trust Fund accounts to 1.75%.
2. **Rewarding Borrowers:** For the second year, we will be rewarding loyal borrowers. This year £22,600 has been set aside to reward those who have never missed a payment on their loan during the year. It will be calculated as a proportion of the interest paid during the year, effectively an interest rebate, but it will be paid into the savings account of those who meet the relevant criteria in time for Christmas.
3. **Community Grant Scheme:** Last year we announced that we had set up a fund to award small grants to clubs, organisations and individuals with specific needs i.e. to support study. I am delighted to announce that seven awards have been made in total. More details are available on pages 18-19 of this report.

Other Highlights of the Year Include:

1. Integrations with third party providers to improve automation throughout the credit union.
2. Provide high quality digital services recognising that future growth is dependent on digital engagement.
3. Redeveloping our internal systems so they become much more member focused rather than finance focused, through the development of a customer relationship management system (CRM).

Loan Application Improvements:

Our aim is to provide an 'end to end' applications process, automating and working with third parties to ensure the application process, from application, submission, decision and, where loan is approved, loan agreement is signed, and money paid out. To make this happen, we have introduced the following:

- **Open Banking:** An integration with Truelayer to enable members to provide instant access to their bank accounts in a secure environment. This has considerably enhanced the underwriting process as members who use it no longer need to go to their bank account to get copies of statements and upload online statements. Almost 50% of members who applied for a loan since we introduced this have used this facility.
- **Decision Manager:** A purpose built decision engine, integrated with Callcredit to provide an instant credit check and, using rules and scores we have designed, make an instant indicative decision.

Report from the Chair

- **Electronic Signatures:** Available to all members if they have registered for online access via the website portal. This means they are no longer required to come into the branch to sign their loan agreement. There is a value restriction of £2,500 for new members.
- **24/7 Faster Payments Service:** Until recently, any funds going out to members' bank accounts, Engage pre-paid card or budget and rent accounts could only take place Monday to Friday between 10 am and 4 pm. We introduced a new faster payments process working with Contis to enable payments to go 24/7, having automated the transaction. This is extremely popular with members who can move money whenever they want.

Loan Application Process

With the introduction of these new processes, we now have members who can apply and complete their loan at any time and, if approved, sign and send their loan monies without any staff intervention at all. We are delighted to report that the quickest turnaround of an online loan application, from submitting it to having their funds placed into their accounts, is now under five minutes!



Team

The Board of Directors recognise the staff as one of our greatest assets and we are increasing staff resources and investing in training and development. In order to achieve our ambitious plans in automation and digitalisation across all communication and services channels, we have agreed a significant increase to the staff IT budget and to the member services team. We are looking forward to some exciting new developments in the coming year.

On a less positive note, we must report that we were victims of online fraudulent loan applications and lost £13,000 in three loan applications. We were not alone in this - many other credit unions up and down the country fell victims to these fraudsters. I want to reassure you that several additional controls and checks have now been put into place, and five further attempts were identified and blocked.

Governance

The Board of Directors of Clockwise are responsible for the strategic direction of the credit union, its policies and procedures and oversight of its operation.

Report from the Chair

The directors are unpaid members who volunteer on a regular basis. The attendance at Board meetings this year was 74%. This year we saw some changes to the Board. Donald Clinton-Smith, retiring after 12 years of loyal service, and Stephen Barringer and Patrick Jana who both resigned during the year due to work commitments. On behalf of the credit union I thank them most sincerely for their contributions. We are happy though, to have welcomed Mary Hirst, Tim Emmony and Paul Taylor, who together bring a wealth of skills to the Board.

The credit union have appointed a Nominating Committee whose role, in part, is to ensure the Board have the necessary skills and qualifications to undertake their role, and to be assessed as 'fit and proper' as defined by the Financial Conduct Authority. The committee supervise the induction and training of all new Directors.

The Board see strong governance as central to the credit union and regularly monitor their compliance with the ABCUL Code of Governance which sets out the standards required to build and effective and sustainable credit union, based on the principles for business:

- Integrity
- Skill, care and diligence
- Management and control

Clockwise is very fortunate to have a committed group of directors and I would like to thank them personally for all they do. Their commitment to ensuring Clockwise continues to develop successfully as a strong, sustainable and innovative organisation, delivering quality products and services to our community, is a credit to them. I also need to record my thanks to the members of the Supervisory Committee who work tirelessly to ensure that any decision/action is taken in the best interests and protection of the members. Finally, on your behalf, I would like to thank the management and staff for all their hard work and dedication in ensuring another great year. Here's to 2018/2019 being exciting and successful.

Paul Mattioli - Chair

A Matter of Life & Debt

After a successful first documentary series, the BBC commissioned a second series about credit unions and responsible lenders across the country, telling the stories of people whose lives have been transformed by an ethical loan. This is a wonderful opportunity to show the contribution credit unions can make, so we were delighted that Clockwise was featured in the programme. Thanks to all the staff who took part and to those members who were willing to share their story.

You can find out more information about the programme and watch episodes by visiting www.bbc.co.uk/programmes



Treasurer's Report

2017/18 has been another excellent year for Clockwise with a 21% increase in loans to £3.74 million, with most of our loans being made to members who are financially excluded from the mainstream banking system. This increase in loans has generated additional income which has produced a surplus of £87,071 after a recommendation of an increase in the dividend on members' share savings from 1.5% to 1.75%. This surplus has been used to increase our General Reserve which we aim to maintain at a level equivalent to 10% of Clockwise total assets as recommended by the Bank of England.



Income

Total Income of £1,181,742 is £160,000 higher than last year's income. 90% of total income is loan interest with the remainder being grants, membership entrance fees, bank interest, bad debt recoveries and other sundry sources of income.

Expenditure

Total expenditure of £1,035,898 is £133,000 higher than the previous year. We continue to invest in our staff and IT systems to provide members with a level of service that meets their needs. The growth in our Loan Book has contributed to an increase in our level of bad debts which, net of recovered debts, have increased from £214,000 in 2016/17 to £273,000 in 2017/18. We continue to adopt a sensitive approach to the management of repayment of members' loans and are successful in ensuring that over 93% of loans are repaid.

Balance Sheet

We are pleased to record another year of increases in member's loans, up £653,000 to £3.74 million. We retain a relatively high bank balance of £1.27 million which we are seeking to reduce through increased lending. We completed the transfer of our banking facility from the Cooperative Bank to Lloyds Bank, a bank that supports the credit union movement and has offered Clockwise a competitive banking package.

Members Share balances continue to grow by £624,000 to £2.96 million. Each member's £1 investment with Clockwise was worth £1.27 illustrating the strength of our balance sheet.

Treasurer's Report

Reserves

General Reserve

Clockwise policy is to create a General Reserve with sufficient funds to meet the Bank of England recommended capital requirements for credit unions.

Development Reserve

We maintain a Development Reserve to be used to improve the service we provide to our members.

Property Reserve

This reserve has been created from funds donated by Santander Bank and is used to maintain and enhance our building.

Bank of England Prudential Regulation Authority (PRA)

All credit unions are required to meet a number of financial ratios monitored by the PRA at quarterly intervals. Clockwise met these ratios at each quarter.

Budget and Business Plan

A three-year business strategy and a one-year business plan have been agreed by the Board and a financial budget has been prepared for 2018/19. Monthly results are monitored against the budget with corrective action taken where actual results deviate from plan.

The budget for 2018/19 anticipates producing a surplus of £65,000.

Income & Expenditure Account for the Year End

FOR THE YEAR ENDED 30th SEPTEMBER 2018

	2018 £	2017 £
INCOME		
Interest on Loans	1,058,622	890,139
Entrance & Service Fees	23,191	23,607
Bank Interest	7,447	8,327
Bad Debts Recovered	43,485	40,239
Grant Income	26,694	40,824
Other Income	22,303	18,397
	1,181,742	1,021,533
EXPENDITURE		
Employment Costs	438,439	390,434
Property Costs	20,288	20,050
IT & Office Costs	61,593	52,845
Insurance	21,276	10,584
Depreciation	25,479	20,443
Trade Association Fee	7,935	8,567
Audit Fees	13,400	13,200
Marketing	59,025	47,806
Debt Management	28,614	35,671
Legal & Professional	5,959	18,426
Other Operating Costs	14,896	9,603
Rewarding Borrowers Refund	22,681	20,540
Bad Debts	316,313	254,730
	1,035,898	902,899
SURPLUS FOR THE YEAR BEFORE TAX	145,844	118,634
Corporation Tax	-1,146	-490
	144,698	118,144
Dividend & Interest	-57,627	-46,883
SURPLUS FOR THE YEAR	87,071	71,261
TRANSFER TO GENERAL RESERVE	74,608	748
TRANSFER TO DEVELOPMENT RESERVE	13,003	70,513
	=====	=====

Balance Sheet

AT 30 SEPTEMBER 2018

	£	2018 £	£	2017 £
FIXED ASSETS				
Tangible Assets		433,642		451,994
LOANS TO MEMBERS (NET)		3,748,877		3,094,988
CURRENT ASSETS				
Sundry Debtors	87,841		70,375	
Bank Current & Deposit Account	1,270,976		1,183,298	
	<u>1,358,817</u>		<u>1,253,673</u>	
	=====		=====	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
Sundry Creditors & Deferred Income	89,169		111,043	
Dividend Provision	45,366		31,871	
	<u>134,535</u>		<u>142,914</u>	
	=====		=====	
NET CURRENT ASSETS		1,224,282		1,110,759
		<u> </u>		<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,406,801		4,657,741
		=====		=====
SHARE ACCOUNTS		2,960,296		2,336,328
CASH ISA		971,920		927,386
CHILD TRUST FUND		236,801		231,542
YOUNG SAVERS		73,260		64,597
GENERAL RESERVE		554,134		480,066
DEVELOPMENT RESERVE		603,157		590,154
PROPERTY RESERVE		7,233		27,668
		<u>5,406,801</u>		<u>4,657,741</u>
		=====		=====

The accounts were approved by the
Board of Directors on 19th November 2018

On behalf of the Board
P Mattioli
B Wilson

Independent Auditors Report

We have audited the financial statements of Clockwise Credit Union Limited for the year 30 September 2018 which comprise the Statement of Financial Position, the Statement of Income and Expenditure, Statement of Changes in Equity and the related notes.

Significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and FRS 102 which is the Financial Reporting Standard applicable to United Kingdom and Republic of Ireland.

Information and judgements

Information and judgements that the Credit Union has applied in preparing these accounts are based on the carrying amounts of all income, expenses, assets and liabilities as at the end of the financial year subject to any adjustments mentioned in the accounts and in the notes and disclosures to the accounts

Estimation Techniques

Except for Note 1(d) on Provision for Impaired Loans and Note 5 on Impaired Loans Written Off, there were no assumptions made concerning the future or estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Apart from this, there is nothing to report under FRS 102 section 8.7.

This report is made solely to the Credit Union's members, as a body, in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979. Our audit work has been undertaken so that we might state to the Credit Union's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Credit Union and the Credit Union's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Independent Auditors Report

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Credit Unions affairs as at 30 September 2018 and of its income and expenditure for the year ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and in particular in accordance with FRS 102 and also in accordance with the Industrial and Provident Societies Acts 1965 to 2002 and the Credit Unions Act 1979.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Friendly and Industrial Provident Societies Act 1965 to 2002 requires us to report to you if, in our opinion:

- proper books of account have not been kept by the Credit Union in accordance with the requirements of the legislation;
- a satisfactory system of control over transactions has not been maintained by the Credit Union in accordance with the requirements of legislation;
- the revenue account or the other accounts (if any) to which the report relates, and the balance sheet are not in agreement with the books of account of the Credit Union;
- we have not obtained all the information and explanations necessary for the purpose of our audit.

Antony E Humphreys

Statutory Auditor

For and on behalf of

PWH Accountancy Ltd

Statutory Auditors

The Counting House

High Street

Lutterworth

Leicestershire LE17 4AY

Report from the Chief Executive, Teresa Manning

I am delighted to make this report to you in my new role as CEO of Clockwise. It's been another successful year for us on so many fronts and we are proud of what we have been able to achieve. Over 11,000 members are now enjoying the benefits of our products and services and we will continue to grow this number over the coming year, meeting their saving and borrowing needs. We are aware that more and more people will begin to struggle due to the impact of benefit cuts and the introduction of Universal Credit and we need to be ready and prepared to support where we can. We are proud of the part we play in improving the wellbeing of the community, not only to our members but to local groups and organisations (more news on that in pages 18-20.)

Our Team

As Paul noted in his Chair's report, the Board have made a strategic decision to invest in the staff resourcing of the credit union, so we have added new staff to the team.

Providing quality and appropriate service to our members is at the heart of all we do so we are delighted to welcome in Member Services: Sophie Boulton, Carole Pearson and Tabassum Ismail. And into the IT team: Pradnya Khandekar, who joins us as a software tester. We are also in the process of recruiting an additional Software Developer to support the delivery of the services and improvements.

Living Wage

We are now an accredited Living Wage employer and support the Living Wage Campaign, launched in 2001, aimed at persuading employers to pay a Living Wage, an independently-calculated recommended minimum wage to cover workers' basic needs.



5 Star Fairbanking Mark

We are delighted to have been awarded the prestigious Five Star Fairbanking Mark for our personal loan products. The Fair Banking Foundation is a research-based charity that believes financial providers owe a duty of care to their customers and the country as a whole – that they should act in the 'common good'.

For Clockwise, and indeed any financial provider, the Fairbanking Mark signifies a quality product

that has been assessed by a recognisable and accredited organisation. It shows an organisation that is transparent, fair and honest and ultimately one that is working in the interest of and contributing to the financial wellbeing of its customers.



“ The credit union is by far the best financial institution I have dealt with so far. Very helpful and very understanding. ”

Report from the Chief Executive, Teresa Manning

Save While you Borrow

A recent survey showed that almost 25% of British adults have no savings and would struggle to find £300 for an unexpected expense.

We recognise the importance of savings and many of our members do save regularly or have lump sums set aside, helping to improve their financial security. However, some members, particularly those on low incomes, have difficulty getting into the savings habit. We have introduced a new product to try and encourage people to save even small amounts whilst repaying a loan. The scheme incentivises members who manage to save over a regular period with a cash sum, linked to what they have managed to save.



Importantly, the amount they choose to save is not deducted from the loan repayment but is an additional amount, as we do not want to disadvantage the member by extending their loan term with a smaller repayment. Almost 100 members have now signed up to this and we hope to encourage more. It's great to hear feedback from members about how pleased they are when they have managed to save even small amounts.

Rent and budget accounts

We have a group of members who use our rent and budget accounts. Members use the service for the convenience and reassurance that their household bills will be paid on time. Some of these members are referred to us by support workers or local housing staff who recognise the need to support these members in managing their finances and keeping their household expenses up to date, as they struggle to budget themselves.

A couple of quotes from happy members

“I’ve been a member since 2004 and most years I have saved some money for my son and my holidays. I’ve had loans with Clockwise on and off throughout the years which have helped when needed to buy new cars (as unfortunately, cars go to heaven) and help towards the cost of redecorating our home.”

“How times have changed since all those years back having to go to the office or an access point 2 or 3 times just to apply for a loan or pay money into the savings account. Having to wait sometimes up to 4 or 5 days before even knowing if a loan was accepted and approved. If you apply for a loan now, it can be looked at and approved in less than a day without having to leave your home. My last one was approved and signed for on my phone while I was walking round Abbey Park! Over the last few years Clockwise Credit Union has continued to improve in leaps and bounds for its customers. Well done Clockwise!”

Report from the Chief Executive, Teresa Manning

Finally, thank you...

To the team for all their hard work over the past year, their professionalism, their genuine care of our members, especially the most vulnerable, and their enthusiasm. They are a pleasure to work with.

To the Board of Directors, for their vision, direction and support for the management and staff, and to ensure Clockwise continues to grow in a sustainable way through their commitment to investing in the staff, and in future developments for the continued benefit of existing and future members.

To our members, 60% of new membership come from referrals from family or friends, for which we are really very grateful. It is heartening to know so many of you support what we do and are willing to share the news with others. Your feedback is important to us in shaping our products and services to best meet your needs and wants.

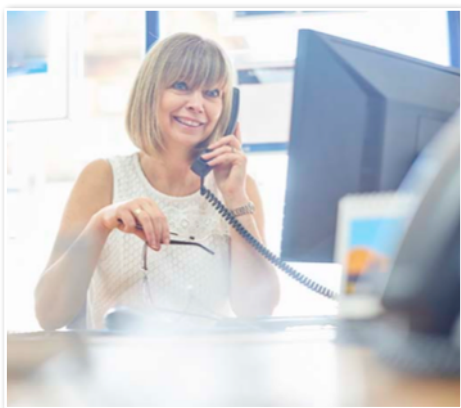
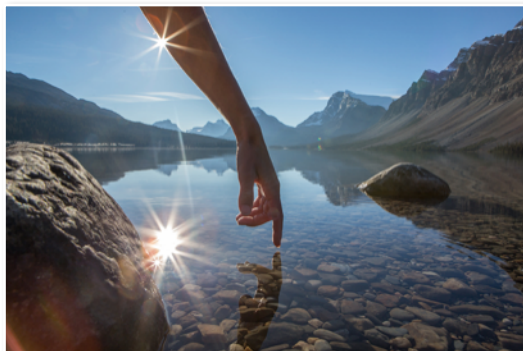
To our strategic partners, whose support is invaluable in raising awareness of the credit union and the work we do in the community to improve members financial wellbeing. Their support is key in helping local people in the community we serve. We look forward to continuing to work with them in the coming year.

Teresa



GDPR - Creating a Crystal Clear View of Personal Information

The EU General Data Protection Regulation that came into force on 25th May this year is the most important change in data privacy regulation in 20 years. Superseding the 1998 Data Protection Act, GDPR standardises data protection law and imposes strict new rules on managing personal information. Clockwise Credit Union is fully compliant with the new regulation and has published a booklet for members to provide a simple guide to understanding how we obtain, use, hold and process personal data.



Complaints

We have recently updated our complaints process to make it a more easy and transparent process. We encourage members to get in touch if they are not happy with the service they have received.

We have produced a new complaints flyer to provide guidance for members on everything they need to know if they wish to make a complaint and information on the process, Financial Ombudsman Service and where to go for further information.

Mobile App

Clockwise
Credit Union

Continuing our progressive IT developments, in March of this year we took Clockwise mobile and launched our brand new app. This is now available in app stores and over 1,500 members are using it.

Members benefit from being able to access their account 24/7 from a mobile device enabling them to transfer money, check balances, view statements and apply online, all at the click of an app!



Social Performance

Clockwise has always been, first and foremost, a community led co-operative. Our company vision puts supporting the local people of Leicestershire and Rutland at the heart of everything we do, and this often goes beyond savings and loans. We would like to take this opportunity to highlight where we have reached out to the people of the local community in other ways.

Partnering with Jobcentre Plus around the county

The launch and ongoing roll-out of universal credit (UC) has created issues for many people. Clockwise has been closely working with Jobcentre Plus to overcome the issue of the number adults without their own bank account, which is a UC requirement. As a result of this a significant number of people have been able to open a Clockwise savings account, overcoming the issue and enabling them to receive Universal Credit.

Clockwise Community Grant Scheme

Community organisations are often an essential lifeline for many. This can be to either find support needed during difficult times or an outlet for creativity, physical and mental wellbeing or just a chance to meet new people.

The Clockwise Community Grant Scheme asked local organisations to apply for a grant payment from Clockwise by simply telling us who they are, why they are important to the local community and how a donation from Clockwise could help.



Below are some of the community enterprises we've awarded small grants to in the past year. We are delighted to support the important work they do.

Sound Café - provide a safe creative space for anyone who is homeless, under threat of homelessness, vulnerable or socially isolated, to have a voice through arts & crafts, poetry, music, singing and always have cake!



New Parks Play Association - open access play facility with on-site playworker supervision. Includes a wide range of fun indoor and outdoor games and activities suitable for children aged from 6-16 years. There is also an astroturf pitch and tuck shop. The grant supported the purchase of outdoor equipment.



Social Performance

Carl Gunn's Community Gym - Mr Gunn runs the gym himself. The gym aims to help kids build their confidence, as well as improving their social skills and fitness levels.

To enable as many kids as possible to attend the gym, Mr Gunn charges just £1 entrance fee and works at the gym 6 days a week. The grant funded much needed boxing equipment for young people at the gym.



St. Matthews Foodbank - supplies to the vulnerable and those in need within the local community.

Raising Health - an NHS Partnership Trust charity that raises funds to support care initiatives, equipment and innovations that go beyond NHS provision to enhance patient experience. The grant went towards establishing a mini gym for people with enduring and severe mental health illnesses.



Northfields & District Play Association - provides recreation and leisure facilities for the children of the Northfields area. Includes children and young people with special educational needs (SEN), physical disabilities or special needs young people. The grant provided support for young people to attend a theatre at Christmas, who would not normally get the opportunity.

The New Leicester Youth Chorus - an exciting initiative to provide young singers with a first class choral education and to create a flagship ensemble to represent Leicester city and county. The group perform three concerts a year and take part in other ventures including the Leicester Festival of Music and Drama, Young Voices and other outside events.



Social Performance

Support Your Credit Union

As part of an attempt to increase awareness of the credit union and emphasise the important role we play in the Leicestershire and Rutland community, we recently invited a number of local dignitaries to show their support for the work credit unions do. We were delighted that a number of local figures agreed to take part.

These included John Ashworth MP, Nicky Morgan MP and Liz Kendal MP, as well as the Rt Hon Martyn Snow (Bishop of Leicester), Sir Peter Soulsby (Mayor of Leicester) and many other key figures in the local communities of Leicestershire and Rutland. They all posed for a photo holding a placard saying *"I'm supporting Clockwise, my local credit union...and yours!"*.

These photos emphasise that Clockwise is for everyone in our great counties and communities and we'd like to take this opportunity to thank them again for their vital support.



Supervisory Committee Report

Role and Composition of the Supervisory Committee.

The Supervisory Committee is the credit union's internal audit committee and is here to provide scrutiny on the work of both the Management and the Board on behalf of Clockwise members. Its purpose is to make sure that Clockwise operates within the law, its own rules and policies, and within the framework laid down by the regulatory authorities. To support this role work may be carried out by staff or outside specialists however responsibility remains with the committee.

The Supervisory Committee currently consists of three members, Paul Constable, Doug Golding, Jeremy Siddall.

The Committee notes that the Financial Conduct Authority states that they expect the following from a “well-run” credit union:

- A structure with clear lines of responsibility, compliant with the senior managers regime.
- Effective processes to identify, manage, monitor and report the risks to the credit union Board.
- Internal controls should include robust administrative and accounting procedures.
- Information systems should be controlled and secure.

These factors should be proportionate to the size of the credit union and the activities it undertakes but will also require:

- having clear policies and procedures in place,
- to be run by people with appropriate skills, where members are protected and treated fairly,
- it to seek to reduce the risk of financial crime,
- it to be compliant with FCA rules and legislation

We, therefore, use these parameters in our audit and review activities, to assess the effectiveness of governance and compliance.

Specific Committee Activities

- One or more Committee members have attended the monthly meeting of the Board. This enables the Supervisory Committee to review items discussed and to comment where it is felt necessary. The Board have a standing agenda item for the committee to report and comment on any issues as they see fit and these are duly recorded in the official minutes.

Supervisory Committee Report

- One or more members of the Supervisory Committee have attended the Executive Committee, HR Committee and the IT Group which form an integral part of the governance structure of Clockwise. 2018 was a particularly significant year with regards to changes in IT systems, banking provision and legislative changes such as GDPR, and Doug Golding has provided the Committee with significant support and guidance in this area.
- Members of the Supervisory Committee have had regular contact with Board and senior management and made verbal and written reports with regards to governance issues, our own work and the work of Howarths, the professional internal auditors.
- The Committee has itself met six times during the year to discuss progress on the issues facing Clockwise and to plan what internal audit work should be done by ourselves and Howarths.
- We have conducted regular checks on cash balances and bank reconciliations.
- During the year we have also attended the Board's Annual Strategy Day.
- Paul Constable has completed the ABCUL Directors Learning Pathway 1 and Jeremy Siddall has also completed the ABCUL Directors Learning Pathway 3.
- Physical checks and monitoring have also been undertaken on staff loans and ongoing monitoring of bad debt levels and collections activities.
- We have reviewed FCA notices and guidelines and reviewed the governance structure of Clockwise against these guidelines.

Internal Audit

As part of the supervisory process the Supervisory Committee with the approval of the Board have had external auditors review areas set out in an agreed 2-year audit programme. In January and July 2018 work consisted of;

Cash and Bank handling
Suspense account control
Lloyds bank account handling and security procedures
Review of complaint handling and reporting
Lending decision procedures
Credit control
Bad and doubtful debt provisioning
Lending fraud investigation and reporting

The Supervisory Committee will be setting out further work in agreement with the Board for 2019.

Supervisory Committee Report

Report on 2017/2018

Clockwise management and staff have experienced significant challenges and workloads during this financial year with increased business levels for loan and deposit growth, implementation of General Data Protection Regulation roll out, internal policy and procedural reviews, as well as major banking, IT and system changes.

The Supervisory Committee has observed that the Board, management and staff have reacted proactively and positively to meet these challenges and successfully delivered effective solutions and mitigated risks where these have been identified.

We have observed the effectiveness and professionalism exhibited at Board and other committee levels and that detailed records have been created in official minutes and documentation.

In March the business suffered from a series of sophisticated loan application frauds along with 30 other credit unions. In only one of these applications was there any evidence that the application could have been identified and stopped. Unfortunately, despite thinking such losses were insured, the business had to write off 13k. The Supervisory Committee had an external review undertaken by Howarths and found no indications of any inherent system failures but recommended some improvements particularly relating to the one specific case where it might have been possible to identify the fraudulent application being approved. Management and the Board reacted constructively and appropriately in seeking to mitigate risks in a timely manner. The Supervisory Committee feels that the action taken and being taken can be considered as appropriate and along with Howarths is reassured that there is no inherent weakness within the system.

From the work and observations undertaken during the year we feel that the Board, management and staff are well placed to meet these objectives and acknowledge that this has been achieved by hard work and dedication over the past few years.

The Supervisory Committee would like to thank the Board, Management team and staff for their help and support during the year.

Paul Constable (Chair)



Clockwise Credit Union

safe savings & affordable loans

Administrative Information

Registered in January 1992
Register Number IP00280C
PRA/FCA Registration 213498

Directors:

Chair: Paul Mattioli
Treasurer: Brian Wilson
Roger Blackmore
Paul Dickinson
Tim Emmony
Mary Hirst
John Lally
George Puszczynski
Keith Rose
Roy Stephenson
Paul Taylor



Other Information:

Business & Registered Address: 1 St. Nicholas Place, Leicester LE1 5LB

Telephone: 0116 2423900

Website: www.clockwise.coop

Auditors: PWH Accountancy Ltd
The Counting House
High Street
Lutterworth
Leicestershire
LE17 4AY