GENERAL RISK MANAGEMENT
POLICY
FOR CREDIT UNIONS

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### Abbreviations

<table>
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<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
</tr>
<tr>
<td>BOD</td>
<td>Board Of Directors (of a Credit Union)</td>
</tr>
<tr>
<td>BoG</td>
<td>Bank of Ghana</td>
</tr>
<tr>
<td>CUA</td>
<td>Credit Union Association</td>
</tr>
<tr>
<td>CUA CFF</td>
<td>CUA Central Fund Facility</td>
</tr>
<tr>
<td>CU</td>
<td>Credit Union</td>
</tr>
<tr>
<td>GRM</td>
<td>General Risk Management</td>
</tr>
<tr>
<td>HR</td>
<td>Human Resources</td>
</tr>
<tr>
<td>IOU</td>
<td>“I Owe You” (unauthorised collection of money from third party)</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MIS</td>
<td>Management Information System</td>
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<tr>
<td>SC</td>
<td>Supervisory Committee</td>
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To whom this Policy is intended for

This General Risk Management Policy as prepared is intended for the administration of the CUs to be adapted, adopted and implemented in each CU.

Once adopted through a CU the policy has do be used through the BOD, the Committees, especially the Supervisory Committee, the Management and Staff.

This Policy is also a useful tool for the CUA staff involved in risk management issues of the CUs, like Audit, Field Services, Deposit Guarantee.
I. GRM FRAMEKORK

Article 1: Definition

General Risk Management (GRM) is the process of protecting the Credit Union’s Assets, Liabilities and Resources from loss and damage. It may also be defined as a conscious attempt on behalf of Savings and Credit Co-operative Management to identify measures and control all exposures to loss which are created by the activities in which the society engages.

Article 2: Responsibility for the GRM

- The BOD shall ensure that the CU has an effective and implemented GRM Policy.
- The Management shall be responsible for the implementation of the GRM Policy.
- The Supervisory Committee as Internal Auditor shall be responsible for analysing the weaknesses and make recommendations for improvements of the GRM Policy.
- The CUA and DOC as External Auditors are responsible for the main supervision of the GRM Policy.

Article 3: Principles of General Risk Management

1) A proactive General Risk Management, the risks have to be assessed and managed before they are appearing.

2) An iterative or dynamic approach of General Risk Management, that established six steps in the processing of risk management (see Article 4). This approach allows the CUs to face new risks and to introduce them in their Risk Management Policy.

3) A comprehensive approach to General Risk Management, involving all the risks that CUs are facing and that is reducing the risk of loss, builds credibility among the members of the CUs and in the marketplace, and creates new opportunities for growth.

Article 4: The six steps of the GRM process

1) Identify and assess the risks
   - This involves recognizing the various current and potential risk exposures confronting the society, by determining what can happen to cause a loss.
   - Hereby the BOD and the Management shall used the Guidelines (Part II of this Policy) to identify the risks that their own CU are facing.
   - Risks that are not involved in the original Guidelines shall be introduced.

2) Develop strategies to measures and prioritise the risks
   - Measure the risks based on the loss frequency and loss severity:
     - Frequency is the number of times that events are expected to occur,
     - Severity is the degree to which a loss is known.
   - Use a loss frequency and loss severity matrix with a chart in order to establish a ranking of the identified risks (see GRM Manual for examples).
   - The ranking gives the list of the prioritised risks.
3) Design policies and procedures to mitigate the risks
   - The BOD shall elaborate an Annual Action Plan for the implementation of the GRM Policy.
   - This Annual Action Plan shall specify:
     o Which Policies and procedures have to be developed and implemented,
     o The time frame when it has to be realised,
     o Who has to realise them.
   - The policies and the procedures should be based on the guidelines in part II of this Policy.
   - If a particular potential risk that the CU is facing is not covert through the originally GRM Policy, the CU has to develop new procedures and to introduce them to its GRM Policy.
   - The CU shall use the following five methods to handle the risks:
     o Avoid potential risks if possible or practical (example: granting of car loans),
     o Reduce if the risk is unavoidable,
     o Spread potential risks if possible or practical (example: make more frequent cash lodgements),
     o Assume if the loss may not adversely affects its assets,
     o Transfer to another party such as an insurance carrier.

4) Implement controls and assign responsibility
   - The BOD and the Management shall develop an effective control system based on three elements:
     1. Preventive controls developed to avoid undesirable incidents,
     2. Detective controls developed to detect undesirable incidents and errors when there are happening,
     3. Corrective controls developed to ensure that corrective measures are being taken and to avoid that they can happen again.
   - The CU shall use three instruments to control the risks:
     a. The internal controls with the role as preventive, detective (and corrective) functions (see Article 5),
     b. The internal audit with the role as detective function (see Article 6),
     c. The external audit with the role as detective function (see Article 7).

5) Test effectiveness and evaluate results
   - The BOD and the Management shall ensure that the CU’s control system is regularly evaluated and that the policies and procedures are implemented and effective.
   - The evaluation of the CU’s control system, policies and procedures shall be done through the internal and external audits.
   - The evaluation has to be done at least once a year.
6) **Revise procedures as necessary**

- The BOD and the Management shall be responsible for the revision of the policies and the procedures.
- The revision shall be based on the recommendations of the Supervisory Committee, the internal Auditor and the External Auditor as well as on own inquiries of the BOD and the Management.
- Hereafter the BOD shall ensure that GRM process will therefore start again.

**Article 5: Internal Controls**

- Internal Controls are part of a system that ensures the accuracy of records, guards assets and makes for efficient operation.
- Responsibilities:
  - The BOD shall ensure that an effective control system is established in the CU.
  - The Manager shall be responsible for the implementation of this system.
  - The different internal control tasks shall be assigned to the different employees of the CUs. These tasks shall be included in the task description of each employee.
  - The control of the effectiveness of the internal control shall be the duty of the internal audit and the Supervisory Committee, which has to evaluate the internal control and make recommendations to the BOD.
- Internal controls have the following main objectives:
  1. Check the effectiveness of the operations,
  2. Ensure the reliability and integrity of the financial data and MIS,
  3. Ensure that accidental or intentional errors will be readily detected
  4. Ensure the respect of the legislation.
- Internal controls shall use the following means and tools:
  - Human Resources,
  - Policies and procedures,
  - MIS.

**Article 6: Internal Audit**

- An internal audit is a systematic and independent review of the operations and controls within an organisation.
- Responsibilities:
  - The Supervisory Committee shall be responsible for the internal audit.
  - A part of or all the tasks of the realisation of the internal audit shall be delegate to a part-time or full-time Internal Auditor.
  - The part-time or full-time Internal Auditor shall work closely with the Supervisory Committee, who is given him / her directives and indications for its work. The internal auditor is reporting to the Supervisory Committee, who is himself reporting to the BOD. The
BOD can request that the Internal Auditor report with the Supervisory Committee directly to him.

- Supervisory Committee and Internal Auditor are working for the planning and realisation of the internal audit with the Manager of the society.

- The internal audit shall determine whether the risks to the CU are identified by checking if:
  - Financial and operating information is accurate (for internal and external purposes),
  - Internal policies and procedures are being followed,
  - Management’s risk identification, prioritization and mitigation is appropriate,
  - Any new risks become evident or previously identified risks remain unaddressed.

- Means and tools for the Internal Audit:
  - An annual work plan for the internal control shall be define and shall comprise the following activities:
    → Conduct first time internal control assessments,
    → Review policy and procedure updates,
    → Write reports and issue recommendations to revise procedures and strengthen controls,
    → Meet with the CU Management and BOD to discuss findings, reports, and provide input into strengthening internal control systems and managing newly identified risks.
  - The budget of the internal audit shall be planned at the beginning of each annual work plan.
  - Internal audit shall differ from one to another, though each internal audit shall always include:
    → Checklists to determine whether established procedures are being followed,
    → A check of selected financial transactions,
    → Previous audit reports, management responses, external audit reports and audit management letters (as necessary and available).

Across a year all the following activities should be covered:

→ Audit of investments,
→ Audit of loans,
→ Audit of liquid funds (petty cash and bank transactions),
→ Audit of fixed assets and “other assets”,
→ Audit of other liabilities,
→ Audit of share/savings,
→ Audit of expenses/income,
→ Audit of the transactions between the CU, the employees, the BOD, the committees and their relatives,
→ Audit of the members through members’ visits to verify their existence, their loan and saving balances,
→ Audit of the management, staff and committees performance.

- **Conduct:**
  → The work of the Supervisory Committee and the Internal Auditors shall be careful in discretion, approachable and use an objective perspective to their work. They shall first of all be curious people - curious about what they see, observe, and curious about why things appear as they do.
  → They shall help to protect and promote the CU, staff and members. They shall only work in the best interests of all of the stakeholders, and can best do so by seeking to understand what happens, and why things happen as they do.

- **Reporting:**
  → Each audit shall be correctly documented and filed.
  → The audit findings shall first of all be clearly understood, clarified and explained by operational staff.
  → They shall then be verbally debriefed with operational staff. This is the opportunity for the Supervisory Committee and/or the Internal Auditor to explain the risks that the findings can bring to the CU if left unchecked.
  → The findings then shall be included in the written report.

**Article 7: External Audit**

- An external audit is an independent examination of the books and records of a CU. An external audit also examines the procedures dealing with cash and assets to ensure that theft or errors are being properly deterred. The external audit confirms the financial statements and points to areas where procedures can be improved.
- The CUA Audit Department with the Department of Co-operative (DOC) from the Ministry of Social Welfare and Development organise a joint external audit of the CUs.
- An external audit is not to find fault, but to detect any error or fraud as well as to give recommendations how to enhance the performances of the CU. Timeless of audit will also prevent fraud and errors.
- The BOD and the Management have to prepare the visit of the auditors by ensuring:
  - That the final books of accounts are ready (i.e. income and expenditure statement and balance sheet),
  - That all other documents that relate to the audit (i.e. members data, loan forms, investment files, minutes of the BOD and committees etc.) are available,
  - That all the staff is available during the audit,
  - That the auditors have the opportunity to meet members of committees (BOD, Loan committee, Supervisory Committee) if necessary.
- The BOD shall contact the Chapter Office in order to plan the audit schedule.
II. GUIDELINES

- Operational risks

1) Credit risk - Loan delinquency

- Definition

A loan is delinquent when an instalment is not paid on the date the loan is schedule to be paid. To be precise, whenever an instalment is missed or not paid in full amount, the loan is termed delinquent.

Also the terms used such as late payments, arrears, past due payments, default, overdue, missed payment etc. all means the same, the loan is delinquent.

The Delinquency determines the extent at which a CU loan portfolio is exposed to risk.

- Responsibilities

- The BOD shall be responsible to ensure that the CU has developed a loan policy and that it is in use. Furthermore it is responsible to ensure that the CU is using clearly defined procedures for the monitoring of the loans particularly the delinquent loans. These procedures should be part of the loan policy.

- The BOD shall also be responsible that the Loans Policy and collection procedure are reviewed from time to time based on the changing market and environmental conditions.

- The Manager along with the staff shall be responsible for the implementation of the loan policy and procedures and for co-ordinating the collection efforts of the CU.

- In particular the Management and the Loan officers shall be responsible for the correct loan analysis, the monitoring of the loan repayments and of the delinquent loans.

- Loan officers and the Education Committee shall be responsible for the information and education of members on Loans Administration.

- Loan officer shall be also responsible to give the right financial counselling to the members.

- Measures

i. Loan Policy and Procedures

- First of all the CU have to develop and adopt a loan policy giving the different type of loans and fixing the conditions for the loan applicants and the procedures to process the loan demand with the loan analysis, to monitor the loan repayments and the delinquent loans.

Therefore CUs can use the CUA-Manual “Credit Management for Credit Unions” available at CUA. This manual is providing a Model Loan Policy that is to be used by the CUs to develop their own Loan Policy.
Requirements for Policy and procedures:

→ **Loan Policy and procedures shall be implemented and put to use!**

→ Concerning delinquency the Loan Policy shall **enhanced the preventive measures** and focus on an effective Loan Analysis.

→ For the monitoring of the delinquent loan the Loan Policy shall fix **immediate and ongoing reactions**.

→ Policy and procedures relating to the collection of delinquent loans and interest shall apply equally to all members irrespective of their position in Credit Union, professional or social standing.

- The Policy has to be reviewed from time to time (at least once a year) and check if it is still adequate. The necessary changes have to be processed through the Management and the BOD has to adopt it before it is vote at the next AGM.

**ii. Financial Counselling and Education Committee**

- **Information and education of the members** are the central tasks of the loan officers and the Education Committee for the prevention of loan delinquency.

Before receiving his first loan each member has to attend an Education Committee meeting specialised on loans.

After .......... loans or after a period of **three** years the member has to attend again to an Education Committee meeting specialised on loans before he or she can received the new loan.

- Furthermore during the financial counselling the loan officer has to advice the member about the right product about the amount and repayment schedule depending on for his or her purpose, capacity to repay, character and competence, capital and collaterals. He / she has to explain to him or her the reasons for his advices.

**iii. Monitoring of current loan repayment**

- The CU should have a good monitoring system of the current loan repayment:

  → Computerise CUs with a MIS Software like CUSoft can provide reports given the list of members who have to pay back a loan day by day.

  → Computerise CUs with no MIS Software like CUSoft, Excel sheets are use to sort the list of members who have to pay back their loans day by day.

  → Non-computerise CUs shall use a table of borrowers to find out easily members who have to pay back their loans on a particular day.

- Base on the lists of members who have to pay back their loan, the loan officers have to send a reminder in form of a SMS one to three days before the due date (each CU has to fix its own schedule).
In the case where it is not possible to send an SMS the CU has to find other means to remind the member, e.g. during the visit on the field or through the workplace in the case of Workplace CUs, during church assemblies in the case of Parish CUs...

In case of delinquent loans it is worth to call the member in addition or instead of sending an SMS.

iv. Monitoring of the delinquent loans

- The CU should have a good monitoring system of the loan repayment enabling it to act immediately when the delinquency is occurring:
  → Computerise CUs with a MIS Software like CUSoft can provide the list of borrowers’ loans in arrears day by day.
  → Computerise CUs with no MIS Software like CUSoft, Excel sheets are used to sort the list of members borrowers’ loans in arrears day by day.
  → Non-computerise CUs shall use the table of borrowers giving easily the one in arrears for a particular day.

The reporting system should be able to give the list of the delinquent loans of the former day or even the same day so that the loan officer can react immediately.

- If the CU hasn’t immediately an effective reporting system giving fast and easily the list of delinquent loan of the former day it should plan fix repayment date for all the loans, e.g. on the 10th, 20th and 30th or on the 5th, 10th, 15th, 20th, 25th, 30th.

v. Collection Procedure

- Delinquent Loans records shall be available and examined each month and copy submitted to the BOD
- Reminders shall be sent to all members in arrears of 1 day.
  A second notice shall be sent when no payment of account is made in ............. days.
  A third notice shall be sent to all borrowers who have not made payments in ............. days.
  A final notice is then sent to delinquent borrowers within ............. days.
- A first visit of a delinquent borrower shall be made not later than ... days after failed repayment if there is no reaction of the member.
- Frequent visits to borrowers to monitor repayment schedules.
- In all these reminders, the guarantors to the loans shall all be reminded of failure of the borrower to pay.
- The BOD shall freeze the savings of the guarantor to repay the borrowers loan after the last reminder.
- Collateral shall be recovered if payment has not been made without good cause.
- All Loans considered doubtful shall be charged against Provision for Doubtful Loans.
Failure to comply with all above defaulters will be referred to a Solicitor or Collection Agency to start a legal action.

**vi. Loan provision**

- To calculate the loan provision or loan loss reserve the potential losses to the loan portfolio must be estimated.
- Provision shall be made based on CUA and BoG recommended standards (effective June 2011):

<table>
<thead>
<tr>
<th>Extent of delinquency</th>
<th>% of reserves required</th>
</tr>
</thead>
<tbody>
<tr>
<td>All the non delinquent loans and delinquent loans with less than one month</td>
<td>1</td>
</tr>
<tr>
<td>1-3 months</td>
<td>10</td>
</tr>
<tr>
<td>4-6 months</td>
<td>30</td>
</tr>
<tr>
<td>7-9 months</td>
<td>60</td>
</tr>
<tr>
<td>10-12 months</td>
<td>100</td>
</tr>
<tr>
<td>Over 12 months</td>
<td>Set aside</td>
</tr>
</tbody>
</table>

**vii. Loans’ write off**

- Loans that are over 12 years and above delinquent without payment must be written off against reserves.

2) **Risk of operational errors**

- **Definition**
  
  Operational errors are unintentional errors that create unreliable information and reports, or the loss of assets.
  
  Operational errors can directly cause errors in the accounting Records that are the life wire of any financial Institution. Without them needed and reliable information cannot be obtained.

- **Responsibilities**

  - The **BOD** shall be responsible to employ competent and committed staff.
  
  - The **BOD** shall ensure that the Management and the staff are provided with the necessary tools and equipments such as calculators, computers and the necessary accounting books which will aid their work.
  
  - The **BOD** shall ensure that the Manager/Staff prepare reports extracted from the financial statements for study and decision, i.e. monthly financial and statistical reports. This is to be posted on society Notice Board, copies sent to the Chapter, CUA and other interested stakeholders.
The Management shall ensure the preparation of transparent, acceptable and timely accounting records.

The Management shall be responsible to plan and implement internal control measures in order to avoid, reduce, detect and correct operational errors.

The Supervisory Committee shall ensure that internal audit measures are regularly conducted. These measures should detect operational errors.

- Measures

- The BOD shall ensure that all financial statements are accurate and transparent devoid of the following operational errors:
  a) Receiving/paying wrong amount of money
  b) Detecting counterfeit notes
  c) Omissions/commissions
  d) Duplication of facts/figures
  e) Issuing of wrong receipts
  f) Raising wrong payment vouchers
  g) Overstatement and understatement of figures
  h) Wrong debits/credits
  i) Posting errors i.e. accounting heading
  j) Misapplication and shortage of mobile money by mobilizers
  k) Traces of IOUs in cash count
  l) Words not tallying with figures
  m) Incomplete records and erasure by Tipp-ex blades, saliva comb

- For a) and b): the cashier has first to be trained to process his/her work without rushing. The CU has to provide to the cashier(s) a note counting machine that shall be a standard for all the CUs who are dealing with cash.

  In the transition cases where the CU doesn’t have a note counting machine, the cashier has to count the money he/she is receiving or paying out. The transition period shall not be more than few weeks.

  By detecting counterfeit notes they have to be immediately perforated.

  → If the counterfeit money is detected by time of receiving the money, it has to be done in front of the member and the note can be given back to the member.

  → If the counterfeit money is detected after having received the money, the money has to come in as cash shortage.
For c) to m) the accountant and the cashier have to be effectively train in cashiering and principle and practices of accountancy. There should be an effective control by the manager.

All past financial records are to be kept in good custody to serve as reference or investigative materials. Avoid destruction and they are to last for 10 years as per Archival laws.

3) **Frauds and embezzlements risk**

- **Definition**
  - **Fraud** is the act of dishonestly appropriating or secreting assets by one or more individuals to whom such assets have been entrusted. It is an intentional deception for personal gain, illegal or irregular means.
  - **Embezzlement** is a kind of financial fraud consisting of taking secretly take money that is in the care of person who commit the crime or that belongs to an organisation or business where he / she works.

For many Financial Institutions, like Credit Unions, embezzlement is a major source of loss. This type of crime is fairly easy to accomplish if internal controls are lax. These negative practices can be committed by one person or collision among staff or between staff and Board Member(s).

- **Responsibilities**
  - The **BOD** shall ensure that preventive, detective and corrective measures are developed and implemented in the CU.
  - The **Management** shall be responsible for the implementation of the preventive and detective measures.
  - The **Internal Control** shall be the first instrument to detect frauds within the CU.
  - Whereas the **Supervisory Committee** through the Internal Audit has the responsibility of detecting frauds and embezzlement during the financial year.
  - The **External Audit** shall detect frauds and embezzlements at the end of the financial year.
  - The **Management** and the **BOD** are responsible to carry out the corrective measures.

- **Measures**
  - **Preventive measures:**
    The BOD shall ensure the implementation of the following steps to prevent frauds and embezzlement:
    - General measures:
      - Manuals and procedures should exist and be implemented,
      - The internal control and audit should be implemented and effective.
Particular measures:

→ Require two staff members to access the central change fund or cash items through dual combinations on safes,
→ Provide all staff handling funds locked containers under their control,
→ Ensure that staff members have separate duties such as granting loans, so that one person does not have control over the whole operation.

The following positions can’t be done through the same person:

- Manager / Accountant
- Accountant / Loan Officer
- Accountant / Cashier

→ Rotate duties and require annual vacations.

Detective measures:

The BOD shall ensure the implementation of the following steps to deter frauds and embezzlement:

→ Obtain a monthly/annual report from all employees for examination by the Supervisory Committee,
→ Conduct surprise audits, cash count and reconciliation by Supervisory Committee and External Auditors,
→ Update all financial statements on monthly basis for scrutiny by the Supervisory Committee,
→ Monthly reporting system of operations must be submitted to the BOD for verification and decision taken on pertinent issues.

Corrective measures:

In the case when a fraud is discovered:

→ If during the internal audit a case of deliberate fraud by a staff member is discovered, the Manager shall be immediately and confidentially informed so that a deliberate, careful investigation can take place without having the staff member run away, try to cover up the problem or suspect that they have been detected. This allows due process of fraud investigation and evidence to be completed, and appropriate disciplinary action as per organisational policy.

→ If during the internal audit a case of deliberate fraud by the Manager is discovered, they should take immediate steps to contact the BOD, so that it can take steps for investigation and disciplinary action.

4) Cash management risk

Definition

Cash management is to organise, ensure the security and smooth processing of cash transactions for a variety of purposes in CUs: making deposits or withdrawals, making loans,
cashing cheques, paying for expenses and transit of money. Some of these purposes are predictable, others are random and impossible to predict.

Other related risk areas with cash management are operational errors and frauds/embezzlement.

- Responsibilities
  - The **BOD** has to adopt a **cash management plan**.
  - The **Manager** is responsible for the production and implementation of this **cash management plan**, for the **day to day management of cash** as well as for **periodic audits of cash drawings**.
  - The **Treasurer** shall be responsible for the supervision of **cash**, therefore he is supervising the Manager concerning the issue of cash management.

- Measures
  - **Activities under the responsibility of:**
    - The **BOD**:
      - **Relationship with other financial institutions**: The BOD shall ensure to maintain good working relationship with all financial institutions providing services to the CU.
      - **Authorisation**: The designation of an official bank, cheque signing, authorisation, investment account, borrowing authority and investment authority shall be specified.
      - Bank average is maintained and reviewed annually.
    - The **Manager**:
      - Inform the BOD if the relationships with other financial institutions are strained or unsatisfactory.
      - The level of cash on hand at any time shall be reasonable for operating purposes in the context of anticipated receipts and disbursements projected for the week period.
      - The current account balance at the bank shall also be reviewed on a daily basis.
      - Bank reconciliations are to be made monthly and checked.
      - Periodic audits of cash drawings shall be made.
      - Periodic cash counts shall be conducted.
      - A petty cash shall be maintained by the Manager on daily operations and the account is replenished at necessity arise.
    - **Cashiers**
      - Cashiers are instructed to lock up drawers during breaks, lunch, or whenever they leave the area.
      - No employee is to have access to cash withdrawals unless authorized.
      - I.D. Cards (or equivalent like Driving Licenses) shall be requested for withdrawal purposes.
→ A duplicate copy of the deposit slips is made for deposits.

○ **The Supervisory Committee:**
→ Made periodic cash counts.

- **Cash Receipts and Deposits:**
  → All funds of the CU, except for petty cash, shall be deposited in such qualified depository as the BOD may from time to time designated and shall be so deposited not later than the second banking day after their receipts.
  → Identification of all deposits shall agree with the receipts for the period covered.
  → Non cash items such as post dated cheques shall be under separate control.
  → Cheques returned for insufficient funds are to be under a separate control procedure. In each instance an immediate follow up should be handled.

- **Protection:**
  → Necessary precautions are to be made to ensure that cash both at the office or in transit is being protected against loss or robbery or through an adequate insurance programme.
  → The cash management plan shall specify:
    – The access to cash (who, which maximum amounts etc.),
    – The dual control procedures,
    – The segregation of duties.

○ **Fixed procedures:**
  → All receipts – cash and cheques are to be deposited intact daily,
  → All cheques are to be safely stored upon receipt,
  → Void cheques should be marked VOID,
  → A duplicate copy of the deposit slip is made for all deposits,
  → I.D. Cards shall be requested for withdrawal purposes,
  → Cashiers are instructed to back up cash drawers during breaks, lunch, or whenever they leave the area. No employee is to have access to cash withdrawals unless authorized,
  → The account is replenished as necessity arises,

○ **Safe:**
  → More than one employee is to be present when the safe is opened and closed each day.
  → CU shall seek to **have a safe with a double combination to open**, e.g. key and code or two keys. Each element of the combination has to be **kept from two different persons** so that one person can never open the safe alone.
  → If the CU doesn’t have a safe with double combination or is using a cabinet with only one key it has however to fix in their procedures that two persons should open and closed the safe. In a second step it has to buy a separate metal box with a key.
→ The safe shall not remain open even during the work.
→ The safe shall be if possible in strong room but at least at discreet place so that not everyone can see it (e.g. in a cupboard or wall).

○ **Cash in transit:**
→ The transport of cash between the Bank and the CU has to be assigned with the following precautions related with the amount that is transported and the general security in the area:
  - Employees are not permitted to make other stops when transporting cash to bank,
  - Up to an amount of GH₵ ............. the transport has to be done by two CU employees,
  - If the CU is using a taxi, it shall use a trusted taxi driver.
→ Use the funds collecting service of the Bank if it providing it for free or an acceptable fee.

○ **Insurance:**
→ The CU shall have an insurance covering:
  - The cash in the safe,
  - The cash at the cashier desks,
  - The cash in transit.

5) **Internal security risk**

- **Definition**
  **Internal Security** seeks to protect the CU’s property like cash, documents, register, furniture and working devices (PC, notebooks etc.) from damage or loss and the persons in the CUs (employees, members, visitors) from injury.

- **Responsibilities**
  - The **BOD** shall ensure that adequate and reasonable protection of documents, information, personnel and members, premises and the organisation all exist.
  - The **Management** is responsible for the implementation and monitoring of the protection measures.

- **Measures**
  - **Cash Management**
    → See 5) Cash Management.
  - **Protecting of Personnel:**
    → BOD and Committee members as well as employees are instructed not to talk carelessly in public about credit union business particularly about cash handling procedures,
All employees are instructed not to play hero and not to offer resistance to hold up men,
Employees are instructed not to be lured outside of the credit union premise by unusual noise, disturbances, noisy car horns, leaving the office unprotected.

- **Protecting of Premises:**
  - Messengers, maintenance persons and delivery persons are handled at reception desk. Identification is requested when necessary,
  - Unauthorized personnel are not allowed to work in sensitive areas of the CU office,
  - Fire extinguishers shall be made available at the vantage points of the CU office,
  - The CU shall provide insurance coverage for the CU office. This will include:
    - Protection for Personnel,
    - Protection for Premises,
    - Protection for Cash (see point Insurance under 5) Cash Management),
    - Hold up precautions,
    - Break-in precautions.

- **Other Precaution Measures:**
The BOD shall ensure the following measures to beef up internal security of the CU office:
  - All machines switched off after close of business,
  - All lights off except security,
  - Night Alarm set on, when exit,
  - Safe locked up and alarm set on,
  - Internal controls strictly observed as follows:
    i. Ledger cards of members in good custody,
    ii. Documents covering Land/Building kept safely,
    iii. Assets Register, Register of members, Investment Register kept intact,
    iv. Disbursement invoices, cheque books, value receipt books in good custody,
    v. Custody of members’ documents as security for loans properly secured,
    vi. Personal files of employees and others shall be well secured,
    vii. Job description, responsibilities, supervision, delegation of powers, reporting system clearly spelt out,
    viii. Confidentiality of information maintained,
    ix. Vault or strong room, cabinet, safe well secured.

6) **External security risk**

   - **Definition**
**External Security** seeks to protect the CU’s property from theft or vandalism. This aspect of security is essential in that it aimed to give general protection for the smooth running of the credit union.

- **Responsibilities**
  - The **BOD** shall ensure that preventive as well as corrective measures are developed and implemented in the CU.
  - The **Management** is responsible for the implementation of the preventive and corrective measures.
  - The role of detection of weakness and improvements shall be a concern for each employee but is particularly under the responsibility of the Management and the Supervisory Committee.

- **Measures**
  The BOD as the Administrators and Managers of the society shall provide the following measures:

  i. Safe-keeping equipments shall be attached to the building:
     - Fire or smoke detectors,
     - Fire extinguisher,
     - Security locks and strong door keys.

  ii. By growing and becoming bigger the CU shall plan to install a:
     - Circuit Television,
     - Security Alarm System,
     - Before installing a security alarm system that is expensive, the CU shall analyse if it is possible to install a light or a bell in the shop of a neighbour that could be activated through the cashier during a hold up so that the neighbour can call the police.

  iii. Security officers or policeman or woman for day and night duties shall be employed:
     - His/her job is to ensure the overall security of personnel and fixed Assets of the CU.
     - The officer shall submit a monthly/annual written report to the BOD.

  iv. The police are to be alerted if suspicious persons or loiterers frequent the area of the Credit Union office.

  v. In case of a hold up the following precautions shall be provided to employees:
     - Remain calm and carry out the robbers orders without argument,
     - Be observant. Take notice of speech, mannerisms, appearance and even make of car and registered number,
     - Compare the robbers’ height with some object in the office so that you can describe him/her accurately.
vi. When the Robber leaves:
→ Note method and direction of escape,
→ Alert other office staff and immediately notify the police,
→ Under no circumstances should you touch move or disturb anything on the premises until the police arrive,
→ Give the police the list of bait bills,
→ Get the names and addresses of all witnesses including passer-by who observed the robber leaving. Protect your witnesses; give their names only to the police.

• Financial risks

7) Risk of inappropriate interest rate policy on savings and loans

– Definition
The **interest rate policy** is stating the interest rates on both Savings and Loans. Especially the rates on Savings shall be pre-determined at the AGM and mode/time of payment – daily, monthly, quarterly, bi-annual or yearly.
The interest rates on Savings and Loans have direct impacts on the competitiveness of the CU on the financial market and on the margin between interest rate income on loans and interest rate expenditure on members’ savings.

– Responsibilities

- Based on the proposition and advices of the Management the BOD shall state the interest rates on Savings and Loans and present them for final approval to the AGM.
- The Manager, the Loan Committee and the Supervisory Committee shall ensure that the interest rate policy is respected.

– Measures

- The CU shall first to base its interest rate policy on CUA’s standard:
  → 5% per year on Savings,
  → 3% per month on reducing balance on loans (19,50% p.a.). This is for a standard loan for a period of 12 months.
- The CU shall have different interest rates for the different types of loans and for the different periods of repayment.
- The CUA’s standards on interest rates shall be competitive to the financial market and membership of the CU.
- The market and the members’ expectations shall continuously be analysed and the interest rate policy shall be reviewed if necessary.
8) Liquidity risk

- Definition

Liquidity is the ability of a CU to meet the demands for funds. A CU that is able to meet its current obligations as they become due is in a liquid position and illiquid when it is unable to meet claims for funds. Liquidity is a key element for the credibility of the CU and confidence of the members in the CU.

- Responsibilities

  - The BOD shall ensure that preventive, detective and corrective measures are developed adopted and implemented in order to face liquidity problems in CU.
  - The Management shall be responsible for the implementation of these measures.

- Measures

  - CUA’s standards shall be respected:
    - The CU shall build up its Liquidity Reserve of **20% minimum of Total Assets** to meet the demand of members especially its loans portfolio.
    - The CU shall transfer **5% minimum of its Total Assets** as the required liquidity reserve in CUA CFF.
  - The BOD shall make sure funds are always available to meet the demand of members in the form of withdrawals and loans.
  - Facing liquidity problems the CU shall:
    - Redeem part of its liquid investment (see 9) Credit Union’s Investments),
    - Fall on CUA CFF (e.g. for withdrawals / loan demand),
    - Fall on Bankers for short term loans.
  - For the different specific causes of liquidity problems the CU shall find immediate solution to them i.e.
    - **High loan delinquency** the CU shall cut down the granting of loans as a first step and revise the loan policy. The effective monitoring of loans and delinquent (see 1) Credit risks – Loan Delinquency) loans is a second step.
    - **High savings withdrawals or irregular deposits/savings.** The CU shall revise the saving conditions (e.g. competitive interest rate, fee on withdrawal, creation of current account) and increase the members’ information and education in order to ensure regular savings.
    - **Seasonal demand.** The CU shall provide funds (see former point “Facing liquidity problems the CU shall”) and plan these kind of demand in the future,
    - **Embezzlement, I.O.U.’s and cash shortage.** The CU shall take the immediate measures to stop it and revise the prevention and control measures (see 3) Frauds and embezzlements),
→ **Lock up money in fixed Assets.** The CU shall sell out some fixed assets.

→ **Lock up money in source deduction.** The Leadership shall appeal to institution authority to release money to the CU in good time or educate members to pay at table.

- The BOD shall require professional advice from CUA by the acquisition of fixed assets, e.g. constructing or buying a building for the CU.

### 9) CU’s Investments risk

#### Definition

**CU’s investments** are the commitment of CU’s funds to purchase financial instruments or other assets. They are used as a temporary vehicle to hold excess funds and as part of an overall asset/liability management strategy. This is important as it acts as a liquidity support for credit unions in times of financial crisis.

#### Responsibilities

- The **BOD** shall ensure:
  → That investment of funds is accomplished in a safe and secured manner particularly with respect to limiting the exposure of the CU to unnecessary risk,
  → That adequate liquidity for members is provided,
  → That an investment portfolio which will provide liquidity competitive yields to members on shares, savings consistent with safety and soundness criteria in all investments is structured.

- The **BOD** shall act as the Investment Committee and maintain the right to approve staff members to authorise transaction on behalf of the CU.

- The **Manager** shall implement the directive of the BOD.

#### Measures

- **Co-operative Decree:**
  The BOD shall ensure that the Co-operative Decree 252 of 1968 is adhered to:
  → The first priority of CU is to invest most of its funds in loans to members.
  → However the total loans at any time shall not exceed seventy (70%) percent of the total asset of the CU.
  → Out of the balance of thirty (30%) percent a minimum of twenty three (23%) percent shall be invested in the financial market either as government treasury bills, bonds, fixed deposit, bank savings with commercial banks, CUA CFF or any form of safe liquid investment or as prescribe by Paragraph 26 of the Co-operative Decree.

- CUA’s Standards requires that **investment of CU’s funds** should form a **maximum of 18% of Total Assets**.

- Investment Policy:
The BOD shall ensure that an Investment Policy is adopted. It has to state which kind of investments can be done, which restrictions exist and how to review the policy.

- **Investment strategy:**
  - Cash in excess of the needed for loans, savings withdrawals and operating expenses shall be invested so as to yield the highest return possible. Safety, liquidity and yield shall be the primary consideration in all investment policy.
  - Any surplus of funds shall be invested in the following less risky areas of the Ghanaian Economy such as Bank Savings, Fixed Deposits, CUA CFF, CUA Time Deposits, and Treasury Bills etc. Investments in forms of vehicles, buildings and trading shall be avoided.
  - Each investment as much as possible shall be financial in nature.

- **Review:**
  - An Investment Register shall be established to monitor both principal and interest components of the investment with consideration to date of redemption or roll over effects. This Investment Register shall be as follow:

<table>
<thead>
<tr>
<th>Date of purchase</th>
<th>Type</th>
<th>Institution</th>
<th>Amount (GHC)</th>
<th>Premium / Interest % p.a.</th>
<th>Date of Maturity</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>25.07.2011</td>
<td>91 Day T/Bills</td>
<td>GCB</td>
<td>1,000.00</td>
<td>15</td>
<td>25.07.2011</td>
<td>Redeem or rollover</td>
</tr>
<tr>
<td>02.08.2011</td>
<td>CUA Shares</td>
<td>CUA</td>
<td>600.00</td>
<td>10</td>
<td></td>
<td>Liquidation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Subject to change or increment</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td><strong>1,600.00</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- The Investment policy of the credit union shall be reviewed at least annually by the BOD and any addition or deletion will be approved by the BOD.
- The BOD shall review the quality, diversification and investment analysis of each Institution that the credit union’s considering placing funds with and maintain a list of approved Institutions.

10) **Risk of accounting errors**

- **Definition**
  - Accounting errors are occurring in the treatment and establishment of accounts that have an impact on financial issues like the balance sheet and the income and expenditure account.
Responsibilities

- The BOD shall ensure that CUA’s Accounting Standards (see the CUA Manual “Accounting for Credit Unions”) are respected and implemented.
- The Manager and the Accountant shall be responsible for the implementation of the CUA’s Accounting Standards.
- The Supervisory Committee shall ensure the control of the Accounting.
- The External Auditors shall give in their report a statement about the reliability of the CU’s accounting.

Measures

- Internal Control:
  - The Management and staff shall ensure that timely and accurate financial reports are submitted to the BOD on monthly basis for analysis and decision making.
  - Operational errors shall be reduced through appropriate measures as they are affecting directly accounting records (see 2) Risks of Operational Errors).
- Internal Audit is performed by the Supervisory Committee on at least quarterly basis to look at the financial and management aspects.
- External Audit (see Article 7).

11) Inefficiency risk

Definition

Inefficiency is the ineffective use of resources that causes bad results which can affect the viability of the CU.

On the opposite side the efficiency of a CU reflect the quality of strategy of the development and of the management of the CU.

Responsibilities

- The BOD shall be responsible for the strategy of the development of the CU.
- The Manager shall be responsible for the implementation of this strategy.
- The Supervisory Committee and External Auditors shall give statement to the BOD concerning the efficiency of the CU.

Measures

- The strategy of development shall be reflected in the Business Plan with its related Budget (see also 13) Social and Commercial mission risk).
- In the middle term a CU shall seek to develop and use a three year Business Plan including a three years budget to support the long term strategy of development.
- Concrete measures concerning the implementation of the Strategy and the Business Plan are involved under all the other points of this guideline.
To be able to apply sound business practices and increase efficiency, the Board and Management shall endeavour to operate within the established operating standards set up by WOCCU and review and modify from time to time by CUA Ltd.

• CUA Operating Standards: are compulsory for all CUs. See section 16) iii. Standards and the list of the “CUA Operating Standards” in Annex.

• Institutional risks

12) Vision risk

– Definition
The vision is giving the long-term objectives of development of the CU.

– Responsibilities

• The BOD with the other Committees, Management and staff and at least five selected members shall state the vision of the society.
• This same body shall be also responsible for revision of the vision if necessary.
• The same body and all the members shall be responsible for the achievement of the vision statement.

– Measures

• The vision statement shall be realistic and adequate.
• It shall be communicated to members and employees.

13) Social and commercial mission risk

– Definition

• Mission: It is a statement about the short and middle term objectives, the values, the products and services as well as the target groups of the CU. It can also give some indication about the advantages of the CU.

The singularity of CUs is that they have a double mission: a social and a commercial one

• Social mission: It is included in the mission statement and it gives the social short and middle term objectives like improving the members’ economical situation and well-being through offer of appropriate financial services.
• Commercial mission: As the social mission it is included in the mission statement and it gives commercial short and middle term objectives. As an economical actor CUs shall have beside social objectives sustainability objectives and shall manage the organisation as a business to allow it to be viable in the long term.

– Responsibilities

• The BOD with the other Committees, Management and staff and at least five selected members shall state the mission of the society.
They shall ensure the right balance between the social and commercial objectives of the CU. The same body shall be also responsible for revision of the mission statement if necessary. The body of the society including the Management, the employees and the all members shall be responsible for the achievement of the mission.

- **Measures**

  - The mission statement shall be realistic and adequate.
  - It shall be communicated to members and employees.
  - The mission statement shall be hung in the CU’s office(s) and be printed on the main information materials of the CU like flyers, newsletters, AGM Annual Report etc.
  - All CUs shall **operate with an annual business plan**. The purpose include but not limited to the following:
    - A **Business Plan including a Budget** as an essential management tool to assist in running the CU.
    - Business organisations like the CU is a legal entity and shall not be run in vacuum but with a purpose of achieving set objectives.
    - It is to identify the strengths and weakness as well as the opportunities and the threats of the CU.
    - The objectives of the CU are stated in the Business Plan and it includes the vision- long term, the mission- short and middle term, strategies, the targets and the annual budget.
    - Targets are set on diverse operational areas of the CU i.e. Membership, Shares, Savings Member Educations, Investments, and Total Assets.
    - The forum for this planning activity includes the BOD, all committee Members, the Management and the staff and few selected members with technical advice from CUA.
    - The completed plan is brought to the notice of the Leadership, Management/Staff and the general membership so that in diverse ways contribute to attain the set targets and pave the way for successful operations.
    - The Regional Managers/ Auditors shall monitor the implementation of the plan and offer corrected measures when possible.

14) **Governance risk**

- **Definition**

  **Governance** is the system designed to control and distribute power within an organisation. Governance among CUs is based on the Credit Union Governance Principles that address the challenges of organisational power within credit unions at three separate levels:

  i. **External Governance**: All Financial Institutions, regardless of type, are expected to comply with these basic standards of transparency, auditing and financial reporting. CUs shall comply with their national legal and regulatory frameworks.
ii. **Internal Governance:** Unlike for-profit entities, CUs exist to serve their members. Thus, CUs must address this additional layer of governance related to their democratic, member-driven nature. This includes a commitment to “one member, one vote” and the role of the General Assembly as the highest governing body.

iii. **Individual Governance:** In order to perform their collective duties, the individual board Members and Managers have an obligation to maintain ethical conduct and professionalism and to speak with a single voice once Board decisions have been made. Board members are also expected to possess the skills and technical capacity necessary to fulfil their duties.

   - **Responsibilities**
     - The **Corporate Governance** of the CU shall be the responsibility of the **elected leadership, hired management and members** of the Credit Union.
     - The **elected Leadership** shall comprise of the BOD, Members of Supervisory and Loans Committees and the appointed Members of the Education Committee.
     - The **Management** of the CU shall refer to as the employed Staff.
     - The **Members** shall refer to all share holding members of the CU.
     - **CUA Regional Offices** shall have a role of advising the CU in matter of governance in order to prevent but also to develop with the CU corrective measures if necessary.
     - The **External Auditors** shall give a statement above governance in their reports.

   - **Measures**
     - In complement to the Bye-Laws that defines specific responsibilities of the various Committees and Management the various roles and responsibilities of all the persons mention under the former points in respect of governance of the credit union have to be identified and shall be performed to the letter.
     - The monitoring role of the entire task shall be the Supervisory Committee acting as Internal Auditors which shall deliver their work with diligence, objectivity and independence.
     - All categories of members under the Governance structure should be formally oriented concerning the CU business, competitive posture, strategic plans and objectives.
     - They shall also be subjected to on-going training not only in their particular field of expertise but also in other areas which will assist them in the discharge of their duties and functions.
     - Training can be on the different levels: local, Chapter, CUA, ACCOSCA, WOCCU, Government Agencies and NGO.
     - The policies, especially the HR Policy, shall help to avoid conflict of interest between the BOD, the other Committees, the Management and the Staff.
Conflict of interest is where they use their positions to gain an advantage for themselves, relatives or friends over an issue which is contrary to the policies of the CU, e.g. reduce interest on loans for a relative or a friend.

15) Human Resources risk

- **Definition**
  
  Human Resources (HR) is a term used to describe the individuals who make up the workforce of an organization. The HR Management seeks the implementation of strategies and policies relating to the management of individuals.

- **Responsibilities**
  
  - The **BOD** shall ensure through the constitution of a Personnel Committee usually including the Chairman, Treasurer and Secretary of the BOD that a HR Policy and Condition of Service Policy is developed and implemented in the CU.
  
  - The **Management** shall implement the Condition of Service Policy.

- **Measures**
  
  - **Personnel Committee:**
    
    → It is responsible to recruit the appointed staff of the CU.
    
    → Its intention is to encourage staff, train and motivate them for careers in CUs.
  
  - **Human Resource Policy:**
    
    → The HR Policy shall state the following Recruitment Process:
      
      i. Job evaluation,
      
      ii. Advertising of position,
      
      iii. Short listing,
      
      iv. Interview,
      
      v. Appointment,
      
      vi. Probation,
      
      vii. Confirmation,
      
      viii. Training.
    
    → All HR Policy shall prohibit discrimination on the basis of sex, age, race, colour, religion, handicap, marital status or political beliefs. This ban on discrimination applies to recruiting, hiring, assignment, promotion, wages, transfer, training, vacation, fringe benefits and other terms and condition of employment.
    
    → The recruitment towards competent staff shall be geared with the necessary qualifications and skills, but not on family relations or personal interest.
The volunteer personnel and members in the committees shall be nominated by the members, vetted by CUA/DOC and elected by members at AGM.

**Condition of Service:**
- Condition of Service shall provide guidance for staff regulations like pay, allowance, leave, disciplinary regulations as well as grievance and industrial dispute procedures, retirement from the service of the CU, compensation for loss of employment, reassignment and training.

**Training and capacity building:**
- Training and capacity building of staff and volunteers is a key factor to the success of a CU. Therefore Training and capacity building measures shall be planned over the year in term of offer, schedule and budget.
- The BOD shall set aside 10% of its net surplus every year as education reserves to support adequate training and capacity building of the BOD, Committees, Management and Staff to make them more efficient and highly productive.
- The BOD shall take advantage of training offered by the Chapter, CUA, ACCOSCA, WOCCU, NGOs.
- Mutual issues between the BOD, Committees, Management Staff and members shall be respected.

16) **Bye-laws, Policies, Standards and Manuals risk**

i. **Bye Laws:**
   - **Definition**
     - A **Bye Laws** is a written document or set of principles which governs the members of an organisation especially in relation to the rights of the people or members it governs.
   - **Responsibilities**
     - The **BOD** shall be responsible for establishing and reviewing of the CU’s Bye Laws.
     - The **AGM of members** shall adopt the Bye Laws in accordance with the CU Bye Laws and Co-operative Act.
     - **CUA Officials** shall provide assistance for the development and review of the Bye Laws.
   - **Measures**
     - It is **obligatory** for every CU to have its **own Bye Laws**.
     - The **CUA model Bye Laws** available at CUA shall be **used and adapted** for the establishment of the CU’s Bye Laws.
     - The CU’s Bye Laws and not the CUA model Bye Laws shall be available at any time for all the members and the employees of the CU.
ii. **Policies and Procedures:**

- **Definition**
  - A *policy* is a written plan or guidelines that indicate the direction of the operations that has been agreed officially by the organisation or CU. A policy shall be designed to provide written statements to establish and implement the objectives of members and to govern the operations of the CUs.
  - *Procedures* are the written instructions that tell how to implement and follow the policies.

- **Responsibilities**
  - The **BOD** shall be responsible for establishing the policies with their procedures in the following areas:
    - i. Corporate Governance Policy,
    - ii. Personnel Policy (Condition of service),
    - iii. Shares and Savings Policy,
    - iv. Loan Policy,
    - v. Products Policy (when a CU has other products than shares, savings and loans),
    - vi. Financial Management Policy,
    - vii. Investments Policy,
    - viii. Procurement Policy.
  - The **BOD** shall be responsible for reviewing at least once a year the policies and procedures with possible additions, deletions or changes.
  - The **AGM of members** shall adopt the new policies with their procedures and the changes in accordance with the Credit Union Bye Laws and Co-operative Act.
  - The **BOD**, the **other Committees** and the **Management** shall be responsible for the implementation of the policies and the procedures.
  - **CUA Officials** shall provide assistance for the establishment and review of the policies and procedures.

- **Measures**
  - It is obligatory for every Credit Union to have its own policies and procedures. Policies and procedures differ from CU to CU depending on the environmental conditions of the society.
  - In order to be effective, Policies and Procedures must be:
    - Written,
    - Simple and clear,
    - Known and understood from the relevant persons,
    - Relevant (up to date) and
General Risk Management Policy

→ Implemented.

- The policies and procedures have to be made available at any time for the concern persons.
- The CU shall purchase model policies available at CUA Ltd to be adopted and adapted.
- The review of the policies and procedures shall have the following purpose:
  → Provide information to new BOD and committees on existing policies and procedures, and give them the opportunity to question and understand the reasons for the policy and procedures,
  → Commit each BOD member to existing policies and procedures,
  → Assure a systematic review and evaluation of policies and procedures at least once a year.
- Major reviews of the policies and procedures directly affecting the members like changes of interest rate, entrance fee, minimum savings or minimum savings balance become operative when adopted by the AGM.
- Minor reviews like administrative issues can become operative when adopted by the BOD.

iii. **Standards:**

- **Definition**

  **Standards** are formal documents that establish uniform criteria, methods, processes and practices.

  CUA has set different standards that are compulsory and have to be implemented through the CUs.

- **Responsibilities**

  - The **BOD** shall ensure that CUA’s Standards are implemented.
  - The **Management** shall be responsible for the implementation of the CUA’s Standards.

- **Measures**

  - CUA’s Operating Standards are compulsory. See section **11) Inefficiency risk** and the list of the “**CUA Operating Standards**” in Annex.
  - The CU shall honour all its financial obligations to CUA that are fix standards for all CUs. See next section **17) CUA Financial Obligations**.
  - Study Groups who want to affiliate to CUA have to fulfil a list of 16 criteria set by CUA. See Annex Section **2) CUA’s Criteria for CU Operatives**.
  - The CUA Standard Accounting System has to be implemented through the CUs (see CUA Manual “Accounting for Credit Unions”).
iv. **Manuals:**

- **Definition**

  **Manuals** are setting standards and give indications for the work in the CUs. They can serve as reference books or library for Committees and Management and a guide for the smooth operations of the societies.

- **Responsibilities**
  - The **BOD** shall ensure that CUA standard Manuals are available for the Management and the Committees.
  - The **Management** and the **Committees** shall be responsible for the use of the CUA standard Manuals.

- **Measures**
  - Every CU shall purchase the Manuals that are in stock at CUA.
  - The following Standard Manuals are available:

<table>
<thead>
<tr>
<th>Manual</th>
<th>For</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Accounting for Credit Unions</td>
<td>BOD / Secretary / Management / Staff</td>
</tr>
<tr>
<td>2 Credit Union Management</td>
<td>BOD / Management</td>
</tr>
<tr>
<td>3 Credit Management for Credit Unions</td>
<td>Loans Committee / Management</td>
</tr>
<tr>
<td>4 Financial Management</td>
<td>BOD / Management / Supervisory Committee</td>
</tr>
<tr>
<td>5 Auditors Manual</td>
<td>Supervisory Committee</td>
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<tr>
<td>6 Supervisory Committee Manual</td>
<td>Supervisory Committee</td>
</tr>
<tr>
<td>7 Getting to know us</td>
<td>Education Committee</td>
</tr>
</tbody>
</table>

17) **CUA Financial Obligations risk**

- **Definition**

  **CUA Financial Obligations** are compulsory dues and fees for all affiliate members of CUA. They are source of income and capital to CUA or funds for investment on behalf of the CUs. The relation between CUA and societies is support and service. Societies shall support CUA with their financial obligations and CUA shall offer services to the primary societies like Training and Auditing.

- **Responsibilities**
  - The **BOD** shall ensure that they honour all financial obligations to CUA.

- **Measures**
  - Societies shall fulfil the following financial obligations:
<table>
<thead>
<tr>
<th>Financial Obligations</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 CUA Dues</td>
<td>¢ 2.50 per member per year</td>
</tr>
<tr>
<td>2 Chapter Dues</td>
<td>¢ 1.50 per member per year</td>
</tr>
<tr>
<td>3 Statutory Reserve Deposits</td>
<td>25% of Net Surplus for every financial year ended</td>
</tr>
<tr>
<td>4 CUA CFF Saving</td>
<td>5% of Total Assets for every financial year ended</td>
</tr>
<tr>
<td>5 Stabilization Fund</td>
<td>0.15% of Total Savings for every financial year ended</td>
</tr>
<tr>
<td>6 CUA Shares</td>
<td>¢ 500 before affiliation</td>
</tr>
<tr>
<td>7 Other fees are charged against other services like Auditing, Training, Seminars and Conferences</td>
<td></td>
</tr>
</tbody>
</table>

18) **Dependency risk**

- **Definition**
  
  **Dependency of a CU** is a situation where the CU has continuing need for financial, operational and strategic support from an external organisation. Especially CUs that have strong financiers are exposed to the time that these financiers are going to retire from the CU.

- **Responsibilities**
  
  For CUs that have external organisation(s) and especially external financiers, the **BOD** shall ensure in the development strategy that the engagement of the organisation(s) will not create a dependency of the CU that could affect the viability of the CU when the organisation(s) is or are going to withdraw.

- **Measures**
  
  - Strong dependency from external organisation shall be avoided.
  - The engagement of the external organisation shall be well planned.
  - In the case of external financier the income and expenditure sheet as well as the balance sheet shall clearly show the impact of the Financier’s support on the CU’s financial results.
  - The CU and the external organisation shall plan early enough for their withdrawal to avoid the collapse of the CU.

- **MIS risks**

19) **MIS - System efficiency and integrity risks**

- **Definitions**
  
  - **MIS:**
    
    A **Management Information System (MIS)** involves all the means and the processes that allow a CU to create, edit, share and serve information.
Management Information Systems involve three primary resources: technology, information and people.

The main requirements for a MIS are the integrity and the efficiency of the system.

- **Computerised CU:**
  A computerise CU is using a software to process all its operations and manage its information. Therefore a CU that is just using a spreadsheet program like Excel and/or a word processing program like Word can’t be regarded as computerised CU.

- **Responsibilities**
  - The **BOD** shall ensure that an effective MIS is procured and implemented for the smooth and efficient running in the CU.
  - The **Management** shall be responsible for the procurement, implementation and operation of the MIS.
  - The **Supervisory Committee** shall be responsible for the control of the efficiency and integrity of the MIS.
  - The **External Auditors** shall give in their report, a statement about the efficiency and integrity of the MIS.

- **Measures**

  i. **Different measures for computerised and non-computerised CUs:**

  1. **Non-computerised CUs**
     - All CUs shall have the middle or long term objective to be computerised to provide efficient, accurate, economically and justifiable records and adequate managerial reports.
     - CUs that are processing all their operations manually and haven’t any PCs or Notebooks shall have the **short or middle term objective to purchase PCs or Notebooks**.
     - In the transition periods from manual to PC-supported CU and from non-computerised to computerised, a non-computerised CU shall ensure the quality, integrity and reliability of its information.
     - The CU shall apply the CUA’s Accounting Standards (see the CUA Manual “Accounting for Credit Unions” and section 10) **Risk of accounting errors**.
     - The CU shall use registers, ledger cards, arc-files, shelves, cabinet/safe to manage and store the CU’s information and documents in an efficient way so that they remain safe and available.

  2. **Computerised CUs**
     - A Credit Union Software like CUSoft shall ensure the efficiency and integrity of the MIS.
     - In computerised CUs all the computers shall be in a network.
     - Requirements for a Credit Union Software:
The Credit Union Software shall support the CUA’s Accounting Standards (see the CUA Manual “Accounting for Credit Unions” and section 10) Risk of accounting errors) to process all the accounting operations and produce the financial statements (Income and Expenditure Account, Balance sheet...).

It shall support:

- All the activities of the CU (operations on the member’s accounts, loan monitoring, shares management, interest rate calculation on savings account...)
- The management of the member’s data,
- Control instrument for the cashier (picture and signature of member with member’s data...).

It shall have a good user help or user handbook.

**ii. Requirements for the computers and the security of the data**

- Each PC shall have a proper protection equipment (UPS – Uninterrupted Power Supply and overvoltage protection) to prevent system shortfall and overvoltage.
- Passwords shall be used for each user in order to register on a computer.
- A non-computerised CU shall install in the short term the computers in a network. Computerised CU shall have all the computers in a network.
- The CU shall have an internet access by using for example an internet pen drive as far as there is in an internet area.
- It shall ensure that an anti-virus software is installed on all the computers and that it is up-dated at least on weekly basis. Activate on the anti-virus software the daily automatic up-date.
- It shall be ensure that a fire-wall is activated on the computers.
- At least weekly back-ups shall be done on adequate electronic devices like pen drives, external hard disk or a back-up PC.
- The back-up support shall be kept in a secure and different place than the PCs or notebook (in a fireproof safe, at the home place of a staff...).
- The back-ups shall be protected with passwords.
- The Management shall analyse if an insurance for the computer devices is necessary and affordable.
- The Management shall plan the maintenance and modernisation of the system.

**iii. Operating controls**

- Documents shall be created to describe the flow of data. This provides guidelines for the organisation of data, authorisation for the handling of data and authorisation for receiving data as well as responsibility for security of data.

**iv. Personal controls**
The Management shall ensure that at least one staff (it can be any staff except the accountant) is able to take the responsibility of the client management (Passwords, abilities).

Computer literate staff is a must and adequate training procedures for personnel must be defined to prevent erroneous data or improper system.

v. Reporting

The CU shall use in order to assure a smooth processing of the reporting the CUA’s templates like the monthly financial and statistical report.

A CU without PCs or Notebook has to request the form in hard copy from the Regional Office, fill it and send the hard copy back to the Regional Office.

A CU with PCs or Notebook has to request a soft copy of the form from the Regional Office, fill it and send the soft copy back to the Regional Office.

In the two different cases of soft or hard copy of the monthly report a copy has to be kept at the CU as the report is not only for CUA’s monitoring purpose but is also a management tool for the CU.

• Marketing risks

20) Efficiency of the marketing mix risk

- Definition

The marketing mix consists of having consistent strategy for the 4 marketing “Ps”: Product (and services), Price, Promotion and Place in order to keep the members, to get new members and to face the competition.

Definitions of the different elements of the 4 marketing “Ps”:

- **Product** is a tangible or non tangible item offered to a member that might satisfy a want or need.

  Whereas a **service** is the intangible equivalent of an economic good.

- **Price** is the quantity of payment or compensation given by the member to the CU in return for goods or services.

- **Promotion** is the communication link between the CU and the members or potential members for the purpose of influencing, informing or convincing a potential purchasing decision.

- **Place** represents the location where a product or service is available. It is often referred to as the distribution channel and can include the office of the CU as well as any other means that allow the contact between the CU and the member like Mobile Money Transfer, SMS, phone, internet...
Responsibilities

- The **BOD** shall be responsible that the CU has an adequate marketing mix that enables the CU to reach its objectives, notably the sustainability and the competitiveness of the CU.
- The **Management** shall be partially responsible for the implementation of the Marketing-mix and shall support the activities of the Education Committee.
- The **Education Committee** of the CU shall be responsible for co-coordinating the marketing activities concerning the member education and member relations. (advertising, promotion and public relations under Management).
- The **Chairman / Secretary / Manager** shall be the official spokesman for the CU depending on the issues.

Measures

- The **Marketing-mix** shall be **revised every year**.
- Measures concerning product and price:
  - The following products and services will be provided or considered in future planning:
    - a) Shares in CU
    - b) Savings mobilization with different kind of savings products (normal passbook savings, fixed deposit, youth savings, school fee saving, savings boxes...)
    - c) Current account
    - d) **Different kind of provident, agricultural and business Loans** (e.g. personal loans, school fees loans, emergency loans, home improvement loans, loans for motor vehicles, micro finance loans...) **with different requirements and conditions** (minimum / maximum amount, interest rate, repayment schedule
    - e) Payroll Deductions
    - f) Loan Protection Policy (LPP)
    - g) Life Savings Policy
    - h) Money transfer, mobile money transfer
    - i) Group Life Insurance
    - j) Financial Counselling
    - k) Education / Training
    - l) Information
    - m) News letter Publication
    - n) Gender, HIV/AIDS and health
    - o) Photocopy

  - The Board shall ensure that the two major products – Savings and Loans shall be diversified. The rationale behind diversification is to provide equal plate forms and create many products to serve the aspirations and objectives of the society and
members. Members have a lot to choose from and have manageable repayment schedules and interest rates. It makes also the CU more competitive.

→ Concerning Interest Rate see also 7) Risk of inappropriate interest rate policy on savings and loans

*Measures concerning the promotion:*
→ The CU shall organise meetings on regular basis (monthly, quarterly) to inform members about the CU’s information.
→ The CU shall print informational, educational and promotional leaflets, brochure and posters to members and potential members on the CU operations.
→ The CU shall provide suggestion boxes at vantage points for members to express opinions and criticism.
→ The CU shall make sure that the format of member education programmes shall include but not restricted to the CU services, philosophy of CU, obligations and privileges.
→ A systematic advertising and promotion campaign shall be continuous part of the CU operations included but not limited:
  - The AGM shall serve as an education forum to the members.
  - The meeting shall be held at a time and place convenient with the members and the meeting objectives.

*Measures concerning the place:*
→ The CU shall be close to its members:
  - For Workplace or Parish CUs the CU’s office shall be close or within the workplace or the church. When it is within the workplace or the church most of the time they are a lot of financial advantages related with it (low or no rent, use of facilities of the workplace or the church, close personal contact to the members...).
  - For Community CUs the office shall be at a strategic place with an acceptable rent and easy to find and to reach by sign board.
  - In the case where the CU plan to acquire a real estate and a building or office they shall to take into account all these points and shall request the advice of its Regional Office.

21) Member relations risk

- **Definition**

*Member Relations* or *Member Relationship Management* is a strategy for managing the CU’s interactions with members and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, member service, and technical support. The overall goals are to find, attract, and win new members, nurture and retain those the CU already has, entice former members back
into the fold, and reduce the costs of marketing and member service. Measuring and valuing member relationships is critical to implementing this strategy.

- **Responsibilities**
  - The **BOD** shall ensure that the CU develop and implement a member relation strategy.
  - The **BOD** shall ensure that committees, Management and staff need to be nice to everybody, ensuring that the members feel at home and accept members’ critics in good faith.

- **Measures**
  - Staffs do not have to quarrel, argue and frown their faces when providing services to their members despite whatever difficult circumstances staff may found themselves. CU is about members hence the need for good member care services.
  - Management and staff shall exercise degree of care diligence and skill that reassemble prudent person shall exercise in comparably circumstances.
  - Every elected committee member or appointed staff shall exercise and discharge the duties of his office honestly, in good faith and in the best interest of the CU.
  - Mutual respect for each other and respect the views of all and sundry shall be ensured.
  - The BOD shall ensure transparency in operation and election by the Ballot Box.
  - The Leadership, Members, Management/Staff shall work as a team.
  - Workable code of Ethics shall be drawn for all (BOD, Committees and Staff) advantage of all possible assistance from co-operative organisations and associations. Participation in local regional, national, continental and global programmes will be an added advantage.

**22) Image / Reputation / Goodwill risk**

- **Definition**
  - **Image** is a global or averaged evaluation of a given CU or the CUs in general on the part of a member, other persons or the public. It consists (a set) of social evaluations about the characteristics of the CUs.
  - **Reputation** is the opinion of the public and the shareholders toward a CU or the CUs in general on certain criteria. It can be considered as a component of the identity as defined by others and is the process and the effect of transmission of a CU’s image.
  - **Goodwill** is an accounting concept meaning the value of an entity over and above the value of its assets that can result from the reputation the firm enjoyed with its members.

- **Responsibilities**
  - The **BOD** shall ensure that all aspects of **Public Relations** are to communicate to all and sundry so that it increases the image, the reputation and the goodwill of the society.
The **BOD** and the **Management** shall ensure that credit union information is supplied to its members, non-members, public or community, government officials and other stakeholders.

- **Measures**

  The CU is a part of the business, financial and social aspects of the overall community in which it operates being community, workplace or parish. To project a sound image, the CU adheres to the following:

  i. The BOD shall ensure that the CU will not become involved in any support to special interest groups except where they form part of the credit union system.

  ii. The CU shall not discriminate against individuals by using race, colour, religion, sex, age, political persuasions or marital status as a basis of denying or restrict CU membership and services.

  iii. The CU shall not take sides in any issue between its members and third parties such as legal actions.

  iv. The CU shall allow the display of posters leaflets, notices and advertisements for local charitable, sports or recreational activities in its premises when they consider such notice to be in the overall public interest.

  v. Specifically barred from posting are:

     → Religious notices,

     → Political notices,

     → Special interest groups such as vendor.

  vi. Apart from the above, the BOD, the other Committees, the Management and the Staff shall work to build a formidable image for the CU within the community. These include:

     → An impressive and well laid office,

     → Business like atmosphere for members,

     → Provision of workable equipments or tools,

     → Competent and industrious staff,

     → Good dress code,

     → Excellent loans administration,

     → Progressive savings mobilization,

     → Low loan delinquency,

     → Active membership,

     → Mutual respect among leaderships, employees and members,

     → Up to date financial records,
Vision, mission and long term development plan document and implemented,
→ Bye Laws and Policies in place,
→ Performance standard achieved,
→ Good and reliable member service.

• External risks

23) Regulatory risk

  – Definition

Regulation is administrative legislation that constitutes or constrains rights and allocates responsibilities. It can be distinguished from primary legislation (by Parliament or elected Legislative Body) on one hand and Judicial Decisions on the other hand. Regulation can take many forms:

  ▪ Legal restrictions like directives and resolutions promulgated by a Government Authority or the Central Bank (BoG),
  ▪ Apex body’s regulations from CUA like resolutions at the CUA Biennial Conference,
  ▪ Internal regulations from the society like the Bye-Laws, Policies and internal resolutions at CU’s AGM and BOD meetings.

Legal situation in Ghana:

  ▪ There is no separate Credit Union Bill enacted for the Movement which will impact on Credit Unions and CUA as a whole. Presently only legal framework is the Co-operative Decree 252 of 1968 or also called Co-operative Law.
  ▪ The Credit Union Bill that was introduced 10 years ago has still to be approved before becoming effective.

  – Responsibilities

  ▪ The BOD and Management shall ensure that the CU comply fully to:
  → The Co-operative Laws in Share,
  → All regulation of the Credit Operations of the Bank of Ghana and the Non Bank Financial Institutions (NBFI) Law,
  → The Labour Laws of Ghana especially concerning the recruitment and treatment of staff of the CU.

  – Measures

  ▪ All obligations of the Credit Union as specified in the Co-operative laws and Regulation shall be fulfilled at the right time, by the right means and by the right people.
  ▪ The BOD and Management shall be well informed by following the news and keeping the contact with CUA through Chapter Meetings, CUA’s Seminars and Trainings, Annual
Evaluation and Planning Seminar and Biennial Conference about any new Laws, directives and resolutions.

- The BOD and Management shall ensure that due attention is given to all other laws in Ghana, concerned with any other activities the Credit Union engages in other that the savings and loans products.
- All study groups shall affiliate with CUA Ltd before final registration with the DOC but not vice-versa.

24) Competition risk

- Definition
  
  **Competition** may be defined as allocating productive resources to their most highly-valued uses and encouraging efficiency.
  
  Competition causes commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products. The greater selection typically causes lower prices for the products, compared to what the price would be if there was no competition (monopoly) or little competition (oligopoly).
  
  In the last years the competition on the financial and non-financial market has increased considerably through the commercial banks, savings and loan companies, the rural banks, susu and non-financial NGOs that have to be taken into account by the CUs.

- Responsibilities
  
  - The **BOD** shall ensure that the present and future aspect of competition is taken into consideration in the strategy of development of the CU.
  
  - The **Management** is responsible for the implementation of this strategy and shall provide the BOD with necessary and useful information.

- Measures
  
  - A regularly market analysis shall be done over the development of the market.
  
  - The BOD, the Management and the staff have to follow the evolution of their regional market as well as of the national market through field research, newspaper and other media.
  
  - The BOD and the Management shall ensure a close contact with CUA (contact with the Regional Office, Chapter and national meetings, seminars...) in order to get an information advice from CUA.
25) Physical environment risks

- **Definition**
  The **physical environment** involves the natural disasters like floods, droughts, fire as well as the physical infrastructure like the office building, power, water supply, telecommunication, roads and streets layout.

- **Responsibilities**
  - The **BOD** shall ensure that the physical environment factors are taken into account during all the critical periods of development of the CU: installation and start of the CU, change to a new office or launching of branch offices.
  - The **BOD** shall ensure that the Product Policy and especially the Loan Policy takes into account physical environment factors that may affect the members like droughts in rural areas.

- **Measures**
  - For the choice of an office site the following factors shall be analysed carefully:
    - Risk of flood,
    - Risk of fire,
    - Quality of the power supply installation,
    - Water supply,
    - Quality of building materials,
    - Access to the office.
  - The CU shall have an insurance covering fire damages and shall have fire extinguishers in its office(s). Other insurances concerning for example the risk of flood can be analysed and concluded depending on the offer of the insurance markets.

26) Demographic risk

- **Definition**
  **Demographics** are the statistical characteristics of a population including gender, race, age, disabilities, health, mobility, home ownership, employment status, and even location.
  Each characteristic can be a source of risk that may affect a CU. Concerning health the HIV/AIDS pandemic for example is a threat to productive people, posing risks to the CUs’ members and their staff.

- **Responsibilities**
  - The **BOD** shall ensure that the strategy of development of the CU takes into account the relevant demographic characteristics.
  - The **Management** shall be responsible for the implementation of this strategy and shall provide the BOD with necessary and useful information.
– **Measures**
  - BOD, Management, staff and members shall analyse continuously the evolution of the demographics characteristics that might affect their CU and shall share the information.
  - The BOD and the Management shall ensure a close contact with CUA (contact with the Regional Office, Chapter and national meetings, seminars...) in order to get an information advice from CUA.

### 27) Macroeconomic risk

#### Definition

**Macroeconomic changes** that could affect CUs and their members involve inflation, depression or recession increasing underemployment and unemployment, currency devaluation, change of the interest rate by the Central Bank.

#### Responsibilities

- The **BOD** shall ensure that the strategy of development of the CU takes into account the relevant macroeconomic changes or potential changes.
- The **Management** shall be responsible for the implementation of this strategy and shall provide the BOD with necessary and useful information.

#### Measures

- BOD, Management, staff and members shall analyse continuously the evolution of the demographics characteristics that might affect their CU and shall share the information.
- For any important macroeconomic change that might have an impact on the CU’s development the BOD shall take the necessary measures to adapt the strategy of development.
- The BOD and the Management shall ensure a close contact with CUA (contact with the Regional Office, Chapter and national meetings, seminars...) in order to get an information advice from CUA.

### 28) Political / Governmental risk

#### Definition

The political system and Governmental bodies have to ensure the stability in the country and the existence and implementation of the Legislation.

#### Responsibilities

- The **BOD** shall ensure that the strategy of development of the CU take in account the political or governmental changes or potential changes.
- The **Management** shall be responsible for the implementation of this strategy.
− Measures
  ▪ BOD, Management, staff and members shall analyse continuously the evolution of the Political and Governmental situation that might affect their CU and shall share the information.
  ▪ For any political and governmental change that might have an impact on the CU’s even during a brief period the BOD shall take the necessary measures to prevent the CU from any damage, particularly in the case of political instability or civil unrest.
  ▪ The BOD and the Management shall ensure a close contact with CUA (contact with the Regional Office, Chapter and national meetings, seminars...) in order to get an information advice from CUA.
Annex

1) CUA operating standards

   i. Income and expenditure standards:

   The standards of calculating is based on average Assets / total of Assets of the current year plus total Assets of last year divided by two.

<table>
<thead>
<tr>
<th>Particulars</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Interest Earnings:</td>
<td></td>
</tr>
<tr>
<td>Interest on Loan to Members</td>
<td>20</td>
</tr>
<tr>
<td>Interest on Financial Investments</td>
<td>2</td>
</tr>
<tr>
<td>Other Financial Income</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL FINANCIAL INCOME</strong></td>
<td>23</td>
</tr>
<tr>
<td>(2) Cost of Funds:</td>
<td></td>
</tr>
<tr>
<td>Interest on Members Savings</td>
<td>5</td>
</tr>
<tr>
<td>Interest on Borrowing</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL COST OF FUNDS (2)</strong></td>
<td>7</td>
</tr>
<tr>
<td><strong>GROSS FINANCIAL MARGIN (1) – (2)</strong></td>
<td>16</td>
</tr>
<tr>
<td>Less Provision for Loan Loss</td>
<td>4</td>
</tr>
<tr>
<td><strong>NET FINANCIAL INCOME</strong></td>
<td>12</td>
</tr>
<tr>
<td>(3) Additional non Financial income</td>
<td></td>
</tr>
<tr>
<td>Entrance Fees</td>
<td>0.05</td>
</tr>
<tr>
<td>Other Income</td>
<td>0.05</td>
</tr>
<tr>
<td><strong>TOTAL NON FINANCIAL INCOME</strong></td>
<td>1</td>
</tr>
<tr>
<td>(4) GROSS MARGIN: (1) – (2) + (3)</td>
<td>13</td>
</tr>
<tr>
<td>(5) Operating Expenses</td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>2.5</td>
</tr>
<tr>
<td>Occupancy</td>
<td>1</td>
</tr>
<tr>
<td>Organisation</td>
<td>1</td>
</tr>
<tr>
<td>Security</td>
<td>1</td>
</tr>
<tr>
<td>Administration</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>7</td>
</tr>
<tr>
<td>(6) NET OPERATING MARGIN: (4) – (5)</td>
<td>6</td>
</tr>
</tbody>
</table>
ii. Balance sheet standards:
The standards are calculating based on total Assets of each financial year.

**ASSETS**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash/Bank Current</td>
<td>2</td>
</tr>
<tr>
<td>Liquid Investment</td>
<td>18</td>
</tr>
<tr>
<td>Other Investment</td>
<td>5</td>
</tr>
<tr>
<td>Loans to Members</td>
<td>70</td>
</tr>
<tr>
<td>Other Assets</td>
<td>0</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Liabilities</td>
<td>0</td>
</tr>
<tr>
<td>External Loans</td>
<td>5</td>
</tr>
<tr>
<td>Members Deposit</td>
<td>80</td>
</tr>
<tr>
<td>Shares</td>
<td>5</td>
</tr>
<tr>
<td>Reserves</td>
<td>10</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100</td>
</tr>
</tbody>
</table>
Major Extracts:

i. Capital adequacy = 15% of Total Assets made up of shares of 5% and Reserves of 10%

ii. Liquidity = 20% of Total Assets made up of Liquid funds of 2% and Liquid Investment of 18%

iii. Growth Indicators of 25% per year on variables (Savings, Shares, Total Assets, Investments etc)

iv. Loan Delinquency = maximum of 5% of Total Loan Portfolio

v. Total Income = 24% of Average Assets

vi. Total Expenditure = 18% of Average Assets

vii. Viability: Net Income = 6% of Average Assets

viii. Assets Quality involving:

- Periodical Cash Count
- Monthly Bank Reconciliation
- Investment Register
- Assets Register
- Provision of Loan Loss as per Ageing Report
2) **CUA’s Criteria for CU Operations**

(Revised July 2010)

These criteria are standards for Study Groups who want to affiliate to CUA.

**GHANA CO-OPERATIVE CREDIT UNIONS ASSOCIATION (CUA) LTD**

**CRITERIA FOR CREDIT UNION OPERATIVES IN GHANA**

1) The Credit Union shall be required to have a minimum membership of 150 with a potential membership of not less than 600.

2) Founding members shall undergo a Credit Union member educational program for a period of not less than three months with personnel from CUA/DOC.

3) Members of such societies shall be required to pay an entrance fee of not less than GH¢5.00.

4) Members in the Credit Union shall be required to save not less than five Ghana Cedis (GH¢5.00) per month.

5) Societies will be required to have permanent offices to operate from, with the Credit Union’s signboard and business hours properly written and conspicuously placed.

6) The society shall engage the services of an officer, Manager/Bookkeeper who will be trained to maintain accurate records.

7) Before a new society is affiliated with CUA, CUA shall conduct a feasibility study to ascertain that the conditions surrounding the formation of the society prove that the society will be viable.

8) Affiliation of a society shall be effected by CUA when the society has accumulated savings of Fifteen Thousand Ghana Cedis (GH¢15,000.00) and above.

9) Societies seeking affiliation shall be confirmed by their financial statement that all members in the credit union have purchased a minimum share of not less than one hundred Ghana Cedis (GH¢100.00) per member in the society.

10) After affiliation, CUA will conduct economic survey on such societies before recommending them to the Registrar of Co-Operatives for registration.

11) No society shall be required to print its own stationery.

12) All societies seeking affiliation shall pay an affiliation fee of fifty Ghana Cedis (GH¢50.00) as determined from time to time by CUA.

13) A society accepted for affiliation shall be required to purchase a minimum share of one hundred Ghana cedis (GH¢100.00) in CUA.

14) Societies seeking affiliation to CUA must have saved at least five hundred Ghana Cedis (GH¢500.00) in CUA’s CFF and shall continue to save not less than five per cent (5%) of their total funds at any point in time.

15) Societies seeking affiliation to CUA must satisfy CUA that they are part of the Risk Management Program or arrangements have been made to become a member of the Program.

16) Affiliated societies shall contribute 0.15% of the total savings of members for June every year into the CUA Stabilization Fund.

General Risk Management Policy