

Management Information (MI) project report

Key Findings Report

In September 2007 we sent every credit union a guide to MI and a self-assessment tool. We encouraged credit unions to review the MI they produced and consider whether it was being used effectively to inform decisions. We also said we would be visiting some credit unions to look at how they used MI.

Having given credit unions enough time to review and (where necessary) improve their practices, we have now visited 25 credit unions across Great Britain, varying in size and common bond type, to see how they are using MI.

This report sets out our findings and how they affect your credit union.

Overall findings

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There were different approaches to gathering and using MI in the credit unions we visited. Many gather useful MI. But, a significant number of Boards (Committees of Management) do not manage their credit union strategically. They focus solely on day-to-day operational management and don't make appropriate use of MI.

Communications

Only 68% of the credit unions visited said they had received the MI guide and self-assessment tool we sent. As these were sent directly to all credit unions and posted on our website, we found this surprising and concerning. **It is vital that we can communicate with you, so please inform us of any change of contact details and make sure that those who handle post know that anything from the FSA matters and should be passed to the Board.**

Sharing information

Of those who received our documents, only two-thirds had used them to help to assess the MI they produced. At a number of credit unions the documents had been seen by at least one Board member but had not been shared more widely. This is very disappointing as we have been clear about the need for all Board members to be involved in decision-making. **All Board members should see our information.**

Capturing all relevant information

All the credit unions visited understood the importance of producing and using MI about the financial position of the credit union. However, only two-thirds produced MI relating to systems and controls. Not all of the credit unions carried out financial promotions but, of those that did, only 60% produced MI that told them about the effectiveness of their marketing. Fewer than half of the credit unions visited produced MI relating to complaints that was relevant, timely and acted upon. **You need to capture and use MI from across the business.**

Overall only a third of credit unions could demonstrate that they gathered MI about all key aspects of their activities and only half of these produced information that was judged to be relevant, timely and acted upon.

Specific findings

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Financial information

Credit unions are generally producing some financial MI, but for most this could be improved.

Monitoring key issues

Key point: We recommend all Boards regularly review their performance against the requirements set out in the FSA handbook, which include solvency, liquidity ratio and capital to assets ratio. Some credit unions did this for each Board meeting and we would like to see others doing the same. Trend analysis would also be useful in highlighting problems as they develop and before requirements are breached.

Presentation of information

Key point: It is vital that all Board members can understand the financial information provided. Some credit unions relied on reports and print outs produced directly from computer systems, which were often difficult for all directors to understand. Examples of practices we saw that might help achieve good all round understanding include: written summaries accompanying financial data and highlighted key issues; use of a 'key facts' table; using customised reporting formats which clearly highlight key issues; and the use of graphs.

Business plans

Key point: All credit unions should have a rolling three-year business plan, which covers the current financial year and the next two years. It should set out the Board's plans for the strategic direction of the credit union. We would expect to see performance against the business plan, or at least the budget for the year, included in the financial MI presented to Boards. We saw some good examples of this, including current financial information being shown against the previous month's figures, the previous year and the plan for that month and year.

Key person risk

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Key point: Credit unions need more than one person trained and able to produce MI. Where a key person risk has been identified, it must also be acted on.

Where only one person is responsible for the production of MI, there is a risk. In one case a key person had been absent for a significant period, leaving the Board with no financial information about the credit union for months.

Ad hoc MI

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Key point: Boards should continue to request ad hoc MI to inform particular decisions. We saw some good examples where this occurred, such as considering a transfer of engagements, a review of the impact of changing the interest rate on loans and an assessment of the viability of collection points.

Supervisory Committees

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Key point: Supervisory committees need MI to carry out their role and should also produce MI informing the Board of their activities.

A supervisory committee is responsible for ensuring that all the credit union's business is properly carried out following its own policies and procedures.

Only 14 out of the 25 credit unions we visited had active supervisory committees producing MI and reporting back to the Board. These reports tended to cover standard items each month, confirming what had been checked and whether or not any discrepancies had been discovered. Some committees had a broader remit, for example taking the lead in implementing business continuity plans.

Supervisory committees could request and use MI to spot unusual items or trends that may require further investigation, or vary their areas focus to reflect changes in activity, such as marketing drives or the introduction of a new product. We didn't see much evidence of this.

Complaints

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Key point: Credit unions need to ensure they are capturing appropriate MI about complaints.

Complaints must be properly identified - any expression of dissatisfaction, whether in writing or verbal, is a complaint. Capturing this information can alert the Board to issues that may exist within the credit union and provides an opportunity to improve the service provided.

An example of good practice we found related to a credit union that was introducing a system to encourage and capture customer comments via counter staff, in order to obtain a better picture of the day-to-day experience of members using their services.

What you need to do next

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Good MI is vital to the effective running of any credit union. There are some good practices but too many Boards are making – or not making – decisions on very limited information. This may increase the risk of a sudden shock or even financial failure and these risks could be reduced by using MI effectively.

So, if you have not already done so,

- consider the information provided last September;
- carry out a review of the MI you produce and how you use it; and
- take note of the key points in this report.

If you have already carried out a review, make sure you continue to do this regularly. We are likely to be less sympathetic to credit unions who get into difficulty where management information could have helped to mitigate the situation.

The MI guide and self-assessment tool are on the FSA website at:

<http://www.fsa.gov.uk/creditunions>