

# **Credit Union Fund Account**

**For the year ended 31 December 2021**

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## **Statement on Internal Financial Control**

### **Responsibility for System of Internal Financial Control**

As Accounting Officer, I am responsible for maintaining a sound system of internal control in respect of the Credit Union Fund. This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General.

The system of control can provide only reasonable, and not absolute, assurance that transactions are authorised and properly recorded and that material errors are either prevented or would be detected in a timely manner. The system of internal control is based on the identification of risks; an evaluation of the likelihood of those risks being realised; the impact should they be realised and the effective management of them. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

The control system in relation to the Credit Union Fund has the following aspects:

- There is clear separation of duties in respect of transactions. Payments from the Fund are only made on foot of instructions from the appropriate business section in the Department of Finance. There is also separation of duties within the accounting system used for recording the transactions. This is enforced by appropriate user permissions in the system. All new general ledger accounts are confirmed with the relevant business section in the Department of Finance.
- Up to date procedure manuals and job instructions are readily accessible to all operational staff.
- An investment strategy for the Fund is in place.
- Accounting entries are generated from approved data entry templates. Payment instructions are computer generated and are derived from underlying transaction records.
- In the event of a failure of IT systems, arrangements have been established with the Central Bank to allow for the transmission of transactions for manual input by the Bank. Disaster Recovery arrangements are in place and a business continuity facility is also available.
- The business section in the Department monitors the account balances throughout the year.
- The Department's Audit Committee can advise me in regard to the discharge of my responsibilities for the internal financial control system for the Credit Union Fund.

### **Internal Audit**

The Department has access to the internal audit service of the Department of Public Expenditure and Reform under a shared service arrangement. The scope of internal audit's work includes departmental funds. I can confirm that the internal audit service has appropriately trained personnel and operates in accordance with a written charter. Its work is informed by analysis of the risks to which the Department is exposed and its annual internal audit plans are based on this analysis and approved by me. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

### **Internal Financial Control Issues**

No weaknesses in internal financial control were identified in relation to 2021 that resulted in, or may result in, a material loss.

### **Review of effectiveness**

I confirm that the Department has procedures to monitor the effectiveness of its risk management and control procedures. The Department's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors and the senior management within the Department responsible for the development and maintenance of the internal financial control framework.

## Covid-19 Pandemic

Business continuity measures were put into effect to deal with the impact of Covid-19 and this facilitated the Department in remaining fully operational during 2021.

IT systems are supported by the Office of the Government Chief Information Officer and as a result the Department was able to operate with the vast majority of staff working from home from late March 2020.



John Hogan  
Secretary General  
Department of Finance  
6 July 2022

## Credit Union Fund 2021

### Account for the year ended 31 December 2021

		Stabilisation 2021 €000	Restructuring 2021 €000	Total 2021 €000	Total 2020 €000
<b>Receipts</b>					
Stabilisation Levy Receipts	Note 3	304	-	304	3,014
		304	-	304	3,014
<b>Less Payments</b>					
Payments to the Credit Union Restructuring Board	Note 4	-	45	45	-
Central Bank Fees paid	Note 6	21	-	21	42
		21	45	66	42
Excess/(Deficit) of Receipts over Payments		283	-45	238	2,972
<b>Balance at 1 January</b>		18,640	486	19,126	16,154
<b>Balance at 31 December</b>		18,923	441	19,364	19,126

Notes 1 to 8 form part of this account.

  
 John Hogan  
 Secretary General  
 Department of Finance  
 6 July 2022

## Notes to the Account

### Note 1. Accounting Policies

The Credit Union Fund was established under section 57 of the Credit Union and Co-Operation with Overseas Regulators Act, 2012 (the Act).

The purpose of the Credit Union Fund is to:

- a) provide a source of financial support for the restructuring of credit unions
- b) provide stabilisation support
- c) meet the expenses of the Credit Union Restructuring board (ReBo) in discharging its functions under the Act
- d) provide for the costs associated with the collection of levies under the Act and
- e) provide for the expenses incurred by the Central Bank in exercising its functions under the Act.

ReBo was established under section 42 (2) of the Act specifically to facilitate and oversee the restructuring of the credit union sector, on a voluntary, incentivised and time-bound basis, as recommended by the Commission on Credit Unions. Section 57 of the Act sets out the purposes of the Credit Union Fund, including to meet the expenses of ReBo in discharging its functions.

#### *Funding*

Section 57 (3) of the Act provides for the Minister for Finance (the Minister) to contribute to the Fund such sums as he or she considers appropriate from the Central Fund. The Minister made a contribution of €250 million in 2012 for the purpose of restructuring credit unions. The Minister is entitled to be reimbursed from the Fund for all such contributions made and such moneys shall be paid into or disposed of for the benefit of the Exchequer.

In addition to the contribution made by the Minister for Finance in 2012, the Fund is also funded by the ReBo levy (see Note 2) and separately by the Credit Union Stabilisation levy (see Note 3).

Moneys recouped from a credit union, in respect of financial support provided out of the Fund to it, shall be paid into that Fund. Under the Act, the Central Bank shall not approve the provision of stabilisation support unless the Credit Union Fund contains funds for the provision of stabilisation support.

The final review of ReBo was undertaken in June 2017 specifically to determine whether or not ReBo had completed the performance of its functions in accordance with Part 3 of the Act. The review concluded that ReBo had completed the performance of its functions in March 2017 and recommended the orderly wind down of ReBo's operations.

The Credit Union Restructuring Board (Dissolution) Act 2020 was enacted on 6 December 2020. This legislation provides for the dissolution of ReBo and for the transfer of certain functions of ReBo to the Minister for Finance. Following completion of ReBo's Financial Statements, the Minister for Finance will formally dissolve ReBo via statutory instrument.

### Note 2. ReBo Levy Receipts

Section 47 of the Act requires ReBo, having consulted with the Minister for Finance and the Credit Union Advisory Committee, to make regulations prescribing a levy for the purpose of financing the performance by ReBo of its functions. The amount of the levy should, taking one year with another, be equal to half the total expenditure incurred by ReBo annually in the performance of its functions. For the years 2014 to 2017, levies were received into the Fund in the year following the levy period. There will be no further Regulations prescribing a levy for the purpose of financing the performance by ReBo of its functions, as ReBo completed the performance of its functions in March 2017.

### **Note 3. Stabilisation Levy Receipts**

The stabilisation levy receipts are levy contributions that credit unions are required to pay in 2021 to the Fund. The stabilisation levy receipts are available to assist credit unions whose reserves have temporarily fallen below the Central Bank's reserve requirements but are otherwise considered viable. Stabilisation levy receipts can be used for stabilisation purposes only and stabilisation support must be fully sector funded, in line with the Commission on Credit Unions recommendation.

Stabilisation levies are collected by the Central Bank into a dedicated commercial bank account prior to being transferred to the Fund. In 2021, negative interest of €230.66 and bank fees of €16.09 were debited from this account. These charges reduced the total value of stabilisation levy receipts transferred to the Fund accordingly. The balance on this account at 31 December 2021 was €400.

The statutory basis for the levy is the Credit Union Fund (Stabilisation) Levy Regulations 2019. The Minister made these regulations under Section 59(3) of the Act.

€2,661 of the receipts relate to prior periods.

### **Note 4. Payment to the Credit Union Restructuring Board**

The Minister may, following receipt of a recommendation from ReBo, provide financial support from the Credit Union Fund to a credit union or group of credit unions for the purposes of restructuring. The provision of financial support by the Minister may be conditional on the Central Bank confirming the amalgamation or transfer under section 131(6) (a) of the Credit Union Act 1997 and be subject to such terms and conditions that the Minister considers appropriate.

In 2021, amounts totalling €45,000 were paid to ReBo to finance ReBo's operational expenses (net of the restructuring levy).

### **Note 5. Payment to the Exchequer**

Section 57 (4) of the Act provides that the Minister for Finance is entitled to be reimbursed from the Credit Union Fund for all contributions under subsection (3). All sums paid out of the Credit Union Fund in repayment of a contribution under this subsection shall be paid into or disposed of for the benefit of the Exchequer. There has been no transfer to the Exchequer since 2018 (€238 million). The balance of €19.364 million in the Fund at end December 2021 is held entirely in Exchequer Notes issued by the NTMA at 0%. No interest was paid to the Central Bank in 2021 and no interest was accrued at 31 December 2021.

### **Note 6. Central Bank Fees**

Under section 60 of the Act, the Minister, the Central Bank and ReBo may enter into an arrangement in relation to the collection of contributions payable by credit unions in the form of levies under this Act. Central Bank fees of €21,000 were paid from the Fund in 2021 (€42,000 in 2020) in respect of work the Central Bank carried out on behalf of the Department of Finance in connection with the calculation and collection of stabilisation levies due by credit unions in 2021.

### **Note 7. Stabilisation Support**

Where requested by the Central Bank, the Minister may provide stabilisation support from the Credit Union Fund on such terms and conditions as the Minister considers appropriate and subject to the Act. Funding for stabilisation is to come from a levy on credit unions. No requests were made by the Central Bank during 2021.

The total amount available for stabilisation support from the Fund at the end of 2021 is €18.923 million.

### **Note 8. Audit Fee**

The audit fee for the 2021 account was €6,700 (2020: €6,100) and it was paid from the Vote of the Office of the Minister for Finance.



# **Ard Reachtaire Cuntas agus Ciste** **Comptroller and Auditor General**

## **Report for presentation to the Houses of the Oireachtas**

### **Credit Union Fund Account**

#### **Opinion on the account**

I have audited the Credit Union Fund Account prepared by the Department of Finance for the year ended 31 December 2021 under Section 58 of the Credit Union and Co-Operation with Overseas Regulators Act 2012. The account comprises an account of receipts and payments and related notes.

In my opinion, the account properly presents the payments into and out of the Credit Union Fund for the year ended 31 December 2021, and the balance in the Fund at 31 December 2021.

#### ***Basis of opinion***

I conducted my audit of the account in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Department of Finance and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Report on statement on internal financial control and on other matters**

The Department of Finance has presented a statement on internal financial control together with the account. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Leonard McKeown**  
**For and on behalf of the**  
**Comptroller and Auditor General**

**13 July 2022**

## Appendix to the report

### Responsibilities of the Department of Finance

The Department's responsibilities in relation to the account are

- the preparation of the annual account in the form prescribed under section 58 of the Credit Union and Co-Operation with Overseas Regulators Act 2012
- ensuring that the account properly presents the balance in the Fund at year end and the payments into and out of the Credit Union Fund for the year
- ensuring the regularity of transactions, and
- implementing such internal control as is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Comptroller and Auditor General

I am required under section 58 of the Credit Union and Co-Operation with Overseas Regulators Act 2012 to audit the account and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the account as a whole is free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the account whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

I communicate with the Department regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the account to be readily and properly audited, or
- the account is not in agreement with the accounting records.

### Statement on Internal Financial Control

My opinion on the account does not cover the statement on internal financial control presented with that account, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the account, I am required under the ISAs to read the statement on internal financial control presented and, in doing so, consider whether the information therein is materially inconsistent with the accounts or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.