

Good Governance

ACCU credit union business solution number 25
The Governance Quality Assurance Toolkit

Endeavour
Mutual bank



"Motion seconded!"

How is good governance enabled?

Credit Union Operating Principles

Basle capital accords

National corporate requirements

National prudential requirements

Credit Union Operating Principles



Building Financial Stability -
A prime concern of the credit union is to build financial strength, including adequate reserves, (people) and internal controls that will ensure continued service to the membership.

Basle II Capital Accord

- Pillar 1 Capital
 - Credit Risk (IRB, standardised approach)
 - Operational Risk (AMA, standardised approach)
 - Market Risk (trading activities only - not applicable to CUs)
- Pillar 2 Supervisory Review
 - ICAAP – credit concentration risk, interest rate risk, liquidity, strategic, contagion & reputation, regulatory, securitisation
- Pillar 3 Market Discipline
 - Consistency of reporting

Operational Risk

Pillar 1 Operational Risk defined as:

“the risk of loss resulting from inadequate or failed internal processes, people and systems...”

The definition of Operational Risk allows prudential regulators to set prudential requirements for **governance and the fitness & propriety of directors and senior managers**

10 characteristics of good governance

1.Participation

AGM attendance, capable board, board and committee oversight, policy reviews, gender equity

2.Transparency

Disclosure of conflict of interests, full disclosure related party loans, non-partisan politics, no hidden commissions/kickbacks, no preferential treatment

3.Accountability

Accurate transaction recording, independent audit, independence from sale of CU assets, no insider loans, privacy of member information, non-disclosure of personal information, whistleblower protection, gift register, no solicitation, decisions made in the interests of members

4.Consensus

Respond to member needs, member compliant review, board works to consensus decisions

10 characteristics of good governance

5.Efficiency/Effectiveness

No outside employment, non-discrimination, no board/management overlapping responsibilities, delegated authorities documented, qualified CEO, competent directors, documented committee terms of reference

6.Equity

Equal fair treatment of all members and employees, no favours to directors/employees, loans to directors/employees on same terms as to members

7.Compliance

Respect for and compliance with all relevant laws, honesty with regulators, AGM with required timeframe, meeting minutes properly maintained

8.Leadership

Board has ultimate responsibility, strategic plan developed, strong and stable self sustaining organisation, well trained and capable board and employees

10 characteristics of good governance

9. Skills

Encourage best practice, director induction program, compulsory training for directors and critical positions, continuing education

10. Organisation performance

Performance evaluation, director nomination process, diversity of skills and experience

Corporate director responsibilities

- (s180) Directors must exercise their powers and discharge their duties with... care and diligence
- (s181) Duty to act in good faith and in the best interests of the company
- (s182-183) Not improperly use position (or information) to gain advantage or cause detriment
- (s184) Identifies intentional dishonesty as a criminal offence
- (s191-194) Duty to disclose and avoid conflict of interests

Corporate director responsibilities

- (s180) Business judgment rule
 - Make judgment in good faith
 - Not have a material personal interest
 - Must inform themselves about the subject matter of the judgment to the extent they reasonably believe to be appropriate
 - Rationally believe the judgment is in the best interests of the business

Prudential director responsibilities

- Basle Committee on Banking Supervision
- "Principles for Enhancing Corporate Governance" Oct 2010
- Board practices
 - Ultimate responsibility, including risk strategy & appetite/tolerance, financial soundness, organisation structure & functioning, and governance
 - Corporate values and code of conduct
 - Oversight of senior management
 - Board qualifications, training, composition
 - Proper functioning of the Board
 - Role of the Chair
 - Board committees
 - Conflicts of interest

Australian Prudential Standards

Prudential Standards

- Capital adequacy
 - ICAAP
 - Operational risk
 - Market risk
- Risk Management
 - Liquidity
 - Credit quality
 - Risk management
 - Large exposures
 - Outsourcing
 - Business continuity
 - Information security
- Governance, Fit and Proper
- Public disclosures, Financial Claims Scheme, Prudential Reporting



Prudential Standard CPS 510 Governance

Objectives and key requirements of this Prudential Standard


This Prudential Standard sets out minimum foundations for good governance of an APRA-regulated institution in the deposit-taking, general insurance and life insurance industries or of a Head of a group. Its objective is to ensure that an institution is managed soundly and prudently by a competent Board (or equivalent), which can make reasonable and impartial business judgements in the best interests of the institution and which duly considers the impact of its decisions on depositors and/or policyholders.

The ultimate responsibility for the sound and prudent management of an APRA-regulated institution rests with its Board of directors (or equivalent).

It is essential that an APRA-regulated institution has a sound governance framework and conducts its affairs with a high degree of integrity. A culture that promotes good governance benefits all stakeholders of an institution and helps to maintain public confidence in the institution.

Governance prudential standard

- The Board is ultimately responsible for prudent management
- Board must have a charter setting out its roles and responsibilities
- Board must document delegations
- Directors must have necessary skills, knowledge, experience
- Must meet with regulator upon request
- Director independence criteria
- Board composition
 - Minimum 5 directors
 - Majority assessed as independent
 - Chair must be independent
- Annual Board and director performance assessments
- Renewal policy
- Remuneration policy & Remuneration Committee



Prudential Standard CPS 520

Fit and Proper

Objective and key requirements of this Prudential Standard

This Prudential Standard sets out minimum requirements for regulated institutions in determining the fitness and propriety of individuals to hold positions of responsibility. Its objective is to ensure that a regulated institution prudently manages the risks posed to its business operations and financial standing by having persons acting in responsible positions who are not fit and proper.

The ultimate responsibility for ensuring the fitness and propriety of the responsible persons of an APRA-regulated institution rests with its Board of directors (or equivalent).

Persons who are responsible for the management and oversight of a regulated institution need to have appropriate skills, experience and knowledge, and act with honesty and integrity. These skills and qualities strengthen the protection afforded to depositors, policyholders and other stakeholders. To this end, regulated institutions need to prudently manage the risk that persons in positions of responsibility might not be fit and proper.

Fitness & Propriety - purpose

The objective of the prudential standard is to protect the interests of depositors and other members, by ensuring that persons who are responsible for the management and oversight of the credit union have the appropriate skills, experience and knowledge and that they will act with honesty and integrity.

Fit & Proper prudential standard


- Fitness – qualifications, skills, experience, knowledge
- Propriety – character, honesty, integrity
- Fitness and propriety must be assessed upon appointment and then annually
- If not fit and proper cannot be a director
- Applies to all "responsible persons" – directors, senior managers, external auditor

Fit & Proper prudential standard

- Objective tests
 - Not disqualified by prudential or corporate regulator
 - No criminal history (police checks obtained)
 - Not a current or former bankrupt
 - Material qualifications verified
 - Not have conflict of interest

Not disqualified by regulators

Search Results - Banned and Disqualified Persons Page 1 of 1

 **AFSA**

Search company and other registers Search business names register Search MAFSP auditor register
Check Name Availability Professional Registers Information Brokers

Search Results

Within: Banned & Disqualified For: Worthington Mark Go

Search Results - Banned & Disqualified Persons

0 results found for "Mark Worthington".

Not a bankrupt


Australian Government
Australian Financial Security Authority
National Personal Insolvency Index
Extracted in Canberra at 09:48am on 29 May 2018 Search ID: NS18162885

Search Criteria	
Family Name	WORTHINGTON (Exact)
Given Name	Mark (Exact)
Middle Name	Joseph (Exact) (includes records with no middle name)
Date of Birth	16-Mar-1961 (Exact) (includes records with no date of birth)
Insolvency records searched	Last 10 years only

USING THE SEARCH CRITERIA NO RECORDS HAVE BEEN RETRIEVED

The information contained in this extract comes from the National Personal Insolvency Index at the time and date of the extract.
If you consider the information contains errors, please contact the Australian Financial Security Authority on 1300 360 300 or visit the website www.afsa.gov.au for more information.

END REPORT

No criminal history

NATIONAL POLICE HISTORY CHECK
AUSTRALIA

MARK WORTHINGTON
101 MARK AVENUE
MANCOURBA NSW 2035

This document certifies that:

Person/Company	Given Name	Date of Birth
WORTHINGTON	MARK JOSEPH	16 Mar 1961

Has **NO** disqualifiable court outcomes or pending charges recorded by any Australian police jurisdiction as at **26 Mar 2018**

Occupation/Program: **F & P 2012**
Categories applied to this check: Employment screening/Probity checking/Occupational related licensing

Certificate Information
The contents of this certificate may be verified as follows:
 1. Go to <https://nphl.com.au/certificate/1010101>
 2. Enter the Certificate No: 11010101
 This certificate was issued on **24 May 2018**

Fit & Proper person



Material qualifications verified

The University of New England



By authority of the Council

Mark Joseph Worthington

was awarded the

Master of Business Administration

on the 6th day of April 2000

Fit & Proper prudential standard

- Objective tests
 - Not disqualified by prudential or corporate regulator
 - No criminal history (police checks obtained)
 - Not a current or former bankrupt
 - Material qualifications verified
 - Not have conflict of interest
- How to check propriety when information is not available?

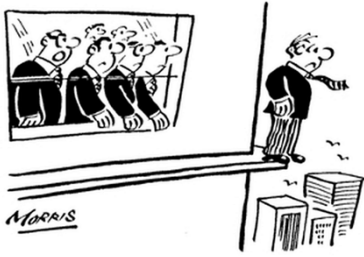
Fit & Proper prudential standard

- Subjective tests – "Required Competencies"
 - Understand the role of a director/senior manager
 - Capacity to make an effective contribution to the Board
 - Knowledge of CU, financial services industry, regulatory environment
 - Ability to read and understand financial statements
 - Capacity to undertake continuous professional development
 - Ability to evaluate, form conclusions and make good judgments (and ask questions)
- How are these tests performed?

Fit & Proper prudential standard

- Must have process to prevent a not Fit & Proper person becoming a director or other responsible person (senior manager and auditor)
- Must be able to remove a not Fit & Proper person
- Endeavour Mutual Bank
 - Amended Constitution
 - Director Nominations Committee
 - DNC reports to Board
 - Board resolves to allow nominee to become a candidate

Fit & Proper person



"At least somebody knows how to read a balance sheet."

Governance Quality Assurance Toolkit

GOVERNANCE QUALITY ASSURANCE TOOLKIT

ATTRIBUTES	1-Poor <i>Consistently does not meet the desired levels of performance in this area.</i>	2-Fair <i>Does not meet the desired levels of performance, but Fair on the quality.</i>	3-Good <i>Meet the desired levels of performance, seldom do not meet them and frequently exceed them.</i>	4-Excellent <i>Consistently exceed the desired levels of performance.</i>
Compulsory training for the Board and critical positions	No Policy. No compulsory training or inconsistent application from the last two terms.	Absence of a policy that all directors, audit supervisory Committee, credit committee and CEO have completed the Credit Union Competency Course. Complied in this current board.	Presence of a policy that all directors, audit supervisory Committee, credit committee and CEO have completed the Credit Union Competency Course. Complied in this current board.	Presence of a policy that all directors, audit supervisory Committee, credit committee and CEO have completed the Credit Union Competency Course. Consistently complied from the last two terms.
Continuing education	Evidences: Policy and certificate of completion of compulsory training of the board and key positions No policy. Training of the board was not based on the training needs.	Absence of a policy that based on the Board Self-Assessment and Performance Evaluation, Directors attend training on topics identified as priority in the skills gap needed for the full board to function effectively. Complied in the past year.	Presence of a policy that based on the Board Self-Assessment and Performance Evaluation, Directors attend training on topics identified as priority in the skills gap needed for the full board to function effectively. Consistently complying annually in the last three years.	Presence of a policy that based on the Board Self-Assessment and Performance Evaluation, Directors attend training on topics identified as priority in the skills gap needed for the full board to function effectively. Consistently complying annually in the last three years.

Governance Quality Assurance Toolkit

GOVERNANCE QUALITY ASSURANCE TOOLKIT

ATTRIBUTES	1-Poor <i>Consistently does not meet the desired levels of performance in this area.</i>	2-Fair <i>Does not meet the desired levels of performance, but Fair on the quality.</i>	3-Good <i>Meet the desired levels of performance, seldom do not meet them and frequently exceed them.</i>	4-Excellent <i>Consistently exceed the desired levels of performance.</i>
ORGANIZATIONAL PERFORMANCE				
Performance Evaluation	Consistently does not meet the desired levels of performance in this area. No periodic performance evaluation	Does not meet the desired levels of performance, but Fair on the quality. • Performance evaluated but not using standard performance evaluation tool for individual board and the whole board as team; • not clear whether evaluation results area used to improve Board's performance	Meet the desired levels of performance, seldom do not meet them and frequently exceed them. • The Board's performance periodically evaluated using standard performance evaluation tool for individual board and the whole board as team; • Evaluation results used to improve Board's performance and efficiency.	Consistently exceed the desired levels of performance. • The Board's performance periodically evaluated using standard performance evaluation tool for individual board and the whole board as team; • Evaluation results consistently used to improve Board's performance and efficiency. • Consistently striving for best practice in corporate governance standards
Evidences: Board Performance Evaluation results				

Governance Quality Assurance Toolkit

GOVERNANCE QUALITY ASSURANCE TOOLKIT

	1-Poor	2-Fair	3-Good	4-Excellent
	<i>Consistently does not meet the desired levels of performance in this area.</i>	<i>Does not meet the desired levels of performance, but Fair on the quality</i>	<i>Meet the desired levels of performance, seldom do not meet them and frequently exceed them</i>	<i>Consistently exceed the desired levels of performance.</i>
Nomination and selection of directors	No Policy. The candidates were not interviewed by the nominating committee.	Absence of a policy that due consideration given to the Board's overall balance of diversity of perspectives, backgrounds and experiences. Majority of the members of the Nominating Committee will have interviewed any potential nominee. <i>Consistently observed in the past year.</i>	Presence of a policy that due consideration given to the Board's overall balance of diversity of perspectives, backgrounds and experiences. It is the Board's policy that a majority of the members of the Nominating Committee will have interviewed any potential nominee. <i>Consistently observed in the past year.</i>	Presence of a policy that due consideration given to the Board's overall balance of diversity of perspectives, backgrounds and experiences. It is the Board's policy that a majority of the members of the Nominating Committee will have interviewed any potential nominee. <i>Consistently observed in the last 3 years.</i>
Evidences: Election or Nomination Policy				

Governance Quality Assurance Toolkit

GOVERNANCE QUALITY ASSURANCE TOOLKIT

	1-Poor	2-Fair	3-Good	4-Excellent
	<i>Consistently does not meet the desired levels of performance in this area.</i>	<i>Does not meet the desired levels of performance, but Fair on the quality.</i>	<i>Meet the desired levels of performance, seldom do not meet them and frequently exceed them.</i>	<i>Consistently exceed the desired levels of performance.</i>
Conflict of Interest	No policy. The Chair did not request the directors to declare conflict of interest at the start of every meeting. No declaration is made by any board of director.	Absence of a policy that a Director must disclose personal interest before the Board and that the said Director restrain himself or herself from participation in the discussion, and not vote on the matter. The Chair of the Board request to declare conflict of interest on any agenda at the start of every meeting. Declaration of conflict of interest formally made by directors in the past year.	Presence of a policy that a Director must disclose personal interest before the Board and that the said Director restrain himself or herself from participation in the discussion, and not vote on the matter. The Chair of the Board request to declare conflict of interest on any agenda at the start of every meeting. Declaration of conflict of interest formally made by directors in the past year.	Presence of a policy that a Director must disclose personal interest before the Board and that the said Director restrain himself or herself from participation in the discussion, and not vote on the matter. The Chair of the Board request to declare conflict of interest on any agenda at the start of every meeting. Declaration of conflict of interest formally made by directors in the past 3 years.
Evidences: Minutes of the Board meeting.				

Governance Framework for Credit Unions



Governance Framework for Credit Unions

30. NOMINATION AND SELECTION OF DIRECTORS



Vacancy in the Board of Directors: Any vacancy in the board of directors, other than by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the general assembly in a regular or special meeting called for the purpose. A director so elected to fill a vacancy shall serve only the unexpired term of his or her predecessor in office.

Board election at General Assembly: The Nominating Committee will be responsible for identifying, screening, personally interviewing and recommending candidates to the entire Election Committee.

In nominating candidates, the Nominating Committee shall take into consideration such factors as it deems appropriate. These factors may include integrity, achievements, judgment, intelligence, personal character, the interplay of the candidate's relevant experience with the experience of other Board members, the willingness of the candidate to devote adequate time to Board duties, and likelihood that he or she will be willing and able to serve on the Board for a sustained period.

Governance Framework for Credit Unions

Sample - Board Recruitment Matrix

Qualities we seek on the board 	Demographics						Skills and Experience							
	Names of Current & Potential Board Members 	Male	Female	Below 35 years old	Above 35 to 60 years old	Over 60 to 75 years old	Finance	Info. & Comm. Tech.	Health Care	Education	Agriculture	Entrepreneur or Business	Marketing or PR	Medical Practice
						</								
