



Principles of Good Governance

CUDCC

Module 9



Principles of Good Governance

- 1. External governance**
- 2. Internal Governance**
- 3. Individual governance**



1. External Governance

A. Transparency

B. Compliance

C. Public Accountability

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1. External Governance

A. Transparency

- **Commit to regular, honest communication of its activities with members, regulators & general public (full disclosure)**
- **Financial statements, comply with generally accepted accounting principles, should be made available to members and public.**



1. External Governance

B. Compliance

- Ensure that CU meets or exceeds the International CU Standards for safety and soundness as well as industry standards
- Annual external audit – 90 days of the end of each fiscal year



1. External Governance

B. Compliance

- The audit relationship examined frequently
- Auditor changed at least every 3-5 years in a competitive bidding process
- The Board expected to comply with letter and regulation and to cooperate fully with its country regulator body.



1. External Governance

C. Public Accountability

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2. Internal Governance

- A. Structure**
- B. Continuity**
- C. Balance**
- D. Accountability**



2. Internal Governance

A. Structure

- Annual General Meeting of the membership adequately promoted to ensure sufficient membership participation
- Board composed of odd members, not less than 5 and no greater than 9
- All Board members are limited to maximum of 2 consecutive terms, each term lasting between 2-5 years.



2. Internal Governance

A. Structure

- Interested general members who comply with the standards of individual governance should be allowed to stand for nomination
- The board should encourage dialogue with general members at the Annual General Meeting



2. Internal Governance

B. Continuity

Board must:

- **Create strategies to maintain the competitiveness of the credit union**
- **Create succession plans**
- **Approve a disaster management and recovery plan**



2. Internal Governance

C. Balance

- **composition of the Board reflect the demographic makeup of its members and their financial needs**
- **Strike a balance between the policies that benefit savers and borrowers**



2. Internal Governance

D. Accountability

- **Board must be held accountable for the actions and consequences**
- **Management should be held accountable for actions and consequences**
- **Board has duty to management to establish policies and monitor its implementation**
- **A must to record the accountability through bylaws and policies**



3. Individual Governance

A. Integrity

B. Competence

C. Commitment

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3. Individual Governance

A. Integrity

- **Standardize code of conduct**
- **Directors & managers, no criminal or bankruptcies record**
- **Loans to directors-approved by board with no vote by the receiving party**
- **Immediate family members or close relations should not serve on the board or management**
- **Directors with delinquent loans will be removed**



3. Individual Governance

B. Competence

- Individual members should have specialized financial & business skills and/or a member-focused viewpoint
- All members of the board should have:
 - basic financial literacy
 - ability to interpret financial statements*or commit to acquiring these skills*



3. Individual Governance

B. Commitment

- **Willing and able to commit the necessary time. Failure to attend the board meetings may result in dismissal**
- **Directors must respect decisions of the board, actively promoting the policies, regardless of personal opinion**

“Board speak with one voice”



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2. External governance
3. Internal Governance