

# **STANDARDS OF SOUND BUSINESS AND FINANCIAL PRACTICES**

For PEI Credit Unions

## **BOARD OF DIRECTORS CHECKLIST**

**Credit Union Deposit Insurance Corporation (CUDIC)**

[www.peicudic.com](http://www.peicudic.com)

# Standard 1

## Understand and Fulfill Directors' Responsibilities

*It is a sound business and financial standard for a Board of Directors to understand its corporate governance responsibilities, meet those responsibilities, and from time to time evaluate its effectiveness in fulfilling those responsibilities.*

1. Does the credit union have a current strategic business plan which has been approved by the Board? 

<u>Yes</u>	<u>No</u>

2. Is the Board satisfied that it is adequately informed about its responsibilities and accountability; including under the Credit Unions Act and Bylaws? 

<u>Yes</u>	<u>No</u>

Comments:

3. Does the Board ensure that its committees are properly appointed and have clear terms of reference? 

<u>Yes</u>	<u>No</u>

Comments:

4. Has the Board established a program for the professional development and training of new Board members? 

<u>Yes</u>	<u>No</u>

Comments:

5. Does the Board use a nominating committee to find prospective Board members and to instruct them about their potential responsibilities as a director and, has the Board developed a set of qualifications and a cross-section of skill-sets and experience for Board nominees? 

<u>Yes</u>	<u>No</u>

Comments:

6. Does the Board have a procedure to annually assess its own performance? 

<u>Yes</u>	<u>No</u>

Comments:

7. Is the Board satisfied that it is informed by the General Manager about significant issues relevant to the Board's responsibilities in an appropriate and timely manner?

<u>Yes</u>	<u>No</u>

Comments:

8. Is the Board satisfied with the processes used for setting agendas and priorities?

<u>Yes</u>	<u>No</u>

Comments:

9. Is the Board satisfied that its meetings are conducted in a manner to ensure issues relevant to the Board's responsibilities are dealt with promptly and effectively and Directors have adequate opportunities to question and discuss significant issues?

<u>Yes</u>	<u>No</u>

Comments:

10. Does the Board use a documented follow-up procedure to ensure that issues are resolved to its satisfaction?

<u>Yes</u>	<u>No</u>

Comments:

# Standard 2

## Understand Responsibilities of the Board versus the Responsibilities of the General Manager

*It is a sound business and financial standard for a Board of Directors to understand that it has the ultimate accountability for the operation of the Credit Union; and, to understand the difference between the responsibilities of the Board and the General Manager.*

1. Does the Board clearly understand how its responsibilities relate to the responsibilities of the General Manager?

<u>Yes</u>	<u>No</u>

Comments:

2. Does the Board feel comfortable that the level of authority it has assigned to the General Manager is consistent with the accountability it expects from the General Manager?

<u>Yes</u>	<u>No</u>

Comments:

3. Does the Board feel comfortable with how it oversees the activities of the credit union?

<u>Yes</u>	<u>No</u>

Comments:

4. Does the Board periodically discuss whether the balance of responsibilities between the Board and General Manager is appropriate?

<u>Yes</u>	<u>No</u>

Comments:

5. Does the Board ensure that policies are evaluated on a regular basis?

<u>Yes</u>	<u>No</u>

Comments:

6. Does the Board formally evaluate the performance of the General Manager on an annual basis?

<u>Yes</u>	<u>No</u>

Comments:

7. Does the Board evaluate or take steps to ensure that the General Manager assesses, reports, and manages risks appropriately?

<u>Yes</u>	<u>No</u>

Comments:

# Standard 3

## Exercise Independent Judgment

*It is a sound business and financial standard for a Board of Directors to exercise independent judgment.*

1. Does the Board periodically consider and discuss the strengths and weaknesses of its working relationship with the General Manager?

<u>Yes</u>	<u>No</u>

Comments:

2. Does the Board feel comfortable enough to employ outside consultants to provide subject matter on areas beyond their expertise?

<u>Yes</u>	<u>No</u>

Comments:

3. Does the Board regularly hold *in camera* meetings for discussions in the absence of the General Manager?

<u>Yes</u>	<u>No</u>

Comments:

4. Does the Board feel comfortable about making executive decisions on an informed and independent basis, despite possible disagreement by the General Manager/CEO?

<u>Yes</u>	<u>No</u>

Comments:

5. Does the Board feel comfortable about offering constructive criticism or challenging the advice of the General Manager?

<u>Yes</u>	<u>No</u>

Comments:

# Standard 4

## Set Limits of Authority for Board Appointed Committees and General Manager

*It is a sound business and financial standard for a Board of Directors to determine, in consultation with the General Manager, the policies that will establish the duties, authority and limits, and accountability requirements of Board Committees and the General Manager.*

1. Has the Board documented the Terms of Reference for Board committees and the General Manager?

<u>Yes</u>	<u>No</u>

Comments:

2. Are the Board's assignments of responsibilities and authority limits up-to-date?

<u>Yes</u>	<u>No</u>

Comments:

3. Do the mandates (Terms of Reference) of Board committees address the committee's decision-making powers and reporting requirements?

<u>Yes</u>	<u>No</u>

Comments:

4. Do committees report to the Board in a timely manner?

<u>Yes</u>	<u>No</u>

Comments:

5. Is there an established work plan for committees for the upcoming year?

<u>Yes</u>	<u>No</u>

Comments:

6. Are committee mandates reviewed on a regular basis?

<u>Yes</u>	<u>No</u>

Comments:

7. Does the Board review authority granted to the General Manager on an annual basis?

<u>Yes</u>	<u>No</u>

Comments:

# Standard 5

## Select and Evaluate the General Manager

*It is a sound business and financial standard for a Board of Directors to hire a General Manager who has the qualifications and competencies to provide effective and prudent management of the credit union, and to regularly evaluate the General Manager's effectiveness and prudence in managing the operations of the credit union, and in managing the risks to which the credit union is exposed.*

1. Is there an up-to-date statement of qualifications and job description for the General Manager?

<u>Yes</u>	<u>No</u>
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Comments:

2. Does the Board have the experience and competence to establish selection criteria for the General Manager, or are external resources required?

<u>Yes</u>	<u>No</u>
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Comments:

3. Does the Board ensure that its management recruitment team/agency conduct complete background checks to assess a candidate's competence?

<u>Yes</u>	<u>No</u>
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Comments:

4. Does the Board have an appropriate contractual arrangement with the General Manager/CEO?

<u>Yes</u>	<u>No</u>
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Comments:

5. Does the Board seek independent legal advice on contracts it might be negotiating with the General Manager?

<u>Yes</u>	<u>No</u>
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Comments:

6. Has the Board developed formal goals and objectives for the General Manager/CEO?

<u>Yes</u>	<u>No</u>
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Comments:

7. Has the Board established performance evaluation criteria for the General Manger/CEO? 

<u>Yes</u>	<u>No</u>
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Comments:
8. Does the criteria address the responsibilities and accountability of the General Manager/CEO? 

<u>Yes</u>	<u>No</u>
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Comments:
9. Is the Board satisfied that the criteria addresses the sustainable achievement of the credit union's business objective? 

<u>Yes</u>	<u>No</u>
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Comments:
10. Is the Board satisfied that the criteria provides the incentives to conduct business operations in a sound and prudent manner? 

<u>Yes</u>	<u>No</u>
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Comments:
11. Is the Board satisfied that the General Manager's performance evaluation criteria are applied competently and objectively? 

<u>Yes</u>	<u>No</u>
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Comments:
12. Does the Board understand the responsibilities and accountability the General Manager/CEO has assigned to other senior managers? 

<u>Yes</u>	<u>No</u>
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Comments:
13. Has the Board evaluated the General Managers' performance during the last 12 months? 

<u>Yes</u>	<u>No</u>
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Comments:
14. Is the Board satisfied that the General Manager conducts a formal performance evaluation on the senior management team on a regular basis? 

<u>Yes</u>	<u>No</u>
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Comments:



# Standard 6

## Review Compensation and Human Resource Programs

*It is a sound business and financial standard for a Board of Directors to ensure that compensation programs and human resource practices are consistent with the credit union's business objectives and comply with the credit union's policies and processes.*

1. Has the Board developed a compensation philosophy that defines the programs it will use to attract & retain qualified employees?

<u>Yes</u>	<u>No</u>

Comments:

2. Has the Board approved a compensation policy that can be used to compensate employees?

<u>Yes</u>	<u>No</u>

Comments:

3. If the compensation program includes a performance based component, is the Board satisfied that the process for determining the level of the variable compensation appropriately acknowledges superior performance.

<u>Yes</u>	<u>No</u>

Comments:

4. Does the credit union have a job grading system as a basis for determining compensation levels for their employees?

<u>Yes</u>	<u>No</u>

Comments:

5. Is the Board satisfied that the credit union has appropriate and current human resource policies?

<u>Yes</u>	<u>No</u>

Comments:

6. Is the Board satisfied that the credit union's human resource policies are regularly reviewed?

<u>Yes</u>	<u>No</u>

Comments:

7. Is the Board satisfied that the General Manager gives employees access to training programs, which provide them with an adequate level of skills and knowledge to effectively carry out their responsibilities?

<u>Yes</u>	<u>No</u>

Comments:

8. Is the Board satisfied that the General Manager is effectively supervising the credit union's employees?

<u>Yes</u>	<u>No</u>

Comments:

9. Is the Board satisfied that the General Manager has established proper limits of authority?

<u>Yes</u>	<u>No</u>

Comments:

10. Is the Board satisfied that the employee's responsibilities and decision-making authority have been clearly communicated, in writing, to employees?

<u>Yes</u>	<u>No</u>

Comments:

# Standard 7

## Set Benchmark for Ethical Business Conduct

*It is a sound business and financial standard for a Board of Directors to establish and approve policies of ethical business conduct for Directors, the General Manager, and other employees.*

1. Has the Board considered and approved policies of ethical business conduct for the credit union?

<u>Yes</u>	<u>No</u>
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Comments:

2. Do the policies of ethical business conduct address matters that affect the reputation of the credit union (such as conflicts of interest and adherence to governing laws and regulations)?

<u>Yes</u>	<u>No</u>
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Comments:

3. Is the Board satisfied that the behaviour of the Directors complies with the policies of ethical business conduct?

<u>Yes</u>	<u>No</u>
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Comments:

4. Do the policies include rules governing the hiring of family members of the Board or senior management?

<u>Yes</u>	<u>No</u>
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Comments:

5. Do the Board members receive a copy of the policies of ethical business conduct when they are elected to the Board?

<u>Yes</u>	<u>No</u>
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Comments:

6. Are Directors required to annually attest to their compliance with the policies?

<u>Yes</u>	<u>No</u>
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Comments:

# Standard 8

## Conduct Strategic Business Planning

*It is a sound business and financial standard for the Board of Directors to approve, in consultation with the General Manager, the business objectives and implementation strategies for each fiscal year, and to regularly assess during the fiscal year the degree to which the implementation strategies are achieving the established business objectives.*

1. Does the Board have a formal planning process?

<u>Yes</u>	<u>No</u>
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Comments:

2. Does the Board understand how it should be involved in the strategic business planning process?

<u>Yes</u>	<u>No</u>
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Comments:

3. Does the Board set aside an appropriate time (one or two days) for a planning session each year?

<u>Yes</u>	<u>No</u>
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Comments:

4. Is the Board satisfied with its current involvement in the strategic business planning process?

<u>Yes</u>	<u>No</u>
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Comments:

5. Do the plan's objectives appropriately balance the desire for sustainable returns and growth with the need for safety and soundness?

<u>Yes</u>	<u>No</u>
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Comments:

6. Does the Board have an effective means of determining the credit union members' needs and opinions on products and services?

<u>Yes</u>	<u>No</u>
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Comments:

7. Is the Board satisfied that the plan will benefit the credit union and its members?

<u>Yes</u>	<u>No</u>
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Comments:

8. Is the Board satisfied with the plan's reasonableness, its feasibility and achievability?

<u>Yes</u>	<u>No</u>
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Comments:

9. Is the General Manager measuring the right indicators to determine if the strategic plan is still appropriate?

<u>Yes</u>	<u>No</u>
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Comments:

10. Does the Board receive accurate and timely information updates to evaluate the progress of the strategic plan?

<u>Yes</u>	<u>No</u>
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Comments:

11. Does the Board receive accurate and timely information to evaluate the financial performance of the credit union?

<u>Yes</u>	<u>No</u>
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Comments:

# Standard 9

## Oversee Risk Management

*It is a sound business and financial standard for a Board of Directors to ensure that it is aware of and regularly evaluates all significant risks to which the Credit Union is exposed, and to ensure, in consultation with the General Manager, that appropriate policies are in place to enable the Credit Union to appropriately manage such risks.*

- 1. Is the Board satisfied with the manner and frequency by which it is informed of the credit union's significant risks?

<u>Yes</u>	<u>No</u>
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Comments:

- 2. Does the Board establish appropriate and prudent risk management policies on identified risks?

<u>Yes</u>	<u>No</u>
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Comments:

- 3. Does the Board review those policies annually to ensure that they remain appropriate and prudent?

<u>Yes</u>	<u>No</u>
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Comments:

# Standard 10

## Oversee Capital (Equity); Liquidity and Funding; and Asset/Liability Management

*It is a sound business and financial standard for a Board of Directors to establish and monitor the capital (equity) requirements of the Credit Union, and to ensure, in consultation with the General Manager, appropriate policies are in place to manage the established requirements.*

*It is a sound business and financial standard for a Board of Directors to establish and monitor the liquidity and funding requirements of the Credit Union, and to ensure, in consultation with the General Manager, appropriate policies are in place to manage the established requirements.*

1. Does the Board understand that lack of sufficient capital may significantly affect the credit union's opportunities for new business?

<u>Yes</u>	<u>No</u>

Comments:

2. Does the Board understand regulatory capital (equity) requirements represent the minimum level of capital?

<u>Yes</u>	<u>No</u>

Comments:

3. Has the Board set appropriate and prudent capital management policies for the credit union, including policies on the quality and quantity of capital needed to support the credit union's current and planned operations?

<u>Yes</u>	<u>No</u>

Comments:

4. Has the Board established a policy for the accumulation of capital beyond regulatory minimums so that the credit union can pursue business opportunities while maintaining an adequate margin of safety?

<u>Yes</u>	<u>No</u>

Comments:

5. Does the Board review capital management policies at least annually to ensure they remain appropriate and prudent?

<u>Yes</u>	<u>No</u>

Comments:

6. Is the capital at a level to provide a necessary financial resource to support operations and provide a sufficient safety net against unanticipated losses? 

<u>Yes</u>	<u>No</u>

Comments:

7. Does the Board have a policy governing the maximum level of fixed assets of the credit union? 

<u>Yes</u>	<u>No</u>

Comments:

8. Is the Board aware of the regulatory and mandatory requirements for liquidity (10% of credit union assets)? 

<u>Yes</u>	<u>No</u>

Comments:

9. Does the Board clearly understand the risks that arise from not having adequate liquidity? 

<u>Yes</u>	<u>No</u>

Comments:

10. Does the Board have a current liquidity policy? 

<u>Yes</u>	<u>No</u>

Comments:

11. Is the Board satisfied that the processes used to identify, measure, and manage liquidity and funding requirements address all relevant internal and external factors? 

<u>Yes</u>	<u>No</u>

Comments:

12. Is the Board satisfied that information it receives about the liquidity and funding profile is timely, relevant, accurate, and complete? 

<u>Yes</u>	<u>No</u>

Comments:



# Standard 11

## Set the Benchmark for the Control Environment

*It is a sound business and financial standard for a Board of Directors to ensure, in consultation with the General Manager, that effective systems for internal controls are in place.*

1. Is the Board satisfied that its governance approach, control philosophy and the organizational structure facilitates coordinated management support and an appropriate control environment?

<u>Yes</u>	<u>No</u>

Comments:

2. Is the Board satisfied that the credit union has sufficient resources (such as people, information, technology, and equipment) to properly control its operation and risks?

<u>Yes</u>	<u>No</u>

Comments:

3. Is the Board satisfied with the nature and extent of the delegation of responsibilities?

<u>Yes</u>	<u>No</u>

Comments:

4. Does the Board carefully consider the control weaknesses identified by regulators and external auditors?

<u>Yes</u>	<u>No</u>

Comments:

5. Does the Board ensure that the General Manager corrects those control weaknesses?

<u>Yes</u>	<u>No</u>

Comments:

6. Is the Board satisfied that information it receives about weaknesses or breakdowns in controls is timely, relevant, accurate, and complete?

<u>Yes</u>	<u>No</u>

Comments:

7. Has the Board considered the need to set up an independent internal audit function? 

<u>Yes</u>	<u>No</u>
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Comments:

8. Does the person designated to carry out internal audit functions have sufficient resources to carry out assigned duties? 

<u>Yes</u>	<u>No</u>
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Comments:

9. Has the Board obtained evidence from external sources that the internal controls are adequate and competently managed? 

<u>Yes</u>	<u>No</u>
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Comments:

10. Is the Board satisfied that those who carry out internal audit functions have appropriate access to the operation? 

<u>Yes</u>	<u>No</u>
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Comments:

11. Is the Board satisfied that those who carry out internal audit functions have complete independence in carrying out their responsibilities and can report to the Board audit committee, the General Manager or the senior management without fear of repercussion? 

<u>Yes</u>	<u>No</u>
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Comments:

12. Does the Board carefully consider the control weaknesses identified by internal auditors, the Inspector, and/or external auditors? 

<u>Yes</u>	<u>No</u>
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Comments:

13. Does the Board ensure that the General Manager takes appropriate action to correct those control weaknesses? 

<u>Yes</u>	<u>No</u>
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Comments:

14. Is the General Manager's assessment of whether the credit union is "in control" consistent with the observations of external audits and reviews?

<u>Yes</u>	<u>No</u>

Comments:

15. Is the Board satisfied that the reports it receives about internal controls are complete, timely, and objective?

<u>Yes</u>	<u>No</u>

Comments:

16. Is the Board satisfied with the frequency of the reports it receives about internal controls?

<u>Yes</u>	<u>No</u>

Comments: