

Consultation on Potential Amendments to the Fitness and Probity regime for credit unions

This submission in response to the CP 113 [Consultation on Potential Amendments to the Fitness and Probity regime for Credit Unions] represents the views of ILCU (Internal Audit Services) Ltd. (IAS), a wholly owned company of the ILCU Group. The responses are made in IAS's capacity as a service provider of outsourced internal audit services to the credit union movement.

This submission addresses solely questions related to the proposed PCF role of the **Head of Internal Audit (CUPCF-4)**; with no views expressed with regards to proposed changes to other PCF/CF roles in the credit union.

IAS supports the F&P initiatives set out in CP 113. The proposed introduction of the PCF pre-approval process seeking “.. to ensure that the tasks and deliverables associated with these key roles are carried out to the expected high standard...” is appreciated and valued to assist in the continued embedding of the 3rd line of defence within the movement. It is in the interest of credit unions, their members, internal and external stakeholders that the HIA role is carried out in a way that is beyond regulatory and professional reproach. Further strengthening of the F&P regime is seen as an additional building block to secure the professionalism in the delivery of the internal audit function throughout the movement.

The proposed introduction of an expected base line to secure compliance with legislation/regulation including professional auditing standards (IIA) will enforce best practice standards within the credit union movement. A fit-for-purpose IA function based upon increased visibility and accountability of the HIA role is seen as adding to the quality of assurance and value-for-money experienced by the credit union and its stakeholders.

The intention to “..issue guidance in relation to F&P requirements for outsourced roles in the credit unions..” is viewed as a proactive and positive step towards further professional relationship building between the HIA role and the CBI. The proposed initiative is coherent with the recent IIA revised code on ‘GUIDANCE ON EFFECTIVE INTERNAL AUDIT IN THE FINANCIAL SERVICES SECTOR Second Edition | September 2017’; setting out what constitutes good professional practice with regard to HIA's relationships with the Regulator. Internal audit should have “...an open, constructive and co-operative relationship with regulators which supports sharing of information relevant to carrying out their respective responsibilities. “

Specific answers to the questions on the proposed F&P regime are set out below where relevant.

//10 November 2017 – ILCU (Internal Audit Services) Limited.

IAS answers - relating to the **Head of Internal Audit (CUPCF-4) role only**

CBI – 9 questions:	IAS answers:
<p>Tailored Fitness and Probity Regime:</p> <p>1. Do you agree that a tailored Fitness and Probity regime for credit unions remains appropriate at this time?</p>	<p>Yes.</p> <p>The existing tailored Fitness and Probity regime for credit unions is appropriate and fit for purpose at this point in time.</p> <p>The relatively recent introduction of Fitness and Probity for certain roles in 2013 (for larger credit unions) and 2014 (for smaller credit unions) - in the context of a general increase of governance requirements - will need additional time and practical experiences to adequately bed down before further increases are introduced.</p>
<p>2. Do you feel that the Fitness and Probity regime for credit unions should be aligned to the Fitness and Probity regime applying to all other RFSPs at a later stage? If so, please indicate what timeline you feel is appropriate for this to occur.</p>	<p>In due course closer alignment to the Fitness and Probity regime applicable to all other RFSP's should be considered. An evaluation of lessons learned from the ongoing embedding of the current and proposed changes to the Fitness and Probity regime could form part of such a consideration.</p> <p>It is in interest of the credit union, its' members, internal and external stakeholders that the quality and value of internal audit services are on par with professional, legal and regulatory standards and the Regulator's expectations for the credit union movement and with wider RFSP sector.</p>
<p>Controlled Functions:</p> <p>3. Are there any additional roles within credit unions which you consider should be prescribed CFs under the Fitness and Probity regime for credit unions? If so, please specify them along with a supporting rationale.</p>	<p>No views are expressed in relation to other CF roles in the credit union.</p>
<p>Pre-approval Controlled Functions:</p> <p>4. Do you have any comment on these proposed PCF roles?</p>	<p>The proposed strengthening of the HIA role by way of introduction of a PCF regime is positive.</p> <p>The continued strengthening of the HIA role and relationships with the Regulator are coherent with the recent IIA revised code on 'GUIDANCE ON EFFECTIVE INTERNAL AUDIT IN THE FINANCIAL SERVICES SECTOR Second Edition September 2017. The code sets out what constitutes good professional practice with regards to HIA's relationships with the Regulator. Internal audit should have "... <i>an open, constructive and co-operative relationship with regulators which supports sharing of information relevant to carrying out their respective responsibilities.</i> "</p>

CBI – 9 questions:	IAS answers:
5. Have you any comment on the application of these proposed PCF roles on a tiered basis to credit unions with total assets of at least €100 million only at this time?	Where a credit union (below €100 million) may wish to adapt the proposed changes to the Fitness and Probity for the HIA role, e.g. this could be done on a best practice basis with the CBI open to considering applications for PCF approvals if so presented.
6. Do you have any comment on the proposed commencement date for these roles being designated PCF roles?	The proposed start date is supported.
7. Are there any other roles which you feel would benefit from being designated PCF roles at this time?	No views are expressed in relation to other CF roles in the credit union.
Transitional Arrangements: 8. Do you have any comment on the proposed transitional arrangements for the designation of the proposed PCF roles?	The proposed transitional arrangements are supported.
Practical Considerations re Outsourcing: 9. Do you have any comment on the requirements and obligations on the credit union where PCF roles are outsourced?	<p>CBI’s intention to “..issue guidance in relation to F&P requirements for outsourced roles in the credit unions..” is viewed as a proactive and positive step towards further relationship building of the credit union’s HIA role engagement with CBI.</p> <p>The proposed initiative is coherent with the recently revised IIA code on ‘GUIDANCE ON EFFECTIVE INTERNAL AUDIT IN THE FINANCIAL SERVICES SECTOR Second Edition September 2017; setting out what constitutes good professional practice with regards to HIA’s relationship with the Regulator.</p> <p>Internal audit should have “...an open, constructive and co-operative relationship with regulators which supports sharing of information relevant to carrying out their respective responsibilities. “</p>