# ACCESS

A-one Competitive Choice for Excellence in Service and Soundness

CREDIT UNION SOLUTION SERIES NO. 3

# Auditor's Manual

Establishes guidelines on general standards, ethical considerations, reporting and documentation by ACCESS Brand Auditors.

ASSOCIATION OF
ASIAN CONFEDERATION OF CREDIT UNIONS

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# Preface

ACCU has developed the quality assurance tool for credit unions called ACCESS, an acronym for A-1 Competitive Choice for Competitiveness and Excellence in Service and Soundness. Using the Balanced Scorecard architecture, ACCESS comprises of 86 indicators on four perspectives of credit union operations – finance, learning and growth, customer-member and internal business processes.

ACCU trusts that ACCESS will serve as management system that can channel the energies, abilities, and specific knowledge held by people in credit unions toward achieving long-term strategic goals. Achieving every indicator will build long-range competitive capabilities, value and differentiation of credit unions in the marketplace.

Based on the Balanced Scorecard, the following four perspectives are adopted by ACCESS:

1. Financial perspective – aimed at the safety and soundness of the credit union, the financial measures are valuable in summarizing the readily measurable economic consequences of actions already taken. Financial performance measures indicate whether a credit union's strategy, implementation, and execution are contributing to safety and soundness of credit union. Financial objectives typically relate to the goals of the PEARLS Monitoring Tool i.e. Protection, Effective Financial Structure, Assets Quality, Rates of Return and Costs, Liquidity and Signs of Growth.

2. Customer perspective – the core outcome measures in this perspective are: customer satisfaction and quality products and services. The standards under customer perspective also include specific measures of the value proposition that the credit union will deliver to member-customers in target market segments. As a credit union, this criterion also measures the value of the product as it translates to the mission of credit union: enabling people to grow. Thus, products and services are gauged on how well it helped members improve their financial capacities and reach their financial goals.

3. Internal business perspective – ACCESS measures the credit union's internal-business-processes in which the organization must excel. These processes enable the business unit to deliver the value propositions that will attract and retain members and will have the greatest impact on customer satisfaction and achieving the credit union's financial objectives. ACCESS has identified two key performance measures: operational efficiency and competitive position.

4. Learning and growth perspective – the fourth perspective is the learning and growth that identifies the infrastructure that the credit union built to create a long-term growth improvement. The two key performance measures are: knowledgeable and involved board of directors and employee satisfaction. ACCESS will measure the capacity of the credit union in providing appropriate skills for directors and employees, aligning HRM policies and procedures to ensure that directors and employees acquire the required skills for the new competitive environment.

Central to ACCU's role is an endless imagination of technical and management innovation to keep the credit union relevance. ACCU developed ACCESS Brand as one solution adopting sound business practices and will ensures that ACCESS keeps up with changes in market environment and the complex situation in credit union operations.

The purpose of this manual is to establish guidelines for use by the ACCESS Auditors of ACCU member organizations. The manual deals with general standards, including ethical considerations, field standards, reporting standards and documentation.

ASSOCIATION
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## PURPOSE OF THIS MANUAL

The purpose of this manual is to establish guidelines for use by the ACCESS Auditors of ACCU member organizations. The manual deals with general standards, including ethical considerations, field standards, reporting standards and documentation. Although the size and nature of audits performed differ materially, an effort has been made to ensure that the contents of the manual will be applicable to all credit unions.

The basic principles applied in coming up with ACCESS audit standards are basic assumptions, consistent premises, credit union principles and sound business practices. The standards serve as auditors' guidelines in forming their opinions and reports, particularly in cases where no specific standards apply.

They also provide minimum guidance for the auditor that helps determine the extent of auditing steps and procedures that should be applied in the audit. The manual constitutes criteria or yardstick against which the quality of each ACCESS standard is evaluated. The manual has been written to minimize the differences of interpretations on each standard. However, to some extent, professional and unbiased judgment of auditors is necessary. In this case, this case, ACCESS auditors must possess independence and integrity to ensure confidence on the ACCESS rating given.

## ACCESS AUDITOR CODE OF CONDUCT

A code of ethics is a comprehensive statement of the values and principles that should guide the daily work of ACCESS auditors. The independence and responsibilities of the ACCESS auditor place high ethical demands on their audit work. A code of ethics is considered ethical requirements of ACCESS auditors including the latter's professional obligations in the credit union movement as a whole.

The conduct of ACCESS auditors should be beyond reproach at all times and in all circumstances. Any deficiency in their professional conduct or any improper conduct in their personal life may raise doubts about the reliability, competence and integrity of their work, the credit union national federation and ACCU they represent. The adoption and application of a code of ethics for ACCESS auditors in the credit union sector promotes trust and confidence in the auditors and their work.

The following Code of Conduct of ACCESS Auditors are to be observed:

1. TRUST, CONFIDENCE AND CREDIBILITY

   The credit unions and general public are entitled to expect the ACCESS Auditor's conduct and approach to be above suspicion and reproach and worthy of respect and trust.

   Auditors should conduct themselves in a manner that promotes cooperation and good relations among auditors and within the national credit union system and to certain extent in the Asian credit union level. The ACCESS Auditors cooperation with one another is essential element of professional character. The credit union confidence and respect that an auditor enjoys are largely the result of the cumulative accomplishments of all auditors. It is therefore in the interest of auditors as well as the credit unions they serve that the auditor deals with fellow auditors in a fair and balanced way.

   The general public and the credit unions should be fully assured of the fairness and impartiality of the entire ACCESS auditor's work.

In all components of credit union business, there is a need for credibility. It is therefore essential that the reports and opinions of ACCESS auditors are considered to be thoroughly accurate and reliable by knowledgeable third parties.

2. INTEGRITY

Integrity is the core value of a code of ethics. ACCESS auditors have a duty to adhere to high standards of behavior (e.g. honesty and frankness) in the course of their work and in their relationships with the staff of the credit unions under assessment. In order to sustain confidence, the conduct of auditors should be above suspicion and reproach.

Integrity can be measured in terms of what is right and just. Integrity requires auditors to observe both the form and the spirit of ethical standards. Integrity also requires auditors to observe the principles of independence and objectivity, maintain irreproachable standards of professional conduct, make decisions with members and public interest in mind, and apply absolute honesty in carrying out their work.

3. INDEPENDENCE, OBJECTIVITY AND IMPARTIALITY

Independence from the audited entity and other outside interest groups is indispensable for ACCESS auditors. This implies that auditors should behave in a way that increases, or in no way diminishes, their independence.

Auditors should strive not only to be independent of audited credit unions and their interested groups, but also to be objective in dealing with the issues and topics under review.

It is essential that auditors are independent and impartial, not only in fact but also in appearance. In all matters relating to the ACCESS assessment work, the independence of auditors should not be impaired by personal or external interests. Independence may be impaired, for example, by external pressure or influence on auditors; prejudices held by auditors about individuals, audited credit unions, recent previous employment or services rendered with the credit union, or personal or financial dealings which might cause a conflict of loyalty or interest. ACCESS Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest.

There is a need for objectivity and impartiality in all work conducted by auditors, particularly in their reports, which should be accurate and objective. Conclusions in opinions and reports should, therefore, be based exclusively on evidence obtained and assembled in accordance with this Audit Manual.

Auditors should make use of information brought forward by the audited credit union. This information is to be taken into account in the opinions expressed by the auditors in an impartial way.

The auditor should also gather information about the views of the audited credit union and other parties. However, the auditor's own conclusions should not be affected by such views.

4. POLITICAL NEUTRALITY

It is important to maintain both the actual and perceived political neutrality of the ACCESS Auditor. Therefore, it is important that auditors maintain their independence from political influence in order to discharge their audit responsibilities in an impartial way. This is relevant for ACCESS auditors since they work closely with the national federation and ACCU. Most importantly they represent the interest of the Asian credit union movement.

5. CONFLICTS OF INTEREST

When auditors are permitted to provide advice or services other than audit to credit union under assessment, care should be taken that these services do not lead to a conflict of interest. In particular, auditors should ensure that such advice or services do not include management responsibilities or powers, which must remain solely with the management of the credit union.

Auditors should protect their independence and avoid any possible conflict of interest by refusing gifts or gratuities, which could influence or be perceived as influencing their independence and integrity.

Auditors should avoid all relationships with managers and staff of the audited credit union and other parties which may influence, compromise or threaten the ability of auditors to act and be seen to be acting independently.

Auditors should not use their official position for private purposes and should avoid relationships which involve the risk of corruption or which may raise doubts about their objectivity and independence.

Auditors should not use information received in the performance of their duties as a means of securing personal benefit for themselves or for others. Auditors should not divulge information that would provide unfair or unreasonable advantage to other individuals or organizations, nor should they use such information as a means for harming others.

6. PROFESSIONAL SECRECY

Auditors should not disclose information obtained in the auditing process to third parties, either orally or in writing, except for the purposes of meeting the national federation or ACCU's normal procedures.

7. COMPETENCE

ACCESS Auditors have a duty to conduct themselves in a professional manner at all times and to apply high professional standards in carrying out their work in order to enable them to perform their duties competently and with impartiality.

ACCESS Auditors must not undertake work they are not competent to perform. Auditors should know and follow applicable standards such as credit union operating principles, international and national prudential norms, financial management standards and sound business policies, procedures and practices.

Likewise, they should have a good understanding of the constitutional, legal and institutional principles and standards governing the operations of the audited entity.

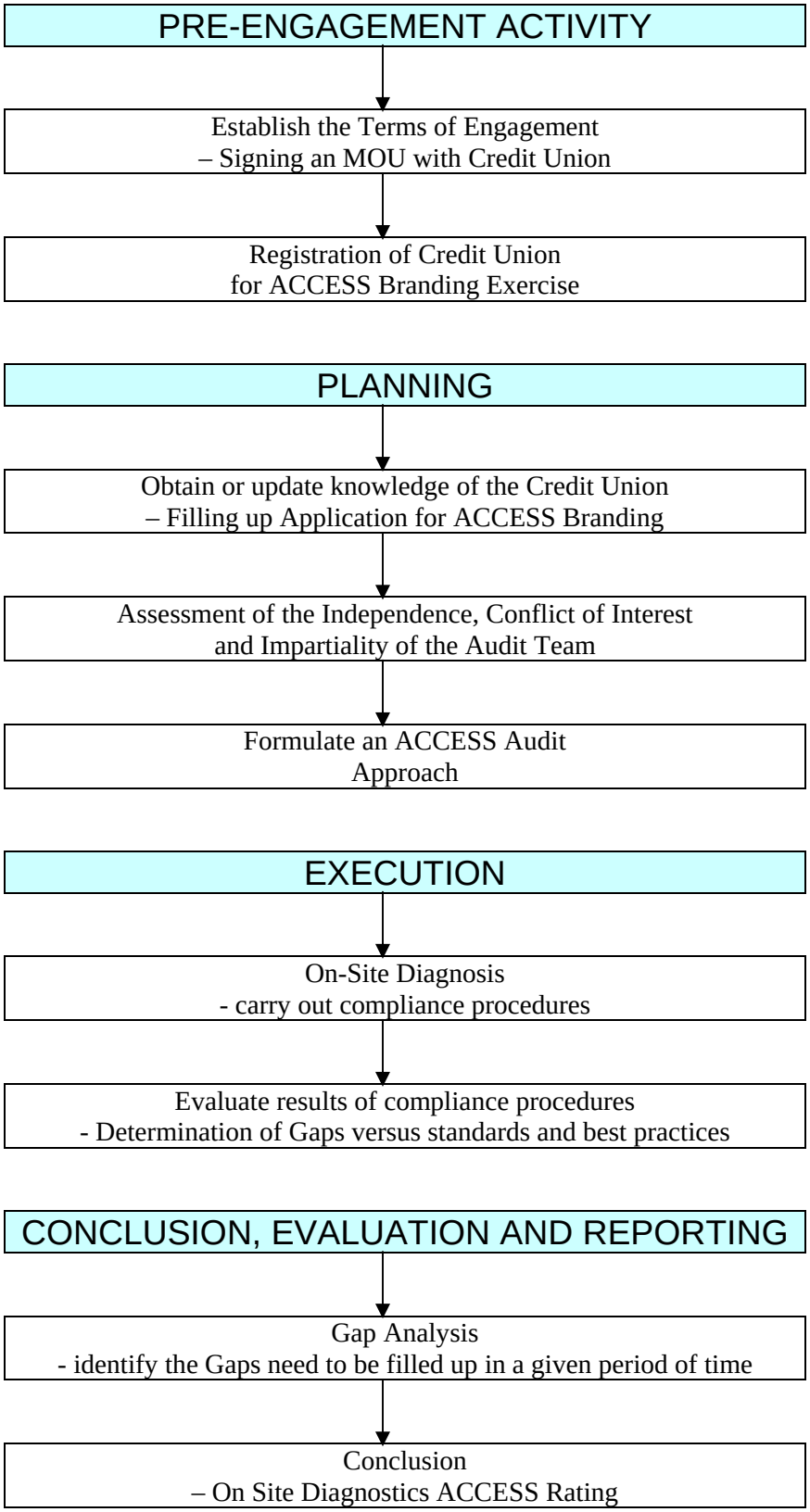
8. PROFESSIONAL DEVELOPMENT

Auditors should exercise due professional care in conducting and supervising the ACCESS audit and in preparing related reports.

Auditors should use methods and practices of the highest possible quality in their audits. In conducting the audit and issuing reports, auditors have a duty to adhere to basic credit union operating principles, international and national prudential norms, financial management standards and sound business policies, procedures and practices.

Auditors have a continuous obligation to update and improve the skills required for meeting their professional responsibilities.

## ACCESS AUDIT PROCESS DIAGRAM



**Pre-Engagement Activity**

1. Establishment of Terms of Engagement – a Memorandum of Understanding will be signed by the audited credit union and the National Federation. The MOU spells out the roles and limitation of ACCESS Auditor and the cooperation needed from the credit union to complete the evaluation. Sample MOU is attached in this manual.

2. Registration for ACCESS Branding – the credit union is required to register to the national federation submitting itself to ACCESS branding procedures. A nominal fee will be paid for this registration to the national federation.

**Planning**

3. Obtain or update knowledge of the Credit Union – the credit union will be required to fill up an Application for ACCESS Branding. The form contains basic information required to gain or update knowledge on the operational status of the credit union. The audited credit union is required to prepare ACCESS self-appraisal report.

4. Assessment of the Independence, Conflict of Interest and Impartiality of the Audit Team – the auditor assigned must declare their conflict of interest, independence and impartiality to the audited credit union. Independence may be impaired, for example, by external pressure or influence on auditors; prejudices held by auditors about individuals, audited credit unions, recent previous employment or services rendered with the credit union, or personal or financial dealings which might cause a conflict of loyalty or interest. ACCESS Auditors have an obligation to refrain from becoming involved in all matters in which they have a vested interest.

5. Formulate an ACCESS Audit Approach – having obtained knowledge of the credit union and assessed the independence of the ACCESS Audit team, formulation of the audit approach is very important. A thorough review and understanding of the standard evidences as suggested in this manual is required of every auditor. The auditor should study the standard policies, procedures, systems and practices on all four aspects of ACCESS components where its audit approach is based on its judgment that reliance on specific policy, procedures, practices or programs could be an effective and efficient way of obtaining sufficient evidence. This will involve making a preliminary evaluation to determine whether or not such individual policy, procedures, practices or programs suitably designed to achieve a level of excellence.

**Execution**

6. On-Site Diagnosis – the ACCESS Auditor carry out compliance procedures which involve substantiating the measurable indicators with a written policies, procedures, and programs in the credit union. To create a sound judgment on every indicator, ACCESS auditors may also use verification from third parties, interview with Board, members and staff. Moreover, the on site diagnosis should be carried out with due care and professionalism.

7. Evaluate results of compliance procedures – the ACCESS Auditors must determine the gaps based on the standard measurement (excellent rating). To fill the gaps, this may involve adoption of specific policies, procedures, best practices or programs. This should be highlighted in the report. Prior to reporting however, the ACCESS Auditor should be able to discuss the gaps with the management.

**Conclusion, Evaluation and Reporting**

8. Gap Analysis – the ACCESS Auditors prepare a detailed report to be submitted to the Board of Directors and General Manager of the credit unions. The report summarizes the performance gaps identified and recommendations to fill in the gaps. A proposed time frame should also be indicated in the report. The report is the basis of the formulation of credit union Action Plan on ACCESS.

9. Conclusion – ACCESS Rating

The following is the ACCESS Brand rating:

| **Branding** | **SCORE** | **EQUIVALENT %** *provided that there is no percentage lower than 50% in any perspective* |
|---|---|---|
| Bronze | 207-241 | 60-70% |
| Silver | 242-275 | 71-80% |
| Gold | 276-310 | 81-90% |
| Platinum | Above 310 | above 90% |

## DEVELOPMENT OF ACTION PLAN TO ACHIEVE ACCESS

After the first on-site diagnosis, the technical person of the federation should work with the credit union to prepare work plan aimed at reaching ACCESS standards. The national federation shall assist the credit union in developing the action plan to achieve ACCESS within a reasonable time frame determined by both parties.

The Board of Directors of the Credit Union approves the detailed activity plan. The technical fee should be clearly indicted in the plan. It is recommended that a Memorandum of Understanding be signed indicating the role of the federation and credit union. The MOU is considered as an institutional commitment to ensure that the agreement will be honored even new set of Board of Directors is elected.

## ON-GOING TECHNICAL ASSISTANCE

The type of technical assistance will be based on the Action Plan agreed upon by the federation and the credit union. The assistance may include the following:

- Training and workshops
- Designing and Installation of Systems and Procedures
- Designing and Installation of Policies
- Designing and Installation of programs, products and services
- Designing of marketing materials
- Monitoring Visit

The technical person of the National Federation closely monitor the Credit Union owing that it [technical assistance will ensure the achievement of the ACCESS standards.

## APPLICATION FOR ACCESS BRAND

The credit union may apply for ACCESS Brand awarding once it has satisfactorily reached the ACCESS criteria. The ACCESS branding fee is US$ 500 and management Audit shall be decided by the national federation. Twenty percent (20%) of the renewal fee will be remitted to ACCU as Royalty for using the ACCESS Brand.

The ACCESS award certificate is only issued by ACCU and will in turn have the right to verify the data of primary credit union as presented by the member federation.

## BRAND MANAGEMENT

The Brand is valid only for 12 months and it has to be reviewed annually. The renewal fee is US$ 300. Twenty percent (20%) of the renewal fee will be remitted to ACCU as Royalty for using the ACCESS Brand. The audit fee for brand renewal will be determined by the national federation.

The management audit should be completed within 30 days upon submission of the application. Credit unions failed to apply for renewal will be advised to remove all the display of ACCESS accreditation award within two weeks. A penalty decided by the national federation will be charged to credit union not complying with the branding regulations. The National Federation is authorized to take any legal action for the non-compliance with agreement of ACCESS.

## ACCESS BRANDING AT GLANCE

| Perspective | Critical Success Factors | Objectives | Measures |
|---|---|---|---|
| Financial | Safety and soundness | ▪ Protection<br>▪ Effective Financial Structure<br>▪ Assets Quality<br>▪ Liquidity management<br>▪ Rates of Return and Costs effectively managed<br>▪ Signs of growth | ▪ P1-Provisions for loans delinquent for more than 12 months = 100%<br>▪ P2-Provisions for loans delinquent for 1-12 months-35%<br>▪ E-9=Net Institutional Capital to Total Assets->10%<br>▪ E1=Net Loans to Total Assets – 70 to 80%<br>▪ E5=Savings Deposits to Total Assets – 70 to 80%<br>▪ E6=External Borrowing to Total Assets – reducing to 0%<br>▪ A1=Total Loan Delinquency to Total Loan Portfolio- less than 2%<br>▪ A2=Non-Earning Assets to Total Assets – less than 5%<br>▪ R7=Total interest (Dividend) Cost on Shares/Average Member Shares-Market rate>R5<br>▪ R9=Total Operating Expenses to Average Assets – 5%<br>▪ L1= Liquid Investments to Savings Deposits –minimum 15%<br>▪ S10=Growth in Membership ->12%<br>▪ S11=Growth in Assets- > inflation rate |

| Perspective | Critical Success Factors | Objectives | Measures |
|---|---|---|---|
| Customers/ Members | Quality Products and Services | ▪ Become a trusted financial adviser<br>▪ Provide superior service | ▪ Products and Services Objective<br>▪ Product Presentation<br>▪ Range of Financial Products<br>▪ Brand Mind Set<br>▪ Wealth Building Products<br>▪ Capacity Based Lending<br>▪ Access and Convenience<br>▪ Price Value<br>▪ Marketing and Promotions<br>▪ Loyalty Incentives<br>▪ Product Packaging |
| | Customer Satisfaction | Member-Customer Orientation | ▪ Knowledge of Members<br>▪ Building Lasting Relationship with Members<br>▪ Customer Satisfaction Evaluation<br>▪ Share of Wallet<br>▪ Institutionalized Customer Care Excellence<br>▪ Member Benefits<br>▪ General Meetings<br>▪ Member Participation<br>▪ Use of Wealth Building Products<br>▪ Use of Loan Products<br>▪ Understanding of Responsibility as Measured by Delinquency |

| Perspective | Critical Success Factors | Objectives | Measures |
|---|---|---|---|
| | | Excellent Service to Members | ▪ Physical Infrastructure –Building and office space<br>▪ Technological Infrastructure<br>▪ Computer Applications, Network and E-mails<br>▪ Website<br>▪ Databases and Management Reporting System |
| Internal Business Processes | Operational Efficiency | ▪ Professionalism<br>▪ Achieve flawless implementation and operations<br>▪ Provide rapid response and service to members<br>▪ Leverage service to build image<br>▪ Build expertise in technologies of the future | ▪ Comprehensive Operational Manual<br>▪ Procedures Manual<br>▪ Staff Productivity<br>▪ Error Management<br>▪ Service Delivery to Members-Loans<br>▪ Service Delivery to Members-Savings<br>▪ Service Delivery to Members-Withdrawals<br>▪ Utilization of Office Machines and Equipment<br>▪ Communication Efficiency |
| | Competitive Position | Ensuring Strategic Direction | ▪ Clarity of Vision<br>▪ Boldness of Vision<br>▪ Well-defined Mission<br>▪ Core Values<br>▪ Overarching Goals<br>▪ Strategic Objectives<br>▪ Annual Business Plan |
| | | Image Building | ▪ Public Relations and Marketing<br>▪ Involvement in the Local Community<br>▪ Partnerships and Alliances<br>▪ Relationship with National Federation |

| Perspective | Critical Success Factors | Objectives | Measures |
|---|---|---|---|
| | | Increasing Market Share | ▪ Members of the Community Using the Services of the Credit Union<br>▪ Member Segmentation-age<br>▪ Diversity of Membership<br>▪ Gender Balance |
| | | Ethical Business-Compliance with regulations | ▪ Management Regulatory Obligations<br>▪ Statutory Commitment |
| Knowledge and Learning | Knowledgeable and Involved Board of Directors | Build cadre of competent and trustworthy leaders | ▪ Prime Decision Center<br>▪ Advisory<br>▪ Trustee function<br>▪ Perpetuating function<br>▪ Symbolic<br>▪ Composition and Commitment<br>▪ Guiding and Coaching<br>▪ Governance<br>▪ Performance Evaluation<br>▪ Gender Equality in Leadership |
| | Employee Satisfaction | Administration aimed at ensuring employees has the opportunity for career development. | ▪ Job Designs<br>▪ Recruitment and Selection<br>▪ Compensation<br>▪ Staffing Levels |
| | | Performance Management aimed at continuous development of human potential | ▪ Performance Objectives<br>▪ Appraisal Standards<br>▪ Performance as Shared Values<br>▪ Team Capabilities |
| | | Knowledge Management aimed at developing competitive advantage based on knowledge, skills, and capabilities of employees. | ▪ Career path<br>▪ Development programs |

# ACCESS INDICATORS

# 1. FINANCIAL PERSPECTIVE

| Standard Measurement | Audit Guidelines |
|---|---|
| **PROTECTION** | |
| **1.1. P1. Provisions for delinquent loans over 12 months** | |
| ▪ **Poor** - Less than 50% provisioning for loans delinquent for more than 12 months and no charging-off of is practiced.<br><br>▪ **Fair** - 50-99%% provisioning for loans delinquent for more than 12 months and no charging-off of is practiced.<br><br>▪ **Good** - 100% provisioning for loans delinquent for more than 12 months and quarterly charge off is practiced from time to time.<br><br>▪ **Excellent** - 100% provisioning for loans delinquent for more than 12 months and quarterly charge off is consistently practiced. | 1. See the **Policy of the Board in the determination of delinquency** and verify if it is implemented. The standard requires that a loan with one day missed payment, the entire loan balance becomes portfolio at risk.<br><br>2. Examine **schedule of loan portfolio with aging schedule** (Annex 2 as sample). It is required that schedule of loan portfolio with aging is consistently prepared monthly. The schedule to be examined and used in the computation of P1 is as of the latest audited **Financial Statements (FS) and the latest monthly FS**. The loans should be classified as to current, past due, re-structured and in litigation.<br><br>3. Conduct random sampling to assess how delinquency is determined in the schedule.<br><br>3.1. From the schedule select by random about 5% of loan accounts.<br>3.2. Request for the copies of ledgers and other pertinent data (Application for Loans, Promissory Note and Credit Rating Sheet) of these loan accounts selected by random.<br>3.3. Verify by comparing the data and balances from ledgers on the schedule of aging of loans. If there is no error, the schedule is more or less reliable.<br>3.4. If there are errors found, select additional loan accounts and repeat the procedure.<br>3.5. If in case, the schedule is prepared not in accordance with standard portfolio quality, this becomes a finding and immediately recommend repeating the schedule accordingly. Meantime that the schedule is not corrected, this particular area will not be rated or rate is zero.<br><br>4. See **Policy on Loan Charge-off** (Annex 3) and audited financial **Charge-off schedule or off-balance Sheet.** Verify if loan charge-off is consistently practiced.<br><br>5. Verify computation of required allowance for probable losses on loans based on Aging of Loans by Portfolio at Risk (PAR) and compare with actual allowance for probable losses on loans provided as per the financial statement. Required allowance should be 100% for loans delinquent for more than 12 months. |

| | |
|---|---|
| | Actual Allowance provided<br>Total past due loans (PAR) more than 12 mos.<br><br>6. Compare with standard measurement.<br><br>7. Give the ACCESS rating: ( 1) poor, ( 2 ) fair, ( 3 ) good or ( 4 )excellent. |
| **Standard Measurement** | **Audit Guidelines** |
| **1.2. P2. Provisions for delinquent loans 1-12 months** | |
| ▪ **Poor** - No provisioning for loans delinquent for 1-12 months and no charging off is practiced.<br><br>▪ **Fair** - Less than 35 % provisioning for loans delinquent for 1-12 months and no charging off is practiced.<br><br>▪ **Good** - 35% provisioning for loans delinquent for 1-12 months and quarterly charge off is practiced from time to time.<br><br>▪ **Excellent** - 35% provisioning for loans delinquent for 1-12 months and quarterly charge off is consistently practiced. | 1. The same audit guideline is followed above.<br><br>2. Verify computation of required allowance for probable losses on loans based on Aging of Loans by Portfolio at Risk (PAR) and compare with actual allowance for probable losses on loans provided as per the financial statement. Required allowance should be 35% for loans delinquent for more one month up to 12 months.<br><br>Actual Allowance provided<br>Total past due loans (PAR) more than 1 month to 12 months.<br><br>*Note: If actual allowance provided for P1 did not reach 100%, actual allowance for P2 is zero.*<br><br>3. Compare with Standard Measurement.<br><br>4. Give the ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **EFFECTIVE FINANCIAL STRUCTURE** | |
| **1.3 E1. Net Loans/total assets**<br>**Goal: Between 70-80%** | |
| ▪ **Poor** - Below 50% of the total assets<br><br>▪ **Fair** - Over 80% of the total assets or 51-69% of the total assets<br><br>▪ **Good** - Between 70-80% of the total assets<br><br>▪ **Excellent** - Between 70-80% of the total assets and a diversified loan portfolio with a minimum of 5 different loan products. | 1. Verify Computation of net loans/total assets by looking into the FS and schedule of loan portfolio with aging. Schedule of loan portfolio with Aging Schedule as examined above will be used to determine net loans.<br><br>2. Net loans is total loans outstanding less the required allowance for probable losses on loans of 100% for delinquent loans PAR for more than 12 months and 35% for delinquent loans more than 1 month to 12 mos. Divide it by total assets.<br><br>3. Verify diversity of loan products by looking into the **schedule of loans** by **products** and the **loan product catalogue**.<br><br>4. Compare with standard measurement.<br><br>5. Give ACCESS rating. |
| **1.4. E5. Savings deposits / total assets**<br>**Goal: Between 70 – 80%** | |
| ▪ **Poor** - Below 50% of the total assets or over 80% of the total assets<br><br>▪ **Fair** - 51-69% of the total assets<br><br>▪ **Good** - Between 70-80% of the total assets<br><br>▪ **Excellent** - Between 70-80% of the total assets and a diversified savings with a minimum of 5 different savings products | 1. The same Audited Financial Statement plus the last monthly Financial statements above will be used<br>.<br>2. Examine **schedule of savings** as of date of the audited FS and latest monthly FS. Savings products must be diversified. There must be a **savings policy and description**, promotional brochures and **savings product catalogue**.<br><br>3. Verify Computation of savings deposits/total assets by looking into the FS and schedule of savings deposits.<br><br>$\frac{\text{Total savings accounts}}{\text{Total Assets}}$<br><br>3. Compare with standard measurement and give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **1.5. E6. External Borrowing to Total Assets – reducing to Zero** | |
| ▪ **Poor** - More than 30% of total assets<br>▪ **Fair** - 20-30% of total assets<br>▪ **Good** - 1-19% of total assets<br>▪ **Excellent** - 0 | 1. Read and understand **Policy on External Borrowing** (Annex 4 as a sample) and the **terms and conditions** by which external borrowings were availed. External borrowings are loans payable availed from financial institutions such as federation, commercial bank and other legal or accredited financial institutions.<br>2. If there is no Policy on External borrowing but external borrowing is availed, this becomes a finding. Give appropriate recommendation.<br>3. Verify Computation of external borrowings to total assets. Use the same FS as examined above as basis.<br>$\frac{\text{Total external borrowings}}{\text{Total assets.}}$<br>4. Compare with standard measurement.<br>5. Give ACCESS rating. |
| **1.6. E9. Net institutional capital**<br>**Goal**: Minimum 10% | |
| ▪ **Poor**- Below 4 % of the total assets<br>▪ **Fair** - 5-9% % of the total assets<br>▪ **Good** - 10% of the total assets<br>▪ **Excellent** - Above 10% of the total assets | 1. Using as basis the Financial Statements and the Schedule of loan portfolio with Aging Schedule as examined above, verify computation of E9 The formula is.<br>$\frac{\text{(Reserve Fund + Allowance for Probable losses on loans)- (35\% x LR delinquent > 1 mo. To 12 mos.+100\% X LR delinquent > 12.mos.)}}{\text{Total assets}}$<br>2. Compare with standard measurement.<br>3. Give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **ASSET QUALITY** | |
| **1.7. A1. Total loan delinquency / total loan portfolio:**<br>**Goal: equal or less than 5%** | |
| ▪ **Poor -** More than 10% of the total loan portfolio<br>▪ **Fair -** 6-10% of the total loan portfolio<br>▪ **Good -** < 5 % of total loan portfolio<br>▪ **Excellent** - 0 | 1. Verify computation of A1 using the Schedule of loan portfolio with Aging Schedule as examined above. Total loan portfolio includes loans receivable-current, loans receivable- past due, loans receivable-re-structured and loans in litigation. The formula is:<br>: Total loans with one day missed payment / Total loans outstanding<br>2. Compare with standard measurement and give ACCESS rating. |
| **1.8. A2. Non-earning assets/total assets**<br>**Goal: Less than or equal to 5%** | |
| ▪ **Poor -** More than 10% of the total assets<br>▪ **Fair** - 6-9% of the total asset<br>▪ **Good -** 5% of the total assets<br>▪ **Excellent -** Less than 5% of the total assets | 1. See **Policy on Disposing of property acquired in settlement of loans** (Annex 5 )<br>2. **See Policy of the Board on the acquisition of assets** for the organization (Annex 6)<br>3. Using the FS duly examined above, verify computation of A2.<br>Non-earning assets / Total Assets<br>Included in the non-earning assets are: Cash on hand, Cash in bank-current account, petty cash fund, revolving fund, cash advances to Officers and employees, Receivable from Accountable Officer, Other Receivables, Unused Office Supplies, Prepaid expenses, Property and equipment (net), Due from Head Office/Branch/ Division/Computerization cost, Assets Acquired in Settlement of Loans, Other Land, Other building (net), Miscellaneous Assets and non-earning investments.<br>4. Compare with standard measurement.<br>5. Give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **Rates on return on Cost** | |
| **1.9. R-7 – Interest Cost on share capital to average shares**<br>**Goal: Market Rate or > R5** | |
| ▪ **Poor -** Interest cost on shares (dividend) is paid at below the market rate<br><br>▪ **Fair -** Interest cost on shares (dividend) is paid at below or 2 % higher than the market rate<br><br>▪ **Good -** Interest cost on shares (dividend) is paid 1% higher than the market rate<br><br>▪ **Excellent -** Interest cost on shares (dividend) is paid equivalent to market rate | 1. See process or mechanism of monitoring market interest rates<br><br>2. Compare Interest rates on investments in the financial market i.e. treasury bonds, time deposits with the credit union's interest/dividends on Share Capital rate as computed below.<br><br>3. Using the same audited Financial Statements duly examined above, verify computation of R7.<br><br>Amount available for Interest on Share Capital<br>Average Share Capital (SC, beg + SC, end)/2)<br><br>4. Compare with Standard Measurement.<br><br>5. Give ACCESS Rating. |
| **1.10. R9- Operating Expenses to Average Assets**<br>**Goal: 5%** | |
| ▪ **Poor -** Operating expenses to Average Assets is below 5% of the average assets and maintains insufficient staffing to run the operation of the credit union.<br><br>▪ **Fair -** Operating expenses to Average Assets is above 5%<br><br>▪ **Good -** Operating expenses to Average Assets is 5% | 1. See existing Management **Structure** and find out if there are staffs tasked for each position with their respective job descriptions.<br><br>2. See if there is and updated **personnel policy** to guide administration of employees.<br><br>3. See **salary structure** ( Annex 7 as a sample). It is important that credit union is able to establish its salary structure. Salary structure description should include the general policy objectives and salary administration. Salary administration should include among others salary increases and adjustments, job classification and salary step increment.<br><br>4. Use the same audited Financial Statements to verify computation. Operating |

| | |
|---|---|
| ▪ **Excellent** - Operating expenses to Average Assets is 5%, maintains sufficient number of employees with | expenses includes administration and governance cost. Provision for probable losses on loans is deducted.<br><br>Total Operating Expenses (less provision for probable losses on loans<br>Average Assets<br>Average assets is Total assets, beg + total assets, end divided by2.<br><br>5. Compare with Standard measurement.<br><br>6. Give ACCESS rating. |
| **Standard Measurement** | **Audit Guidelines** |
| **LIQUIDITY** | |
| **1.11. L1. Liquid investments (+) liquid assets (-) short-term payables /savings deposits**<br>Goal: Minimum 15% | |
| ▪ **Poor** - Below 10% of the total savings **or** above 15% of the total savings if that amount exceeds 20% of the total assets<br><br>▪ **Fair** - 10-15% of the total savings but not exceeding 20% of the total assets<br><br>▪ **Good** - 15 % of the total savings but not exceeding 20% of the total assets<br><br>▪ **Excellent** - Above 15% of total savings but not exceeding 20% of the total assets | 1. Verify computation of L1 basing from the same audited Financial Statements and latest monthly Financial Statements.<br><br>2. List of **liquid investments**<br>Liquid assets: Cash on hand, Cash in bank, Petty Cash Fund and Revolving Fund<br>Liquid Investments: Short-term investments such as T-bills<br>Short-term payables: Loans payable short-term, SSS/ECC/Philhealth and premium payable, Withholding tax payable, accrued expenses, Interest or Dividends payable, Patronage Refund Payable and Other short-term payables<br><br>3. The formula is:<br>Liquid assets + liquid investments-short-term payables<br>Total savings deposit + time deposit accounts<br><br>4. Compare with standard measurement.<br><br>5. Give ACCESS Rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **SIGNS OF GROWTH** | |
| **1.12. S10. Growth in membership:**<br>**Goal: > 12%** | |
| ▪ **Poor -** Less than 5%<br>▪ **Fair** - 5-11%<br>▪ **Good -** 12%<br>▪ **Excellent - More than 12%** | 1. Examine list of membership, current and previous year<br>2. Verify computation: No. of members current<br>Less: No. of members, previous<br>= Increase in no. of members<br>No. of members, previous<br>3. Compare with standard measurement.<br>4. Give ACCESS rating. |
| **1.13. S11. Growth in total assets:**<br>**Goal: Greater than the inflation rate** | |
| ▪ **Poor -** Lower than inflation rate<br>▪ **Fair -** 1-4% higher than the inflation rate<br>▪ **Good -** 5-9% higher than the inflation rate<br>▪ **Excellent -** 10% higher than the inflation rate | 1. Using the same audited Financial Statements, latest audited and last Financial Statement, verify computation of S11:<br>Total assets, end<br>Less: total Assets, beg.<br>Increase in Total Assets<br>Total Assets, Beg.<br>2. Compare with standard measurement.<br>3. Give ACCESS rating. |

# 2. CUSTOMER/MEMBER PERSPECTIVE

## C1. Quality Products and Services

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.1. Product and Service Objective** | |
| ▪ **Poor -** No means of receiving member feedback Products and services do not meet all the needs of the members as measured by members of the community using the services of the credit union (less than 10%)<br><br>▪ **Fair -** Irregular member needs survey; Products and services meet some of the needs of the members as measured by members of the community using the services of the credit union (10-19%)<br><br>▪ **Good -** annual member needs survey; Products and services meet all the needs of the members as measured by members of the community using the services of the credit union (20-30%)<br><br>▪ **Excellent -** annual member needs survey and additional feedback mechanisms**;** Products and services meet all the needs of the members as measured by members of the community using the services of the credit union (above 30%) | 1. See "**Result of the Annual member need survey".** The credit union must have a **system of gathering members' feedback.** Find out the way by which members' feedback are gathered. Is there a written policy and system on this? Gathering members' feedback, positive or negative may be through suggestion box, survey questionnaire, house to house visit, sub-group meetings (maybe by area), etc. How does the cooperative respond to members' feedback?<br><br>Compute: 1) No. of borrowers<br>Less: No. of borrowers with Delinquent Accounts<br>= No. of good borrowers<br>Divide by no. of members<br>= % of members patronizing loan products<br><br>Compute: 2) No. of depositors……<br>Less: dormant accounts……<br>= No. of Active Depositors……<br>Divide by No. of Members<br>= % of members patronizing savings products<br><br>Compute: 3) No. of Member in Good Standing<br>Divide by No. of Working Population<br>= % of members of community using products and services of the credit union |

2. Analyze the following data:

| Active Depositors By Savings Products | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | M | F | Total | % | M | F | Total | % |
| 1. Savings Product 1 | | | | | | | | |
| 2. Savings Product 2 | | | | | | | | |
| 3. Savings Product 3 | | | | | | | | |
| 4 Savings Product 4 | | | | | | | | |
| 5. Savings Product 5 | | | | | | | | |
| 6. Savings Product 6 | | | | | | | | |
| 7. Savings Product 7 | | | | | | | | |
| 8. Savings Product 8 | | | | | | | | |
| TOTAL | | | | | | | | |
| Total members | | | | | | | | |
| % against total members | | | | | | | | |
| Total population | | | | | | | | |
| % against population | | | | | | | | |

| No. of borrowers By Loan Products | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | M | F | Total | % | M | F | Total | % |
| 1. Loan Product 1 | | | | | | | | |
| 2. Loan Product 2 | | | | | | | | |
| 3. Loan Product 3 | | | | | | | | |
| 4. Loan Product 4 | | | | | | | | |
| 5. Loan Product 5 | | | | | | | | |
| 6. Loan Product 6 | | | | | | | | |
| 7. Loan Product 7 | | | | | | | | |
| 8. Loan Product 8 | | | | | | | | |
| TOTAL | | | | | | | | |
| Total members | | | | | | | | |
| % against total members | | | | | | | | |
| Total population | | | | | | | | |
| % against population | | | | | | | | |

| | Compare with Standard Measurement and give ACCESS rating. |
|---|---|
| **Standard Measurement** | **Audit Guidelines** |
| **2.2. Product Presentation** | |
| ▪ **Poor -** No product catalogue is developed; or seldom print flyers and brochures<br><br>▪ **Fair -** Use brochures and flyers; but fail to convey a positive message of satisfaction, convey the friendliness, excitement, and the credit union difference<br><br>▪ **Good -** Use a professional product catalogue, brochures and flyers<br><br>▪ **Excellent - Use** a professional product catalogue, brochures and flyers; use pictures of members that tell the story of their satisfaction and convey friendliness, excitement, and the credit union difference in the credit union office environment and using external opportunities. | 1. See **product catalogue** and **product brochures**.<br>Product catalogue criteria:<br>▪ Professionally made, printed on quality paper, good presentation, contains and describes a wide range of products and services that address different segments of the members according to sex, age, occupation, lifestyles, etc.<br>▪ Each product is well defined wealth building product with price, value, purpose, benefits, solution to problems of member-customer and how to access such product.<br>▪ Available for viewing by members<br>Product brochure criteria:<br>▪ Professionally made, printed on quality paper good presentation and describes well a particular wealth building product or service for a particular sex, age, occupation, lifestyle.<br>▪ How to access, price, value, purpose, benefits and solution to problems are clearly defined.<br>▪ available for distribution<br><br>2. Assess **marketing materials**. Count how many are posted inside the credit union and in strategic places outside the credit union.<br>Marketing Materials Criteria:<br>• professionally made<br>• use pictures of members that depicts satisfaction<br>• covey friendliness and excitement and the credit union difference<br>• projects the characteristics of the product<br>• captures the attention of the target market.<br><br>3. Compare with standard measurement.<br><br>4. Give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.3. Range of Financial Products** | |
| ▪ **Poor -** Traditional products that have not been reviewed for the last 5 years; Financial products are limited (e.g. regular, normal loans or savings); products design are traditional<br><br>▪ **Fair -** Traditional products that have not been changed for the last 3 years; Limited financial products that serve as solutions to members' problems; the products are not matched to the current membership demographics: age, occupation; gender; religion; behavior; lifestyles; social status; etc.<br><br>▪ **Good -**New products developed**;** The range of financial products is a customized solution on the recognized members' problems; the products are matched to the majority of the current membership demographics: age, occupation; gender; religion; behavior; lifestyles; social status; etc.<br><br>▪ **Excellent -** new products developed during the last 10 years with value addition; A need based competitively priced range of financial products is a customized solutions on the recognized members' problems; the products are matched to the current membership demographics: age | 1. Assessment of the demographics of members<br><br>Get the **list of products developed** and know the dates they are developed and introduced. Use the following tables: |

| By Loan Products | No. of members who availed listed loan products | | | | Date developed/ improved | Date Implemented |
|---|---|---|---|---|---|---|
| | M | F | Total | % | | |
| Loan Product 1 | | | | | | |
| Loan Product 2 | | | | | | |
| Loan Product 3 | | | | | | |
| Loan Product 4 | | | | | | |
| Loan Product 5 | | | | | | |
| Loan Product 6 | | | | | | |
| Loan Product 7 | | | | | | |
| Loan Product 8 | | | | | | |
| Loan Product 9 | | | | | | |
| Loan Product 10 | | | | | | |
| TOTAL | | | | | | |
| No. of members | | | | | | |
| % against no. of members | | | | | | |

Do the same for savings products.

By Income Range

| | No. of members | | | | List here savings products available | List here loan products available |
|---|---|---|---|---|---|---|
| | Male | Female | Total | % | | |
| Under 7,000 (below poverty line) | | | | | | |
| 8,000-15,000 | | | | | | |
| 16,000-20,000 | | | | | | |
| 21,000-30,000 | | | | | | |
| 31,000-50,000 | | | | | | |
| 51,000-70,000 | | | | | | |
| 71,000-100,000 | | | | | | |
| Over 100,000 | | | | | | |

| By age 2007 | No. of Members | | | | List here savings products available | List here loan products available |
|---|---|---|---|---|---|---|
| | Male | Female | Total | % | | |
| 18-29 | | | | | | |
| 30-39 | | | | | | |
| 40-49 | | | | | | |
| 50-59 | | | | | | |
| 60-69 | | | | | | |
| 70 and above | | | | | | |
| Sub-total | | | | | | |

Do the same for other categories.

2. See the product description, and the procedures for each product. The credit union should have a written product description and specific procedures for each product. If none, this will be noted in the findings and highest mark cannot be given.

3. Compare with standard measurement.

4. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.4. Brand Mind Set** | |
| ▪ **Poor -** No brand personality declared<br><br>▪ **Fair** - No evidence of a written brand personality; the brand somewhat describes the compelling promise about the benefits of CU's products and services; it somehow captures the feel of the credit union business and the psychological bond established with members; product names are a bit traditional<br><br>▪ **Good-** Displays a written brand personality that describes the compelling promise about the benefits of CU's products and services in the credit union office environment; it captures the feel of the credit union business and the psychological bond established with members; it emphasizes the credit union difference; product names are easy to remember, attractive and cool /trendy;<br><br>▪ **Excellent -** Displays a written brand personality that describes the compelling promise about the benefits of CU's products and services in the credit union office environment; it captures the feel of the credit union business and the psychological bond established with members; it emphasizes the credit union difference; product names are easy to remember, attractive and cool /trendy. | 1. See **Visual identity handbook** of the credit union, if any.<br><br>Visual Identity handbook contains the standard by which the credit union logo, colors, characters and other basic features will be projected in its signage, marketing and promotional materials, stationery, business cards, etc.<br><br>There should be a policy to guide for implementation.<br><br>2. Assess the existing marketing materials, stationery, business cards if consistently declaring the same "brand" or identity or differentiation and matches the requirements in the visual identity handbook. Uniqueness is consistently applied in every document.<br><br>3. Compare with standard measurement.<br><br>4. Give ACCESS rating.<br><br>5. Make appropriate recommendation, if the credit union has no brand mind set. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.5. Wealth Building Products** | |
| ▪ **Poor -** Offers traditional savings products only<br><br>▪ **Fair -** 5 customized wealth building savings products are offered to members such as: education, house purchase, car purchase; lot purchase; computer purchase; investment; house remodeling; decorating house; emergency etc.<br><br>▪ **Good -** 6-10 customized wealth building savings products are offered to members such as: education, house purchase, car purchase; lot purchase; computer purchase; investment; house remodeling; decorating house; emergency etc.<br><br>▪ **Excellent -** Over 10 customized wealth building savings products are offered to members such as: education, house purchase, car purchase; lot purchase; computer purchase; investment; house remodeling; decorating | 1. Count and assess each **wealth building products** if they address the current needs of members. See and product catalogue, brochures and marketing materials. Apply the criteria described above. |

| | Please check existing wealth building product. | | No. of members with account for each product |
|---|---|---|---|
| 1. | Education savings | | |
| 2. | House purchase | | |
| 3. | Lot purchase | | |
| 4. | Computer or home equipment purchase | | |
| 5. | Investment | | |
| 6. | House remodeling | | |
| 7. | Home furnishings | | |
| 8. | Home decorating | | |
| 9. | Emergency | | |
| 10. | Holiday/special day savings | | |
| 11. | Travel | | |
| 12 | Others: specify | | |

2. Assess each product and compare with standard measurement.

3. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.6. Capacity Based Lending** | |
| ▪ **Poor -** Loans are granted based on share capital and/or savings<br><br>▪ **Fair -** Loans are granted based on the capacity of members to pay<br><br>▪ **Good -** All loans granted are based on the capacity of members to pay using a Credit Scoring Tool (5Cs of Credit<br><br>▪ **Excellent -** All loans granted are based on the capacity of members to pay using a Credit Scoring Tool (5Cs of Credit) and provides additional incentive for good borrowers | 1. See latest reviewed and revised **loan policy**. The credit union during this present time should no longer apply the traditional way of granting loan amount which loan amount is computed by multiple of share capital.<br><br>2. The loan policy should provide that the five Cs of credit such as Capacity, Character, Capital, Collateral and Condition will be the basis of granting the loan. A **Credit Rating Form** (Annex 8 ) should be used in evaluating loan applications.<br><br>3. Conduct random sampling by which loan applications were evaluated.<br><br>▪ Request files of Credit Rating Forms used in evaluation of loan applications.<br>▪ Randomly select Credit Rating Form used. Assess if Credit Rating System is applied in evaluating loan applications.<br><br>4. Compare with standard measurement.<br><br>5. Give ACCESS rating |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.7. Access and Convenience** | |
| ▪ **Poor -** Do not use extensive modes of service delivery; still stick to the traditional over-the-counter service delivery and inflexible office hours; unable to meet cash withdrawal need of members<br><br>▪ **Fair -** Use at least 5 of the following modes of service delivery related to members' needs e.g.<br>- extended working hours<br>- service counters opened during lunch break<br>- drive thru tellers<br>- mobile tellers<br>- collection agents<br>- door to door service<br>- Saturdays, Sundays and Holiday services<br>- Member Friendly Service Points<br><br>▪ **Good -** Use all of the following modes of service delivery with flexibility related to members' needs:<br>- extended working hours<br>- service counters opened during lunch break<br>- drive thru tellers<br>- mobile tellers<br>- collection agents<br>- door to door service<br>- Saturdays, Sundays and Holiday services<br>- Member Friendly Service Points<br><br>▪ **Excellent -** Use extensive and flexible service delivery modes of service delivery to members in addition to the following indicated below:<br>- extended working hours<br>- service counters opened during lunch | 1. Review the policy related to the **modes of delivery systems**.<br><br>2. Check modes of service delivery applied<br><br>1. Extended working hours<br>2. Service counters opened during lunch break<br>3. Drive thru tellers<br>4. Collection Agents<br>5. Door to door service<br>5. Mobile tellers<br>6. Door to door service<br>7. Saturdays, Sundays and Holiday Services<br>8. Member Friendly Service Points<br>9. Mails, electronic mails<br>10. Phones/SMS<br>11. Automated Teller machines (ATMs)<br>12. Other comprehensive and flexible mode Please indicate:<br><br>3. Each mode of delivery system should have a written policy and procedures. If there is no written policy and procedures for each mode, the highest mark can not be given. Make appropriate recommendation.<br><br>4. Compare with standard measurement.<br><br>5. Give ACCESS rating. |

| | |
|---|---|
| break<br>- drive thru tellers<br>- mobile tellers<br>- collection agents<br>- door to door service<br>- Saturdays, Sundays and Holiday services<br>- Member Friendly Service Points | |
| **Standard Measurement** | **Audit Guidelines** |
| **2.8. Price Value** | |
| ▪ **Poo**r - not able to pay interest at market rate or paying exaggerated interest rates<br><br>▪ **Fair** - At least market rate<br><br>▪ **Good** - Higher interest rate on savings and lower interest rate on loans based on the mark**et**<br><br>▪ **Excellent** - Competitive interest rates on all savings and loan products plus patronage refund | 1. Compare the interest rates paid by the credit union with other financial Institutions such as banks in the locality and other credit unions. Use the ff. table:<br><br>Financial Institution \| Int. Rates<br>Credit Union \|<br>Bank 1 \|<br>Bank 2 \|<br>Bank 3 \|<br>Bank 4 \|<br>Bank 5 \|<br>Other Credit Unions \|<br><br>2. Compare with measurement standard.<br><br>3. Give ACCESS Rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.9. Marketing and Promotions** | |
| ▪ **Poor -** No promotional and marketing programs implemented; or promotional programs do not create excitement; boost usage of products and services, increase members and create loyal members<br>▪ Fair - Occasionally launch promotional programs that in some way boost the value of the products and services; the promotion at times increases the frequency of usage of the products and services, and occasionally generate excitement to the credit union as a whole.<br><br>▪ **Good –** Succeeded in implementing a year round promotion program that frequently boost the value of the products and services evidence of marketing and promotions program evidence between linkage on increase in membership and use of products and services<br><br>▪ **Excellent -** Succeeded in implementing a properly planned year round promotion program that consistently boost the value of the products and services:<br>- evidence of marketing and promotions program<br>- evidence between linkage on increase in membership and use of products and services<br>- evidence of cooperative marketing | 1. Assess marketing materials of the credit union. Refer from criteria cited above.<br><br>2. Assess Marketing program of the credit union (Annex 9 as sample) The Marketing Program should be comprehensive, consistently implemented and must have employee assigned.<br><br>3. Compare with standard measurement.<br><br>4. Give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.10. Loyalty Incentives** | |
| ▪ **Poor -** No tactics are carried out to gain the loyalty of members and inject excitement on members in making business with the credit union<br><br>▪ **Fair** – Implement tactics that somehow gain the loyalty of members and inject excitement on members in making business with the credit union e.g. Happy B-day program; Member Wall of Fame; Raffle Draw related to frequency of transactions; Most Valuable member program; Member of the month; rewards program etc.<br><br>▪ **Good –** Year round member loyalty program in operation e.g. Happy B-day program; Member Wall of Fame; Raffle Draw related to frequency of transactions; Most Valuable member program; Member of the month; rewards program etc.<br><br>▪ **Excellent -** Championing extensive tactics in gaining the loyalty of members and inject excitement on members in making business with the credit union e.g. Happy B-day program; Member Wall of Fame; Raffle Draw related to frequency of transactions; Most Valuable member program; Member of the month; rewards program etc. | 1. Review the **loyalty program**. Each loyalty program should have a written policy and mechanics<br>.<br>2. Review mechanics of each loyalty program. Its implementation should be documented.<br><br>Check loyalty programs implemented:<br><br>3. Assess and compare with standard measurement.<br><br>4. Give ACCESS Rating. |

| | | | How often? |
|---|---|---|---|
| 1 | Happy birthday program | | |
| 2 | Member Wall of Fame | | |
| 3 | Raffle draw – regular depositors | | |
| 4 | Raffle draw – regular loan repayment | | |
| 5 | Raffle draw – share capital | | |
| 6. | Most Valuable Member Program | | |
| 7 | Member of the Month | | |
| 8 | Rewards Program | | |
| 8. | Others: Specify | | |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.11. Product Packaging** | |
| 1. **Poor -** P/S packaging do not create a memorable experience to members; seldom use printed promotional pieces and are not solution based and wealth building products.<br><br>2. **Fair -** Packaging the P/S somehow creates a memorable experience to members; includes some of the aspect on courtesy of the staff, printed promotional pieces and slogan, in some way are solution based and wealth building products.<br><br>3. **Good -**Almost use a total business packaging that creates a totally pleasing memorable experience to members; includes some of the aspect on courtesy of the staff, printed promotional pieces and slogan, premium programs, solution based and wealth building products<br><br>4. **Excellence –** Use the total business product packaging that creates a totally pleasing memorable experience to members; includes the courtesy of the staff, attention seeker printed promotional pieces and slogan, premium programs, solution based and wealth building products. | 1. Assess product packaging. Use as reference the promotional materials and product catalogue<br><br>Check if product packaging is reflective of the ff. standard measurement:<br><br>2. Review the **Customer Care Excellence Guidelines** (Annex 10 as a sample). If none, highest mark cannot be given. Make appropriate recommendation<br><br>3. Compare with standard.<br><br>4. Give ACCESS rating. |

| | | No | Somehow /almost | Totally |
|---|---|---|---|---|
| 1. | business product packaging creates a totally pleasing memorable experience to members; | | | |
| 2. | includes the courtesy of the staff | | | |
| 3. | attention seeker printed promotional pieces and slogan | | | |
| 4. | solution based wealth building products | | | |
| 5. | Premium Programs | | | |

# 2. CUSTOMER/MEMBER PERSPECTIVE

## C2. Member Satisfaction

| Standard Measurement | Audit Guidelines |
|---|---|
| **Member-Customer Orientation** | |
| **2.12. Knowledge of Members** | |
| ▪ **Poor -** No systems for tracking membership transaction history and personal information.<br><br>▪ **Fair -** Customer database is maintained irregularly; few personal information of members but do not exactly gives ideas about what members' are looking for, how to serve them, and how to market to them.<br><br>▪ **Good -** Customer database is maintained tracking the transaction history, Basic personal information that gives idea about what members' are looking for, how to serve them, and how to market to them.<br><br>▪ **Excellent** - Sophisticated customer database maintained tracking the transaction history, extensive personal information that gives ideas about what members' are looking for, how to serve and market to them. | 1. Check files of data base of members: (Annex 11)<br><br>The member data base should include among others the members' segmentation by sex, age, occupation, salary/income range, area/location Member, educational attainment, tracking of members in good standing, members' usage of savings and loan products.<br><br>2. Find out if there is a data indicating members' express needs, likes and dislikes, etc.<br><br>3. Compare with measurement standard<br><br>4. Give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.13. Building a Lasting Relationship with Members** | |
| ▪ **Poor** - Do not have any program<br><br>▪ **Fair** - Occasionally carry out program on some of the areas e.g. increase most of the areas e.g. frequency of members' use of services, build loyalty, create excitement, develop sense of ownership, build image, increase community goodwill, and energize membership.<br><br>▪ **Good** - Year round regular programs carried out to increase all the areas e.g. frequency of members' use of services, build loyalty, create excitement, develop sense of ownership, build image, increase community goodwill, and energize membership.<br><br>▪ **Excellent** - Extensive year round innovative programs carried out to increase the frequency of members' use of services, build loyalty, create excitement, develop sense of ownership, build image, increase community goodwill, and energize membership. | 1. Evaluate of marketing materials and loyalty programs. Refer from Marketing cited above.<br><br>2. Review policy and procedures on the loyalty programs. The components of loyalty program include policy statement, procedures, benefits, promotion, person responsible, budget, implementation time-table, evaluation and review.<br><br>3. Some loyalty programs: Check if existing; indicate the number of beneficiaries, frequency of implementation, what is the impact to the credit union. |

| | | # of beneficiary | frequency | Impact |
|---|---|---|---|---|
| 1 | Happy birthday program | | | |
| 2 | Member Wall of Fame | | | |
| 3 | Raffle draw – regular depositors | | | |
| 4 | Raffle draw – regular loan repayment | | | |
| 5 | Raffle draw – share capital | | | |
| 6. | Most Valuable Member Program | | | |
| 7 | Member of the Month | | | |
| 8 | Rewards Program | | | |
| 8 | Others: Specify | | | |

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.14. Member Satisfaction Evaluation** | |
| ▪ **Poor -** Do not use customer satisfaction survey<br><br>▪ **Fair –** Undertakes irregular formal/informal membership meetings and customer satisfaction survey in some areas (e.g. service promptness, courtesy of staff, responsiveness, understanding of the customer's problem, overall evaluation of organization, and use of products/services) but do not analyze and use them; not using the established benchmark<br><br>▪ **Good –** Deployed and undertake informal and formal membership meetings and customer satisfaction survey in all areas (e.g. service promptness, courtesy of staff, responsiveness, understanding of the customer's problem, overall evaluation of organization, and use of products/services) for quality service, using established benchmark; rating is very good<br><br>▪ **Excellent -** Deployed, consistently undertake, analyze and use customer satisfaction surveys, informal or formal ownership meetings (e.g. service promptness, courtesy of staff, responsiveness, understanding of the customer's problem, overall evaluation of organization, and use of products/services) for world class customer service as its differentiation using established benchmark; rating is excellent. | 1. See member **satisfaction survey tool**<br><br>2. Analyze **satisfaction survey results**.<br><br>3. Check if members satisfaction evaluation mechanism is implemented: |

| | | Yes or no | frequency | Remarks/impact |
|---|---|---|---|---|
| 1. | Membership meetings | | | |
| 2. | Customer satisfaction survey | | | |
| | 2.1. service promptness | | | |
| | 2.2. courtesy of staff | | | |
| | 2.3. responsiveness | | | |
| | 2.4. understanding of the customers' problems | | | |
| | 2.5. over-all organization | | | |
| | 2.6. use of products/service | | | |
| 3. | Analyze survey result | | | |
| 4. | Use survey result for quality service | | | |
| 5. | Use survey result for world-class customer service as differentiation | | | |
| 5. | Use established benchmark | | | |
| | | | | |

4. Compare with standard measurement.

5. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.15. Share of Wallet** | |
| ▪ **Poor –** Less than 50% of members state that the credit union is their number one financial institution<br>▪ **Fair –** 50-69% of members state that the credit union is their number one financial institution<br><br>▪ **Good –** 70-80% of members state that the credit union is their number one financial institution<br><br>▪ **Excellent** - More than 80% of members state that the credit union is their number one financial institution | 1. Asses Customer satisfaction survey documents.<br><br>2. Analyze maintenance of saving accounts by members. Use the ff. table: |

| 7.3. No. of Deposit Accounts by members | 2007 | | | |
|---|---|---|---|---|
| | Male | Female | Total | % |
| 1. No savings account | | | | |
| 2. 1 savings account | | | | |
| 3. 2 savings accounts | | | | |
| 4. 3 savings accounts | | | | |
| 5. 4 savings accounts | | | | |
| 6. 5 savings accounts | | | | |
| 7. > 5 savings accounts | | | | |
| TOTAL | | | | |

3. See and analyze result of members' survey on no. of institutions they maintain savings accounts. Use the ff. table:

| 9.1. No. of members with deposit accounts in other Financial Institution (FI) | 2007 | | | |
|---|---|---|---|---|
| | Male | Female | Total | % |
| 1. No other FI but CU | | | | |
| 2. 1 FI | | | | |
| 3. 2 FI | | | | |
| 4. 3 FI | | | | |
| 5. 4 FI | | | | |
| 6. 5 and more FI | | | | |
| TOTAL | | | | |

4. Compare with standard measurement.
5. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.16. Institutionalized Customer Care Excellence** | |
| ▪ **Poor –** Customer orientation is not integrated to the competence profile of the employees, customer-orientation in the objectives/strategy; do not follow Customer Care on the day-to-day<br>▪ operation even unwritten; no staff appointed to take care of member relationship; member relationship is defined in the mission but not in the core values of the organization<br><br>▪ **Fair –** Customer orientation is integrated to the competence profile of few employees, customer-orientation in the objectives/strategy but is not clear, follow high-standard Customer Care on the day-to-day operation but not written; appoint staff that takes care of customer relationship; member relationship is defined in the mission but not in the core values of the organization<br><br>▪ **Good –** Customer orientation is integrated to the competence profile of all employees, 4 customer-orientation objectives/strategy in the strategic plan and communicated to all; follow Customer Care guidelines on the day-to-day operation; appoint staff that takes care of customer relationship; adopt mechanism to involve members in developing new product offerings; member relationship is part of the vision, mission and core values of the organization<br><br>▪ **Excellent -** Customer orientation integrated to the competence profile of all employees, 5 or more customer-orientation objectives/strategy in the strategic plan and communicated to all, follow and update high-standard Customer Care guidelines on | 1. Review **Customer Service Guidelines** if it has a Statement of Customer Care Excellence objectives and goals.<br><br>The Customer Service Guidelines should provide for the standards how Customer Care Excellence will be practiced/implemented by the credit union. It should include among others how courtesy and friendliness are extended to member-customers, co-employees and officers. (Annex 10 as sample_)<br><br>2. Assess/observe Customer Service Guidelines if it is followed by the organization as a whole from staff to elected officers.<br><br>3. Check observation/implementation of the following |

| | | Yes or no | frequency | Remarks/impact |
|---|---|---|---|---|
| 1. | Customer Orientation is not integrated to competence profile of employees | | | |
| 2. | Customer Orientation is integrated to competence profile of some employees | | | |
| 3. | Customer Orientation is integrated to competence profile of all employees | | | |
| 4 | 4 Customer-orientation objectives strategy in the strategic plan and communicated to all | | | |
| 5. | 5 or more Customer-orientation objectives strategy in the strategic plan and communicated to all | | | |
| 6. | Follow customer care guidelines on the day to day operations | | | |
| 7. | Update high standard Customer care guidelines | | | |

the day-to-day operation; appoint staff that takes care of customer relationship; adopt mechanism to involve members in developing new product offerings; member relationship is part of the vision, mission and core values of the organization

| | | | | |
|---|---|---|---|---|
| 8. | Clear Customer-orientation in the objective strategy | | | |
| 9.. | With assigned staff that takes care of customer relationship | | | |
| 10. . | Adopt mechanism involving members in developing new products and services | | | |
| 11. | Member relationship is part of the Vision, Mission and Core Values of the credit union | | | |

4. Compare with standard measurement.
5. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.17. Member Benefits** | |
| ▪ **Poor -** No member welfare program<br><br>▪ **Fair -** some welfare services are available for members partly utilizing the funds from financial services operation: examples are: scholarship; medical, dental, pension, gifts for all occasions; death; new born, calamities; etc.<br><br>▪ **Good -** 5-7 sustainable welfare services are available for members utilizing the funds separate from financial services operation: examples are: scholarship; medical, dental, pension, gifts for all occasions; death; new born, calamities; etc., funding of the services are from the accumulated profits.<br><br>▪ **Excellent -** Over 7 sustainable innovative welfare services demonstrating the CU difference are available for members utilizing the funds separate from financial services operation: examples are: | 1. Review Package of member benefit programs by looking into the policy and procedures.<br><br>2. Check existing member benefit program. |

| | | | Describe frequency of delivery, no. of beneficiaries |
|---|---|---|---|
| 1. | Scholarship | | |
| 2 | Medical | | |
| 3. | Dental | | |
| 4. | Pension | | |
| 5. | Gifts for all occasions | | |
| 6. | Death | | |
| 7. | New born | | |
| 8. | Calamities | | |
| 9. | Others: specify | | |

3. Check whether each program has a written policy and procedures. If in case programs implemented have no written policy and procedures, highest mark cannot be given. Recommend to put in place policy and procedures.

| | |
|---|---|
| scholarship; medical, dental, pension, gifts for all occasions; death; new born, calamities; etc., funding of the services are from the accumulated profit | 4. Compare with standard measurement.<br><br>5. Give ACCESS rating. |
| **Standard Measurement** | **Audit Guidelines** |
| **2.18. General Meetings** | |
| ▪ **Poor -** Irregular general meetings<br><br>▪ **Fair -** General Meetings with minimum quorum<br><br>▪ **Good -** Timely annual general meetings plus special general meetings if required<br><br>▪ **Excellent -** Timely annual general meeting plus special general meeting and member program like family day etc. | 1. See general meeting attendance, program and running sheet.<br>2. Refer from by-laws general meeting date and required quorum.<br>3. Examine General Meeting Date and Attendance<br>4. Compare the number of attendees with required quorum and number of members in good standing: |

| | | M | F | Total |
|---|---|---|---|---|
| 1. | No. of Member in Good Standing (MIGS) | | | |
| 2. | No. of Quorum required | | | |
| 3. | No. General Assembly Attendees | | | |
| | % of attendees against the MIGS | | | |

5. Compare actual meeting date and scheduled date of General Assembly per By-laws.

| | Date | Remarks |
|---|---|---|
| Schedule of General Assembly per By-laws | | |
| General Assembly held on | | |

6. If General Assembly is not conducted on the date or within the period specified in the by-laws, see if there is a notice to and permit from the regulatory agency.

7. See Program of the Annual General Meeting, Running Sheet and compare with Annual General Meeting Minutes. The Annual General Meeting Program should cover among others the following:
   - Approval of the Minutes of Previous GA
   - Committee Reports

- Management Reports
- Approval of Business Plan and Budget
- Election of Board of Directors and Audit Committee (depending on the by-laws of the credit union)
- Approval of Amendment of Articles of Cooperation and By-laws, if any.

8. See documentation of other special general meeting like ownership meetings and family day.

9. Compare with performance standard

10. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.19. Member Participation** | |

- **Poor** - No member inputs for planning
- **Fair** – Members inputs are provided but not on a regular basis. Some members are involved in the community activities carried out by the credit union
- **Good -** Annual inputs from members in planning, members' feedback regularly sought
- **Excellent -** Annual and timely inputs from members in planning, members' feedback regularly sought and operational area has been divided as a means to ensure feedback are collected

1. Assess how the credit union gathers feedback/suggestions from members.

   Feedback gathering system maybe through survey questionnaires, monthly or quarterly ownership meetings, suggestions during membership orientations, etc. This should be documented and filed. Verify if data gathered are uses as reference during planning.

| No. of members who give | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | % | Male | Female | Total | % |
| Positive Comments | | | | | | | | |
| Negative Comments | | | | | | | | |
| Suggestions | | | | | | | | |
| Total | | | | | | | | |

2. Compare with standard measurement.

3. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|

**2.20. Use of Wealth building Products**

- **Poor** - Less than 30% of members use average of 1-2 wealth building products
- **Fair** - 21-30% of members use average of 1-2 wealth building products
- **Good –** 31-40% of members use average of 3-5 wealth building products
- **Excellent** - More than 40% of members use average of more than 5 wealth building products

1. Verify usage of savings products by members (credit union under evaluation must be requested to prepare this schedule, the evaluation will have to validate the schedule)

| ACTIVE DEPOSITORS | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| By Savings Products | Male | Female | Total | % | Male | Female | Total | % |
| 1. Savings Product 1 | | | | | | | | |
| 2. Savings Product 2 | | | | | | | | |
| 3. Savings Product 3 | | | | | | | | |
| 4 Savings Product 4 | | | | | | | | |
| 5. Savings Product 5 | | | | | | | | |
| 6. Savings Product 6 | | | | | | | | |
| 7. Savings Product 7 | | | | | | | | |
| 8. Savings Product 8 | | | | | | | | |
| TOTAL | | | | | | | | |
| % against total members | | | | | | | | |

2. Compare with measurement standard.

3. Give Access Rating.

**2.21. Use of loan Products**

- **Poor** - Less than 50% of members using loan products
- **Fair** – 50-79% of members using loan products
- **Good** –80-90% of members using loan products
- **Excellent** - More than 90% of members using loan products

1. Usage of loan products by members (credit union under evaluation must be requested to prepare this schedule, the evaluation will have to validate the schedule**)**

| | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| By Loan Products | Male | Female | Total | % | Male | Female | Total | % |
| 1. Loan Product 1 | | | | | | | | |
| 2. Loan Product 2 | | | | | | | | |
| 3. Loan Product 3 | | | | | | | | |
| 4. Loan Product 4 | | | | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 5. Loan Product 5 | | | | | | | | | |
| 6. Loan Product 6 | | | | | | | | | |
| 7. Loan Product 7 | | | | | | | | | |
| 8. Loan Product 8 | | | | | | | | | |
| TOTAL | | | | | | | | | |
| % against total members | | | | | | | | | |

2. Compare with measurement standard

3. Give Access Rating

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.22. Understanding of responsibility as measured by delinquency** | |

- **Poor Less -** than 80% of members are paying on time according to the terms and conditions of the loan
- **Fair -** 80-94% of members are paying on time according to the terms and conditions of the loan
- **Good -** 95% of members are paying on time according to the terms and conditions of the loan
- **Excellent -** More than 95% of members are paying on time according to the terms and conditions of the loan

1. Analyze Schedule of delinquency:

| No. of Members with Loan accounts | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | Male | Female | Total | % | Male | Female | Total | % |
| Without Past Due Loans | | | | | | | | |
| With Past Due Loans | | | | | | | | |
| Total no. of members with loan accounts | | | | | | | | |

4. Compare with measurement standard.

**5.** Give Access rating

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.23. Physical Infrastructure-Buildings and office space** | |

- **Poor -** Inadequate physical infrastructure, resulting in loss of effectiveness and efficiency e.g. unfavorable locations for members and employees, insufficient workspace for individuals, no space for teamwork

- **Fair –** Physical infrastructure can be made to work well enough to suit organization's most important and immediate needs; a number of improvements could greatly help increase effectiveness and efficiency e.g. no good office space for teamwork, no possibility of holding confidential discussions, employees share desks

- **Good -** Adequate physical infrastructure for the current needs of the organization; infrastructure does not impede effectiveness and efficiency e.g. favorable locations for members and employees, sufficient individual and team office space, possibility for confidential discussions

- **Excellent** - Physical infrastructure well-tailored to organization's current and anticipated future needs; well-designed and thought out to enhance organization's efficiency and effectiveness e.g. especially favorable locations for members and employees, plentiful team office space encourages teamwork, possibility for confidential discussions; layout increases critical interactions among staff

1. Observe the office environment of the credit union (credit union must maintain an office building enough to house its operation; it must be professionally designed externally and internally for better public image

2. Rate the following:

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Physical infrastructure well-tailored to organization's current and anticipated future needs | | | | |
| well-designed and thought out to enhance organization's efficiency and effectiveness | | | | |
| With reception area convenient for members and visitors | | | | |
| member-friendly transaction area | | | | |
| clean restrooms available to members | | | | |
| especially favorable locations for members and employees | | | | |
| plentiful team office space encourages teamwork | | | | |
| possibility for confidential discussions | | | | |
| layout increases critical interactions among staff | | | | |
| Score (prorated x/90 x 90) | | | | |
| **Equivalent Score = 90** | **9** | **18** | **27** | **36** |

3. Compare with standard measurement.

4. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.24. Technological Infrastructure- telephone and fax** | |

- **Poor-** Limited number of telephone and fax facilities are an impediment to day-to-day effectiveness and efficiency
- **Fair -** Adequate basic telephone and fax facilities accessible to most staff; may be moderately reliable or user-friendly, or may lack certain features that would increase effectiveness and efficiency e.g. individual voice mail or may not be easily accessible to some staff e.g. frontline deliverers
- **Good -** Basic telephone and fax facilities accessible to entire staff (in office and at front line); cater to day-to-day communication needs with essentially no problems; Includes additional features contributing to increased effectiveness and efficiency e.g. individual, remotely accessible voice-mail
- **Excellent -** Sophisticated and reliable telephone and fax facilities accessible by all staff (in office and at front line), includes around the clock individual voice mail; Supplemented by additional facilities (e.g. pagers, cell phones) for selected staff; effective and essential in increasing staff effectiveness and efficiency.

1. Observe of the usage of the available technology in the office as described in the criteria
2. Check on the following criteria and compare it with the standards:

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Sophisticated and reliable telephone and fax facilities accessible by all staff (in office and at front line), | | | | |
| Telephone system includes around the clock individual voice mail | | | | |
| Supplemented by additional facilities (e.g. pagers, cell phones) for selected staff; Effective and essential in increasing staff effectiveness and efficiency. | | | | |
| Score (prorated x/30 x 30) | | | | |
| **Equivalent Score = 30** | **3** | **6** | **9** | **12** |

3. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.25. Computers, applications, network and e-mail** | |

- **Poor -** Limited/no use of computers or other technology in day-to-day activity; and/or little or no usage by staff of existing IT infrastructure
- **Fair -** Well-equipped at central level; incomplete infrastructure; equipment sharing may be common; satisfactory use of IT infrastructure by some staff
- **Good -** Hardware and software infrastructure accessible by staff; no sharing of equipment is necessary; accessibility for frontline program deliverers; high usage level of IT infrastructure by staff; contributes to increased efficiency
- **Excellent -** State-of-the-art fully networked computing hardware with comprehensive range of up-to-date software applications; all staff has individual computer access and e-mail; accessible by frontline service deliverers as well as entire staff; used regularly by staff; effective and essential in increasing staff efficiency.

1. Observe the usage of the available technology in the office as described in the criteria
2. Rate the credit union based on the standard criteria.

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| State-of-the-art fully networked computing hardware with comprehensive range of up-to-date software applications | | | | |
| all staff has individual computer access and e-mail | | | | |
| accessible by frontline service deliverers as well as entire staff | | | | |
| effective and essential in increasing staff efficiency | | | | |
| Score (prorated x/40 x 40) | | | | |
| **Equivalent Score = 40** | **4** | **8** | **12** | **16** |

3. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.26. Website** | |
| ▪ **Poor -** No website<br><br>▪ **Fair –** Basic Web site containing general information on current developments; site maintenance is a burden and performed only occasionally<br><br>▪ **Good –** Comprehensive web site containing basic information on organization as well as up-to-date latest developments; most information is organization-specific; easy to maintain and regularly maintained<br><br>▪ **Excellent -** Sophisticated comprehensive and interactive web site, regularly maintained and kept up to date on latest area and organization developments; praised for its user-friendliness and depth of information; includes links to related organizations and useful resources on topic or services | 1. Review of the existing website, if any<br><br>2. Rate the website of the credit union based on the standards: |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Sophisticated comprehensive and interactive web site | | | | |
| regularly maintained and kept up to date on latest area and organization developments | | | | |
| praised for its user-friendliness and depth of information | | | | |
| includes links to related organizations and useful resources on topic or services | | | | |
| Score (prorated x/40 x 40) | | | | |
| **Equivalent Score = 40** | **4** | **8** | **12** | **16** |

3. Give ACCESS rating.

**Basic Components of a Successful Website:**

- CONTENT - all content of the website should be relevant. Every possible thing members intend to know is present.
- IMAGES – grab attention of audience and use a professional look images of satisfied members
- ADVERTISING – attracting new members or existing members to do business with the credit union. Provide information of the credit union differentiation. Free online newsletters, free forums, local newspapers, and flyers are just some of the ways to advertise. Showcase the CU products and services to the intended audience. Creative!
- MANAGEMENT – updated regularly, with honesty and interactive

| Standard Measurement | Audit Guidelines |
|---|---|
| **2.27. Database and management reporting system** | |
| ▪ **Poor –** No systems for tracking membership information; staff; services outcomes; and financial information<br><br>▪ **Fair –** Data bases and management reporting systems exist only in few areas; system perform only basic features, are awkward to use or are used only occasionally by staff<br><br>▪ **Good –** Data base and management reporting system exist in all areas for tracking members, staff; service outcomes; and financial information; commonly used and help increase information sharing and efficiency<br><br>▪ **Excellent -** Sophisticated comprehensive electronic database and management reporting system exists for tracking members, staff, service outcomes, and financial information; widely used and essential in increasing information sharing and efficiency. | 1.Review the data base and observe its usage<br><br>The database should be able to produce the following reports<br>Sex disaggregated data on<br>1.1. no. of registered members- regular and associate<br>1.2. no. of member in good standing<br>1.3. no. of members with loan accounts<br>1.4. no. of members with past due accounts<br>1.5. no. of members availing each product<br>1.6. no. of active member-depositors<br>1.7. no. of dormant accounts<br>1.8. no. of members availing each savings product<br>etc.<br><br>2. Assess if reports generated are useful in making timely decisions. Compare with standard measurement the effectiveness and efficiency of generating management reports. |

# 3. INTERNAL BUSINESS PERSPECTIVE

## IBP 1. Operational Efficiency

| Standard Measurement | Audit Guidelines |
|---|---|
| **OPERATIONAL** | |
| **3.1. Comprehensive Operational Manual** | |
| ▪ **Poor** - Partly guided by some policies but not enough to give operational decision; decisions are based on board resolutions; practices on some areas are not written in the form of policies<br><br>▪ **Fair** -Operation is mostly guided by operational policies on some of the areas e.g organization, finance, credit management, human resources, risk, governance, planning, products and services; not reviewed and updated on a regular basis<br><br>▪ **Good** - Operation is guided by a set of comprehensive operational manual reviewed as the need arises on all of the following areas: organization, finance, credit management, human resources, risk, governance, planning, products and services<br><br>▪ **Excellent** - Operation is guided by a set of comprehensive operational manual reviewed and updated once a year on all of the areas of organization, finance, credit management, human resources, risk, governance, planning, products and services | 1. Review existing operations manual. It is required that credit unions must have comprehensive codified operational manual. This must be updated regularly.<br><br>Check if the credit union has the ff. operations manual. They should be comprehensive and codified: |

| | | | Date last updated |
|---|---|---|---|
| 1. | Organizational policy and governance | | |
| | ➢ Vision, Mission, Focus | | |
| | ➢ Operating Values and Principles | | |
| | ➢ Organization and General Policies | | |
| | ➢ Membership Policy | | |
| | ➢ General Meeting | | |
| | ➢ Board of directors | | |
| | ➢ Committees | | |
| | ➢ Board and Committees Development and Performance Evaluation | | |
| 2. | Savings and Credit Operations | | |
| | ➢ Loaning<br>➢ Savings / Time | | |
| 3. | Financial Management | | |
| | ➢ Accounting | | |
| | ➢ Internal Control | | |
| | ➢ Asset/Liability Management | | |
| | ➢ Dividends Policy(Int. on Share Capital | | |
| | ➢ Equity (Share Capital, Donations and Grant and Statutory Funds | | |
| | ➢ Acquisition, maintenance and disposal of property and equipment | | |
| | ➢ Operating Expenses | | |
| 4. | Human Resource Management | | |
| | ➢ Recruitment, hiring, promotion | | |

| | | | |
|---|---|---|---|
| | and firing | | |
| | ➢ Staff Development | | |
| | ➢ Compensation Benefits | | |
| | ➢ Performance Appraisal | | |
| | ➢ Job Descriptions | | |

2. Verify if the credit union has guidelines on **Risk Management**.

   Risk management – a comprehensive policies and procedures to guide the management in managing, controlling and mitigating risks in credit union operations.

3. See, if the credit union has a governance checklist of compliance

| | Please check | |
|---|---|---|
| A | External | |
| | 1. Legislation: Code, Act | |
| | 2. Regulations | |
| B | Internal | |
| | 1. Articles of Cooperation | |
| | 2. By-Laws | |
| | 3. Vision Mission Values | |
| | 4. Board Policies | |
| | 5. Strategic Plan | |
| | 6. Annual Plan | |
| | 7. Operating Policies | |
| | 8. Operating Procedures | |

4. Look for **planning toolkit** employed the crafting of strategic plan and business plan including budget. Planning toolkit is a tool for a step by step process in arriving at strategic plan or annual business plan.

5. Compare with standard measurement.

6. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.2. Procedures Manual** | |
| ▪ **Poor –** Management is not guided by the manual of operation<br><br>▪ **Fair –** Limited written procedures on some areas e. g. organization, finance, credit management, human resources, governance, planning, products and services guide management in the day to day operations; the written procedures not reviewed and updated annually<br><br>▪ **Good -** Management is guided by a set of comprehensive manual of procedures reviewed and updated as the need arises on all of the following areas: organization, finance, credit management, human resources, governance, planning, products and services<br><br>▪ **Excellent -** Management is guided by a set of comprehensive manual of procedures reviewed and updated annually on the areas of organization, finance, credit management, human resources, governance, planning, products and services | 1. The credit union should have comprehensive procedures manual developed and consistently followed by the management.<br><br>2. Verify documented procedures manual for the following policy areas. The procedures manual explains the detailed execution of the comprehensive policies as stated in 3.1. Comprehensive Operational Policies.<br><br>3. Compare with standard measurement:<br><br>4. Give ACCESS Rating |

| | | / | Date of last reviewed and revised |
|---|---|---|---|
| 1. | Organizational Policies and Governance | | |
| 2. | Savings and Credit Operations | | |
| 3 | Financial Management | | |
| 4. | Human Resource Management | | |
| 5. | Risk Management | | |

| 3.3. Staff Productivity | |
|---|---|
| ▪ **Poor** - Member to staff ratio is below 200<br>▪ **Fair** - Member to staff ratio is 200-349<br>▪ **Good** - Member to staff ratio is 350-500<br>▪ **Excellent** - Member to staff ratio is more than 500 | 1. Compute the ratio of staff with the total membership of the credit union.<br>$\frac{\text{Number of staff}}{\text{No. of members}}$<br>2. Compare with standard measurement.<br>**3.** Give ACCESS rating. |
| **Standard Management** | **Audit Guidelines** |
| **3.4. Error Management** | |
| ▪ **Poor** - No system in place<br>▪ **Fair** - Irregular follow-up of mistakes<br>▪ **Good** - System in place and operating<br>▪ **Excellent** - System in place, operating, regular evaluation and review of the system | 1. The credit union should have an **Error Management System** (Annex 12)<br>2. See and review the error management system. It must have systems and procedures<br>3. See if it is operating, evaluated and reviewed regularly. |
| **3.5. Service Delivery to Members –Loans** | |
| ▪ **Poor** - Not adhering to the loan assessment and approval process in place<br>▪ **Fair** - inconsistent application of loan policy and delayed turnaround of loan applications<br>▪ **Good** - Consistent application of loan policy and demonstrated efficient turnaround of loan applications<br>▪ **Excellent** - Consistent application of loan policy and demonstrated efficient turnaround of loan applications and regularly reviewed | 1. Review the loan policy, systems and procedures.<br>2. Find out the turnaround of loan applications<br>➢ Randomly verify if loan processing adheres to written loan policies and procedures.<br>➢ Interview loan officer for the time spent for processing a loan application.<br>➢ Observe the processing of loan application/s<br>3. Compare with standard measurement.<br>4. Give ACCESS rating. |

| 3.6. Service Delivery to Members –Deposits | |
|---|---|
| ▪ **Poor -** No financial counseling provided<br>▪ **Fair** - Financial counseling provided but it is not institutionalized<br>▪ **Good -** Nominated staff person responsible for financial counseling of members<br><br>▪ **Excellent -** More than one staff person trained and available for financial counseling of members | 1. Review the savings policy, systems and procedures<br><br>2. Find out the turnaround of accepting savings.<br><br>3. Review Job description of the front liners; whether financial counseling task is assigned to them<br><br>4. Know also if any particular person is assigned to the task.<br><br>5. Compare with standard measurement and give ACCESS rating. |
| **Standard Measurement** | **Audit Guidelines** |
| **3.7. Service Delivery to Members –Withdrawal** | |
| ▪ **Poor -** Inflexible and conservative cash handling procedures that do not meet the withdrawal needs of members<br><br>▪ **Fair -** Flexible cash handling procedures that meet the withdrawal needs of members but exposing the credit union to risk<br><br>▪ **Good -** Environmental, physical, liquidity and risk factors managed to allow over the counter withdrawals on request<br><br>▪ **Excellent -** Meeting the withdrawal needs of members on time and without restriction | 1. Review procedures for withdrawals.<br><br>2. Observe member' withdrawal process.<br><br>3. Compare with standard measurement.<br><br>4. Give ACCESS rating. |

| 3.8. Utilization of Office Machines & Equipment | |
|---|---|
| ▪ **Poor -** Staff not capable of using limited range of equipment available to them<br>▪ **Fair -** Limited capacity of staff to use equipment available to them<br>▪ **Good -** Staff capable of full use of the full range of equipment available to them<br>▪ **Excellent** Staff capable of full use of the full range of equipment available to them and skills enhancement program | 1. Interview staff<br>2. Observe staff on the use, handling and maintenance of the office equipment.<br>3. Compare with standard measurement.<br>4. Give ACCESS rating |
| **Standard Measurement** | **Audit Guidelines** |
| **3.9. Internal Communication Efficiency** | |
| ▪ **Poor -** No written policies and procedures governing communication with stakeholders<br>▪ **Fair -** Limited policies and procedures in place governing communication with stakeholders:<br>- Annual report sent to members prior to AGM<br>▪ **Good -** Evidence of policies and procedures to deliver a comprehensive communication package to members including:<br>– Regular newsletter to members<br>– Guidelines for efficient telephone use including response time<br>– Guidelines for response letters and e-mails<br>– Staff training for front liners<br>– Regular staff communication i.e. meeting, staff bulletin board | **1.** The credit unions should have a **comprehensive policy and procedures on internal communications.**<br>2. Find out if the credit union has written comprehensive policy and procedures on internal communication and is consistently followed.<br>Check if the credit union has the ff package of communications to members |

| | | |
|---|---|---|
| 1. | Regular newsletter | |
| 2. | Telephone use guidelines | |
| 3. | Guidelines for response to letters and e-mails | |
| 4. | Staff training for front liners | |
| 5. | Regular staff meeting | |
| 6. | Staff bulletin board | |
| 7 | Others: specify | |

| | |
|---|---|
| ▪ **Excellent -** Comprehensive evidence of policies and procedures to deliver a best practice communication package to members including:<br>– Regular newsletter to members<br>– Guidelines for efficient telephone use including response time<br>– Guidelines for response letters and e-mails<br>– Staff training for front liners<br>– Regular staff communication i.e. meeting, staff bulletin board<br>– Others | |

## IBP 2. COMPETITIVE POSITION

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.10. Clarity of Vision** | |
| ▪ **Poor -** The Board/Committees and Staff have no vision for the future of the credit union<br><br>▪ **Fair -** Limited understanding of the credit union's vision by Board and staff; there maybe a written vision but seldom translated into action.<br><br>▪ **Good -** Clear and specific understanding of the credit union's desired future; There is a written vision and translated into action.<br><br>▪ **Excellent -** Clear, specific and confident understanding of the credit union's desired future; there is a written vision & consistently translated into action; Demonstrated commitment from Board & staff to achieve the vision | 1. Review the following: Written **vision statement** is sometimes called a picture of the credit union in the future but it's so much more than that. The vision statement is the credit union inspiration, the framework for the strategic planning.<br><br>Vision Criteria:<br>➢ Clear, convincing and inspiring<br>➢ sets the business direction of the credit union<br>➢ responds to current market challenges<br>➢ reflective of the values and identity of the credit union<br>➢ the kind of credit union it envisions to be<br><br>Planning document where vision is always referred to as the direction<br>Does the credit union has a written road map to where it is going?<br><br>2. Interview the directors, staff (executive and administrative level) on their knowledge of the credit union's vision. They should be able to define and explain the meaning.<br><br>3. Compare with measurement standard.<br><br>4.Give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.11. Boldness of Vision** | |
| ▪ **Poor** - No clear vision articulated<br><br>▪ **Good** - The written vision sets the stage for where the credit union wants to go, but it is not convincing, inspiring and in response to the current market challenges.<br><br>▪ **Fair** - The written vision is clear, convincing and inspiring the people running the credit union; the vision sets the stage for where the credit union wants to go; the vision is in response to the current market challenges.<br><br>• **Excellent** - The written vision is clear, convincing and inspiring; it sets the stage for where the credit union wants to go in terms of its performance criteria, standards, basic organizational values and best practice, it is in response to the current market challenges | 1. Assess the vision statement of the credit union.<br><br>Check statement with the vision criteria for credit unions<br><br>Clear future business path, future market, future technology and the kind of credit union should be well articulated |

| | | | |
|---|---|---|---|
| 1. | Clear, convincing and inspiring | | |
| 2. | Sets stages of the direction of the CU in terms of : | | |
| . | * performance criteria | | |
| | * standards | | |
| | * organizational values and identity | | |
| | * best practices | | |
| 3. | Responds to current market challenges | | |

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.12. Well-Defined Mission** | |

- **Poor** - No clear and defined purpose of the credit union existence; The mission statement may be written but not referred to; known by very few people in the organization

- **Fair** - The written mission lacks clarity and does not defines the reason for existence of the credit union; known to only few; seldom referred to as the basis of developing services to members.

- **Good** - The written mission is clear and defines the reason for existence that reflects the values and purpose of the credit union; it has clarity; known by all; consistently referred to as the basis of developing services to members.

- **Excellent** - The written mission is clear and defines the reason for existence that reflects the values and purpose of the credit union; it has clarity, compelling and describes enduring reality; known by all; Consistently referred to as the basis of developing services to members; Communicated in marketing and promotion activities

1. Assess written **mission statement** of the credit union.

   A mission statement –is a statement that focuses on current business activities – who we are, what we do, who are our clients and how does the credit union conduct itself.

2. Questions to answer:

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Has a written mission statement | | | | |
| The written mission is clear and defines the reason for existence that reflects the values and purpose of the credit union | | | | |
| it has clarity, compelling and describes enduring reality | | | | |
| known by all | | | | |
| Consistently referred to as the basis of developing services to members | | | | |
| Communicated in marketing and promotion activities | | | | |
| Score (prorated x/60 x 60) | | | | |
| **Equivalent Score = 60** | **6** | **12** | **18** | **24** |

3. Compare with standard measurement

4. Give ACCESS Rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.13. Core Values** | |

- **Poor -** Not written and not clear.

- **Fair** - Written core values but seldom referred to; known by few; it answers some of the questions: Which values are precious to us? What do we stand for? How do we treat each other and do we work together? How do we treat members? How do we think of ourselves? What are the characteristics of our cultural and leadership style?

- Good - Written, clear and compelling core values defined and referred to frequently; known by many; it functions as a foundation that gives direction and support to people at work. The core values are inner values that determine where people in the credit union stand. It answers some of the questions: Which values are precious to us? What do we stand for? How do we treat each other and do we work together? How do we treat members? How do we think of ourselves? What are the characteristics of our culture and leadership style?

- Excellent - Written, Clear and compelling core values defined and referred to consistently; known by all; it functions as a foundation that gives direction and support to people at work. The core values are inner values that determine where people in the credit union stand. It answers the questions: Which values are precious to us? What do we stand for? How do we treat each other and do we work together? How do we treat members? How do we think of ourselves? What are the characteristics of our culture and leadership style Values reflected in development of products

1. See written **values statement**.
2. Review the **planning document** and marketing materials where core values are referred to.
3. Interview with the directors, staff (executive and administrative level) on their knowledge of the credit union's core values.
4. Compare with standard measurement.

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Has a written values statement | | | | |
| Clear and compelling core values defined and referred to consistently | | | | |
| known by all | | | | |
| it functions as a foundation that gives direction and support to people at work | | | | |
| The core values are inner values that determine where people in the credit union stand | | | | |
| It answers the question: Which values are precious to us? | | | | |
| It answers the question: What do we stand for? How do we treat each other and do we work together? | | | | |
| It answers the question: How do we treat each other and do we work together? | | | | |
| How do we treat members? | | | | |
| How do we think of ourselves? | | | | |
| What are the characteristics of our culture and leadership style | | | | |
| Values reflected in development of products | | | | |
| Demonstration of values are monitored and reported. | | | | |
| Score (prorated x/130 x 130) | | | | |
| **Equivalent Score = 130** | **13** | **26** | **39** | **52** |

5. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.14. Overarching Goals** | |
| ▪ **Poor -** Credit union has no concrete goals<br><br>▪ **Fair -** Limited goals exist but they lack boldness and some of the elements of SMART (Stretching, Measurable, Attainable, Related to Members and Time Bound)<br><br>▪ **Good -** The vision is translated into action goals it has the elements of SMART (Stretching, Measurable, Attainable, Related to Members and Time Bound); Known by many within the credit union; consistently monitored and reviewed.<br><br>▪ **Excellent -** the vision is translated into action goals, has the elements of SMART (Stretching, Measurable, Attainable, Related to Members & Time Bound); broadly known; closely monitored and reviewed with set of indicators. Goals reflected by innovative services and products | 1. Goals are what the credit union wants to achieve and when it is to be done. It should translate the vision into action.<br><br>2. Goals set by the credit union should be SMART<br>S – stretching, M – measurable, A – attainable, R – related to members & T – time bounded.<br><br>3. See written **goals** of the credit union in the planning document. Check goal criteria if present in each goal : |

| | | Yes | No | Remarks |
|---|---|---|---|---|
| 1. | Goal 1 | | | |
| | Is it SMART? | | | |
| | • Stretching- Is it challenging to the CEO and his management team?<br>• Measurable – is it quantifiable?<br>• Attainable – is it realistically achievable?<br>• Related to Members – does it relate to quality and improved services to members?<br>• Time-bounded – does it have end time? | | | |

Do the same for goal 2 and so forth.

4. See progress report of the plan where achievements are assessed based on the goals set. (Annex 13)

5. Compare with standard measurement.

6. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.15. Strategic Objectives** | |

- **Poor -** Strategy is nonexistent; unclear, or disorganized and exaggerated; the strategy has no consistency with the vision and goals
- **Fair -**Strategy is existent but is not clearly linked to mission, vision, and overarching goals, or lacks coherence; or is not easily actionable; it is routine; it is not innovative; is not broadly known and has limited influence over the day-to-day behavior
- **Good -** Strategy is existent, clearly linked to mission, vision, and overarching goals, coherent; easily actionable; it is not routine; it is innovative; it is mostly known and the day-to-day behavior is driven by it
- **Excellent -** Has clear, coherent medium to long term strategy that is linked to mission, vision, and overarching goals, easily actionable; it is not routine; it is innovative; it is broadly known and has influence over the day-to-day behavior

1. Strategy is a way by which to achieve set goals. It involves deciding how to respond to changing members' preferences, respond to new market conditions, grow the business over long-term, achieve performance targets and outcompete rivals.
2. See planning document and assess strategies'
3. Assess implementation. It should be noted that the credit union might have plans written nicely but not implemented. Likewise, the credit union might be implementing strategies without plan. In either case, this will be a finding and the highest rating cannot be given. Appropriate recommendation should be given.
4. Compare findings with standard measurement.

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Strategy is existent and embodied in the Strategic Plan | | | | |
| Has clear, coherent medium to long term strategy that is linked to mission, vision, and overarching goals | | | | |
| easily actionable; it is not routine; it is innovative | | | | |
| it is not routine | | | | |
| it is innovative | | | | |
| it is broadly known and has influence over the day-to-day behavior | | | | |
| Score (prorated x/60 x 60) | | | | |
| **Equivalent Score = 60** | **6** | **12** | **18** | **24** |

5. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.16. Annual Business Plan** | |
| ▪ **Poor -** Credit union has no annual business plan<br><br>▪ **Fair -** Annual Business plan is existent but not clear; not linked to vision, mission, goals and strategy; may change from year to year; targets are ignored or not known by staff; lack milestones; mostly focused on inputs not the assessment of outputs<br><br>▪ **Good -** Annual Business plan is linked to vision, mission, goals and strategy; focused on inputs and outputs; multi-year targets including milestones; targets are known and adopted by all staff who use them to guide their work<br><br>▪ **Excellent -** Includes a set of quantified, genuinely demanding performance targets in all areas and tightly linked to vision, mission, goals & strategy; focused on inputs and outputs; multi-year targets; have annual milestones; targets are known and consistently adopted by staff who diligently achieve them | 1. Assess the business plan and its implementation results.<br>2. Compare actual performance and results against planned performance and results. Use the following table:<br><br>a) financial performance: |

| Example of Goal Area | TARGET Performance X Year | Actual Performance | Variance | Reasons for Variance |
|---|---|---|---|---|
| Prudential Standards Rating (PEARLS & other country standards) | | | | |
| Net Surplus | | | | |
| Loans Issued | | | | |
| Increase in Savings | | | | |
| Increase in SC | | | | |
| New Products | | | | |
| Staffing | | | | |
| Equipment | | | | |

b) Over-all business plan

| | ABC CREDIT UNION ANNUAL BUSINESS PLAN 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **VISION Statement** | | | **MISSION Statement** | | | |
| | **GOAL STREAM: FINANCIAL PERFORMANCE** | | | | | | |
| | **GOAL Statement** | | | | | | |
| | **OBJECTIVES(As set in the Board Planning Session)** | **STRATEGIES** | **KEY PERFORMANCE MEASURES** | **1st Quarter ending March 31** | **2nd Quarter ending June 30** | **3rd Quarter ending Sept. 30** | **4th Quarter ending Dec. 31** |
| **1** | | | | | | | |
| **2** | | | | | | | |
| **3** | | | | | | | |
| **4** | | | | | | | |
| **5** | | | | | | | |
| **6** | | | | | | | |
| **7** | | | | | | | |
| **8** | | | | | | | |

3. Compare with standard measurement.

4. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **Image Building** | |
| **3.17. Sales Culture** | |

- **Poor -** The credit union makes no use of PR/marketing skills and expertise
- **Fair -** The credit union takes limited opportunities to engage in PR/marketing as they arise; some PR/marketing skills and experience within staff or via external assistance
- **Good -** The credit union considers PR/marketing to be an essential tool, and actively seeks opportunities to engage in these activities; critical mass or internal expertise and experience in PR/Marketing or access to relevant external assistance
- **Excellent -** The credit union is fully aware of the power of PR/marketing and continually engages them; broad pool of PR/marketing expertise within the credit union or efficient use of external, sustainable, highly qualified resources.

1. Sales culture should be developed by the credit unions and should ensure that a responsible team or person is assigned to this task.
2. See Management Structure if PR/Marketing Expertise is part of the management of the credit union
3. Review Job Description of the PR/marketing person.
4. Compare with standard measurement.

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| | | | | |
| The credit union is fully aware of the power of PR/marketing and continually engages them (proof – staff job description and management structure) | | | | |
| Broad pool of PR/marketing expertise within the credit union or efficient use of external, sustainable, highly qualified resources. | | | | |
| Score (prorated x/20 x 20) | | | | |
| **Equivalent Score = 20** | **2** | **4** | **6** | **8** |

5. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.18. Involvement in the local community** | |

- **Poor -** The credit union's presence either is not recognized or generally not regarded as positive; few members of the local community beneficially involved

- **Fair** - The credit union's presence is somewhat recognized or generally regarded as positive; some members of the local community beneficially engaged with the credit union

- **Good -** The credit union is reasonably well-known within the community and perceived as open and responsive to community needs; with at least 2 two community programs per year; members of larger community; including a few prominent ones are constructively involved

- **Excellent** - The credit union is widely known within the larger community, and perceived as actively engaged with and extremely responsive to it; with more than two community programs per year; many members of the larger community are actively and constructively involved

1. Review documentation of programs organized by the credit union with community involvement.

   - Memorandum of Understanding/Agreement, if any
   - b Progress Reports of Projects/Activities
   - Evaluation and review of projects/activities

3. Conduct interview with some members, non-members who are members of the community to assess impact of community involvement.

4. Compare with standard measurement.

| Measurement | Poor 1 | Fair 2 | Good 3 | Excellent 4 |
|---|---|---|---|---|
| The credit union is widely known within the larger community | | | | |
| perceived as actively engaged with and extremely responsive to it | | | | |
| with more than two community programs per year | | | | |
| many members of the larger community are actively and constructively involved | | | | |
| Score (prorated x/40 x 40) | | | | |
| **Equivalent Score = 40** | **4** | **8** | **12** | **16** |

5. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.19. Partnerships and Alliances** | |
| ▪ **Poor** - Credit union has no partnership and alliances<br><br>▪ **Fair -** Early stages of building relationships and collaborating with other for-profit, non-profit or public sector<br><br>▪ **Good** - Effectively built and leveraged key relationships with for-profit, non-profit or public sector; relationships are stable and have benefit for the credit union<br><br>▪ **Excellent** - Built, leveraged, and maintained strong, high-impact relationships with for-profit, non-profit or public sector; relationships deeply anchored in stable, long-term, mutually beneficial collaboration | 1. Review documentation and evidence of partnership and alliances<br>i.e. a. Memorandum of Understanding<br>b Progress Reports of Projects/Activities<br>c. Evaluation and review of projects/activities<br><br>2. Compare with standard measurement.<br><br>3. Give ACCESS rating. |

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.20. Relationship with the National Federation** | |
| ▪ **Poor -** Not a member or either a member but not actively involved; not attending meetings; not patronizing the services of the federation<br><br>▪ **Fair -** A member of the federation with limited engagement; rarely attending meetings and patronizing services; not updated in the required savings, shares and loan repayment<br><br>▪ **Good -** A member of the federation; actively participating in meetings; patronizing the services; updated in the required savings, shares and loan repayment, following the standards promoted by national federation e.g. one logo, one vision, prudential standards, products etc.<br><br>▪ **Excellent –** A member of the federation; actively attending and contributing to the meetings; consistently patronizing and promoting the services; Consistently following the standards promoted by national federation e.g. one logo, one vision, prudential standards, products etc.; updated in the required savings, shares and loan repayment consistently supports and contributes to governance of the national federation | 1. Review the relationship with the national federation based on the criteria.<br><br>2. Conduct interview with the Officers and staff of the national federation<br><br>3. Check official receipts of remittance of dues and contributions.<br><br>4. See documentation/s of attendance/participation to the activities of the national federation.<br><br>5. See Certification as Membership in Good Standing.<br><br>6. Compare with standard measurement.<br><br>7. Give ACCESS rating. |

## Market Penetration

### 3.21. Members of the community using the services of the credit union

- **Poor -** Less than 10% of the working population are members of the credit union
- **Fair -**10-19% of the working population are members of the credit union
- **Good -** 20-30% of the working population are members of the credit union
- **Excellent -** more than 30% of the working population are members of the credit union

1. Get data on the population in the area of operation
2. Get List of members in good standing

7 MEMBERS IN GOOD STANDING (MIGS)

| | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| 7.1 Number of MIGS | M | F | Total | % | M | F | Total | % |
| 1. Regular | | | | | | | | |
| 2. Associate | | | | | | | | |
| Total | | | | | | | | |
| No. of working population | | | | | | | | |
| % of MIGS over working population | | | | | | | | |

| 7.2. No. of Members with Loan accounts | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | M | F | Total | % | M | F | Total | % |
| Without Past Due Loans | | | | | | | | |
| With Past Due Loans | | | | | | | | |
| Total no. of members with loan accounts | | | | | | | | |

3. Compare with standard measurement.

4. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.22. Member segmentation according to age** | |

- **Poor -** Concentrated on 3 of the following age segment:
  - 1-10
  - 11-17
  - 18-25
  - 26-45
  - 46-60
  - over 60
- **Fair -** Concentrated on 4 of the following age segment:
  - 1-10
  - 11-17
  - 18-25
  - 26-45
  - 46-60
  - over 60
- **Good -** Spread over all of the following age segment:
  - 1-10
  - 11-17
  - 18-25
  - 26-45
  - 46-60
  - over 6
- **Excellent -** Spread over all of the following age segment, but with majority concentration in 26-45, the most productive group for financial service benefit to credit union:
  - 1-10
  - 11-17
  - 18-25
  - 26-45
  - 46-60
  - over 6

1. See market segmentation information
2. Member classification according to age

2 By Age

| 2.1. Regular Members | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | M | F | Total | % | M | F | Total | % |
| 18-25 | | | | | | | | |
| 26-45 | | | | | | | | |
| 40-49 | | | | | | | | |
| 46-60 | | | | | | | | |
| Over 60 | | | | | | | | |

| 2.2. Associate Members | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| | M | F | Total | % | M | F | Total | % |
| 1 - 10 | | | | | | | | |
| 11- 17 | | | | | | | | |
| 18-25 | | | | | | | | |
| 26-45 | | | | | | | | |
| 46-60 | | | | | | | | |
| Over 60 | | | | | | | | |
| Sub-total | | | | | | | | |
| GRAND TOTAL | | | | | | | | |
| No. of working population | | | | | | | | |
| % against Pop. | | | | | | | | |

3. Compare with standard measurement.

4. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.23. Diversity of Membership** | |

- **Poor –**
  Concentrated on 3 of the following segment:
  1. Professional/Technical
  2. Upper Management/Executive
  3. Middle Management
  4. Sales/Marketing
  5. Clerical/Service Worker
  6. Tradesman/Machine Operator/Laborer
  7. Small Entrepreneurs
  8. Unemployed
  9. Ethnic groups

- **Fair -** Concentrated on 4 of the ff. segment:
  1. Professional/Technical
  2. Upper Management/Executive
  3. Middle Management
  4. Sales/Marketing
  5. Clerical/Service Worker
  6. Tradesman/Machine Operator/Laborer
  7. Small Entrepreneurs
  8. Unemployed
  9. ethnic groups

- **Good -** Spread over all of the ff. segment:
  1. Professional/Technical
  2. Upper Management/Executive
  3. Middle Management
  4. Sales/Marketing
  5. Clerical/Service Worker
  6. Tradesman/Machine Operator/Laborer
  7. Small Entrepreneurs
  8. Unemployed
  9. ethnic groups

**1.** Check Member classification according to occupational segmentation

| By Occupation | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| Regular Members | M | F | Total | % | M | F | Total | % |
| Professional/Technical | | | | | | | | |
| Upper Management/Executives | | | | | | | | |
| Middle Management | | | | | | | | |
| Sales/Marketing | | | | | | | | |
| Clerical/Service Workers | | | | | | | | |
| Tradesman/Machine Operators | | | | | | | | |
| Small Entrepreneurs | | | | | | | | |
| Unemployed/ethnic groups | | | | | | | | |
| TOTAL | | | | | | | | |

| By Occupation | 2007 | | | | 2006 | | | |
|---|---|---|---|---|---|---|---|---|
| Associate Members | M | F | Total | % | M | F | Total | % |
| Professional/Technical | | | | | | | | |
| Upper Management/Executives | | | | | | | | |
| Middle Management | | | | | | | | |
| Sales/Marketing | | | | | | | | |
| Clerical/Service Workers | | | | | | | | |
| Tradesman/Machine Operators | | | | | | | | |
| Small Entrepreneurs | | | | | | | | |
| Unemployed/ethnic groups | | | | | | | | |
| TOTAL | | | | | | | | |

2. Compare with standard measurement.

3. Give ACCESS rating.

*** Excellent -** Spread over all of the following segment and with concentration on segment 5-8:

1. Professional/Technical
2. Upper Management/Executive
3. Middle Management
4. Sales/Marketing
5. Clerical/Service Worker
6. Tradesman/Machine Operator/Laborer
7. Small Entrepreneurs
8. Unemployed ethnic groups
9. ethnic groups

| Standard Measurement | Audit Guidelines |
|---|---|
| **3.24. Gender Balance** | |

- **Poor -** Not balance 70:30% (Male:Female)
- **Fair - 60:40% (Male:Female)**
- **Good -** Strike balance on gender of between 40-50 (Male:Female)
- **Excellent - Strike a balance on gender of 50:50 (Male:Female)**

1. Check member classification according to Sex

1 By Sex

| 1.1. Regular Members | 2007 | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|
| | No. | % | No. | % | No. | % |
| Male | | | | | | |
| Female | | | | | | |
| Total | | | | | | |
| 1.2. Associate members | | | | | | |
| Male | | | | | | |
| Female | | | | | | |
| Total | | | | | | |
| GRAND TOTAL | | | | | | |

2. Compare with standard measurement.
3. Give ACCESS rating.

| Standard Measurement | Audit Guidelines |
|---|---|
| **Regulatory Compliance** | |
| **3.25. Management of Regulatory Obligations** | |
| ▪ **Poor -** Failing to achieve even minimal compliance with prudential requirements<br><br>▪ **Fair -** Limited compliance with prudential requirements set by the regulatory agency for credit unions; Submission of Annual Financial Statements<br>- Annual Audit<br><br>▪ **Good -** Following all of the requirements set by the regulatory agency for credit unions on a timely manner.<br><br>▪ **Excellent -** Following all of the requirements set by the regulatory agency for credit unions on a timely manner and promoted by the regulator as a model credit union | 1. The credit union should develop the culture of compliance to regulatory bodies and conform with the international and national standards.<br><br>2. Verify implementation and compliance with Memorandum circulars issued by the Regulatory Agency (e.g. Standard Chart of Accounts and Performance Standards for Credit Union: PEARLS/COOP-PESOS/PEARLS-GOLD/PEARLS-RUPEES/PEARLS-HIMAL/GLARES ETC.<br><br>3. Compare with standard measurement.<br><br>4. Give ACCESS rating. |
| **3.26. Statutory commitment** | |
| ▪ **Poor -** Non-compliance with the statutory requirements<br><br>▪ **Fair -** Limited compliance with the statutory requirements<br><br>▪ **Good -** Full compliance with the statutory requirements<br><br>▪ **Excellent -** Full compliance with the statutory requirements and promoted by the regulator as a model credit union | 1. Check the Legal Survival Kit of the Credit Union "Annex 14" )<br>2. Check compliance with Cooperative Law and regulation issued by the Cooperative Department<br><br>3. Check compliance with Regulation of the Bureau of Internal Revenue |

| | | Yes | No |
|---|---|---|---|
| 1. | Updated Bond of Accountable Officers | | |
| 2. | Registration of Amendments, if any | | |
| 3. | Allocation of Net Surplus in accordance with by-laws. | | |
| 4. | Issuance of Share Capital Certificates | | |
| 5. | Submission of Annual Report, Audited Financial Statements, and Information Sheet within prescribed period. | | |
| 6. | Holding of General Assemble within prescribed period. | | |
| 7. | Funding Statutory Funds | | |

| | | Yes | No |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 1. | Certificate of Tax Exemption | | |
| 2. | Registration as Non-EVAT | | |
| 3. | Filing of Account Information | | |
| 4. | Registration of books of accounts | | |
| 5. | Filing of Income Tax Returns | | |
| | Withholding and remittance of appropriate taxes: | | |
| 5,1 | Withholding g tax on compensation of employees monthly | | |
| 5.2 | Withholding tax on professional fees | | |
| 5.3 . | Withholding tax on Honorarium, per diems and allowances of Officers | | |
| 5.4 | Withholding tax on interest on Savings deposits | | |
| 5.5 | Withholding tax on interest on SC | | |
| 5.6 | Documentary stamps | | |

4. Check Local permits

| | | Yes | No |
|---|---|---|---|
| 1. | Business permit/license | | |
| 2. | Community tax | | |

## 4. LEARNING AND GROWTH PERSPECTIVE

### LG 1: Leadership-Knowledgeable and Involved Board of Directors

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.1. Prime Decision Center** | |
| ▪ **Poor** – no policy manual and no strategic plan<br><br>▪ **Fair** - The Board has ultimate authority and responsibility for the management; Incomplete policy manual; Strategic plan developed but not translated into operation<br><br>▪ **Good** - the Board has ultimate authority and responsibility for the management; Comprehensive policies in place and reviewed annually; Strategic plan fully developed with action plan and follow-up through monitoring at monthly meetings<br><br>▪ **Excellent** - In consultation with the management, the Board has ultimate authority and responsibility for the management; Comprehensive policies in place and reviewed annually; Strategic plan fully developed with action plan and follow-up though monitoring at monthly meetings; Board meetings regularly review external operating environment and response in timely fashion to changing circumstances | 1. Examine the following: |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| In consultation with management, the Board has ultimate authority and responsibility for the management (interview the manager. The Board should only be concerned of policy matters, operational matters or implementation should be the responsibility of the CEO) | | | | |
| Credit Union Policy: | | | | |
| ▪ Comprehensive (cover all areas of operation) | | | | |
| ▪ Reviewed Annually | | | | |
| Strategic Plan | | | | |
| ▪ Strategic Plan fully developed | | | | |
| ▪ Strategic Plan has action plan or implementation plan | | | | |
| ▪ Strategic Plan reported and reviewed every Board meeting (examine the Board minutes) | | | | |
| External Environment | | | | |
| ▪ Reviewed annually | | | | |
| ▪ Opportunities and Threats responded accordingly in the Strategic Plan (examine the minutes of the meeting) | | | | |
| Score (prorated xx/28 x 4) | | | | |
| Equivalent Score | **7** | **14** | **21** | **28** |

2. Give the ACCESS Rating based on the score

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.2. Advisory Role** | |
| ▪ **Poor** – the Board does not act in an advisory capacity for management, sub-committees and membership; does not advice members of the need for changes in lending policies, bylaws and even market strategies; does not act as advisory group to others, does not review decisions or actions they have taken.<br><br>▪ **Fair -** The Board acts in an advisory capacity for management, sub-committees and membership; lack in giving advice to members of the need for changes in lending policies, bylaws and even market strategies; lack the reviewing of decisions or actions they have taken.<br><br>▪ **Good -** The Board acts in an advisory capacity for management, sub-committees and membership; advice members of the need for changes in lending policies, bylaws and even market strategies; act as advisory group to others, reviewing decisions or actions they have taken.<br><br>▪ **Excellent -** The Board acts in an advisory capacity for management, sub-committees and membership; consistently advise members of the need for changes in lending policies, bylaws and even market strategies; act as advisory group to others, consistently reviewing decisions or actions they have taken | 1. Examine the following from the minutes of the meetings of the Board and the General Meeting:<br><br>2. Give the ACCESS Rating based on the score |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| The Board acts in an advisory capacity for management, sub-committees and membership | | | | |
| Consistently advise members of the need for changes in lending policies, bylaws and even market strategies (note: approval of the Bylaws changes is the responsibility of the AGM while lending is the responsibility of the Board) | | | | |
| Act as advisory group to others | | | | |
| Consistently reviewing decisions or actions they have taken (monthly basis) | | | | |
| Score (prorated x/16 x 4) | | | | |
| **Equivalent Score** | **4** | **8** | **12** | **16** |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.3. Perpetuating** | |
| ▪ **Poor –** Does not ensure the members of the Board and sub-committees are competent and understand their roles and responsibilities; the Board does not encourage training and development of all officers to ensure their effectiveness; less than 50% of the Board and committees do not attend competency training (CUDCC)<br><br>▪ **Fair -** Board and sub-committees have limited understanding of/and competence in performing their roles and responsibilities; Limited training and development of all officers to ensure their effectiveness; 50-79% of the Board and committees have completed competency course program (CUDCC)<br><br>▪ **Good -** Provide for the continuity of credit union by ensuring the members of the Board and sub-committees are competent and understand their roles and responsibilities; the Board requires training and development of all officers to ensure their effectiveness; 80% or more of the Board and committees have completed competency course program (CUDCC)<br><br>▪ **Excellent -** Provide for the continuity of credit union by ensuring the members of the Board and sub-committees are competent and understand their roles and responsibilities; Continuous professional training is a must for all officers to ensure their effectiveness; 100% the Board and committees have completed competency course program (CUDCC) | 1. Examine the Performance Evaluation of the Committees and Board; training programs attended by the committees, and Training for Board of Directors – CUDCC<br><br>2. Give the ACCESS Rating based on the score |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Provide for the continuity of credit union by ensuring the members of the Board and sub-committees are competent and understand their roles and responsibilities | | | | |
| Continuous professional training is a must for all officers to ensure their effectiveness | | | | |
| 100% the Board and committees have completed competency course program – CUDCC (refer to the standards for the score) | | | | |
| Score (prorated x/12 x 4) | | | | |
| **Equivalent Score** | **3** | **6** | **8** | **12** |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.4. Trustee Function** | |
| ▪ **Poor –** The Board pursue individual interest at expense of members (related party interest), does not monitor or review loan portfolio, no risk management policy in place, loan delinquency is more than 10% of the loan portfolio<br><br>▪ **Fair -** The Board represents the member shareholders but occasionally pursues individual interest, irregular monitoring and reviewing of loan portfolio and investments, limited risk management policy in place, loan delinquency is 6-10% of the loan portfolio<br><br>▪ **Good -** The Board consistently puts the needs of members first, Consistently supervising and monitoring the loan portfolio, Maintains policies with special emphasis on limiting/controlling undue risk exposure, loan delinquency is 3-5% of the loan portfolio<br><br>▪ **Excellent -** The Board consistently puts the needs of members first, Consistently supervising and monitoring the loan portfolio, Maintains policies with special emphasis on limiting/controlling undue risk exposure, constantly strives to achieve best practice in performance of trustee function, loan delinquency is 2% and below of the loan portfolio | 1. Examine and review the Review of the Board Papers at the Board meeting (what information are provided to the board; Risk Management policy of the credit union; PEARLS rating as part of the reporting to the Board and action taken by the Board on the issues highlighted by the PEARLS |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| The Board consistently puts the needs of members first | | | | |
| Consistently supervising and monitoring the loan portfolio<br>▪ Poor - not reported in the Board meeting<br>▪ Fair – reporting but not consistent<br>▪ Good – monthly reporting and preparing actions to recover<br>▪ Excellent - consistent monthly reporting, developing and implementing actions to recover, action plans also being monitored monthly at board meeting | | | | |
| Maintains policies with special emphasis on limiting/controlling undue risk exposure<br>▪ Poor - no risk management policy<br>▪ Fair – risk management policy implemented only this year<br>▪ Good – risk management policy consistently adopted in the last 3 years<br>▪ Excellent - risk management policy consistently adopted in the last 5 years with an annual review | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | Constantly strives to achieve best practice in performance of trustee function:<br>▪ Poor – PEARLS or prudential standards not used or irregularly used<br>▪ Fair – PEARLS used irregularly or only for one year<br>▪ Good – consistently adopted PEARLS in the monthly Board meeting in the last three years<br>▪ Excellent - Consistent reporting of PEARLS as a policy for the last five years, develop action steps to achieve and monitor implementation of action steps | | | | |
| | Loan delinquency<br>▪ Poor - >10%<br>▪ Fair – 6-10%<br>▪ Good – 3-5%<br>▪ Excellent - 2% and below of the loan portfolio | | | | |
| | **Score** (prorated x/20 x 4) | | | | |
| | **Equivalent Score** | **5** | **10** | **15** | **20** |
| | 2. Give the ACCESS Rating based on the score | | | | |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.5. Symbolic** | |
| ▪ **Poor** – Below 50% of the Board are good borrowers, savers; majorities are delinquent borrowers, the board self interest prevails than their functions; does not perform their functions professionally and with integrity; The Board is not a symbol of strength and leadership in the credit union and community<br><br>▪ **Fair -** The Board is fair in the leadership and strength portrayed in the credit union and community; performs their functions with a degree of professionalism and integrity but still unable to balance self interest against board functions; 75% of the Board are good borrowers, savers and not delinquent.<br><br>▪ **Good -** The Board is considered as a symbol of strength and leadership in the credit union and community; perform their functions with professionalism and integrity and moral values; Borrowing Boards are not delinquent and good savers.<br><br>▪ **Excellent -** The Board is considered as a symbol of strength and leadership in the credit union and community; perform their functions with high degree of professionalism and integrity and high moral values; Borrowing Boards & their related parties are not delinquent and good savers. Constantly striving for best practice as cooperative leaders | 1. Examination of the Board's accounts and their related parties such as spouse, children, parents, bothers, sisters, relatives and friends, Random interview of members can be made. |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Board as Borrowers and Savers<br>▪ Poor – Below 50% of the Board are good borrowers, savers; majorities are delinquent borrowers<br>▪ Fair – 75% of the Board are good borrowers, savers and not delinquent.<br>▪ Good – Borrowing Boards are not delinquent and good savers.<br>▪ Excellent - Borrowing Boards & their related parties are not delinquent and good savers | | | | |
| Symbol of Strength and leadership<br>▪ Poor – does not perform their functions professionally and with integrity<br>▪ Fair – performs their functions with a degree of professionalism and integrity but still unable to balance self interest against board functions<br>▪ Good - perform their functions with professionalism and integrity and moral values<br>▪ Excellent - perform their functions with high degree of professionalism and integrity and high moral values; | | | | |
| **Score** (prorated x/8 x 4) | | | | |
| **Equivalent Score** | **2** | **4** | **6** | **8** |

2. Give the ACCESS Rating based on the score

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.6. Composition and Commitment** | |
| ▪ **Poor –** Membership with limited diversity of fields of practice and expertise; drawn from a narrow spectrum of membership; limited or no relevant experience; low commitment to organization's success, vision, mission, meetings infrequent and/or low attendance<br><br>▪ **Fair -** Some diversity in fields of practice; membership represents a few different segments; moderate commitment to organization's success, vision, mission, and behavior to suit; regular, purposeful meetings with overall good attendance<br><br>▪ **Good -** Good diversity in fields of practice and expertise; membership represents most segments; good commitment to organization's success, vision, mission, and behavior suit; regular, purposeful meetings are well-planned and attendance is consistently good<br><br>▪ **Excellent -** Membership with broad variety of fields of practice and expertise, and drawn from the full spectrum of market segments; includes functional program content-related expertise; high willingness and proven track record of investing in learning about the credit union and addressing its issues; outstanding commitment to the credit union's success, mission, vision; meet in person regularly, good attendance, frequent meetings | 1. Examination of the Board's accounts and their related parties such as spouse, children, parents, bothers, sisters, relatives and friends, Random interview of members can be made. |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Composition of the Board<br>▪ Poor – Membership with limited diversity of fields of practice and expertise, drawn from a narrow spectrum of membership;<br>▪ Fair – Some diversity in fields of practice; membership represents a few different segments<br>▪ Good – Good diversity in fields of practice and expertise; membership represents most segments;<br>▪ Excellent - Membership with broad variety of fields of practice and expertise, and drawn from the full spectrum of market segments; includes functional program content-related expertise | | | | |
| Commitment<br>▪ Poor – low commitment to organization's success, vision, mission, meetings infrequent and/or low attendance<br>▪ Fair – moderate commitment to organization's success, vision, mission, and behavior to suit; regular, purposeful meetings with overall good attendance | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | ▪ Good – good commitment to organization's success, vision, mission, and behavior suit; regular, purposeful meetings are well-planned and attendance is consistently good<br>▪ Excellent - high willingness and proven track record of investing in learning about the credit union and addressing its issues; outstanding commitment to the credit union's success, mission, vision; meet in person regularly, good attendance, frequent meetings | | | | |
| | Score (prorated x/12x 4) | | | | |
| | **Equivalent Score** | **3** | **6** | **8** | **12** |
| | 2. Give the ACCESS Rating based on the score | | | | |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.7. Guiding and coaching** | |
| ▪ **Poor –** Board does not coach, help, inspire, motivate and stimulate, is not action-oriented, and does not evaluate management & members<br><br>▪ **Fair -** Limited Board that coaches, helps, inspires, motivates and stimulates, is action-oriented, but does not evaluate management & members<br><br>▪ **Good -** Board that coaches, helps, inspires, motivates and stimulates, is action-oriented, and evaluate processes based on performance measures<br><br>▪ **Excellent -** Board that coaches, helps, inspires, motivates and stimulates, is action-oriented, and consistently evaluate processes based on best practice performance measures | 1. Interview the CEO and staff<br><br>2. In your interview, list down how the Board perform the responsibility of coaching and guiding:<br><br>3. What are those actions or practices or policies to ensure that these two important responsibilities are carried effectively?<br><br>4. Evaluate your findings according to the rating description.<br><br>5. Give the ACCESS rating |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.8. Governance** | |
| ▪ **Poor** – Roles of Board and Manager are not clearly defined, Board interferes in management function, Board does not scrutinize budgets or audits, does not set performance targets and hold CEO accountable or does not operate according to formal procedures; executive, treasury and board functions unclear, Size of the board reflects individual interest<br><br>▪ **Fair -** Limited definition of different roles of board and managers; board not functioning according to bylaws; limited budget reviews, occasionally sets organizational direction and targets and does not monitor potential conflicts of interest, scrutinize auditors, or reviews regulatory compliance; Limited attempts to control size of board ; does not regularly review CEO performance and not prepared to hire or fire CEO<br><br>▪ **Good -** Roles of board and managers are clearly defined and each party performs own role without interference; board reviews budgets, audits, regulatory compliance; size of board set for maximum effectiveness with rigorous nomination process; board co-defines performance targets and actively encourages CEO to meet targets; annual review of the CEO's performance<br><br>▪ **Excellent -** Board and manager exhibit high degree of teamwork and combine well together from clear roles; board fully understands and fulfills fiduciary duties; size of board set for maximum effectiveness with rigorous nomination process; board actively defines performance targets and holds CEO | 1. Interview with the CEO and Sub-committees, Review of the comprehensive policy and procedures, CEOs job description, CEO terms and reference, Board nomination process and Board size |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Board vs. Manager role<br>▪ Poor – Roles of Board and Manager are not clearly defined, Board interferes in management function<br>▪ Fair – Limited definition of different roles of board and managers; board not functioning according to bylaws;<br>▪ Good – Roles of board and managers are clearly defined and each party performs own role without interference;<br>▪ Excellent - Board and manager exhibit high degree of teamwork and combine well together from clear roles; | | | | |
| Budget and audit<br>▪ Poor – Board does not scrutinize budgets or audits; executive, treasury and board functions unclear<br>▪ Fair – limited budget reviews<br>▪ Good - board reviews budgets, audits, regulatory compliance<br>▪ Excellent - board fully understands and fulfills fiduciary duties | | | | |
| Setting Performance Measures for CEO<br>▪ Poor – does not set performance targets and hold CEO accountable or does not operate according to formal | | | | |

| | | | | | |
|---|---|---|---|---|---|
| accountable; board empowered and prepared to hire or fire CEO if necessary; based on best practice performance measures | procedures<br>▪ Fair – does not regularly review CEO performance and not prepared to hire or fire CEO<br>▪ Good - board co-defines performance targets and actively encourages CEO to meet targets; annual review of the CEO's performance<br>▪ Excellent - board actively defines performance targets and holds CEO accountable; board empowered and prepared to hire or fire CEO if necessary; based on best practice performance measures | | | | |
| ▪ Refer to the Principles of Good Governance by WOCCU on the Board operation for guidance | Board size<br>▪ Poor – Size of the board reflects individual interest<br>▪ Fair – Limited attempts to control size of board<br>▪ Good - size of board set for maximum effectiveness with rigorous nomination process<br>▪ Excellent - size of board set for maximum effectiveness with rigorous nomination process | | | | |
| | Score (prorated x/16 x 4) | | | | |
| | **Equivalent Score** | **4** | **8** | **12** | **16** |

6. Give the ACCESS rating

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.9. Performance Evaluation** | |
| ▪ **Poor** – No periodic performance evaluation<br><br>▪ **Fair -** 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<br><br>▪ **Good -** 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.<br><br>▪ **Excellent -** 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<br><br>*Note: periodic means annually as the minimum standard* | 1. Examination of the Board's performance evaluation results |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Board Performance Appraisal<br>▪ Poor – No periodic performance evaluation<br>▪ Fair – Performance evaluated but not using standard performance evaluation tool for individual board and the whole board as team<br>▪ Good – The Board's performance periodically evaluated using standard performance evaluation tool for individual board and the whole board as team.<br>▪ Excellent - The Board's performance periodically evaluated using standard performance evaluation tool for individual board and the whole board as team | | | | |
| Evaluation of Performance Appraisal Results<br>▪ Poor – none<br>▪ Fair – not clear whether evaluation results area used to improve Board's performance<br>▪ Good – Evaluation results used to improve Board's performance and efficiency.<br>▪ Excellent - Evaluation results consistently used to improve Board's performance and efficiency; Consistently striving for best practice in corporate governance standards | | | | |
| **Score** (prorated x/8 x 4) | | | | |
| **Equivalent Score** | **2** | **4** | **6** | **8** |

2. Give the ACCESS Rating based on the score

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.10. Performance Evaluation** | |
| ▪ **Poor –** No woman members of the Board<br><br>▪ **Fair -** 10% or less are women Board members<br><br>▪ **Good -** 11% to 49% of the Board are women<br><br>▪ **Excellent -** 50% of the Board are women and actively participating in the Board<br><br>*Note: periodic means annually as the minimum standard* | 1. Examination of the list of Board of Directors<br><br>2. Give the ACCESS Rating based on the score |

## LG 2: Employee Satisfaction

| Standard Measurement | Audit Guidelines |
|---|---|
| | **Administration** |
| **4.11. Job Designs** | |
| **Poor** – unclear roles and responsibilities with many overlaps; job descriptions do not exist<br><br>**Fair -** Position exist for most key roles, with a few still missing; most key positions are well-defined and have job descriptions that are static, some unclear accountabilities or overlap in roles and responsibilities;<br><br>**Good -** All roles have associated positions; individuals have well-defined roles with clear activities and reporting relationships and minimal overlaps; job descriptions are continuously being redefined to allow for organizational development and individuals' growth within the job<br><br>**Excellent** -All roles have associated dedicated positions; all employees have clearly define core roles which must be achieved and an area of discretion where they can show initiative and try to make a difference; core roles are defined in terms of end-products and services rather than activities; individuals have the ability to define their own activities and are empowered to continuously reexamine their jobs | 1. Evaluate the Management structure and job description to the existing organizational function. |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Job Descriptions<br>▪ Poor – job descriptions do not exist<br>▪ Fair – most key positions are well-defined and have job descriptions that are static<br>▪ Good – job descriptions are continuously being redefined to allow for organizational development and individuals' growth within the job<br>▪ Excellent - core roles are defined in terms of end-products and services rather than activities; individuals have the ability to define their own activities and are empowered to continuously reexamine their jobs | | | | |
| Designs of Jobs<br>▪ Poor – unclear roles and responsibilities with many overlaps<br>▪ Fair – Position exist for most key roles, with a few still missing; most key positions are well-defined, some unclear accountabilities or overlap in roles and responsibilities<br>▪ Good – All roles have associated positions; individuals have well-defined roles with clear activities and reporting relationships and minimal overlaps individuals' growth within the job<br>▪ Excellent - All roles have associated dedicated | | | | |

| | | | | | |
|---|---|---|---|---|---|
| | positions; all employees have clearly define core roles which must be achieved and an area of discretion where they can show initiative and try to make a difference | | | | |
| | **Score** (prorated x/8 x 4) | | | | |
| | **Equivalent Score** | **2** | **4** | **6** | **8** |

2. Give the ACCESS Rating based on the score

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.12. Recruitment and Selection** | |
| ▪ **Poor –** No recruitment policy, no guidelines for making sound decisions on hiring; hiring decision is also politicized<br><br>▪ **Fair -** Inadequate recruitment policy is in place the hiring supervisors have little knowledge on the basic legal rules, does not have guidelines for making sound hiring decisions; does not anticipate future needs in hiring employees<br><br>▪ **Good -** Recruitment policy is in place to enable draw a stronger pool of candidates to choose from, the hiring supervisors sufficient knowledge on the basic legal rules, have guidelines for making sound hiring decisions; anticipate future needs in hiring employees<br><br>▪ **Excellent -** Clear recruitment policy enabling to draw a stronger pool of candidates to choose from, the hiring supervisors have excellent knowledge on basic legal rules, have consistent guidelines for making sound hiring decisions; always anticipate future needs in hiring constantly striving for best practice in HRD | 1. Examination of Employee policy and processes |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Recruitment Policy<br>▪ Poor – No recruitment policy<br>▪ Fair – Inadequate recruitment policy is in place the hiring supervisors have little knowledge on the basic legal rules<br>▪ Good – Recruitment policy is in place to enable draw a stronger pool of candidates to choose from, the hiring supervisors sufficient knowledge on the basic legal rules,<br>▪ Excellent - Clear recruitment policy enabling to draw a stronger pool of candidates to choose from, the hiring supervisors have excellent knowledge on basic legal rules, | | | | |
| Guidelines on Hiring<br>▪ Poor – no guidelines for making sound decisions on hiring; hiring decision is also politicized<br>▪ Fair – does not have guidelines for making sound hiring decisions; does not anticipate future needs in hiring employees<br>▪ Good – have guidelines for making sound hiring decisions; anticipate future needs in hiring employees<br>▪ Excellent - have consistent guidelines for making sound hiring decisions; always anticipate future needs in hiring constantly striving for best practice in HRD | | | | |
| **Score** (prorated x/8 x 4) | | | | |
| **Equivalent Score** | **2** | **4** | **6** | **8** |

2. Give the ACCESS Rating based on the score

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.13. Compensation** | |
| ▪ **Poor –** No compensation program is in place<br><br>▪ **Fair** - Limited compensation program is in place with no provision for regular reviews of salary levels as well as benefits costs.<br><br>▪ **Good -** Well defined compensation program that combines salaries and benefits as part of the big picture is in place; reviews salary levels as well as benefits costs. Following the minimum industry standards<br><br>▪ **Excellent -** Well defined and competitive compensation program that combines salaries & benefits as part of the big picture is in place; Regularly reviews salary levels as well as benefits costs consistently applying the industry standards; Constantly striving to attract and maintain high quality staff | 1. Objective comparison of compensation package with other credit unions or parallel business organizations.<br><br>2. Analyze the practices, policies and guidelines as compare with the standards.<br><br>3. Give the ACCESS Rating based on the score |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.14. Staffing Levels** | |
| ▪ **Poor** – Real staffing level needs unknown; High turnover; Many positions unfilled<br><br>• **Fair** - Limited understanding of real staffing needs; Critical positions unfilled; Medium level turnover<br><br>▪ **Good** - Staffing level accurately reflect; organizational need; Positions are all staffed; low turnover<br><br>▪ **Excellent** - Staffing level accurately reflect organizational need; Positions are all staffed; low turnover; Constantly striving to attract and maintain high quality staff | 1. Examination staff record on resignation for the last 5 years and Management structure |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Staffing needs<br>▪ Poor – Real staffing level needs unknown;<br>▪ Fair – Limited understanding of real staffing needs<br>▪ Good - Staffing level accurately reflect; organizational need<br>▪ Excellent - Staffing level accurately reflect organizational need | | | | |
| Staff Turnover<br>▪ Poor – High turnover; Many positions unfilled<br>▪ Fair – Critical positions unfilled; Medium level turnover<br>▪ Good - Positions are all staffed; low turnover<br>▪ Excellent - Positions are all staffed; low turnover; Constantly striving to attract and maintain high quality staff | | | | |
| **Score** (prorated x/8 x 4) | | | | |
| **Equivalent Score** | **2** | **4** | **6** | **8** |

2. Give the ACCESS Rating based on the score

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.15. Performance Objectives** | |
| ▪ **Poor –** No performance management process in place<br><br>▪ **Fair -** Limited performance management undertaken with no clear linkage to recognition and reward of effort<br><br>▪ **Good -** Comprehensive performance management process in place; The objective is clear as to help employees perform at the best of their ability by providing feedback, recognition of effort and performance-related guidance to meet employees need<br><br>▪ **Excellent -** Best practice performance management process in place. | 1. Examination Performance evaluation system<br><br>2. Analyze the practices, policies and guidelines as compare with the standards.<br><br>3. Give the ACCESS Rating based on the score |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.16. Appraisal Standards** | |
| ▪ **Poor –** No appraisal standards process in place<br><br>▪ **Fair -** Limited appraisal standards undertaken with no clear linkage to recognition and reward of effort<br><br>▪ **Good -** Comprehensive appraisal standards process in place. The objective is clear as to help employees perform at the best of their ability by providing feedback, recognition of effort and performance-related guidance to meet employees need<br><br>▪ **Excellent -** Best practice appraisal standards process in place. | 1. Examination Performance evaluation system<br><br>2. Analyze the practices, policies and guidelines as compare with the standards.<br><br>3. Give the ACCESS Rating based on the score |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.17. Performance as Shared Values** | |
| **Poor –** Employees are hired, rewarded and promoted for executing a set of tasks/duties or for more clear reason, rather than for their impact; decisions are mostly made on "gut feeling"<br><br>**Fair -** Performance contribution is occasionally used and may be one of many criteria for hiring, rewarding and promoting employees; performance data is used to make decisions<br><br>**Good -** Employee contribution to social, financial and organizational impact is typically considered as a preeminent criterion in making hiring, rewards and promotion decisions; important decisions about the organization are embedded in comprehensive performance thinking<br><br>**Excellent -** All employees are systematically hired, rewarded and promoted for their collective contribution to social, financial and organizational impact; day-to-day processes and decision making are embedded in comprehensive performance thinking; Performance is constantly referred to | 1. Examination Performance evaluation system<br><br>2. Analyze the practices, policies and guidelines as compare with the standards.<br><br>3. Give the ACCESS Rating based on the score |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.18. Team Capabilities** | |
| **Poor** – Employees drawn from a narrow range of backgrounds and experiences; interest and abilities limited to present job; little ability to solve problems as they arise; dependent from the CEO<br><br>▪ **Fair -** Some variety of staff backgrounds and experiences; good capabilities including some ability to solve problems as they arise; many interested in work beyond their current jobs and in the success of the organization's mission<br><br>▪ **Good -** Staff drawn from diverse background and experiences and bring broad range of skills; highly capable and committed to mission and strategy; eager to learn and develop and assume increased responsibility<br><br>▪ **Excellent -** Staff drawn from extraordinarily diverse backgrounds and experiences, and bring broad range of skills; highly capable in multiple roles, committed both to mission, strategy and continuous learning; eager and able to take on special projects and collaborate across divisional lines; Staff are source of ideas and momentum for improvement and innovation | 1. Objective interview of the staff – How are they satisfied on the teamwork in the credit union.<br><br>2. Make sound judgment on the following criteria: |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Staff drawn from extraordinarily diverse backgrounds and experiences, and bring broad range of skills | | | | |
| Highly capable in multiple roles | | | | |
| Committed both to mission, strategy and continuous learning | | | | |
| Eager and able to take on special projects and collaborate across divisional lines | | | | |
| Staff are source of ideas and momentum for improvement and innovation | | | | |
| **Score** (prorated x/20 x 4) | | | | |
| **Equivalent Score** | **5** | **10** | **15** | **20** |

3. Give ACCESS Rating based on score

| Standard Measurement | Audit Guidelines |
|---|---|
| **Knowledge Management** | |
| **4.19. Career Path** | |
| ▪ **Poor** – Unclear Job appraisal system and competence development for employees; do not care of the personal ambition of staff<br><br>▪ **Fair -** Job appraisal and competence development are distinct and seldom linked to the personal ambition of employees and the shared ambition of the credit union<br><br>▪ **Good -** Job appraisal and competence development are linked to the personal ambition of employees and the shared ambition of the credit union<br><br>▪ **Excellent -** Job appraisal and competence development are clearly linked to the personal ambition of employees and the shared ambition of the credit union; Credit union actively striving to provide a 'career not a job' working environment | 1. Objective interview of the staff – How are they satisfied on the job as linked to his/her career path<br>2. Review of the Performance Appraisal system<br>3. Make sound judgment on the following criteria:<br><br>Give the ACCESS Rating based on score |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Job appraisal and competence development are clearly linked to the personal ambition of employees and the shared ambition of the credit union | | | | |
| Credit union actively striving to provide a 'career not a job' working environment | | | | |
| **Score** (prorated x/8 x 4) | | | | |
| **Equivalent Score** | **2** | **4** | **6** | **8** |

| Standard Measurement | Audit Guidelines |
|---|---|
| **4.20. Development program** | |
| ▪ **Poor** – No employee knowledge development program<br><br>▪ **Fair -** Employee knowledge is developed from time to time but not on a regular basis, there is no written policy on staff development program<br><br>▪ **Good -** Employee knowledge is developed from time to time by means of training, coaching and talent development programs; there is a competence development policy, which includes internal and external training courses, working conferences, symposia and seminars<br><br>▪ **Excellent -** Employee knowledge is developed constantly and kept up-to-date by means of training, coaching and talent dev't. programs; there is a proactive competence development policy, which includes internal and external training courses, working conferences, symposia and seminar; constantly striving to implement a best practice development program | 1. Check the HR Policy pertaining to the employees' development i.e. training, support for continuing professional growth etc.<br>2. Check its implementation and validate them through staff interviews.<br>3. Make sound judgment on the following criteria: |

| Measurement | Poor | Fair | Good | Excellent |
|---|---|---|---|---|
| Employee knowledge is developed constantly and kept up-to-date by means of training, coaching and talent dev't. programs | | | | |
| There is a proactive competence development policy, which includes internal and external training courses, working conferences, symposia and seminar | | | | |
| constantly striving to implement a best practice development program | | | | |
| Score (prorated x/12 x 4) | | | | |
| **Equivalent Score** | **3** | **6** | **8** | **12** |

4. Give the ACCESS Rating based on score

# BRANDING SCORECARD

| | SCORE | WEIGHTED SCORE |
|---|---|---|
| **1. FINANCIAL PERSPECTIVE** | | |
| **Protection** | | |
| 1.1. P1. Provisions for delinquent loans over 12 months | 4 | |
| 1.2. P1. Provisions for delinquent loans 1-12 months | 4 | |
| **Effective Financial Structure** | | |
| 1.3. E1. Net loans / total assets: Goal: Between 70 – 80% | 4 | |
| 1.4. E5. Savings deposits / total assets Goal: Between 70 – 80% | 4 | |
| 1.5. E6. External Borrowing to Total Assets – reducing to Zero | 4 | |
| 1.6. E9. Net institutional capital Goal: Minimum 10% | 4 | |
| **Assets Quality** | | |
| 1.7. A1. Total loan delinquency / total loan portfolio: equal or less than 5% | 4 | |
| 1.8. A2. Non-earning assets / total assets Goal: Less Than or Equal to 5% | 4 | |
| **Rates on Return on Cost** | | |
| 1.9. R7- Interest Cost on Share Capital to Average Shares Goal: Market Rate or >R5 | 4 | |
| 1.10. R9- Operating Expenses to Average Assets Goal: 5% | 4 | |
| **Liquidity** | | |
| 1.11. L1. Liquid investments (+) liquid assets (-) short-term payables /savings deposits Goal: Minimum 15% | 4 | |
| **Signs of Growth** | | |
| 1.12. S10. Growth in membership: Goal: > 12% | 4 | |
| 1.13. S11. Growth in total assets: Goal: Greater than the inflation rate | 4 | |
| **Sub total** | **52** | **40** |

| | SCORE | WEIGHTED SCORE |
|---|---|---|
| **2. CUSTOMER/MEMBER PERSPECTIVE** | | |
| **C1. Quality Products and Services** | | |
| 2.1. Product and Service Objective | 4 | |
| 2.2. Product Presentation | 4 | |
| 2.3. Range of Financial Products | 4 | |
| 2.4. Brand Mind Set | 4 | |
| 2.5. Wealth Building Products | 4 | |
| 2.6. Capacity Based Lending | 4 | |
| 2.7. Access and Convenience | 4 | |
| 2.8. Price Value | 4 | |
| 2.9. Marketing and Promotions | 4 | |
| 2.10. Loyalty Incentives | 4 | |
| 2.11. Product Packaging | 4 | |
| **C2. Member Satisfaction** | | |
| **Member-Customer Orientation** | | |
| 2.12. Knowledge of Members | 4 | |
| 2.13. Building a Lasting Relationship with Members | 4 | |
| 2.14. Member Satisfaction Evaluation | 4 | |
| 2.15. Share of Wallet | 4 | |
| 2.16. Institutionalized Customer Care Excellence | 4 | |
| 2.17. Member Benefits | 4 | |
| 2.18. General Meetings | 4 | |
| 2.19. Member Participation | 4 | |
| 2.20. Use of Wealth building Products | 4 | |
| 2.21. Use of Loan Products | 4 | |
| 2.22. Understanding of responsibility as measured by delinquency | 4 | |
| **Systems and Infrastructure for Excellent Services to Members** | | |
| 2.23. Physical Infrastructure-Buildings and office space | 4 | |
| 2.24. Technological Infrastructure- telephone and fax | 4 | |
| 2.25. Computers, applications, network and e-mail | 4 | |
| 2.26. Website | 4 | |
| 2.27. Databases and management reporting systems | 4 | |
| **Sub-Total** | **108** | **20** |

| | SCORE | WEIGHTED SCORE |
|---|---|---|
| **3. INTERNAL BUSINESS PROCESSES** | | |
| **IBP 1. Operational Efficiency** | | |
| 3.1. Comprehensive Operational Manual | 4 | |
| 3.2. Procedures Manual | 4 | |
| 3.3. Staff Productivity | 4 | |
| 3.4. Error Management | 4 | |
| 3.5. Service Delivery to Members –Loans | 4 | |
| 3.6. Service Delivery to Members –Deposits | 4 | |
| 3.7. Service Delivery to Members –Withdrawal | 4 | |
| 3.8. Utilization of Office Machines & Equipment | 4 | |
| 3.9. Internal Communication Efficiency | 4 | |
| **IBP 2. COMPETITIVE POSITION** | | |
| Strategic Direction | 4 | |
| 3.10. Clarity of Vision | 4 | |
| 3.11. Boldness of Vision | 4 | |
| 3.12. Well-Defined Mission | 4 | |
| 3.13. Core Values | 4 | |
| 3.14. Overarching Goals | 4 | |
| 3.15. Strategic Objectives | 4 | |
| 3.16. Annual Business Plan | 4 | |
| **Image Building** | | |
| 3.17. Sales Culture | 4 | |
| 3.18. Involvement in the Local Community | 4 | |
| 3.19. Partnerships and Alliances | 4 | |
| 3.20. Relationship with the National Federation | 4 | |
| **Market Penetration** | | |
| 3.21. Members of the community using the services of the credit union | 4 | |
| 3.22. Member Segmentation-according to age | 4 | |
| 3.23. Diversity of Membership | 4 | |
| 3.24. Gender Balance | 4 | |
| **Regulatory Compliance** | | |
| 3.25. Management of Regulatory Obligations | 4 | |
| 3.26. Statutory commitment | 4 | |
| **Sub-total** | **104** | **20** |

| | SCORE | WEIGHTED SCORE % |
|---|---|---|
| **4. LEARNING AND GROWTH PERSPECTIVE** | | |
| **LG 1: Leadership-Knowledgeable and Involved Board of Directors** | | |
| 4.1. Prime Decision Center | 4 | |
| 4.2. Advisory | 4 | |
| 4.3. Perpetuating | 4 | |
| 4.4. Trustee Function | 4 | |
| 4.5. Symbolic | 4 | |
| 4.6. Composition and Commitment | 4 | |
| 4.7. Guiding and coaching | 4 | |
| 4.8. Governance | 4 | |
| 4.9. Performance Evaluation | 4 | |
| 4.10. Gender Equality in Leadership | 4 | |
| **LG 2: Employee Satisfaction** | | |
| **Administration** | | |
| 4.11. Job Designs | 4 | |
| 4.12. Recruitment and Selection | 4 | |
| 4.13. Compensation | 4 | |
| 4.14. Staffing Levels | 4 | |
| **Performance Management** | | |
| 4.15. Performance Objectives | 4 | |
| 4.16. Appraisal Standards | 4 | |
| 4.17. Performance as Shared Values | 4 | |
| 4.18. Team Capabilities | 4 | |
| **Knowledge Management** | | |
| 4.19. Career Path | 4 | |
| 4.20. Development program | 4 | |
| **Sub-Total** | **80** | **20** |

| | | |
|---|---|---|
| **Total Score Points** | **344** | **100** |

ACCESS Branding:

| **Branding** | **SCORE** | **EQUIVALENT %** provided that there is no percentage lower than 50% in any perspective |
|---|---|---|
| Bronze | 208-242 | 60-70% |
| Silver | 243-278 | 71-80% |
| Gold | 279-313 | 81-90% |
| Platinum | Above 313 | above 90% |

**ANNEX 1**

**SAMPLE**
**Memorandum of Understanding**
**On the Implementation of Credit Union ACCESS Branding**

**KNOW ALL MEN BY THESE PRESENTS:**

**This Memorandum of Understanding entered into by and between:**

**The (National Federation),** herein referred to as **_____,** is the national networking body for credit unions in _____ with office located at _____herein represented by its Chief Executive Officer/General Manager _____;

**AND**

**The (Credit Union),** herein referred to as **_____,** is a primary credit union with office located at _____ herein represented by its Chairman _____;

**- WITNESSETH THAT -**

**WHEREAS,** the Board of Directors of _____ Credit Union on its meeting on _____ approved to obtain ACCESS Branding accreditation as a means of conveying the quality assurance of _____ to its members and pubic;

**WHEREAS,** ____ (National Federation), in its Branding Department, has a pool of trained and competent ACCESS Auditors providing services to its credit union network to achieve ACCESS standards;

**WHEREAS,** the intervention of the _____ (national federation) to credit unions is anticipated to create sustainable mechanisms, thereby increasing the competitiveness of established credit unions;

**WHEREAS,** ____ Credit Union engages the services of _____ (National Federation) to implement the Credit Union ACCESS Branding;

**WHEREAS,** to achieve the objectives, the following shall be implemented:

**Registration for ACCESS Branding**

_____ credit union shall be required to prepare self-appraisal report in a prescribed form provided by the ACCU/National Federation office. This form shall be submitted by the credit union to the National Federation for ACCESS branding along with prescribed fees for registration fee of _____.

**On-Site Diagnosis by the National Federation**

Based on the self-appraisal form, the National Federation conducts an on-site diagnosis. Prior to the diagnosis, the credit union shall be required to prepare all the necessary evidences to substantiate the evaluation. A formal ACCESS Branding Evaluation Report shall be submitted to the Board of Directors enumerating the weaknesses and recommendations to improve the same.

**Development of Action Plan to Achieve ACCESS**

After the on-site diagnosis, the technical person of the federation shall work with the credit union to prepare work plan aimed at reaching ACCESS standards. The national federation shall assist the credit union in developing the action plan to achieve ACCESS within a reasonable time frame determined by both parties.

The Board of Directors of the Credit Union approves the detailed activity plan. The technical fee shall be clearly indicted in the plan. The MOU shall be considered as an institutional commitment to ensure that the agreement shall be honored even new set of Board of Directors is elected.

**On-Going Technical Assistance**

The types of technical assistance shall be based on the Action Plan agreed upon by the federation and the credit union. The assistance may include the following:

- Training and workshops
- Designing and Installation of Systems and Procedures
- Designing and Installation of Policies
- Designing and Installation of programs, products and services
- Designing of marketing materials
- Monitoring Visit

The technical person of the National Federation closely monitors the Credit Union owing that its technical assistance would ensure the achievement of the ACCESS standards.

**Application for ACCESS Brand**

The credit union may apply for ACCESS Brand awarding once it has satisfactorily reached the ACCESS criteria. ACCESS application shall be submitted with the branding fee and management audit fee. The ACCESS branding fee is **US$ 500** while the management Audit fee shall be decided by the national federation. Twenty percent (20%) or US$ 100 shall be remitted to ACCU as Royalty for the ACCESS Brand usage.

The following is the ACCESS Brand rating:

| **Branding** | **SCORE** | **EQUIVALENT %**<br>*provided that there is no percentage lower than 50% in any perspective* |
|---|---|---|
| Bronze | 207-241 | 60-70% |
| Silver | 242-275 | 71-80% |
| Gold | 276-310 | 81-90% |
| Platinum | Above 310 | above 90% |

The ACCESS award certificate is only issued by ACCU and shall in turn have the right to verify the data of primary credit union as presented by the member federation.

**Brand Management**

The Brand is valid only for 12 months and it has to be reviewed annually. The renewal fee of US$ 300 and audit fee shall be paid upon submission of the renewal application. In like manner, twenty percent (20%) or US$ 60 shall be remitted to ACCU as Royalty for the renewal of ACCESS Brand. The audit fee for brand renewal shall be determined by the national federation.

The management audit shall be completed within 30 days upon submission of the application. Credit unions failed to apply for renewal shall be advised to remove all the display of ACCESS accreditation award within two weeks. A penalty decided by the national federation shall be charged to credit union not complying with the branding regulations. The National Federation of credit union is authorized to take any legal action for the non-compliance with agreement of ACCESS.

**WHEREAS**, the projected time frame of the ACCESS accreditation process follows:

| **Implementation Steps** | **Year** | | | | **Year** | | | | **Year** | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** | **Q1** | **Q2** | **Q3** | **Q4** |
| Registration for ACCESS Branding<br>Registration Fee | | | | | | | | | | | | |
| On-site Diagnosis by the National Federations | | | | | | | | | | | | |
| Development of Action Plan to Achieve ACCESS | | | | | | | | | | | | |
| On-going technical assistance | | | | | | | | | | | | |
| Application for ACCESS Branding (Final Audit)<br>Audit of the Federation<br>Verification of ACCU<br>Awarding | | | | | | | | | | | | |
| Brand Management<br>Renewal Fee<br>Management Audit<br>Verification by ACCU | | | | | | | | | | | | |

**NOW, THEREFORE,** for and in consideration of the above premises, objectives, strategies and implementation plan, the three parties agree on the shared responsibilities:

**National Federation of Credit Cooperatives**

1. Cooperate with ACCU in the implementation
2. Provide necessary guidance to credit union
3. Collaborate with ACCU and credit unions to conduct training and education programs
4. Select qualified Brand Management Specialist who will be in-charge in ACCESS program
5. Ensure confidentiality of information provided by the credit union during the process. Any information submitted will be held in confidence
6. Assign an independent Brand Auditors to perform agreed upon assignment.
7. Ensure the provision of technical assistance to credit union to achieve ACCESS standards
8. Monitor the progress of the implementation ACCESS branding

**Partner Credit Unions**

1. Prepare operational plan to achieve ACCESS
2. Adopt new policies, procedures, practices and programs to fill in the gaps vis a vis ACCESS
3. Provide monthly progress report Brand Management Specialist
4. Provide information needed for the Brand assessment
5. Appoint Brand Management Team from among the staff who will be working closely with the Brand Auditors to fill in the gaps.

**IN WITNESS WHEREOF,** all parties have affixed their names and signatures this _____ day of _____ in the year 20___, at _____, _____.

| | |
|---|---|
| Chief Executive Officer/General Manager<br>National Federation | General Manager<br>Credit Union |
| Witness: | Witness: |
| _____ | _____ |

## Sample Costing for ACCESS Branding - Philippines:

| Phase | | 100M and below | More than 100M but not more than 500M | More than 500M |
|---|---|---|---|---|
| | Total Fee | **P 100,000.00** | **P 150,000.00** | **P 200,000.00** |
| | | **BREAKDOWN** | | |
| 1 | Registration | P 25,000.00 | P 25,000.00 | P 25,000.00 |
| 2 | On-Site Diagnosis | 10,000.00 | 30,000.00 | 50,000.00 |
| 3 | Dev't of Action Plan to Achieve ACCESS and toolkits | 25,000.00 | 35,000.00 | 50,000.00 |
| 4 | Application for ACCESS | 25,000.00 | 25,000.00 | 25,000.00 |
| 5 | Final Audit | 15,000.00 | 35,000.00 | 50,000.00 |
| | TOTAL | **P 100,000.00** | **P 150,000.00** | **P 200,000.00** |

**Mode of Payments:**

| Installment Payment | 100M and below | More than 100M but not more than 500M | More than 500M |
|---|---|---|---|
| **1st** | P 25,000.00 | P 37,500.00 | P 50,000.00 |
| **2nd** | 25,000.00 | 37,500.00 | 50,000.00 |
| **3rd** | 25,000.00 | 37,500.00 | 50,000.00 |
| **4th** | 25,000.00 | 37,500.00 | 50,000.00 |
| **TOTAL** | P 100,000.00 | P 150,000.00 | P 200,000.00 |

**ANNEX 2**

**_____ CREDIT UNION**
**AGING OF LOANS RECEIVABLES**
**As of December 31, _____**

| ACCOUNT NO. | ACCOUNT NAME | MATURITY DATE | TERMS | MODE OF PAYMENT | AMOUNT OF LOAN | OUTSTANDING LOAN BALANCE | CURRENT | PAST DUE MORE THAN 1 DAY TO 30 DAYS | PAST DUE MORE THAN 1 MO. TO 12 MOS. | PAST DUE MORE THAN 12 MOS. |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
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Prepared by: Verified by: Approved by:

Loan Clerk Loan Officer General Manager

**_____ CREDIT UNION**
**Schedule of Charge-Off Loans**
**As of December 31, _____**

| ACCOUNT | ACCOUNT NAME | REMAINING LOAN BALANCE after Share Capital and Savings Deposit Offset | Date of Charge-off | Reason or Cause of Delinquency | AGE AFTER CHARGE-OFF | | | REMARKS/ACTION TAKEN |
|---|---|---|---|---|---|---|---|---|
| | | | | | MORE THAN ONE YEAR BUT LESS THAN 2 YEARS | MORE THAN 2 YEAR BUT LESS THAN 3 YEARS | MORE THAN 3 YEAR S | |
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Prepared by: Verified by: Certified Correct:

Loan Clerk Loan Officer General Manager

***Note: The Loan Charge-off should be approved by the Board of Directors***

**ANNEX 3**

# _____ CREDIT UNION – BOARD POLICY #

*(Policies can be grouped into different categories/groupings with numbering set out accordingly.)*

Subject: **Loan Charge-Off** Effective Date:

Issued by: Revised Date:

Approved by: **Board of Directors** Last Board Review Date:

---

**Policy Statement:**

This policy sets out guidelines for the management in charging-off delinquent loans after applying all collection actions. The purpose of this policy is:

- To ensure the timely recognition of losses and adjustment for non performing assets;
- To provide full and fair disclosure of statutory reserves on the financial statements;
- To provide guidance for staff preparation of recommendations to the board of directors for charge-off action.

Writing –off loans by this cooperative shall be made in accordance with the write-off policy approved by the Board of Directors and shall be charged against the Allowance for Probable Losses on Loans (APLL).

## 1. PROCESS

**1.1** Every month, _____Credit Union management will prepare for the board of directors a written report of loans and deposit items recommended for charge-off.

**1.2** Prior to the submission to the board, each account will be review by the Credit Committee. This report will be presented to the board as part of the regular monthly board package.

**1.3** Action of the board will be recorded in the board meeting minutes and charged-off loans and deposit items will become a permanent attachment to the minutes.

## 2. REQUIREMENTS

A loan or deposit item that reaches any status listed here should be referred to the board of directors and recommended for charge-off:

**2.1** The member/borrower(s), including co maker(s) or co signer(s), has filed for bankruptcy or insolvent (according to each country law).

**2.2** The borrower(s) is deceased and there is little or no likelihood or recovery from the estate or it has been determined that no estate will be opened. In the event an estate is opened, the collection staff will ensure that the estate has been properly and appropriately notified of the existence of the obligation and will file a claim with the appropriate probate court.

**2.3** The loan is a deficiency balance from the sale of collateral and the borrower(s) has indicated unwillingness to make further payments.

**2.4** The loan balance has been assigned to a collection agency or outside attorney.

**2.5** The loan is 180 days or more delinquent, unless one or more of the following conditions exist:

2.4.1. The borrower is making monthly payments of at least 66% of the contractual payment, but cannot qualify for refinancing or re-aging by the credit union.
2.4.2. The credit union or the member is writing for settlement of a documented insurance/bond claim.
2.4.3. The borrower is deceased and the credit union has substantial reason to expect settlement from the estate, co makers, guarantors, or relatives.
2.4.4. The credit union is waiting for the proceeds from the sale of repossessed collateral.

**2.6** The loan has been determined to be uncollectible by the Collection Manager/Loan Officer regardless of the number of months delinquent.

**2.7** The borrower(s) is determined to be a "skip" and the credit union has been unable to establish any contact with the borrower(s) for ninety (90) days.

**2.8** All collection attempts on returned checks have failed.

**2.9** All collection attempts on an overdrawn account have failed.

**2.10** Fraud has been committed, and there is no realistic chance of recovery.

**2.11** Unknown whereabouts of the borrower despite extra-diligent efforts had been made. Provided all legal and administrative remedies have been exhausted to collect the receivable.

**2.12** Should the board not approve any recommended charge-off, the action and reason(s) will be noted in the meeting.

## 3. POST-CHARGE-OFF ACTIVITY

**3.1** Charging off a loan or deposit balance does not mean that the account should be forgotten. The debt is still an asset of the credit union, although, because of its doubtful value, it is not so reflected on the books. Charge-off debts (except bankruptcies) should be assigned to a collection agency, a collection attorney, or the credit union staff attorney.

**3.2** Charge-off debts should be reviewed from time to time (including those debts assigned to a collection agency or outside attorney) to determine whether any changes in the circumstances of the borrower or other party responsible for payment might make recovery possible.

## 4. OTHER PROCEDURES

4.1. Prior to recommending an account for charge-off, collection department staff will transfer to the loan all shares/savings legally available for transfer.

4.2. If a member has caused a loss to the credit union, services to that member will be restricted.

4.3. The Head of the Loan Department/Operations will receive a report of all loans approved for charge-off. The latter with the appropriate staff of the Loans Department will carry out review of the certain charge-off loan files.

4.4. The internal auditor/audit committee will review the posting of all newly charge-off loans to the Charge-off Account, an off balance sheet record.

4.5. The collection department will maintain records of delinquent and charge-off loans as directed. A profile of charged-off loans will be reported monthly to the board.

4.6. The collection department will review other account relationships that a delinquent or charged-off borrower may have with the credit union.

4.7. The collection department will prepare a report of loans recommended for charge-off each month for review by the President/Chairperson and the Legal Counsel.

4.8. Notice of write-off of loans shall be submitted to Cooperative Development Authority at least 30 days prior to the intended write-off. In the case of delinquent loans to incumbent Directors and Officers of the cooperative, prior approval of the Authority is required.

## 5. SETTLING CHARGE-OFF ACCOUNT

5.1. When attempting to collect on a charge-off account, a collection representative strives to collect the principal and accumulated interest.

5.2. When a member approaches a collection representative to settle a charge-off, the proposal should be communicated to the collection department manager and legal counsel. At the time, it will be decided if the amount offered by the member is acceptable as payment in full.

5.3. A member who has repaid in full the loss incurred by the credit union on an account may be eligible to reopen a share account and regain full membership status. In such case, credit bureau is informed to reflect the payment in full and remove the charged-off status on the account.

5.4. If the amount of the settlement is not acceptable, the collection representative will communicate with the member in an attempt to obtain a just and full repayment of both the principal and interest.

## 6. DENIAL SERVICES POLICY

It is the policy of ____Credit Union to deny credit and other financial services to those members who have caused the credit union to incur a loss of any sort, and who have not voluntarily repaid the loss or are not in the process of voluntary repaying the loss. This policy applies to all losses, whether the loss was by bankruptcy or otherwise.

**Monitoring Methodology:**

(This section sets out the type of monitoring and frequency of monitoring required by the Board from management in order to ensure the above policy is being adhered to.)

**References:**

(This section sets out references to related policies, Board minutes in which policy was developed – resolutions/motions passed, related bylaws, areas of legislation/regulation, etc.)

**ANNEX 4**

# _____ CREDIT UNION – BOARD POLICY #

*(Policies can be grouped into different categories/groupings with numbering set out accordingly.)*

Subject: **External Borrowing** Effective Date:

Issued by: Revised Date:

Approved by: **Board of Directors** Last Board Review Date:

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**Policy Statement:**

Borrowing is a means by which the credit union obtains additional fund on a temporary basis. This policy provides guidance to the management to properly plan for borrowing that can stimulate growth, help meet financial objectives through a period of tight money, and satisfy seasonal or other temporary needs. This policy is not a substitute for an effective thrift promotion program or a non-stop-gap attempt to replenish funds of the credit union.

1. Conditions for which Borrowing may Occur

   1.1. Meeting financial objectives through a period of tight liquidity position
   1.2. Satisfying seasonal or other temporary needs of the credit union
   1.3. Expanding business volume in accordance with the financial needs of members that cannot be immediately met through savings mobilization

2. Responsibility of Borrowing

The Board of Directors delegates borrowing authority to the following, but remains responsible for all borrowing by the credit union:

- Executive Committee for amount _____
- General Manager for amount _____

3. Terms and Conditions of Borrowing

3.1. The borrowing of the credit union may be secured on the following basis:

| Condition for which borrowing may occur | Amount to be borrowed | Interest rate | Repayment Period |
|---|---|---|---|
| Meeting financial objectives through a period of tight liquidity position | Equivalent to the liquidity needs | Rate that can be covered by existing loan products | Short term, maximum one year |
| Satisfying seasonal or other temporary needs of the credit union | Equivalent to the seasonal needs | Rate that can be covered by existing loan products | Short term, maximum one year |

| Condition for which borrowing may occur | Amount to be borrowed | Interest rate | Repayment Period |
|---|---|---|---|
| Expanding business volume in accordance with the financial needs of members that cannot be immediately met through savings mobilization | Equivalent to the capital needs for expansion | Rate that can be covered by new financial products | Medium term 2 to 3 years |

3.2. The proposal for borrowing should be accompanied with a business plan indicating the repayment plans that are coordinated with all aspects of financial management.

3.3. In similar manner, the management should provide a monthly status report to the Board of the Business Plan in relation to borrowed funds.

3.4. At any given time, borrowing must not exceed __% of the Share Capital of the credit union.

4. Prudential Norms

4.1. The Management should ensure that borrowing will not occur to finance non-earning assets such as acquisition of property, plant and equipment.

Borrowed funds should be invested in shorter turnaround period as compared with the loan maturity period.

The Management should ensure that external borrowing is a temporary solution

The Management should ensure the decreasing trend of external borrowing meeting the PEARLS prudential standard E6 (Ratio on External borrowing).

Assets and Liability Management (ALM) should be deployed to ensure that borrowing is used effectively for the maximum benefit of members and credit union.

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**Monitoring Methodology:**

(This section sets out the type of monitoring and frequency of monitoring required by the Board from management in order to ensure the above policy is being adhered to.)

**References:**

(This section sets out references to related policies, Board minutes in which policy was developed – resolutions/motions passed, related bylaws, areas of legislation/regulation, etc.)

**ANNEX 5**

# _____ CREDIT UNION – BOARD POLICY #

*(Policies can be grouped into different categories/groupings with numbering set out accordingly.)*

Subject: **Treatment and Disposal of Assets Acquired in Settlement of Loans**

Effective Date:

Issued by:

Revised Date:

Approved by: **Board of Directors**

Last Board Review Date:

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**Policy Statement:**

This policy set out guidelines for management:

- To ensure proper valuation of assets acquired in settlement of past due loans.
- Timely recognition of losses and adjustment for assets acquired in settlement of loans.
- To safeguard proper disposal of assets acquired in settlement of past due loans in favour of the credit union.

**1. Appraisal of Properties to be foreclosed or acquired.**

1.1. Before foreclosing or acquiring any property in settlement of loans and other advances, it must properly be appraised to determine its true economic value.

1.2. An Independent Appraiser shall be hired in appraising assets acquired in settlement of loans with a market value of more than _____$. The fees for such appraiser shall be borne by the borrower.

1.3. An in-house appraisal of such property shall be made at least every other year: *Provided*, That immediate re-appraisal shall be conducted on Asset Acquired which materially decline in value**.**

1.4. Disposal of foreclosed property shall be the responsibility of the Board of Directors.

**2. PROCESS for booking:**

2.1. The property acquired in settlement of loans through foreclosure or dacion en pago (payment in kind) shall be booked or recorded in the amount equivalent to the balance of the loan (principal for time loans, or principal less payment of interest deducted in advance) or bid (in the case of foreclosure)/agreed purchase price (in the case of dacion en pago), whichever is lower.

2.2. ⁱWhen the booked amount of the asset acquired in settlement of loans exceeds the value of the acquired property, an allowance for probable losses equivalent to the excess amount should be set- up.

2.3. Non-refundable capital gains tax and documentary stamp tax paid in connection with foreclosure/purchase of the acquired real estate property may be included in the book value of the acquired real estate. . Provided, that the total book value does not exceed the appraised value of the acquired real estate. Provided further, that if the amount to be booked as Assets Acquired in Settlement of Loans exceeds 5 million, the appraisal of the foreclosed/purchased asset shall be conducted by an Independent licensed appraiser.

2.4. Any excess in loan balance, over the amount booked shall be charged to "Allowance for Probable Losses on Loans, if previously provided. Otherwise, it shall be charged to miscellaneous expenses.

2.5. Claims arising from deficiency/judgement rendered in connection with the foreclosure of mortgaged property shall be booked when collected as Miscellaneous Income.

**3. POLICY ON DISPOSAL:**

3.1. All property and equipment and asset acquired to be disposed of by sale should be advertised in a local/provincial newspaper of general circulation or posting in a conspicuous place in the building of the main office or branch as well as in the provincial capitol and/or municipality building and/or public market.

3.2. Assets acquired should be sold at the highest obtainable offer to purchase but the price should in no case be less that the estimated fair market value thereof in accordance with an appraisal made by the cooperative not more than one year old provided, however, that in case the former owner/debtor and or mortgagor has indicated interest in reacquiring the property, said former owner-debtor and or mortgagor shall be given opportunity to reacquire the property by equalling the best offer to the credit union

3.4. In case there are offers to purchase particular properties which more or less satisfy the conditions herein-above set forth, and the prices are the same, or not far from each other, then a private sealed bidding shall be conducted among said offers to the end that the sale must be favourable to the credit union.

3.5. Sale of assets acquired may be affected for cash or instalment for a period, term interest rate and other conditions as decided by the Board of Directors, but cash sales shall be preferred to instalment sales, provided that the offer to purchase of cash shall not be less than 85% of the estimated market value.

3.6. Assets acquired with a minimum market value of (example in the Philippines Pesos 50,000) may be sold by the credit union in accordance with the rules and regulations set forth but a report of all said sales shall be submitted to the Board of Directors within a month. The Manager shall make all other disposition of assets acquired only upon previous approval of the board of directors.

3.7. It is to be understood that the one-year period of redemption (counting from date of registration of sale in case of real estate mortgage) has already expired before the properties can be sold. Note also that when properties involved are covered by Free Patent or Homestead provision of the Law, the Mortgagor will still have another five years (counting from the expiration of the above one year period) within which to redeem the property.

3.8. Assets acquired by the cooperative as a consequence of its lending operations shall be disposed of within two years from date of acquisition.

3.9. When a sale thereof is successfully negotiated, it is taken up and carried under Other Accounts Receivables account until final settlement is made thereon under the terms stipulated in the properly accomplished Deed of Promise to Sell, when the title to the property is then consolidated in the name of the purchaser. The Deed of Promise to Sell need not be registered unless at the instance of the vendee, in which case, he/she shall shoulder the expense of the registration.

3.10. In a locality where the value of the real property tends to appreciate at a markedly rapid rate, a re-inspection of the property being sold should be made and the inspection and appraisal report be accomplished properly stating the appraised value of the property.

3.11. When two or more properties were acquired previously as one, these should be sold as a whole. If sold in part, the sale should not prejudice the interest of the cooperative and the selling price of a part or parts should be high enough to make up for whatever inferior price may be had for the remaining part.

3.12. Deed of Sale should not be executed and title to the property sold should not be released until the check for final payment is cleared.

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**Monitoring Methodology:**

(This section sets out the type of monitoring and frequency of monitoring required by the Board from management in order to ensure the above policy is being adhered to.)

**References:**

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**ANNEX 6**

# _____ CREDIT UNION – BOARD POLICY #

*(Policies can be grouped into different categories/groupings with numbering set out accordingly.)*

Subject: **Management of Property, Plant and Equipment**

Effective Date:

Issued by:

Revised Date:

Approved by: **Board of Directors**

Last Board Review Date:

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**Policy Statement:**

Fixed assets are specific items of property that: (1) are tangible in nature; (2) have a life longer than one year; and (3) have a significant value. The significant value test is important because ___ credit union has individual assets that are tangible and long-lived, but whose value is so small that the time and expense incurred in maintaining detailed accounting and inventory records for them are not justified.

This policy sets out to maintain a complete and accurate accounting for property, plant and equipment with significant value. The policy also ensures adequate accounting procedures and records for property, plant and equipment essential to effective property management and control. The stewardship responsibility involved in safeguarding the credit union assets is of the utmost importance to sound financial administration. Thus, an accounting of fixed assets is required for preparation of a satisfactory, and completes financial report.

## 1. CAPITALIZATION OF ASSETS

1.1. All items purchased with a useful life of more than one year, are of a tangible nature and have a value of _____ or more, net cost, not including trade-ins or any taxes, licenses, etc. shall be classified as fixed assets.

1.2. Item of less than _____ are not considered to be fixed assets unless they form an integral and essential part of another piece of equipment or structure considered to be a fixed asset.

## 2. VALUATION OF ASSETS

2.1. The property, plant and equipment should be recorded at cost, which includes all costs necessary to bring the asset to working condition for its intended use. This would include not only its original purchase price but also costs of site preparation, delivery and handling, installation, related professional fees for architects and engineers, and the estimated cost of dismantling and removing the asset and restoring the site.

2.2. If payment for an item of property, plant and equipment is deferred, interest at a market rate must be recognized or imputed.

2.3. If an asset is acquired in exchange for another asset (whether similar or dissimilar in nature), the cost will be measured at the fair value unless (a) the exchange transaction lacks commercial

substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable.

2.4. In general, any expenditure which is definitely an addition to a fixed asset, or an integral part of it, that significantly increases the value of, enhances the performance of or changes its useful life, should be classified as a capital expenditure and the original acquisition cost adjusted. The addition of an air conditioning system to a building, equipment to outfit a new vehicle where none existed before are some examples.

2.5. When modifications, which enhance the performance or life of an asset, are made, the value of the asset should be adjusted by the difference in cost between the original and the modification.

2.6. Additions and extensions on existing property, plant and equipment are capitalized when the cost is more than $_____.

2.7. Expenditures that extend the useful life of the infrastructure are capitalized as part of the asset and depreciated over the newly established useful life.

2.8. Routine repairs and maintenance costs are charged to operations as incurred.

## 3. SAFEGUARDS AND CONTROL

3.1. Approval of Acquisition

3.1.1. Acquisition of property and equipment should be in accordance with the approved budget.

3.1.2 Prior approval from the Board of Directors is required for the acquisition of property and equipment over the amount of approval limit of the CEO/GM. The CEO is authorized to approve acquisition of property up to maximum amount of _____.

3.2. Record Keeping and Control

All property and equipment should be in the name of the credit union.

The property custodian is responsible for the proper safeguarding and maintenance of property and equipment.

Where advisable, property and equipment should be adequately insured against fire, theft and other risk and should be entered in the Property Insurance Register.

A Property and Equipment Ledger Card is maintained and updated by the accounting personnel for each property or equipment where the cost, depreciation charges and other relevant data, like sale, disposition, trade-in, improvements, and exchange are recorded.

Purchase Order shall be duly approved and shall correspond to the number of items found in the requisition, cost, delivery receipt and original coy of the dealer's invoice.

Before payment is made, the Property Custodian and the CEO/GM shall immediately inspect property and Equipment purchased such as furniture, fixtures and office equipment,

and if possible, in the presence of the Audit Committee, as to the number of items, cost, quality, and taxes withheld.

A Memorandum Receipt properly accomplished and acknowledged by the employees and/or officers to whom the furniture or equipment is assigned shall invariably cover furniture, Fixtures and Office Equipment issued to the employees and/or officers.

All property and equipment are numbered and properly identified.

All purchase of furniture, fixtures and equipment as well as stationery and supplies is centralized. Direct purchases may be made subject to the following conditions:

a) Emergency purchased to restore normal operations after damages wrought by fire, flood, etc.
b) Purchases necessary for immediate protection of the assets and personnel
c) Where direct purchased are advantageous for reasons of:

- Lower local prices in the face of comparable quality compared to current prices in the local stores plus handling and shipping charges.
- Warranties and other sales features that would prolong the life and usefulness of the assets.

All purchases over a minimum amount determined by the Board of Directors shall be subject to canvass from three suppliers except those items that can only be obtained from a sole manufacturer or exclusive distributor. All purchases above (state the amount) must be supported by a canvass.

3.3. Inventory

3.3.1. The existence, location, and condition of all fixed assets should be verified by taking an annual inventory. Each department has the responsibility to complete an annual year-end physical inventory of its assigned fixed assets.

A Fixed Asset Listing by cost center reporting the status of the department/division's inventory will be distributed to appropriate departmental personnel in the fourth quarter of the fiscal year.

This inventory should be coordinated with the Finance Department and performed prior to fiscal year end (December 31). All discrepancies should be reported to the Finance Department as soon as possible.

All inventories will be subject to unannounced audits by the Finance Department. Periodically, the Finance Department will actively participate in each department's physical inventory on a random basis.

## 4. DEPRECIATION

4.1. Depreciation System

Depreciation must be computed in accordance with the approved rates of depreciation and must be taken up periodically in the books.

When a unit is fully depreciated, a nominal value of ____ is carried in both the controlling account and in the subsidiary ledger to represent each fully depreciated unit.

Periodic provision for depreciation is necessary to cover the decline in value of the assets. For simplicity of application, the straight-line method of depreciation is adopted for all movable assets as a rule. The computation is based on the following formula:

$$\text{Annual Depreciation} = \frac{\text{Cost of the property less Salvage Value}}{\text{Estimated years life of the property}}$$

Accounting Procedures for Depreciation

The provision for depreciation is computed and recorded in the books periodically as the case may be. The depreciation expense for each item should be in round figure. In the event, the original cost less the salvage value is not exactly divisible in 100 *(currency)* for the number of depreciable periods the last depreciation periods shall cover the balance of the asset leaving the nominal value of *(currency)* 100. As a general practice, the first depreciation charge on an asset item begins with the next reporting period after the acquisition.

## 5. SUGGESTED ESTIMATED USEFUL LIFE

5.1. Furniture and Furnishings – 5 years

This classification covers building accessories, which are generally for the working and/or convenience of office personnel and clients. Examples are chairs, tables, sofas, top glass, mirrors, carpets, shades, draperies, movable dividers, vases, decorative boxes and frames, paintings, wastes baskets, wall clocks and table clocks.

5.2. Fixtures – 5 years

This group refers to permanent or semi-permanent attachments closely related to the building but not classed as building. Examples: counters, teller's cages, fixed dividers or partitions, built-in cabinets/shelves, storage bins and guardhouses.

5.3. Business Machines - 5 years

This includes all standard office machines or mechanically operated office equipment such as typewriters, adding/calculating machines, copying machines, check writers, postage machines, Bundy clocks and numbering machines.

5.4. Office Equipment – 5 years

This category embraces all office apparatus, which are not mechanically operated. It includes: cabinet, safes, vaults, trays, racks, and paper cutters.

5.5. Computer Machines – 3 years

This group includes all component units and peripherals of a computer system.

5.6 Appliances – 5 years

This group includes devices used for improving working conditions in an office. It also covers musical, communication and ventilation facilities. Examples: air condition, electric fans, radios, stereo sets, pianos, refrigerators, intercom systems, burglar alarm system, floor polishers, vacuum cleaners and lawn mowers.

5.7. Other Equipment and Instruments – 5 years

This classification embraces power units, security devices and trade equipment instruments. Examples: generators, motors, transformers, water pumps and accessories, fire extinguishers, medical/dental equipment, engineering equipment, athletic, printing/bookbinding equipment, and photo equipment.

5.8. Land Transportation Equipment – 5 years

Included in this group are: automobiles, jeeps, buses, and pick-ups

5.9. Books – 2 years

This covers all technical, professional and general reference books.

5.10. Building –20 years
5.11. Leasehold Improvements – 5 years
5.12. Land Improvements – 5 years

## 6. ITEMS NOT CONSIDERED TO BE FIXED ASSETS

In order to clarify the question of asset classification, the following list of specific examples is provided.

6.1. COMPUTER SOFTWARE: Computer software, regardless of cost, is not regarded as a fixed asset because it is not a tangible item. Most of the purchase price of software consists of a one-time license fee to use the product only. The media and documentation cost are incidental.

6.2. MAINTENANCE AND REPAIR REPLACEMENTS: The replacement costs of component part(s) of a fixed asset, not the entire asset itself, during a maintenance and repair operation which also enhances the performance or life of the asset are not generally considered to be capital asset additions or modifications. For example, replacing an original disk drive with a higher capacity disk drive in a microcomputer or a more powerful engine in a leaf vacuum machine is considered to be maintenance and repair expense.

6.3. DRAPERIES AND CARPET: The original purchase of draperies and carpet is considered an addition to the total asset value of the building. Replacement of either of these items is classified as maintenance to the building.

6.4. SUPPLIES: Any supply, regardless of cost, that is not permanent and will be consumed within a year is not considered a fixed asset.

6.5. AGGREGATE PURCHASES: A purchase of items in quantity with an extended cost equal to, or more than the fixed asset limit of _____. For example, 100 chairs at $100.00 each were purchased on a single purchase order for a total of $10,000.00 (fixed assets limit). Even though the total is at the policy limit, the chairs are not considered as fixed assets since the individual cost does not qualify.

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**Monitoring Methodology:**

(This section sets out the type of monitoring and frequency of monitoring required by the Board from management in order to ensure the above policy is being adhered to.)

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**ANNEX 7**

# _____ CREDIT UNION – BOARD POLICY #

*(Policies can be grouped into different categories/groupings with numbering set out accordingly.)*

Subject: **Wage and Salary Administration Program (sample – Philippines)**

Effective Date:

Issued by:

Revised Date:

Approved by: **Board of Directors**

Last Board Review Date:

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## I. GENERAL POLICY

It is the policy of the cooperative to maintain wage and salary standards and keep the pay or salary scale in favorable comparison with those generally prevailing in the community and obtaining in similar industry or business engaged in by the cooperative. In line with this policy, the cooperative maintains wage and salary ranges for all monthly classified positions in the organization exclusive of staff.

## II. OBJECTIVES:

1. To establish fair and equitable compensation by setting up salary standards through a wage and salary structure in order to attract capable employees to the cooperative and to retain them once they are in.
2. To maintain a realistic and equitable relationship of compensation between the different jobs in the cooperative
3. To control costs and to maintain the cooperative in a competitive position
4. To utilize wages and salaries as incentives for employees to exert their best efforts to achieve greater productivity
5. To maintain good employee relations
6. To comply with the requirements of wage laws and regulations

## III. SALARY ADMINISTRATION

A. All jobs in the cooperative have been classified into various pay classes and a minimum and a maximum salary for each class have been fixed and established in accordance with the Job Classification and Salary Table included in this policy.

B. All salary increases must be in accordance with the graduated steps in the pay class and within the salary range for the pay class of the job occupied by the employee.
   1. Salary increases will be granted on the basis of merit only, except salary adjustments for new employees as provided in paragraph D.

C. Starting Salaries for New Employees
   1. A new employee meeting the minimum qualifications for a position may be given the minimum salary (probationary rate) of the pay class to which the position belongs during the probationary period.

2. If the new employee possesses special ability, qualifications or experience, he may start at a salary higher by not more than one (1) step above the minimum of the pay class, such higher rate being commensurate with his special qualifications and training.

D. Salary Adjustment for New Employees

1. The salary of a new employee hired at the minimum rate of the pay class shall be adjusted upon completion of probation and upon showing that he/she is fully capable for the position, to place his salary at the minimum ( step increment 1) of the pay class in which his/her position belongs.

E. Salary Increases and Adjustments

Types of salary increases at **Mabuhay Savings and Credit Cooperative** are:

1. **Mandatory wage increase** which is an increase in the employee's basic salary as mandated by the labor law.
2. **Across the board wage increase** which depends on the decisions of the Board of Directors based on the contribution of the group in the accomplishment of the organizational goals and objectives.
3. **Inflationary increase** which comes from the order of the Board of Directors due to economic inflation
4. **Merit increase** which is based on the performance of an employee on a stated period of time.

1. *Mandatory wage increase.* This shall be based on the mandate of the Department of Labor and Employment (DOLE) and the National Wages and Productivity Commission. The Human Resource and Development (HRD) Department shall be tasked to regularly research on the declaration of DOLE. The HRD should furnish the management with the copy of any circular from DOLE. Management in turn shall submit this copy to the Board. Upon acceptance, the HRD and the General Manager shall prepare the salary adjustment.

2. *Across the board wage increase.* This shall be applicable for cases where the management has accomplished set organizational goals and objectives and/or surpassed them. The General Manager upon furnishing the board with pertinent reports and data on this shall suggest to the board an imminent across the board wage increase. The General Manager together with the HRD Head should have prepared the necessary and appropriate across the board wage increase for the approval of the board.

3. *Inflationary increase.* In cases where there is an evident economic inflation as may be seen through financial reports and consumer price indices. The General Manager together with the HRD Head should initiate this inflationary increase backed up by pertinent financial reports.

4. *Merit Increase or Adjustment*

It is the policy of the cooperative, subject to budgetary limitations, to increase the wage or salary of any of its employees in order that the cooperative may reward deserving employees for merit or make their salaries or wages commensurate with added responsibility in special cases.

a. Merit increases are not mandatory nor automatically granted on the basis of length of service, but are considered only on the basis of performance and merit after a review of the employee's performance appraisal.

b. Merit increase shall not exceed one (1) step increment above employee's current salary; however, in highly exceptional and meritorious cases, salary increase of not more than two (2) steps within the pay class may be granted.

c. Merit increases at **Mabuhay Savings and Credit Cooperative** may be any of the following:

c.1. For employees who have successfully finished their college education and has complied with the basic requirements of his/her position. This shall warrant an automatic one (1) step increase.

c.2. For employees who have successfully finished their Masteral studies or passed any professional board examinations, this shall warrant an automatic two (2) step increase.

c.3. For employees after having attended trainings and the requirement/result of the training requires special projects, additional responsibilities, additional skills but which are not part of his/her job description. This shall warrant an automatic one (1) or two (2) step increase upon the discretion of the department head and/or the General Manager.

c.4. For employees who have consistently garnered a 3.5 and above rating in the bi-annual performance appraisal for three (3) consecutive years, this shall warrant a minimum of automatic one (1) step increase to a maximum of two (2) step increase.

d. Merit increases shall be given on a maximum of two (2) steps in a year.

2. *Promotional Increase or Adjustment*

In line with the general policy of the cooperative, higher positions are to be filled by promotions or transfers from within the cooperative, of employees qualified for the positions, except the highly technical, professional, or managerial when no one is qualified from within the cooperative. Upon promotion to a higher position, an employee's salary may be increased or adjusted commensurate with his/her new responsibilities and duties.

a. Generally, a promoted employee should receive at least the minimum salary of the new position upon promotion, unless it is felt that a trial period of not more than three (3) months for the new position is necessary, in which case, the promoted employee shall receive an allowance. The allowance shall be the rate increase per step of the employee's present job class.

*In the event that the promoted employee is found unqualified for the position, the employee will revert to his/her former position if it is still vacant or if permanently occupied, the promoted employee shall be assigned to a job with the same level of responsibilities or within the level of his/her previous job classification.*

b. An employee who has successfully served three (3) months probation on promotion and is found qualified for the position, shall be given the salary commensurate to the job classification of the position; however, if the employee confirmed for promotion is receiving a salary higher than the starting pay of the position to which he/she is promoted, the next step increment of the present position and the pay of the promoted job class nearest to the present salary shall be compared, the nearest higher salary (step increment) of the said (promoted) position shall be considered as the starting salary of the promoted employee.

c. A temporary transfer to, or temporary assumption by an employee of the duties of a higher position which is not permanently vacant, is not a promotion, and may not necessarily involve a change in the transferee's salary who may continue to receive his/her original pay, unless otherwise indicated in the transfer.

d. In any case, an employee who temporarily assumes a higher position belonging to a higher pay class which has become permanently vacant, may not occupy such position in a temporary capacity for a period longer than six (6) months. He/She should either be promoted to such, or reverted to his/her former position after six (6) months.

**Job Class & Step Increment of Employees**
**Effective January 2006**

| Job Class | Increase Per Step | 1 per day | 2 per day | 3 per day | 4 per day | 5 per day | 6 per day | 7 per day |
|---|---|---|---|---|---|---|---|---|
| 1 | 50.00 | 277.00 | 327.00 | 377.00 | 427.00 | 477.00 | 527.00 | 577.00 |
| 2 | 62.50 | 302.50 | 365.00 | 427.50 | 490.00 | 552.50 | 615.00 | 677.50 |
| 3 | 78.13 | 330.55 | 408.68 | 486.81 | 564.94 | 643.07 | 721.20 | 799.33 |
| 4 | 97.66 | 392.26 | 489.92 | 587.58 | 685.24 | 782.90 | 880.56 | 978.22 |
| 5 | 122.08 | 429.29 | 551.37 | 673.45 | 795.53 | 917.61 | 1039.69 | 1161.77 |

# JOB CLASSIFICATION

*Based on the findings of the National Federation, the Job Classification presented by Mabuhay Savings and Credit Cooperative which is spread from Job Class 1 to Job Class 7 is only appropriate for a federation and not a primary cooperative. For a primary cooperative such as BS2MC, a Job Class spread of up to 5 will suffice, hence, the new job classification.*

| Job Class | POSITION CLASSIFICATION |
|---|---|
| **1** | Educational Attainment: Successfully accomplished Secondary Education<br>Experience or Special Skills Required: None<br>Number of People Supervised: None<br>Machines/Equipment Used in the Course of Job: None<br>Amount of Responsibility: Minimal, work classified under this category are mainly routinary and does not require too much mental ability<br>Reports Generated: None<br>Positions: Utility, Driver, Messenger, Storekeeper, Security Clerk |
| **2** | Educational Attainment: Tertiary Education<br>Experience or Special Skills Required: Simple documentation, management of simple office files, simple computations<br>Number of People Supervised: None<br>Machines/Equipment Used in the Course of Job: Computer, calculator, telephone, facsimile machine, photocopying machine<br>Amount of Responsibility: Minimal<br>Reports Generated: as may be requested by the Department Head<br>Positions: Loans Clerk, Teller/Cashier, Disbursing Clerk, Encoder, Marketing Clerk, Accounting Clerk, HR Clerk, Information Desk Officer |
| **3** | Educational Attainment: Tertiary Education<br>Experience or Special Skills Required: With one to two years previous experience on the work the employee will handle, can work with minimum supervision, can exercise independent judgment, capable of independently following plans, procedures or methods established, have responsibility for results of minor projects or for one phase of a major project<br>Number of People Supervised: None to 1<br>Machines/Equipment Used in the Course of Job: Computer, calculator, telephone, facsimile machine, photocopying machine<br>Amount of Responsibility: Minimal, but assignment of responsibility starts at this point<br>Reports Generated: as may be requested by the Department Head, example compilation of the department reports and accomplishments, etc.<br>Positions: HR Assistant, Loan Officer, Bookkeeper, Marketing Assistant |
| **4** | Educational Attainment: Tertiary Education<br>Experience or Special Skills Required: with 3-5 years experience on the position, has supervisory and managerial skills, can train people, medium to high technical capability required<br>Number of People Supervised: Assistants, Clerks, On-the Job Trainees (OJTs), etc.<br>Machines/Equipment Used in the Course of Job: Computer<br>Amount of Responsibility: Responsible in pushing forward the plans and projects of the department which are inherent in the accomplishment of the overall goals of the cooperative, assumes responsibility for the results of work undertaken<br>Reports Generated: Reports required of the department, special projects headed<br>Positions: Department Heads |

| Job Class | POSITION CLASSIFICATION |
|---|---|
| **5** | Educational Attainment: Tertiary Education<br>Experience or Special Skills Required: with 3-5 years experience on the position, highly technical people, complex training, devising, designing and other creative work<br>Number of People Supervised: Department Heads<br>Machines/Equipment Used in the Course of Job: Computer, calculator, etc.<br>Amount of Responsibility: generally to push the organization forward, sees to the accomplishment and achievement of the organization's goals, plans, mission and vision<br>Reports Generated: status of the organization, etc.<br>Position: General Manager |

**Monitoring Methodology:**

(This section sets out the type of monitoring and frequency of monitoring required by the Board from management in order to ensure the above policy is being adhered to.)

**References:**

(This section sets out references to related policies, Board minutes in which policy was developed – resolutions/motions passed, related bylaws, areas of legislation/regulation, etc.)

**ANNEX 8**

## Credit Rating Scale – Business

Name of Member-Borrower: _____

Address: _____

**1. CHARACTER = 10**

| **Criteria** | **Maximum Raw Score (MRS)** | **Rating or Scoring** |
|---|---|---|
| 1. Does the Member-Borrower (MB) have a good record of credit payment to the credit union and other institutions? | | |
| Credit Union: Does he/she have a proven habit of repaying loans to the coop? | 1 | 5 or 0 |
| Other credit union/banks identified: Does the member has a proven habit of repaying loans to other financial institutions identified by him/her? | 1 | |
| Credit Bureau: Does he/she have no negative record at the credit bureau? | 1 | |
| 2. Good Will/ Reputation | | |
| 2.1. Does the MB possess a good reputation in the business community and with other organizations? | 2 | |
| 2.2. Does the MB command respect in the community? | 1 | |
| 3. Is the MB a permanent resident of the community (Housing Stability)? | | |
| 3.1. Less than 5 years | 1 | |
| 3.2. over 5 years | 2 | |
| 4. Human relations | | |
| 4.1. With the family | 1 | |
| 4.2. In the workplace | 1 | |
| 4.3. In the community | 1 | |
| **Total** | **10** | |

## 2. CAPACITY TO PAY = 70

| Criteria | Maximum Raw Score (MRS) | Rating or Scoring |
|---|---|---|
| 1. Does the MB have a stable business? | | |
| If not | 0 | |
| If yes, how long:<br>Less than 5 years<br>More than 5 years | <br>3<br>5 | |
| 2. Is the purpose of the loan capable of earning a net surplus | 10 | |
| 3. Has the business grown over the years? | 2 | |
| 4. Is the cash flow available and sufficient to meet future loan amortization? | 15 | |
| 5. Is the Return on Investment of the business adequate to meet the payment requirement? | 15 | |
| 6. Does the payback period match the proposed duration of the loan? | 10 | |
| 7. Are there other loan exposures besides this loan being applied for in the primary or somewhere else? (degree of indebtedness and liabilities) | | |
| ▪ If no | 10 | |
| ▪ If yes | 3 | |
| **Total** | **70** | |

## 3. CAPITAL STATUS = 5

| | | |
|---|---|---|
| 1. Does the MB maintain savings deposit with the credit union regularly? | 1.5 | |
| 2. Are there personal properties, savings and business assets that can serve as collateral for the loan? (Asset base) | 1.5 | |
| 3. Is the asset base growing? (or is the MB saving only for the reason of taking a loan?) | 1 | |
| 4. Is the net worth favorable (degree of indebtedness) | 1 | |
| ***Total*** | **5** | |

## 4. COLLATERAL/CO-MAKERS = 10

| Criteria | Maximum Raw Score (MRS) | Rating |
|---|---|---|
| 1. Can the collateral be easily converted to cash any time? | 2 | |
| 2. Is the value of the collateral more than the loan amount applied for and can meet the policy valuation? | 2 | |
| 3. Is the collateral free from encumbrances or lien? | 2 | |
| 4. Is the co-maker willing to pledge his Savings Deposit/Share Capital and to accept the salary deduction agreement for the duration of the loan? | 2 | |
| 5. Is the spouse willing/has consent on the loan applied for? | 2 | |
| **Total** | **10** | |

## 5. CREDIT CONDITIONS = 5

| Criteria | Maximum Raw Score (MRS) | Rating |
|---|---|---|
| 1. Is the project/business environment friendly and legal? | 1 | |
| 2. Does weather conditions severely affect the project? | 1 | |
| 3. Is the market ripe for the project? | 2 | |
| 4. Is the community economically active to guarantee some degree of success for the project? | 1 | |
| **Total** | **5** | |
| **GRAND TOTAL** | **100** | |

Evaluated by: Date: _____

_____
Loan Officer

# Credit Rating Scale – Individual

Name of Member-Borrower: _____

Address: _____

## 1. CHARACTER = 10

| Criteria | Maximum Raw Score (MRS) | Rating |
|---|---|---|
| 1. Does the Member-Borrower (MB) have a good record of credit payment to the credit union and other institutions? | | |
| Credit Union: Does he/she have proven habit of repaying loans to the coop? | 1 | |
| Other credit union/banks identified: Does the members have a proven habit of repaying loans to other financial institutions identified by him/her? | 1 | |
| Credit Bureau: Does he/she have no negative record in at the credit bureau? | 1 | |
| 2. Goodwill/ Reputation | | |
| 2.1. Does the MB possess a good reputation in the community and with other organizations? | 2 | |
| 2.2. Does the MB command respect in the community. | 1 | |
| 3.Is the MB a permanent resident of the community (Housing Stability? | | |
| 3.1.Less than 5 years | 1 | |
| 3.2.over 5 years | 2 | |
| 4. Human relations | | |
| 4.1. With the family | 1 | |
| 4.2. In the workplace | 1 | |
| 4.3. In the community | 1 | |
| **Total** | **10** | |

## 2. CAPACITY TO PAY = 70

| **Criteria** | **Maximum Raw Score (MRS)** | **Rating** |
|---|---|---|
| 1.Does the MB have a stable job? | | |
| If not | 0 | |
| If yes, how long:<br>Less than 5 years<br>More than 5 years | <br>5<br>10 | |
| 2. What is the frequency of the regular income of the MB? | | |
| ▪ Daily, weekly, semi-monthly, monthly?<br>▪ Bi-quarterly, quarterly?<br>▪ Semi-annual? | 10<br>5<br>5 | |
| 3.Does the regular income of the member match the Debt Service Ratio set by the Board?<br>▪ YES<br>▪ NO | <br>25<br>0 | |
| 4.Will the duration of the proposed loan match the anticipated duration of the job of the MB?<br>▪ YES<br>▪ NO | <br>10<br>0 | |
| 5.Are there loan exposures besides this loan being applied for? (Degree of indebtedness and liabilities)<br>▪ If no<br>▪ If yes | <br>15<br>5 | |
| **Total** | **70** | |

## 3. CAPITAL STATUS = 5

| | | |
|---|---|---|
| 1.Does the MB maintain a savings deposit with the credit union regularly? | 1.5 | |
| 2. Are there personal properties, savings and business assets that can serve as collateral for the loan? (Asset base) | 1.5 | |
| 3. Is the asset base growing? (or is the MB saving only for the reason of taking a loan?) | 1 | |
| 4. Is the net worth favorable (degree of indebtedness) | 1 | |
| ***Total*** | **5** | |

## 4. COLLATERAL/CO-MAKERS = 10

| **Criteria** | **Maximum Raw Score (MRS)** | **Rating** |
|---|---|---|
| 1.Can the collateral be easily converted to cash any time? | 2 | |
| 2.Is the value of the collateral more than the loan amount applied for and can meet the policy valuation? | 2 | |
| 3.Is the collateral free from encumbrances or lien? | 2 | |
| 4.Is the co-maker willing to pledge his Savings Deposit/Share Capital and to accept the salary deduction agreement for the duration of the loan? | 2 | |
| 5.Is the spouse willing/has consent on the loan applied for? | 2 | |
| **Total** | **10** | |

## 5. CREDIT CONDITIONS = 5

| **Criteria** | **Maximum Raw Score (MRS)** | **Rating** |
|---|---|---|
| 1.Does the job of the member involve illegal activities and/or environmentally harmful activities?<br>▪ YES<br>▪ NO | <br><br>0<br>2.5 | |
| 2. Does the member's job pose health hazards to himself or others?<br>▪ YES<br>▪ NO | <br><br>0<br>2.5 | |
| **Total** | **5** | |
| **GRAND TOTAL** | **100** | |

Evaluated by: Date: _____

_____
Loan Officer

# Credit Rating Approval

The Credit Rating is used to determine the probability that the borrower will repay the loan. This is made up of the Credit Rating Scale used by the Credit Committee or Loan Officer to rate the borrower based on the five (5) C's of Credit.

This rating shall serve as guide to categorize the borrower on the probability of loan repayment, or if not, whether the borrower is required to secure the loan with collateral.

The credit rating scale shall serve as basis for decisions by the Credit Committee and is derived as follows:

| Credit Rating | Decision/Requirements |
|---|---|
| 70% and below | Disapproved, since it has high probability of failure to repay the loan. |
| 71% to 80% | Approved, but needs collateral, co-makers, obligate savings, and close supervision |
| 81% to 90% | Approved, but needs any collateral and sustained supervision |
| 91% to 100% | Approved with or without collateral |

**ANNEX 9**

## Sample: Credit Union Marketing Program (At Glance)[1]

| | | |
|---|---|---|
| **YOUTH MARKETING**<br>Build an emotional bond with younger members through life events marketing. Develop fully-custom and exclusive marketing material. | **INPUTS - Total Cost of Marketing Program**<br><br>**Traditional Marketing**<br>Newsletters<br>Product brochures<br>Direct mail letters<br>Self-mailers<br>Postcards<br>Inserts<br>Posters<br>Flyers<br>Newspaper ads<br>Outdoor advertising<br>Annual reports<br><br>**Identity Programs**<br>Brand Identity<br>Product/service naming<br>Logo development<br><br>**Consulting**<br>Marketing strategy<br>Marketing plans/calendars<br><br>**Web**<br>Website design<br>Web graphics<br>E-mail marketing<br><br>**Multimedia**<br>Presentations<br>On-hold/lobby music<br>Commercial music<br>Podcasting | **OUTPUT**<br><br>**New Members Target**<br>**Savings Deposit Target**<br>**Share Capital Target**<br>**Loan Release and Collection Target** |
| **FAMILY & KIDS MARKETING**<br>Tap into the power of today's modern mom and the kids they love. We offer marketing that helps effectively communicate to families and kids together. | | |

[1] *This marketing plan should be accompanied by a more detailed plan*

**ANNEX 10**

# _____ CREDIT UNION

# CUSTOMER SERVICE GUIDELINES

## 1. CUSTOMER SERVICE GOALS

**Goal 1: Continual Customer Service Improvement**

To meet customer service expectations and to improve customer service perceptions through better customer service relations, the credit union will undertake activities that will encourage, develop, and enhance continual customer service improvement.

To meet the goal, the following shall be implemented:

a) Encourage all activities and all efforts that will enhance and improve the communication process between customers and staff of credit union. The credit union seeks ways to communicate to members all significant information of interest to them.
b) Review all staffing assignments to ensure that personnel with appropriate customer service skills are the primary contact with customers.
c) Ensure that important customer service contact areas (e.g., front counters) are sufficiently staffed, and shifts are rotated to ensure that certain staff personnel are not overtaxed in dealing with customers.
d) The credit union management will meet on a periodic basis to review customer service issues and to make any necessary adjustments to the overall program.
e) The credit union will create a rapid response team to review customer service problems and to develop customer service solutions.
f) The credit union will create a staff advisory group that will review policies and practices identified by customers as problem areas and will make recommendations for possible solutions.

**Goal 2: Customer Service Performance Measurement**

To improve service delivery and to meet customer service expectations, the credit union staff should strive to measure the extent that customer desires are being met at the department and the division levels.

To meet the goal, the following shall be carried out:

a) Conducts customer service survey inquiring as to the services rendered by the credit union staff.
b) Implement a telephone survey program whereby random customers are contacted and feedback is solicited on services rendered.
c) The credit union audit staff/committee shall verbally engage feedback from customers after providing services.

**Goal 3: Continual Training, Empowerment, and Involvement**

It shall be the goal of the credit union to address customer needs and to resolve customer problems by fostering a program of continual training, and by creating a work environment that empowers and involves employees in providing quality services to the customer.

To meet the goal, the following shall be carried out:

a) Ensure that appropriate training concerning the delivery of customer service is available to employees.
b) Encourage participation in all in-house training efforts.
c) Utilize several sources of training opportunities, including seminars, video presentations, and all forms of printed matter.
d) Conduct training sessions on the principles and the applications of TQM
e) Expand reference resources to include sources on customer service delivery.
f) Solicit employee feedback in department and division-level meetings regarding customer service.
g) Encourage monthly role-playing meetings on various customer service encounters and issues.
h) Create a self-directed intradepartmental customer service team to examine customer service issues and to provide feedback to the General Manager and department staff.

**Goal 4: Rewards and Recognition**

The credit union shall recognize quality customer service and shall reinforce positive customer service behavior by rewarding the achievements, the ideas, and the innovations of the staff.

The following are the implementation steps:

a) Institute a reward program for customer service achievements.
b) Develop a system of recognition for employee innovations.
c) Develop rewards and recognition for departmental customer service achievements throughout each year.

## 2. CUSTOMER SERVICE EXPECTATIONS

a) Customer expectations are absolutely cardinal in customer service. Customers expect that the credit union staff will meet or will exceed such expectations at a cost that represents value to them. It must be remembered that customers see the staff as the entire credit union.

b) In order to address these expectations, the staff must (through the communication process) exhibit conformance to customer requirements in a timely and an effective manner. Generally, achievement of this outcome results from the staff's:

- appearance (Is it professional?)
- manner (does it reflect assistance and cooperation?)
- knowledge of the business (can the staff address the questions?) (Knowledgeably?)
- ability to cope with the needs of the customer (can the staff problem solve?)

c) Finally, as a credit union employee, developing your own customer vision, imagine yourself as a member of a medical corps on a battlefield. Your customer is a person in distress, and you will need to give that customer the attention, care, and therapy that will return that customer to a condition of well-being.

d) Therefore, in terms of customer service vision, it would be very appropriate to recognize that the credit union's staff exists because of customers who are members of the credit union. Without them, the credit union would have no reason to exist.

## 3. DEFINING THE CUSTOMER

An essential aspect of customer service is to define potential customers.

a) Customers include current members and potential members who are part of the common bond at large, but can also comprise the following stakeholders: elected officials, other departments, other governmental agencies, and numerous interest groups.

b) The basic needs of customers include the following:

- To feel welcomed,
- A comfortable environment in which to do business and,
- The need to know that the credit union will handle their concerns carefully and completely.

c) Their expectations and desires may include:

- The expectation that the staff as a credit union employee will fully understand their concerns.
- The expectation that the staff considers them and their matter important.
- Expectations of courtesy, reliability, responsiveness, and empathy.

D) On any given day, the staff may be confronted with customers exhibiting any of the following characteristics: Angry, unhappy, argumentative, talkative, flirtatious, a non-talker, a habitual complainer, obnoxious or rude, demanding, indecisive, abusive, or a person with a heavy accent. While the basic needs and the expectations are common, it is crucial that the staff go through the mental gymnastics to best handle customers displaying these behavior

## 4. COMMUNICAITON WITH CUSTOMERS

a) How the staff communicates with customers is one of the most important aspects of customer service. The major components of communication are verbal, nonverbal, and listening.

b) Effective listening and understanding are dependent upon the listening being credible, attentive, reliable, and empathetic. In meeting the above, credible listening requires that the staff listen for facts and feelings. It also means that the staff is engaged in the conversation when appropriate, or, in other words, the staff is waiting for the customer to finish before responding.

- Attentive is self-explanatory. It is not allowing you to become distracted. Reliable means that you do not prejudge while listening, and you are able to clarify or to paraphrase back what has been said.

- Empathetic listening means that you offer understanding. It includes some elements of the above but does not necessarily mean agreement with customers. Being an empathetic listener may require playing various roles, ranging from a therapist to an understanding friend to a wise and patient negotiator.

c) Unfortunately, there will be incidents whereby customer's expectations cannot be met due to a variety of circumstances and no is the word that must be conveyed by the staff. Empathy depicts to customers the feeling that their circumstances and concerns are appreciated, understood, and that you are sensitive to the issues. Demonstrating sensitivity denotes understanding without criticism or judgment.

d) In effective nonverbal communication, your actions, remarks, and length of time in response send a message to customers. Effective and positive nonverbal communication calls for the staff to smile, and to project an open posture as well as to lean forward to establish rapport (without violating personal space), eye contact, and head nods.

e) In verbal communication, word choice can be of extreme importance. Avoid phrases like, **"I'll try,"** or **"I can't."** Instead, substitute with more positive phrases like, **"I will" or "I can."** Certain words send a better message. For example, this situation is not a "problem" but an "opportunity." This situation is not "impossible" rather it is "possible." Effective word selection will assist in providing positive communication with customers.

## 5. CUSTOMER SERVICE TRAINING & EMPOWERMENT

a) Training

It shall become incumbent upon the credit union to develop a yearly training program that utilizes all forms of customer service training. Training efforts will be given a higher priority if these efforts will improve the customer service skills of the staff and they increase teamwork between departments.

- Types of training may include customer service skills, service management, team building, and problem-solving.
- Training will take the form of both classroom and media-based training (i.e., video, audio, and the like)
- The credit union shall establish budgetary targets for training purposes.

b) Empowerment

- Empowering the staff involves the provision of training and the encouragement of the staff to become innovative and to solve customer service issues without constant reliance on supervision. It provides the staff with some responsibility to self-police and to innovate with customer service improvement as the major goal.

- Through various forms of interaction the staff can empower customers to be partners in advancing the customer service agenda. Through customer contact and solicitation of feedback, customers become a player in the process.

## 6. CUSTOMER SERVICE EXCELLENCE PRINCIPLES

The following principles shall at all times be observed by every credit union staff:

a) Standards

The first step in our journey towards greatness is to know where we are going. The standards set in these guidelines are the SET EXPECTATIONS! Every staff member should know what, exactly; the credit union is aiming for. In the same respect, the customers should know what to expect from the credit union.

b. Monitor your Attitude

Do not predispose yourself to a negative outcome based on, what seems to be, negative indicators. We do not "know" something until it actually happens. Stay positive on how events will unfold. Attitudes permeate through everything we do and can build (or destroy) any worthwhile endeavor. Those emotions spread from one person to another and customers can "feel" them when dealing with you - in person, on the phone, and via the computer. Keep that "sunshine in a jar" handy! It can help to keep things bright on cloudy days.

c) Invest In Integrity

Forget contracts, our word is our bond. If we say, "I'll call you back later" then (with the exception of natural disaster), call them back later. If the loan is going to be late, call and explain the "Why" with no excuses. Honesty can be brutal, harsh and unwelcome at first. But, in my opinion, it is always appreciated. Stand firm and never compromise your integrity, invest in it!

d) Laugh!

Do you want to break down barriers with customers and form bonds that can weather the test of time? Then laugh with them. Laughter cuts through the red tape, miscommunications, and stress of daily business. It helps people connect as people. Not as an "us" and "them" but as a "we." How can "WE" help you? How can "WE" work this out" The people you laugh with are the people you will work with over and over again!

e) Exude Excellence

No matter what, you are the expert and that should be apparent in every dealing with your customers. Customers do not come to you for problems; they come to you for solutions! Be the problem solver! Be the "Sultan of Solutions!" Know your process, your product and how it relates to who you are dealing with. The words "You got it" should flow from your mouth like water from Niagra Falls. After that has been said, all you have to do is make it happen.

f) You are Your BEST Asset!

There is only one you and YOU are your best asset. It's your personal touch; it shows that you are vested in what you do and how you do it.

Customers should be that in name only. They are friends that count on you for help when the need presents itself. Friends aren't met with reservation. Friends are met with openness, a great attitude, integrity, excellence, and a genuine care that only you can give. Friends deserve the very best!

**ANNEX 11**

# Data Base of Members[2]

## 1. Number of Members and Non-Members According to Age and Sex

| | Female | | Male | | Total | | % | Remarks |
|---|---|---|---|---|---|---|---|---|
| Age Range | Your Members | Non Members | Your Members | Non Members | Members | Non Members | | |
| 1-10 | | | | | | | | |
| 11-12 | | | | | | | | |
| 13-19 | | | | | | | | |
| 20-29 | | | | | | | | |
| 30-39 | | | | | | | | |
| 40-49 | | | | | | | | |
| 50-59 | | | | | | | | |
| 60 and older | | | | | | | | |
| Total | | | | | | | | |

## 2. Number and Percentage of Members and Non-Members

| Annual Monthly Income Range | Members | Non Members | Total | % | Remarks |
|---|---|---|---|---|---|
| Under 7,000 | | | | | |
| 8,000-15,000 | | | | | |
| 16,000-20,000 | | | | | |
| 21,000-30,000 | | | | | |
| 30,000-50,000 | | | | | |
| 50,000-70,000 | | | | | |
| 70,000-100,000 | | | | | |
| Over 100,000 | | | | | |
| Total | | | | | |

## 3. Educational Groupings of Members and Non-Members

| Educational Attainment | Members | Non-Members | Total | % | Remarks |
|---|---|---|---|---|---|
| Elementary | | | | | |
| Secondary (High School) | | | | | |
| Vocational/Technical | | | | | |
| Tertiary (University) | | | | | |
| Post Graduate (Masters Program) | | | | | |
| Post Graduate (Doctoral Degree) | | | | | |
| Total | | | | | |

[2] This sample is a minimum requirement. The credit union under ACCESS audit must demonstrate that they have been consistently using this information in the last 3 years.

**4. Occupational Groupings of Members and Non-Members**

| **Occupation** | **Members** | **Non-Members** | **Total** | **%** | ***Remarks*** |
|---|---|---|---|---|---|
| Administrators, Managers, Executives | | | | | |
| Staff Personnel | | | | | |
| Clerical Personnel | | | | | |
| Maintenance Personnel | | | | | |
| College/University Professors | | | | | |
| High School Teachers | | | | | |
| Primary School Teachers | | | | | |
| Business Operators & farmers with land | | | | | |
| Small Entrepreneurs as self-employment (market vendors, variety store, eatery shop etc.) | | | | | |
| Laborer/service-carpenters, mason, field workers, tailors etc. | | | | | |
| Children and Students | | | | | |
| Retired | | | | | |
| **Total** | | | | | |

**ANNEX 12**

# _____ CREDIT UNION – BOARD POLICY #

*(Policies can be grouped into different categories/groupings with numbering set out accordingly.)*

Subject: **Error Management** Effective Date:

Issued by: Revised Date:

Approved by: **Board of Directors** Last Board Review Date:

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**Policy Statement:**

This policy sets out to create systems using all available data to understand the causes of errors and taking appropriate actions, including changing policy, procedures, and special training to reduce their incidence and to minimize the consequences of those that do occur.

**1. Requirement for Error Management**

a) Trust – the staff are encouraged to share their errors and to participate in actions to prevent recurrence.
b) A non-punitive policy toward error will be observed by the credit union. However, it does not imply that the credit union can tolerate willful violations on policies and procedures set out by the Board and Management.
c) The Management must commit to the honest recognition of error and taking action to reduce error-inducing conditions
d) The essential data defining the nature and frequency of errors must be available to the credit union.

**2. Error Detection and Prevention**

To ensure that the credit union lives up to members' expectation, the following steps should be taken:

a) Include several questions or statements to assess employee perceptions of the credit union's culture in regularly scheduled attitude surveys. Some examples of these include:

- Does the credit union allow, within reasonable limits, the administrative freedom to fail, or is the fear of potential criticism so great that the General Manager rarely exercise initiative?
- Do individuals feel comfortable disclosing management mistakes?
- Have staff members encountered retribution when mistakes have been reported or disclosed?

b) Ensure that annual performance reviews incorporate questions or statements promoting discussion of mistakes and how they were addressed.

c) The internal audit are required the timely and complete disclosure of errors encountered and provide appropriate recommendations to correct them. The credit union not only can act to minimize loss and exercise appropriate damage control, but they can move more quickly to learn from the mistake and strengthen preventive measures.

d) The Management should be able to device an Error Reporting System to provide invaluable information about points of potential vulnerability in different areas of credit union operation.

e) The Management shall ensure that corrections on errors involve long term measures such as staff skill development, policy and procedures changes or infrastructure development.

**Monitoring Methodology:**

(This section sets out the type of monitoring and frequency of monitoring required by the Board from management in order to ensure the above policy is being adhered to.)

**References:**

(This section sets out references to related policies, Board minutes in which policy was developed – resolutions/motions passed, related bylaws, areas of legislation/regulation, etc.)

**ANNEX 13**

# PROGRESS REPORTING ON STRATEGIC PLAN

**(SAMPLE) ANNUAL BUSINESS PLAN 2007**

| **VISION Statement** | **MISSION Statement** |
|---|---|
| To be the provider of superior financial products and services and to be the financial institution of membership choice by both business and consumers throughout Ontario Communities. | We are the largest Member-owned financial institution in Northern Ontario, dedicated to improving the economic and social well-being of our members, in an innovative and progressive manner and through a team of knowledgeable and committed professionals. |

**GOAL STREAM: FINANCIAL PERFORMANCE**

**GOAL Statement**
**Maintain a financially sound, stable and secure position to most effectively protect the investments and business of the members and assure adequate financial resources for future growth and development.**

| OBJECTIVES(As set in the Board Planning Session) | STRATEGIES | KEY PERFORMANCE MEASURES | MARCH 31, 2007 | JUNE 30, 2007 | SEPTEMBER 30, 2007 | DECEMBER 31, 2007 |
|---|---|---|---|---|---|---|
| Develop standards for key performance measures including capital, ROA, etc. | Discussions with Credit Unions of like size across Canada to develop key performance measures applicable to Northern. Key performance measures that do not link to peer averages due to organizational and branch structure will be identified and analysis provided. | Analysis to be complete by end of Q2. | Draft letter is awaiting approval to be sent to selected credit union's to gather data. | | | |
| Set liquidity utilization objectives which include loan growth as a key strategy. | Consider alternative strategies including: Student loans, loan syndications and purchases of blocks of mortgages. | Liquidity to be reduced throughout the year to approximately 10% by the end of Q4, 2007. | Liquidity 11.84% (restated 11.69%) Goal has been achieved. Focusing on deposit strategy. | | | |

| OBJECTIVES(As set in the Board Planning Session) | STRATEGIES | KEY PERFORMANCE MEASURES | MARCH 31, 2007 | JUNE 30, 2007 | SEPTEMBER 30, 2007 | DECEMBER 31, 2007 |
|---|---|---|---|---|---|---|
| | Maintain 2004 asset dollar volume growth in larger centres through 2007. | | | | | |
| | More aggressive volumes assigned to Cams in 2007 with greater targets in major centres. | Total new annual volume 20.8mm. Quarterly target 5.2mm. | Actual 1st Qtr new volume 3.9mm or 75% of target. 1 CAM ahead of plan 150% of 1st Qtr target. | | | |
| | Balance achievement of CAMEL rating standard. | | | | | |
| Develop policy regarding dividends based on Member input and related financial performance benchmarks. | Develop a distribution methodology based on patronage if dividends are perceived to be of value to members. | Policy to be developed and presented to the Board of Directors by end of Q3. The policy will consider financial benchmarks such as profitability, regulatory capital and impact on the DICO differential premium rating system. | Draft policy presented to SMT Feb 05, will be agenda item at the Planning Session in June 07. | | | |
| | | Information will be collected during the Member Satisfaction Survey which results will be ready by Q1 2007 | Completed. Findings shared with Board in Q1. | | | |

| OBJECTIVES(As set in the Board Planning Session) | STRATEGIES | KEY PERFORMANCE MEASURES | MARCH 31, 2007 | JUNE 30, 2007 | SEPTEMBER 30, 2007 | DECEMBER 31, 2007 |
|---|---|---|---|---|---|---|
| Continue with implementation of capital plan in 2005 (i.e. 6.5-7.5%). | Control asset growth so that income generated supports the capital plan. | Regulatory Capital to remain in the 6.25% to 7.50% range. | 7.46% (restated 7.36%) | | | |
| Continue with current loan loss ratios in 2005. | Continued utilization of SAMU to minimize commercial exposure. | Total loan provision not to exceed $830,000 ($480,000 commercial, $350,000 retail). Loan write-offs not to exceed $920,000 ($500,000 commercial, $420,000 retail). | Commercial Write-offs 1st Qtr 59m or 66m better than plan. Loan provision increased $57m vs. Plan 120m or 63m better than plan. | | | |
| | | | Q1 Write Offs Consumer $91,932 Commercial $60,301 | | | |
| | Further centralization of the retail collection function to provide better management of credit exposure. | | | | | |
| Develop operational "trigger points" in regard to the need to implement branch performance monitoring process/techniques - in that regard, determine cost/benefit of further rollouts and consider use of alternate models. | Trends in financial performance as well as key performance ratios will be considered. In addition to financial performance the overall strategy of Northern and the perception by its peers, competitors and members will have to be considered. | Trigger points will be developed by the end of Q2. | | | | |

| OBJECTIVES(As set in the Board Planning Session) | STRATEGIES | KEY PERFORMANCE MEASURES | MARCH 31, 2007 | JUNE 30, 2007 | SEPTEMBER 30, 2007 | DECEMBER 31, 2007 |
|---|---|---|---|---|---|---|
| Continue with retail operation process improvements in regard to workflow mapping analysis (i.e. similar to consumer credit analysis ongoing). | Work in conjunction with consumer credit realignment team to ensure process encompasses sales and service. | Various components to be delivered throughout the year. | Project still undergoing but put on hold as integrating with Sales and Service | | | |
| Implement necessary changes in policies and reporting practices related to new DICO By-Law 5. | Complete review of management workbook, identify deficiencies and use development tools to aid in correcting deficiencies. | Compliance to new By Law 5 requirements by December 31, 2007. | Senior Management have made their initial assessments and are currently waiting for new model policies to be issued prior to making final assessments including timelines for implementation. Sample policies to be released by CUCO May 23'07 | | | |
| Prepare additional financial analysis of operations, providing interpretative and predictive analysis and related options for implementation. | In conjunction with developing key performance measures and further requirements of By Law 5, a review of the Chief Financial Officer's report and financial statements will be completed with the intent of a complete overhaul of reporting practices. | Will be incorporated into the benchmarking report by end of Q2. | Draft letter is awaiting approval to be sent to credit unions to gather data, determine and implement best practices. | | | |

| OBJECTIVES(As set in the Board Planning Session) | STRATEGIES | KEY PERFORMANCE MEASURES | MARCH 31, 2007 | JUNE 30, 2007 | SEPTEMBER 30, 2007 | DECEMBER 31, 2007 |
|---|---|---|---|---|---|---|
| | Migration to the income simulation program will provide more accurate forecasting of financial margin and interest rate risk measurement with options to look at sensitivity type scenarios. | Complete migration to income simulation by end of Q3. | Discussions have commenced with Level Five on Migration. | | | |
| Northern Credit Union will strive to meet access needs for members by addressing any physical barriers at Northern Credit Union branch locations. | An accessibility audit to be conducted in 2007 of all branch locations to identify any physical barriers preventing access and develop a capital project plan based on findings. | An action plan including the capital project plan will be formulated as part of the 2008 Annual Business Plan and Operational Budget in Q4 2007. | Agenda item for June Planning Session. | | | |

**ANNEX 14**

# LEGAL SURVIVAL KIT

| Statutes | Yes | No |
|---|---|---|
| Know the extent of director's duties & responsibilities under:<br>1. Common Law<br>a. Truth in Lending<br>b. Customer Protection Law<br>c. Income Taxation-Withholding Taxes on Employees and Services Contracted<br>d. Trade Practices Act (Permit)<br>e. Environmental Protection Act (Permit)<br>f. Workplace Health and Safety Acts (Permits)<br>g. Labor Law: Minimum wage and required staff benefits and "Equal Employment Opportunity"<br>h. Banking Laws | | |
| 2. Accounting Standards<br>a. Management Assertions on the Financial Statements (Existence or Occurrence, Completeness, Valuation or allocation, rights & obligation and Presentation & Disclosure)<br>b. Sufficient and appropriate internal controls adopted within the organization<br>c. Annual Financial Audit<br>d. Declaration of Interests or conflict of interests to the Board | | |
| **Rules** | | |
| Have knowledge and understanding of the Credit Union's rules and ensure where possible that they are modernized and written. | | |
| **Systems** | | |
| 1. Obtain the accounts of the Credit Union on a regular basis. You should understand these accounts, even if this involves the seeking of professional assistance. | | |
| 2. Obtain key financial data including:<br>a. Cash Flow<br>b. Quality and Aging of Receivables<br>c. Cash on Hand<br>d. Inventory<br>e. Receivables<br>f. Creditors<br>g. dates for repayment of substantial borrowings | | |
| **Accounts** | | |
| Ensuring that the monthly and annual accounts are accompanied by a written statement from management covering all matters to the accounts including:<br>a. Adequacy of provisions for loans delinquent<br>b. Notes to some material Balance Sheet items<br>c. Material uncertainties that would mean losses for the organization<br>d. Accounts in Litigation<br>e. Labor disputes | | |

| Insurance | Yes | No |
|---|---|---|
| Ensure that from time to time the Credit Union's property and plan are valued and properly insured. | | |
| **Meetings** | | |
| 1. Ensure that the Board meets regularly, is properly informed and has time for consideration before major decisions are taken. | | |
| 2. If decisions have to be made on the run (as commercial realities will sometimes dictate) ensure that the surrounding circumstances are properly recorded. Telephone meetings have their place but must be treated cautiously. | | |
| **Relationships with Auditors** | | |
| Ensure that the Board has free and regular communication with external auditors and be mindful of the relationship between management and auditor. | | |
| **Audit Committee** | | |
| 1. Under the Cooperative Act, it is mandatory that all credit unions establish an Audit/Supervisory Committee and to develop clear guidelines for its operation, including its role, terms of reference, responsibilities and method of operation. | | |
| 2. The committee has an oversight function in the financial reporting and auditing process and formulation and periodic review of the disaster recovery plan. | | |
| 3. The main objectives of an appropriately established and effective Audit/Supervisory Committee include enhancing the credibility and objectivity of financial reporting and assisting the Board to discharge its responsibilities. | | |
| 4. The committee report regularly to the Board on developments and findings and make recommendations on specific courses of action deemed necessary. | | |
| **Lawyers** | | |
| When in doubt seek proper and sensible advice from competent lawyers who have an understanding of the business environment. It will be much easier that a Director was engaged in honest informed risk taking if it was based on sound legal advice. | | |
| Be conscious that advice given by Credit Union lawyers may have implications for members of the Board as individuals. The Board may need to receive their own advice from an independent firm. | | |
| **Personal Records** | | |
| Ensure that you retain in your personal records:<br>1. All information that may be relevant to an action against you if a board decision goes wrong.<br>2. diary notes of discussions with management<br>3. review notes and any private research carried out | | |
| **Commonsense** | | |
| Have a commonsense to evaluate business decisions in a rational way with the emphasis on a risk/benefit analysis. To have this ability, as a rule, need to have practiced losing their own money first before embarking on a course of investment supervision for others. | | |