



Ontario

Deposit Insurance
Corporation of Ontario

Société ontarienne
d'assurance-dépôts

Self Assessment Workbook

Corporate Governance – Management

January 2018

Ce document est aussi disponible en français.

Applicability

The Self Assessment Workbook: Corporate Governance – Management (the “Workbook”) is for use by all credit unions.

This Workbook complements the information provided in, and should be read in conjunction with Guidance Note: Corporate Governance – Management and other relevant DICO publications.

These publications include:

- DICO Bylaws
- Guidance Notes
- Application Guides
- Handbooks
- Checklists
- Manuals
- Webinars
- Advisories
- Other additional tools

These publications are available on DICO’s website

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Introduction

DICO's By-Law No. 5: Standards of Sound Business and Financial Practices ("By-law No. 5") sets out the following:

Corporate Governance: Management

Management is responsible to ensure the management and staff of the credit union applies the processes, procedures and controls necessary to prudently manage the risk and to provide the Board of Directors with timely, relevant, accurate and complete information to enable it to assess that delegated responsibilities are being discharged effectively.

The care, diligence, skill and prudence exhibited by a credit union's management has a critical influence on the credit union's viability, safety and soundness, its ability to execute its business strategy and to achieve its business objectives and to promote confidence on the part of depositors and shareholders. The fundamental elements of good corporate governance for Senior Management have been grouped into four main areas: Risk Management, Business Strategy and Business Plans, Operational and Financial Results, and Board Reporting.

All credit unions must comply with By-Law No. 5 Standards in By-Law No. 5 have been designed in such a way that they are applicable to every credit union, regardless of its size or complexity. All credit unions are required to attest to their adherence to By-Law No. 5 annually. DICO has developed three "Assessment Workbooks": one for the Board, the Audit Committee, and Management to assist each participant in understanding DICO's expectations and ensuring compliance with these Standards.

There is no requirement to complete or file these workbooks with DICO. However, credit unions are required to demonstrate they have an appropriate documented process and record keeping in place to support their board's assessment of corporate governance and annual Attestation to DICO of their compliance with By-Law No. 5. Credit unions may develop their own assessment tools or modify the workbooks to suit their particular requirements.

This workbook for Management is in three parts.

Part I Under By-law No. 5, each credit union is required to attest annually that:

- management has provided a representation letter to the board of directors regarding its assessment of adherence to management's responsibilities under the standards of sound business and financial practices

In order to complete the management representation letter, Senior Management is required to review internal assessments by the individuals who manage the credit union's day-to-day operations as to whether the material deficiencies and significant risks under their responsibility have been identified and addressed. Senior Management should also review reports from the internal auditor or another party not directly responsible for performing the task being validated to ensure the assessments have been conducted competently, with integrity and significant risks are being resolved.

The board will determine when the letter should be provided by management and what additional evidence or documentation is required. The representation letter should:

- confirm management is familiar with the contents of By-law No.5 and are fulfilling their responsibilities under the Standards of Sound Business and Financial Practices
- identify any outstanding deficiencies or exceptions
- include an action plan to address identified deficiencies or exceptions

A sample **management representation** letter is included.

Part II is an assessment tool for Senior Management to help evaluate adherence to the standards and identify any material deficiencies that may need to be addressed.

Part III provides a sample action plan tracking matrix for use in identifying and resolving material deficiencies. The action plan should include a description of any significant risk or material deficiency being addressed, the manner of addressing it, designated responsibility for corrective action and appropriate timelines for completion.

Part I: Reporting Requirements

Sample Management Representation Letter

To: Board of Directors

This representation letter in respect of <name of credit union> concerns adherence to the Deposit Insurance Corporation of Ontario (“DICO”) Standards of Sound Business and Financial Practices (the “Standards”) as outlined in DICO By-law No.5. Management is familiar with the contents of the DICO By-law No. 5 as it applies to the credit union and acknowledges their responsibilities under the Standards, which include:

- implementing appropriate and prudent risk management policies, procedures and controls for each of the Standards;
- monitor the effectiveness of risk management practices and controls for the credit union’s significant risks;
- developing and implementing an appropriate and prudent business strategy and business plans and monitoring the achievement of the plan;
- providing the board of directors with timely, relevant and accurate status reports on the implementation of the credit union’s business strategy, business and financial plans and any significant risks and material deficiencies that may affect business objectives and financial stability of the credit union.

Management confirms that they are fulfilling their responsibilities under the Standards [*if applicable, add: “except as indicated below”*].

After careful consideration, management has concluded that to the best of their knowledge [*if applicable, add: “except as indicated below”*] the operations of the credit union are being managed in accordance with the Act and Regulations, other legislation, DICO By-laws and Guidelines, DICO guidance, Standards of Sound Business and Financial Practices and the credit union’s by-laws and policies.

[*if applicable, add: “The following deficiency(ies) or exception(s) are outstanding: <provide description or reference an appended document to the same effect”*]

[*if applicable, add: “The action plan(s) have not been met to date in that: <provide description or reference appended document to the same effect.”*]

In arriving at our conclusions we have exercised prudent judgement and have ensured the appropriate amount of testing and/or review (through various methods such as ERM, internal audit, external audit, risk and controls self assessment, consultants, internal management assessments and internal reporting) has taken place.

Dated at <insert place> <month> <day>, <year>.

Management Signature (s)

<u>Date Last Reviewed</u>	<u>Material Deficiencies (N/A if not applicable)</u>	<u>Target Completion Date (if applicable)</u>
Comments and/or exceptions:		

	<p><i>reported to the board</i></p> <p><i>Plans are developed and implemented to ensure any material variances are addressed and resolved in an effective and timely manner</i></p>	□	<p>_____</p> <p>_____</p> <p>_____</p>
<p><u>Date Last Reviewed</u></p> <p>_____</p>	<p><u>Material Deficiencies (N/A if not applicable)</u></p> <p>_____</p> <p>_____</p> <p>_____</p>	<p><u>Target Completion Date (if applicable)</u></p> <p>_____</p>	
<p><u>Comments and/or exceptions:</u></p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>			

4. Board Reports			
Element	Assessment Criteria	Yes	C.U. Reference or Evidence
5. Providing the Board of Directors with timely, relevant, and accurate reports on the implementation of the business strategy, business plans and any significant risk and material deficiencies that may affect the achievement of business objectives and financial stability.	<i>Management prepares and submits to the Board reports that:</i> <ul style="list-style-type: none"> • <i>Provide sufficient and appropriate information to help determine whether the credit union is adhering to its risk management policies</i> • <i>Confirm the credit union is in compliance with legislation and both the credit union's and DICO's by-laws</i> • <i>Identify how any material deficiencies in risk management practices are being addressed</i> • <i>Compare actual performance and business risk measurements relative to plan and previous year to date performance</i> • <i>Identify any material operating and financial variances of actual results to plan and steps being taken to address these</i> • <i>Provide sufficient and appropriate information regarding the progress of adhering to the strategic plan</i> 	<input type="checkbox"/>	_____
		<input type="checkbox"/>	_____
<u>Date Last Reviewed</u>	<u>Material Deficiencies (N/A if not applicable)</u>		<u>Target Completion Date (if applicable)</u>
_____	_____ _____		_____
Comments and/or exceptions:			

Part III: Sample Action Plan to address material deficiencies in Business and Financial Practices

SUMMARY ACTION PLANS TO ADDRESS IDENTIFIED MATERIAL DEFICIENCIES IN BUSINESS AND FINANCIAL PRACTICES

Corporate Governance Area	Material Deficiencies	Summary Action Plan	Target Resolution Date	Assigned Responsibility	Status Update / Date Completed
1. Risk Management					
2. Business Strategy and Business Plans					
3. Operational and Financial Results					
4. Board Reports					