

Credit Union Governance

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Presented by

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Report into Co-op Bank failure “to blame governance”

“Sir Christopher Kelly's report into how the Co-op Bank came close to collapse is expected to blame the Co-op Group board and the merger with the Britannia Building Society”

The Telegraph 22/04/2014

The **co-operative** bank
good with money

What is Governance?

Direction

Oversight

Controls

Responsibility

Agenda

- FSA CREDs 2.2
- Good Governance
- Co-operatives UK Governance Code
- Skills of a Director
- Parliamentary Procedure
- Role of the Chair - Effective meetings
- Succession Policy
- Compliance Culture checklist

FSA CREDS 2.2 Requires -

- ▶ “robust governance arrangements, which include a **clear organisational structure** with well-defined, transparent and consistent lines of responsibility, **effective processes** to identify, manage, monitor and report the risks it is or might be exposed to”

FSA CREDS 2.2

- ▶ “and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.”

FSA CREDs 2.2

- Business Plan
- Policies & Procedures manual
- System of Control
- Internal Audit
- Segregation of Duties
- Committee of Management

Business Plan

- ▶ Should not be a box-ticking exercise
- ▶ Excellent tool for engaging everyone involved in the credit union
- ▶ Enables the board to make decisions within a framework that is consistent with the long term goals of the credit union



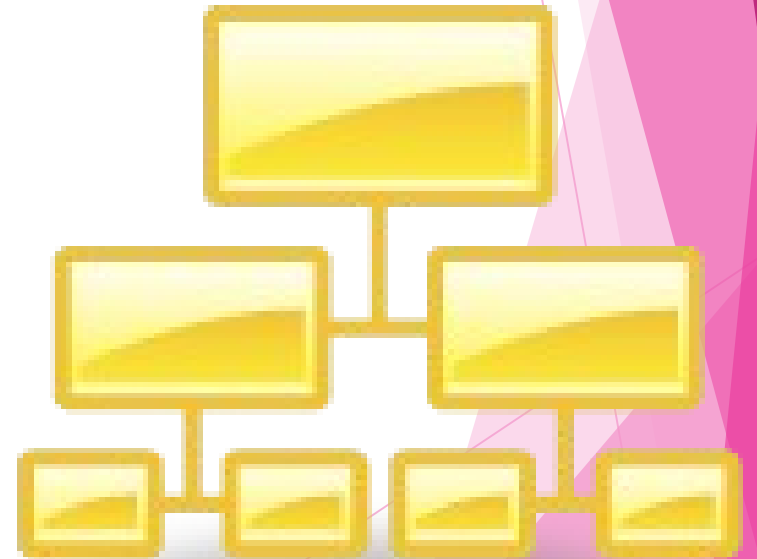
Internal Audit

- ▶ Reporting back on possible risks and system failures
- ▶ Independent
- ▶ Audit Committee
- ▶ Staff member
- ▶ Outsourced



Segregation of Duties

- ▶ Who is responsible for what in the credit union?
- ▶ Job descriptions for every role
- ▶ Clear organisation chart



Committee of Management

- ▶ establishing objectives and formulating a business plan;
- ▶ monitoring the financial position of the credit union
- ▶ determining and documenting policies and procedures;
- ▶ directing and coordinating the work of all employees and volunteers, and ensuring that they are capable and properly trained;

Committee of Management

- ▶ maintaining adequate reserves;
- ▶ making provision for bad and doubtful debts;
- ▶ recommending a dividend on shares to members subject to the CUs financial position;
- ▶ ensuring that the *CU* complies with all statutory and regulatory requirements; and
- ▶ ensuring that the *CU* complies with the requirements of its registered rules.

Good Practice

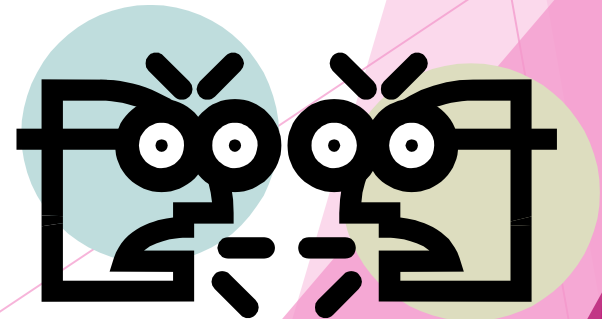
- Co-operativesUK Code of Governance
- 4 Headings
 - Compliance & Continuity
 - Integrity & Accountability
 - Skills & Ability
 - Structure & the Principles of Good Governance
- 30 elements = Required standards
- 45 elements = Gold standards

Board of Directors

- ✓ Establishing adequate procedures and systems to ensure compliance with the law applicable to credit unions
- ✓ Safeguarding the assets of the credit union and taking reasonable steps for the prevention and detection of fraud and other irregularities
- ✓ Preparing financial statements for each financial year which give a true and fair view of the state of affairs of the credit union

Proper Board Function

- ▶ Essential to Governance
- ▶ Wear your “Credit Union Hat” not your own hat!
- ▶ Healthy level of disagreement
- ▶ Collective Responsibility
- ▶ Avoidance of Cliques or Groupthink



Parliamentary Procedure

- A) All members have equal rights & obligations
- B) The minority has rights too
- C) Full and free discussion
- D) Simplest and most direct procedure best
- E) Motions dealt with in logical precedence
- F) Only one question to consider at a time
- G) Should speak through the chair
- H) Limits on speaking if others wish to speak
- I) The motives of others should not be questioned
- J) Members should be clear what the vote is for / against

Role of the Chairman

- Planning the meeting
- Prepare the venue
- Introduce agenda & objectives of meeting
- Explain each agenda item
- Hold a discussion on each item
- Decisions agreed and recorded
- Objective discussions

Effective Board Meetings

- What? Why? When? Where? How?
- Distribute Agenda in advance
- Members read agenda and other relevant documentation beforehand
 - Shared area on website
 - Dropbox etc.
- If an issue of particular importance is to be discussed / raised prior notice to chair & secretary is appropriate
- Matters arising from previous minutes

Compliance Culture Checklist

- ✓ **Compliance Committee**
- ✓ **Compliance Manual**
- ✓ **Compliance Policy**
- ✓ **Whistle Blowers Charter**
- ✓ **Active Supervisory / Audit Committee**
- ✓ **Board insists on Compliance Reports**
- ✓ **Compliance Statement**



Succession Policy

Why do we need to worry about Succession?

- Continuity of knowledge, ethos & skills
- Dependence on individuals
- Introduction of fresh eyes and ears
- To reflect the changing membership
 - Location
 - Workplace
 - Age & gender profile
- To bring in new skills
- Reinforce principles of co-operative ownership

Code of Governance

Compliance & Continuity

1. Appoint a Compliance Officer	Required
2. Assess adequacy of Financial Resources of the CU	Required
3. Supervisors have no other role within CU	Required
4. Supervisors report regularly to Board, and annually to Members	Required
5. Board discuss Auditor's report, and implement actions	Required
6. Review of Auditor at least every 4 years	Gold
7. Board Strategy planning meeting at least annually	Required
8. Three year rolling Business Plan and Membership development plan	Required
9. Succession plan for elected officers & senior management	Gold
10. Risk assessment policy & business continuity plan	Required
11. Annual "Key person" assessment	Gold

Code of Governance

Integrity & Accountability

12. Member leaflet on Complaints and Financial Ombudsman	Required
13. Board support for FSA “Treating Customers Fairly” initiative	Required
14. Annual survey of Member satisfaction with CU services	Gold
15. Code of conduct for all officers	Required
16. Policies to ensure fitness & probity as Approved persons	Required
17. All officers have signed a confidentiality agreement	Required
18. Annual report on business & financial performance of CU distributed as widely as possible	Required
19. Rigorous & transparent as possible in decisions, and as open as possible to info requests.	Required
20. Regular review of needs of Key Stakeholders in CU	Gold
21. Whistle-blower system in place	Gold
22. Uphold values of the objects and social goals of the CU	Required
23. Board member responsible for implementing the Code	Gold
24. Corporate social responsibility policy in place	Gold

Code of Governance

SKILLS & ABILITY

25. Formal induction for all within 3 months	Required
26. Board assesses and ensures correct skills of Managers	Required
27. Every Director receives foundation training within 18 mths	Required
28. Elected members take refresher course every 3 years	Gold
29. Annual board performance review	Gold
30. All involved understand time & commitment, and have been properly trained in their role	Required
31. Aware of collective legal responsibilities of their role	Required
32. Manager not under undue influence of one or more directors	Required
33. Annual board review of the quality of information it receives to ensure informed decision making and control	Gold

Code of Governance

STRUCTURE & PRINCIPLES OF GOVERNANCE

34. Member leaflet outlining CU business & co-op structure	Required
35. AGM actively promoted to maximise attendance	Required
36. Positive steps to reflect and monitor diversity of members	Required
37. Board size appropriate to scale and complexity	Required
38. Director election every 3 years. Names & info of candidates for election. Letters of appointment given.	Required
39. Chair elected after AGM, max. term 5 years	Required
40. Attendance at board meetings, committees and training progress reported in annual report.	Gold
41. Independent professional advice taken if needed	Gold
42. Up to 2 non-elected independent directors can be co-opted to fill skill gap. Approval needed each AGM.	Gold
43. HR policies & practice included in staff handbook	Required
44. Everyone receives statement of Roles & job desc.	Required

Thank You!

