



# Financial Assessment Criteria

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## OVERVIEW

The financial function is an independent oversight function responsible for ensuring the timely and accurate reporting and analysis of the operational results of the credit union or SaskCentral in order to support decision-making by the board and senior management. It plays a critical role in facilitating understanding amongst the board and senior management of the strength and stability of the provincially regulated institution's financial position and performance as well as the financial impacts of proposed business strategy.

This function is not considered completely independent as it generally has responsibilities for some aspects of allocating and managing the organization's assets, liabilities, capital and liquidity. To demonstrate independence, the financial function establishes and maintains performance measurement methodologies (e.g., metrics, ratios, models) that are not subject to ongoing approval or control of the business areas being analyzed and/or reported on. These methodologies and techniques are guided by professional standards.

The financial function collaborates with the risk management function on the identification, measurement, monitoring and reporting of key financial risks, as well as the financial capacity available to prudently manage the institution's risk. It is expected that the board and senior management take into account financial performance on a risk-adjusted basis when making business decisions. The financial function ensures that this information is provided to support sound decision-making processes.

## KEY RESPONSIBILITIES

For more information related to regulatory requirements and expectations for the financial function, credit unions should refer to section 2.1 (Financial Management) of the Standards of Sound Business Practice, as well as regulatory directives and guidance. SaskCentral should refer to the prudential standards.

The financial function performs in-depth analysis of the institution's financial and operating results independently of the business units and prepares reports for the board and senior management. Its responsibilities include:

- providing financial analysis of the institution's and business line/unit performance and the major business cases to the board and senior management, highlighting matters requiring their attention
- ensuring an effective financial reporting and management information system

## FINANCIAL ASSESSMENT CRITERIA

### 1. Mandate

- a) extent to which the function has a mandate establishing:
  - (i) clear objectives and enterprise wide authority
  - (ii) authority to carry out its responsibilities independently
  - (iii) right of access to the organization's records, information and personnel
  - (iv) a requirement to provide recommendations on strategic and/or business opportunities, as well as on management information system changes needed to enhance decision making
- b) extent to which the mandate is communicated within the institution

### 2. Organization Structure

- a) appropriateness of the stature and authority of the function head within the

**FINANCIAL ASSESSMENT CRITERIA**

- organization for the function to be effective in fulfilling its mandate
- b) extent to which the function head has direct access to the CEO and the board (or a board committee)
- c) appropriateness of the function's organizational structure
- d) extent to which the function is independent of the operating units

**3. Resources and Proficiency**

- a) adequacy of the function's processes to determine the required:
  - (i) level of resources to effectively carry out responsibilities
  - (ii) range of qualifications, knowledge, skills and experience to fulfill its responsibilities
  - (iii) continued professional development programs to maintain/enhance staff competencies
- b) adequacy of the function's resources and appropriateness of its collective qualifications and competencies for carrying out its mandate
- c) sufficiency of staff development programs

**4. Methodology and Practices**

- a) adequacy of the function's methodologies, practices and techniques for collecting, analyzing and producing operating and financial information
- b) adequacy of policies to review the function's methodology, practices, reports and key performance indicators regularly to ensure that they continue to meet the needs of the institution
- c) extent to which proactive, insightful strategic and/or business recommendations are being provided to the board and senior management
- d) appropriateness of policies and practices to assess the adequacy of management information systems

**5. Reporting**

- a) extent to which reports produced for the board and/or senior management are accurate, timely, presented using understandable formats, and include an appropriate level of key performance indicators
- b) adequacy of the function's capacity for preparing ad hoc reports for the board and/or senior management in a timely basis

**6. Functional Oversight**

- a) extent to which the board (or board committee) approval is required for:
  - (i) appointment and/or removal of the function head
  - (ii) function's mandate and resources
- b) adequacy of policies and practices to perform periodic independent reviews of the function and communicate the results to the board (or a board committee) and senior management

## PERFORMANCE BENCHMARKS

The quality of the financial function's performance is demonstrated by its effectiveness in providing independent analysis and reporting of the institution's financial and operating results to the board and senior management.

The Corporation will look to indicators of effective performance to guide its judgment in the course of its supervisory activities. These activities may include:

- a) discussions with directors, management and auditors
- b) review of information provided to the board and senior management

Examples of indicators that could be used to guide supervisory judgment include the extent to which the financial function:

- a) produces reports, independently of the business areas being reported on, for the board and senior management that are accurate, timely and understandable, and that include an appropriate analysis of key performance indicators and highlight matters requiring board and senior management attention
- b) proactively provides insightful recommendations on strategic and/or business opportunities
- c) responds quickly to requests for ad hoc reports
- d) actively engages the board and senior management to confirm that its reports and presentations continue to meet their needs
- e) proactively reconsiders, on a regular basis, the adequacy of management information systems to provide effective and timely decision making