

July 2016



PROGRESS AUDIT: CREDIT UNION
SUPERVISION IN BRITISH COLUMBIA

www.bcauditor.com



OFFICE OF THE
Auditor General
of British Columbia

CONTENTS

<i>Auditor General's comments</i>	3
<i>Summary of recommendations from 2014 report</i>	5
<i>Background</i>	7
<i>Objectives and scope</i>	9
<i>Conclusion</i>	9
<i>Key observations</i>	9
<i>Appendix A: Action Plan prepared for the Select Standing Committee on Public Accounts by the Financial Institutions Commission</i>	15

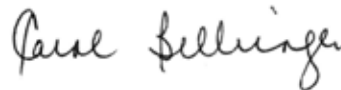
623 Fort Street
Victoria, British Columbia
Canada V8W 1G1
P: 250.419.6100
F: 250.387.1230
www.bcauditor.com

The Honourable Linda Reid
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Madame Speaker:

As mandated under Section 11 of the *Auditor General Act*, I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the results of my progress audit on changes made since our 2014 report, *Credit Union Supervision in British Columbia*.

We conducted this work in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook - Assurance.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
July 2016

AUDITOR GENERAL'S COMMENTS

Credit unions, like chartered banks, offer a full range of financial services. They play an important role – particularly in remote communities where banks may be reluctant to establish branches. Unlike banks, credit unions are owned by their members. According to the Financial Institutions Commission (FICOM), as of March 31, 2016, B.C. has 42 credit unions with over 1.9 million members, who have more than \$58 billion in insured deposits.

In 2013, we audited the supervisory framework for credit unions. FICOM is the government branch responsible, and we found it has an appropriate supervisory framework for monitoring B.C. credit unions. We made 11 recommendations to improve FICOM's processes, including increasing the number of staff. At the time, according to FICOM's organizational chart, it had a staff shortage (sometimes called a vacancy rate) of 35% of what it needed to fully meet its mandate.

FICOM has made progress on most of our recommendations. But there has been no improvement in the staffing situation. The current vacancy rate is effectively 37%, taking into account the use of short term contractors, plus the FICOM Superintendent is leaving for a position with the federal regulator.

FICOM is supposed to monitor credit unions for risks of failure. Given the staffing shortage, FICOM had to further reduce the number of credit union reviews it will do each year. It will not meet its intended target of reviewing all of B.C.'s credit unions every two to three years.

There is a continuing risk to B.C.'s credit unions and its members if FICOM can't do its job. It's like having a smoke detector in your home, but not buying the batteries. No batteries, no early warning system. Problems in even a few small credit unions can spread feelings of depositor uncertainty and a loss of confidence in the system.



CAROL BELLRINGER, FCPA, FCA
Auditor General

AUDITOR GENERAL'S COMMENTS

The issue is that with the B.C. government's ministry pay scale that FICOM must use, it can't compete with salaries of other regulators. As such, FICOM can't hire, and has difficulty keeping the right people at the right level – there's a specific skill set required, and those skills are in high demand.

FICOM is funded entirely by credit unions and the other entities it regulates. It already receives enough money to pay competitive wages without new funding from government. It just needs a green light from government to offer market appropriate salaries.

Regarding progress on our other recommendations, we agree with FICOM's assessment. We determined that FICOM completed four of our original recommendations, which is one more than it gave itself credit for. Four others are in progress, and three have had no action, of which two can't be done until an operational plan is complete.

I would like to thank FICOM and its oversight panel, the Commission, and the Ministry of Finance for their cooperation and participation in this progress audit. I'd also like to thank them for the work they've done to date in addressing our recommendations, especially since the Superintendent was also the Chair of the Independent Advisory Group on real estate regulation during this progress audit.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
July 2016

SUMMARY OF RECOMMENDATIONS

FROM 2014 REPORT

To improve the effectiveness of the credit union monitoring program:

WE RECOMMEND THAT THE MINISTRY OF FINANCE:

- 1** ensure that in its review of the *Financial Institutions Act* and the *Credit Union Incorporation Act*, it also review the standards set out in the *Core Principles for Effective Banking Supervision* and the *Core Principles for Effective Deposit Insurance Systems*.
- 2** work with FICOM to find ways to enable it to hire and retain the staff it requires to fulfill its mandate.

WE RECOMMEND THAT FICOM:

- 3** improve key supervisory areas of its Financial Institutions Division by recruiting staff with the required expertise and competencies.
- 4** implement policies and processes to ensure consistent documentation by staff when determining composite risk ratings.
- 5** document the work processes to be used in supervising smaller credit unions.

To maintain an adequate insurance fund:

WE RECOMMEND THAT THE COMMISSION:

- 6** establish policies and guidance for determining an appropriate target size for the deposit insurance fund.
- 7** implement the guidance on target fund size being prepared by the International Association of Deposit Insurers, once it is available.
- 8** annually review and, if needed, adjust the deposit insurance target fund size to ensure it remains sufficient for its purpose.

SUMMARY OF RECOMMENDATIONS FROM 2014 REPORT

To establish an appropriate operational plan for insurance fund payments:

WE RECOMMEND THAT THE COMMISSION:

- 9** ensure the joint FICOM and Ministry of Finance group finishes the operational plan for payments to insured depositors by an agreed-to date, and ensure that the plan includes:
 - ◆ operating protocols;
 - ◆ a target timeframe for reimbursing depositors; and
 - ◆ formal funding mechanisms, including back-up funding options.
- 10** establish a policy for reviewing the operational plan for payments to insured depositors on a regular basis once it has been prepared, and for updating the plan as needed.
- 11** inform the public of the reimbursement process, explaining how, when and where depositors may file claims and receive reimbursements in the event of a credit union failure.

PROGRESS AUDIT

CREDIT UNION SUPERVISION IN BRITISH COLUMBIA

Report Released: [March 2014](#)

Action Plan: October 2015 [[see Appendix A](#)]

Discussed by the Public Accounts Committee: [September 30, 2014](#)

Exhibit 1: FICOM's, the Ministry of Finance's, and the Commission's progress in implementing our recommendations

Recommendation #	1	2	3	4	5	6	7	8	9 ¹	10 ²	11 ²
Auditee Assessment	●	●	●	●	●	●	●	●	●	●	●
OAG Assessment	●	●	●	●	●	●	●	●	●	●	●

● Fully/substantially implemented ● Partially implemented³ ● No action taken

Background

Credit unions offer a full range of financial services, just as Canada's chartered banks do. Unlike the banks, though, credit unions are owned by their members. These institutions play an important role, particularly in smaller or more remote communities, where banks are reluctant to establish branches.

According to the Financial Institutions Commission (FICOM), B.C. has 42 credit unions, where more than 1.9 million members have over \$58 billion of

insured deposits (as of March 31, 2016). The insurance for those deposits is provided by the Credit Union Deposit Insurance Corporation of British Columbia (CUDIC). If a provincial credit union were to fail, the depositors could make a claim from the insurance corporation for the full amount they had on deposit.

FICOM, an agency of the Ministry of Finance (ministry), is responsible for regulating and supervising B.C.'s credit unions, and for overseeing CUDIC. The Superintendent (also known as the

¹ The Commission originally reported recommendation 9 shown here as "no (minimal) action taken." With the agreement of FICOM, we changed the assessment to "no action taken" to be consistent with the precise wording set out in the instructions issued to organizations for the preparation of actions plans from the Select Standing Committee on Public Accounts.

² Recommendations 10 and 11 cannot be implemented until Recommendation 9 is fully or substantially implemented.

³ FICOM, the Ministry of Finance, and the Commission originally reported all the recommendations shown here as "partially implemented" as "partially implemented with additional action being taken." With the agreement of FICOM, we changed the assessment to "partially implemented" to be consistent with the precise wording set out in the instructions issued to organizations for the preparation of actions plans from the Select Standing Committee on Public Accounts.

PROGRESS AUDIT

Chief Executive Officer), appointed by the Lieutenant Governor in Council, and the Commission – a panel charged with overall regulatory oversight – make regulatory enforcement decisions.

The strength of the credit union deposit insurance system depends on how well it is supervised. The goal of supervision is to promote the stability and soundness of credit unions and, through the use of early intervention and problem resolution efforts, reduce the probability of any failures. FICOM's mandate is not to prevent all failures, but to reduce the likelihood of failures and, if one should fail, to minimize the negative impact on the financial sector.

We did our original audit to determine whether the method and extent of the supervision of the province's credit unions are appropriate.

Specifically, we looked at whether:

- ◆ FICOM has an effective credit union monitoring program
- ◆ the deposit insurance fund is adequate to cover a significant credit union failure
- ◆ a full plan is in place to ensure that payments from the insurance fund could be made to depositors promptly, should a credit union fail

Responsibility for credit union supervision

The Financial Institutions Division within FICOM is responsible for carrying out the supervisory program for credit unions. FICOM also regulates:

- ◆ other financial institutions carrying on business in B.C. (e.g., trust companies and insurance companies)
- ◆ real estate
- ◆ mortgage brokers
- ◆ strata property
- ◆ pension plans

The Commission, a panel appointed by government through a merit process, is formed of appointed members with expertise in the areas of business, finance, regulation and administrative law.

Members of the Commission are all independent of government, with the exception of the Deputy Minister of Finance, who is an ex-officio member. The Commission is only involved in the regulation of credit unions and other financial institutions, and is not involved in the other areas (e.g., real estate and mortgage brokers) that FICOM is responsible for. As well, the Commission has no operational control over FICOM, for example its staffing.

PROGRESS AUDIT

Objectives and scope

We examined FICOM's, the Ministry of Finance's, and the Commission's October 2015 self-assessed Action Plan Update for the recommendations we made in our 2014 audit report, *Credit Union Supervision in British Columbia*. We include the October 2015 self-assessed Action Plan Update in its entirety in [Appendix A](#).

We examined the actions reported by FICOM and the ministry to determine whether they were a fair and accurate representation of their progress in implementing our recommendations.

During the progress audit, we interviewed executives with FICOM and the ministry, and reviewed documents as necessary. We began our work in November 2015 and finished on March 15, 2016.

We conducted this audit in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Handbook – Assurance, and under the authority of Section 11 of the *Auditor General Act*.

We verified the actions taken to address our recommendations, but we stopped short of assessing their effectiveness, as the outcomes may not be fully evident for some years.

Conclusion

We determined that the actions reported by FICOM, the ministry, and the Commission were a fair and accurate representation of the progress made in implementing our recommendations.

However, despite their progress, we note that FICOM has not been successful in hiring and retaining staff. The vacancy rate in October 2015 had not improved since our original audit in the summer of 2013. Consequently, FICOM has had to scale back the number and frequency of its onsite reviews, which is a key element in the risk-based supervision of credit unions. In turn, this increases the risk that a worsening situation at a credit union may not be detected in time for FICOM to step in and attempt to reduce the risk of failure.

Key observations

RECOMMENDATION 1:

We recommended that the Ministry of Finance ensure that in its review of the Financial Institutions Act and the Credit Union Incorporation Act, it also review the standards set out in the Core Principles for Effective Banking Supervision and the Core Principles for Effective Deposit Insurance Systems.

Auditee Assessment:

- Fully/substantially implemented

OAG Assessment:

- Fully/substantially implemented

Observations

We agree that this recommendation has been fully/substantially implemented. The review of the legislation is underway, and the core principles referred to in the recommendation have been included in the public consultation paper.

PROGRESS AUDIT

FICOM has been moving towards adopting the international core principles. In our original audit, we reported that FICOM could not completely adopt the core principles without changes to its legislation. One example we gave was that the standards require the responsibilities, objectives and powers of the monitoring authority and the operational independence and accountability of the supervisor (FICOM in this province) to be prescribed in legislation. However, the legislation that guides FICOM's regulation of credit unions still reflects a primarily compliance-based approach, as opposed to the principle and risk-based monitoring approach.

We found during our progress audit that although the ministry has considered the core principles in the review of legislation, its initial consultation paper did not address the principle which envisions putting FICOM's operational independence into legislation.

RECOMMENDATION 2:

We recommended that the Ministry of Finance work with FICOM to find ways to enable it to hire and retain the staff it requires to fulfill its mandate.

Auditee Assessment:

- Partially implemented

OAG Assessment:

- Partially implemented

Observations

We agree that this recommendation is partially implemented. FICOM continues to work on the implementation. FICOM has been working with the B.C. Public Service Agency (PSA), and has hired an outside consultant to work through this recommendation.

At the same time, despite this work, FICOM has had little success in hiring and retaining staff. There has been no improvement in the staffing situation, based on the October 2015 organization chart, since our original audit in the summer of 2013. Many of the current staff are new, with less than 18 months experience.

In addition, the Superintendent has also decided to leave FICOM and take up a position with the federal regulator of financial institutions. Consequently, FICOM has had to scale back the number and frequency of its onsite reviews. As we said in our original report, "This situation concerns us. An up-to-date onsite review is an important part of determining a reliable composite risk rating. A worsening situation at a credit union may not be detected in time to reduce the risk of failure."

COMPOSITE RISK RATING

The composite risk rating is a risk profile that is central to the risk-based approach to monitoring credit unions. It determines the degree of monitoring that FICOM does.

PROGRESS AUDIT

The way forward for FICOM is not clear at this time. The organization is working with the PSA and, at the PSA's suggestion, engaged an external consultant. As the ministry reported in its action plan, many of those recommendations have been implemented. However, the staffing situation is not improving. It is not clear to us whether what is being done will help alleviate the staffing shortage. The external consultant reported that FICOM's compensation levels were 10%-60% lower than comparators. The wage disparity increases proportionately with higher position levels. The consultant concluded the primary barrier to recruiting qualified talent was compensation.

RECOMMENDATION 3:

We recommended that FICOM improve key supervisory areas of its Financial Institutions Division by recruiting staff with the required expertise and competencies.

Auditee Assessment:

- Partially implemented

OAG Assessment:

- Partially implemented

Observations

We agree that this recommendation is partially implemented. FICOM is continuing to work on implementing it. FICOM is trying to hire staff in a very competitive hiring environment, and has tried a number of strategies to recruit supervisory staff. FICOM continues to work on this issue, with limited success (see observations relating to recommendation 2).

RECOMMENDATION 4:

We recommended that FICOM implement policies and processes to ensure consistent documentation by staff when determining composite risk ratings.

Auditee Assessment:

- Partially implemented

OAG Assessment:

- Fully/substantially implemented

Observations

FICOM has implemented a new quality assurance review process that should ensure consistent documentation by staff.

We have assessed this recommendation as substantially implemented because the quality assurance process is designed to catch any issues that arise.

RECOMMENDATION 5:

We recommended that FICOM document the work processes to be used in supervising smaller credit unions.

Auditee Assessment:

- Partially implemented

OAG Assessment:

- Partially implemented

Observations

We agree that this recommendation is partially implemented. However, the lack of staff means that the work done relating to the smaller credit unions

PROGRESS AUDIT

has a low priority for the time being. As noted in our observation on recommendation 2, the lack of staff at FICOM has meant a reduction in the number and frequency of onsite reviews. FICOM is using its limited resources more for supervising the larger credit unions.

In order to fully complete this recommendation, FICOM will need to hire additional staff so that it can return to a full program of onsite reviews, and at that time, it will be able to complete the documentation requirements for the smaller credit unions.

RECOMMENDATION 6:

We recommended that the Commission establish policies and guidance for determining an appropriate target size for the deposit insurance fund.

Auditee Assessment:

- Fully/substantially implemented

OAG Assessment:

- Fully/substantially implemented

Observations

We agree that this recommendation has been fully/substantially implemented. Policies and guidance were approved by the Commission shortly after our original audit.

RECOMMENDATION 7:

We recommended that the Commission implement the guidance on target fund size being prepared by the International Association of Deposit Insurers, once it is available.

Auditee Assessment:

- Fully/substantially implemented

OAG Assessment:

- Fully/substantially implemented

Observations

We agree that this recommendation has been fully/substantially implemented. The International Association of Deposit Insurers released its guidance in November 2014. The Commission has not completely implemented all of the 16 principles, but substantially all of them have been adopted, (12 fully or substantially, 2 partially, 1 not implemented, 1 not applicable).

PROGRESS AUDIT

RECOMMENDATION 8:

We recommended that the Commission annually review and, if needed, adjust the deposit insurance target fund size to ensure it remains sufficient for its purpose.

Auditee Assessment:

- Partially implemented

OAG Assessment:

- Partially implemented

Observations

We agree that this recommendation is partially implemented. We found there is a policy in place for annual reviews. However, the first annual review was postponed as a new operational plan was being developed for supervision, and this plan could have an impact on the deposit insurance fund target size. The fund target size was reviewed in March 2016, after the new operational plan had been finalized.

Although the annual review of the insurance target fund size was not completed at the time FICOM prepared their assessment, as it has now been completed, FICOM will be able to assess this recommendation as fully/substantially complete in the future.

RECOMMENDATION 9:

We recommended that the Commission ensure the joint FICOM and Ministry of Finance group finishes the operational plan for payments to insured depositors by an agreed-to date, and ensure that the plan includes:

- ◆ operating protocols;
- ◆ a target timeframe for reimbursing depositors; and
- ◆ a formal funding mechanisms, including back-up funding options.

Auditee Assessment:

- No action taken

OAG Assessment:

- No action taken

Observations

Minimal action has been done on this recommendation, and we agree that the appropriate assessment of progress is “No Action Taken.” Some necessary initial work has been done (concerning standardizing data requirements) but the lack of staff at FICOM has meant that work on the plan was put on hold during the period between our original audit and this Action Plan Update. FICOM has recently hired a new executive director to head up this initiative. It is anticipated that work on standard data requirements will be done with the credit unions in the fall of 2016.

PROGRESS AUDIT

FICOM has told us that it could take up to five years to finalize an operational plan for payments to depositors, due to a number of interrelated factors:

- ◆ limited resources available at FICOM to manage a project of this size and scope
- ◆ the significant effort and logistical complexity of coordinating the participation and work of many stakeholders, including the Ministry of Finance, the credit union community, Central 1 and Stabilization Central Credit Union
- ◆ legislative changes and the development of new or amended policy
- ◆ implementation of operational and system changes
- ◆ protocol development and testing
- ◆ communications activities

RECOMMENDATION 10:

We recommended that the Commission establish a policy for reviewing the operational plan for payments to insured depositors on a regular basis once it has been prepared, and for updating the plan as needed.

Auditee Assessment:

- No action taken

OAG Assessment:

- No action taken

Observations

No progress has been made because first, the operational plan must be completed – [see recommendation 9.](#)

RECOMMENDATION 11:

We recommended that the Commission inform the public of the reimbursement process, explaining how, when and where depositors may file claims and receive reimbursements in the event of a credit union failure.

Auditee Assessment:

- No action taken

OAG Assessment:

- No action taken

Observations

No progress has been made because first, the operational plan must be completed – [see recommendation 9.](#)

APPENDIX A: ACTION PLAN

Prepared for the Select Standing Committee on Public Accounts (PAC) by the Financial Institutions Commission

Credit Union Supervision in British Columbia released: [March 2014](#)

Initial PAC Meeting: [September 30, 2014](#)

Action Plan Update: October 9, 2015

Recommendations to the Ministry of Finance:	
Recommendation #	1
OAG Recommendations ¹	Ensure that in its review of the <i>Financial Institutions Act</i> and the <i>Credit Union Incorporation Act</i> , it also review the standards set out in the <i>Core Principles for Effective Banking Supervision</i> and the <i>Core Principles for Effective Deposit Insurance Systems</i> .
Action Planned	N/A
Target Date	N/A
Assessment of Progress by Entity ²	● Fully/substantially implemented
Action Taken	The Ministry of Finance launched its formal review of the <i>Financial Institutions Act</i> and the <i>Credit Union Incorporation Act</i> in November of 2014 with a series of initial stakeholder consultation meetings. These meetings were followed with the release of a public consultation paper on June 2. The paper highlights at the outset that one of the objectives of the legislative and regulatory framework is to “reflect international standards, while respecting the particular needs and circumstances of BC’s financial sector and taking into account the nature, structure, size, scope and complexity of institutions.” The paper poses a number of questions (generally and more specifically in relation to deposit insurance, capital requirements and liquidity requirements) about the application of national and international standards. The Ministry will be consulting stakeholders on this and other key policy questions throughout the review.

DETAILED ACTION PLAN - PREPARED FOR THE SELECT STANDING COMMITTEE OF PUBLIC ACCOUNTS

Recommendations to the Ministry of Finance *continued:*

Recommendation #	2
OAG Recommendations ¹	Work with FICOM to find ways to enable it to hire and retain the staff it requires to fulfill its mandate.
Action Planned	The Ministry of Finance, FICOM and the PSA are currently undergoing a detailed status review. Early indications are that progress has been made on a number of fronts; however, recruitment and retention remain a challenge in some key areas. Additional options are currently under review and the Ministry will continue to work with FICOM and the PSA to identify options within the approved human resource policies of government.
Target Date	October 31, 2015
Assessment of Progress by Entity ²	● Partially implemented
Action Taken	<p>Ministry of Finance referred FICOM to the Public Service Agency (PSA) for support in developing a comprehensive strategy to address its staffing shortages. The PSA recommended FICOM retain an external consultant to conduct an in-depth review and make recommendations. The consultant's report was completed in May of 2014 and included 32 recommendations covering changes to training, hiring practices, performance management, organizational structure, and compensation. The PSA and FICOM then worked together on an implementation plan for the recommendations, supported by dedicated resources from the PSA in specialized areas such as hiring strategies.</p> <p>As of September 1, 2015, FICOM and the PSA reported the following progress:</p> <ul style="list-style-type: none"> ◆ 19 of the recommendations have been fully or substantially implemented; ◆ 9 of the recommendations are in progress or on-going; ◆ 4 of the recommendations were deferred.

DETAILED ACTION PLAN - PREPARED FOR THE SELECT STANDING COMMITTEE OF PUBLIC ACCOUNTS

Recommendations to FICOM (the Operating Body):	
Recommendation #	3
OAG Recommendations ¹	Improve key supervisory areas of its Financial Institutions Division by recruiting staff with the required expertise and competencies.
Action Planned	See recommendation #2 above. FICOM is actively working with the PSA and the Ministry on identifying additional options, within government's human resource policies, to improve recruitment in key areas.
Target Date	TBD
Assessment of Progress by Entity ²	● Partially implemented
Action Taken	See recommendation #2 above. FICOM worked closely with the PSA over the past year and has implemented most recommendations. Many of these recommendations have brought operational improvements and value to FICOM. However, the hiring environment that FICOM is competing in remains very competitive and recruitment challenges persist in some key areas.
Recommendation #	4
OAG Recommendations ¹	Implement policies and processes to ensure consistent documentation by staff when determining composite risk ratings.
Action Planned	Next steps are to improve processes and Quality Assurance (QA) for contracted examination work to ensure standards are consistent with those applied on reviews conducted by FICOM staff for the analysis and documentation supporting CRR recommendations. FICOM has been working with an out-sourced model for supervisory examinations for a full year now and has identified a range of improvements necessary to ensure consistency and quality. Those improvements are being worked on now.
Target Date	N/A
Assessment of Progress by Entity ²	● Partially implemented
Action Taken	FICOM has strengthened the Quality Assurance (QA) process used to set and adjust Composite Risk Ratings (CRR) for all regulated entities, including credit unions. Documentation supporting a CRR is reviewed at minimum of three stages including by the Director in charge of the examination process, a subsequent Peer/Panel Review process and then by the Executive Director of Supervision. A fourth review and sign-off is required by the Superintendent where a CRR is being adjusted upward or downward.

DETAILED ACTION PLAN - PREPARED FOR THE SELECT STANDING COMMITTEE OF PUBLIC ACCOUNTS

Recommendations to FICOM (the Operating Body) <i>continued</i> :	
Recommendation #	5
OAG Recommendations ¹	Document the work processes to be used in supervising smaller credit unions.
Action Planned	FICOM is currently evaluating its overall approach to supervising small institutions to ensure supervisory resources that are currently constrained are applied to core areas of FICOM's mandate using a risk-based approach.
Target Date	November 2016
Assessment of Progress by Entity ²	● Partially implemented
Action Taken	FICOM's work on documenting and scaling supervisory activities and ensuring standards and guidelines are applied proportionally to the range of institutions it supervises is continuous.
Recommendations to the Commission (the Governing body):	
Recommendation #	6
OAG Recommendations ¹	Establish policies and guidance for determining an appropriate target size for the deposit insurance fund.
Action Planned	N/A
Target Date	N/A
Assessment of Progress by Entity ²	● Fully/substantially implemented
Action Taken	The Commission approved a revised target fund size and accompanying funding policies at its October 2014 meeting. The revised policies are posted on FICOM's website.

DETAILED ACTION PLAN - PREPARED FOR THE SELECT STANDING COMMITTEE OF PUBLIC ACCOUNTS

Recommendations to the Commission (the Governing body) <i>continued:</i>	
Recommendation #	7
OAG Recommendations ¹	Implement the guidance on target fund size being prepared by the International Association of Deposit Insurers, once it is available.
Action Planned	N/A
Target Date	N/A
Assessment of Progress by Entity ²	● Fully/substantially implemented
Action Taken	The IADI principles were fully Incorporated into the policies approved by the Commission at its October 2014 meeting.
Recommendation #	8
OAG Recommendations ¹	Annually review and, if needed, adjust the deposit insurance target fund size to ensure it remains sufficient for its purpose.
Action Planned	The first annual review will take place in November 2015. Under the policies approved by the Commission in 2014, and consistent with IADI standards, the review will consider any changes to the operating environment for insured credit unions and FICOM's capacity to undertake supervisory activities in a timely way and in a manner consistent with best practices.
Target Date	November 2015
Assessment of Progress by Entity ²	● Partially implemented
Action Taken	Policies approved by the Commission at its October 2014 meeting include the requirement for an annual review.

DETAILED ACTION PLAN - PREPARED FOR THE SELECT STANDING COMMITTEE OF PUBLIC ACCOUNTS

Recommendations to the Commission (the Governing body) <i>continued:</i>	
Recommendation #	9
OAG Recommendations ¹	<p>Ensure that the joint FICOM and Ministry of Finance group finishes the operational plan for payments to insured depositors by an agreed-to date, and ensure that the plan includes:</p> <ul style="list-style-type: none"> ◆ operating protocols; ◆ a target timeframe for reimbursing depositors; ◆ formal funding mechanisms including back-up funding options.
Action Planned	The vacant position of Executive Director and CFO, Deposit Insurance was recently filled (July 2015). FICOM intends to re-convene the joint working group in early 2016.
Target Date	2017
Assessment of Progress by Entity ²	● No action taken.
Action Taken	Progress has been slow/ delayed due to resource constraints; however, some technical work was initiated with credit unions on data requirements that will be necessary to develop and execute a pay-out plan.
Recommendation #	10
OAG Recommendations ¹	Establish a policy for reviewing the operational plan for payments to insured depositors on a regular basis once it has been prepared, and for updating the plan as needed.
Action Planned	Pending completion of Recommendation 9.
Target Date	2017
Assessment of Progress by Entity ²	● No action taken
Action Taken	

DETAILED ACTION PLAN - PREPARED FOR THE SELECT STANDING COMMITTEE OF PUBLIC ACCOUNTS

Recommendations to the Commission (the Governing body) *continued*:

Recommendation #	11
OAG Recommendations ¹	Inform the public of the reimbursement process, explaining how, when and where depositors may file claims and receive reimbursements in the event of a credit union failure
Action Planned	Pending completion of Recommendation 9.
Target Date	2017/18
Assessment of Progress by Entity ²	● No action taken
Action Taken	

Prepared by: Financial Institutions Commission & Ministry of Finance

¹ This should include all the recommendations listed in the Office of the Auditor General (OAG) report unless previously assessed as fully or substantially implemented. (i.e. only outstanding recommendations need to be reported).

² The Select Standing Committee on Public Accounts (PAC) will request an update (i.e Assessment of Progress and Actions Taken column completed) on a yearly basis from the audited organization until all recommendations are fully implemented or otherwise addressed to the satisfaction of the PAC. After the first action plan update only outstanding recommendations (i.e. those not fully or substantially implemented) need to be reported.

AUDIT TEAM

Bill Gilhooly
Assistant Auditor General

Lisa Moore
Executive Director

Geoff Stagg
Manager



Location

623 Fort Street
Victoria, British Columbia
Canada V8W 1G1

Office Hours

Monday to Friday
8:30 am – 4:30 pm

Telephone: 250-419-6100

Toll free through Enquiry BC at: 1-800-663-7867

In Vancouver dial: 604-660-2421

Fax: 250-387-1230

Email: bcauditor@bcauditor.com

Website: www.bcauditor.com

This report and others are available at our website, which also contains further information about the Office.

Reproducing:

Information presented here is the intellectual property of the Auditor General of British Columbia and is copyright protected in right of the Crown. We invite readers to reproduce any material, asking only that they credit our Office with authorship when any information, results or recommendations are used.





OFFICE OF THE
Auditor General
of British Columbia