Strengthening Committee Board Management Collaboration

Clarify and Document Role Boundaries

Board

- Strategy
- Policy
- CEO oversight
- Capital planning

Supervisory Committee

- Audit oversight
- Internal controls
- Regulatory compliance monitoring

Management

- Operational execution
- Risk management

Establish a Unified Strategic Scorecard

Develop a shared dashboard that aligns

Strategic Goals
Key Financial Metrics (ROA, net worth ratio, loan growth, liquidity)
Member Experience Indicators
Risk Indicators (credit, liquidity, cybersecurity, compliance)
Operational Performance Measures

Conduct Joint Strategic and Risk Workshops

At least annually, hold structured sessions involving the Board, Supervisory Committee leadership, and executive management to review:

- Enterprise Risk Assessment
- Emerging regulatory trends
- Economic and interest rate outlook
- Technology and cybersecurity risks
- Concentration risks

This builds shared understanding and improves decision-making quality.

Strengthen Enterprise Risk Management (ERM) Integration

Move from siloed reporting to an integrated ERM framework that:

- Links strategic initiatives to risk appetite
- Identifies top 5–10 enterprise risks
- Includes forward-looking stress testing
- Provides early-warning indicators

The Supervisory Committee should validate that risk reporting is complete and reliable.

Improve Board and Committee Education

In 2026, the regulatory and technological environment continues to evolve rapidly. Provide ongoing education on:

- NCUA priorities and examination trends
- Cybersecurity and fraud risk
- AI and digital banking implications
- Liquidity management in volatile rate environments
- CECL and credit quality monitoring

Education reduces governance gaps and improves oversight effectiveness.

Enhance Communication Cadence and Structure

Implement structured communication protocols such as:

- Quarterly joint updates between Supervisory Committee chair and Board chair
- Pre-meeting briefing materials with executive summaries
- Executive session time (without management present) when appropriate
- Clear follow-up tracking on action items

Transparency and documentation reduce misunderstandings and increase accountability.

Align Incentives with Strategic Objectives

Ensure executive compensation and performance evaluations:

- Tie directly to strategic goals
- Include risk-adjusted performance measures
- Incorporate member impact metrics
- Avoid rewarding excessive growth without appropriate controls

The Board oversees alignment; the Supervisory Committee validates control integrity.

Modernize Internal Audit and Control Monitoring

The Supervisory Committee should ensure:

- A risk-based internal audit plan
- Coverage of IT, cybersecurity, and third-party vendor risks
- Timely remediation tracking
- Independent validation of corrective actions

Stronger internal controls improve operational reliability and regulatory confidence.

Strengthen Succession Planning and Leadership Development

Collaboratively develop:

- CEO succession plans
- Senior management continuity plans
- Supervisory Committee and Board succession strategies
- Leadership pipeline development

Long-term institutional stability supports strategic continuity.

Focus on Member-Centric Strategic Execution

Align governance oversight with member value creation by monitoring:

- Digital adoption and service delivery effectiveness
- Loan and deposit product competitiveness
- Financial wellness initiatives
- Community impact metrics

Strategic discussions should consistently connect financial performance to member benefit.

Additional 2026 Considerations

Given current industry dynamics, particular attention should be paid to:

- Interest rate risk management and liquidity stress testing
- Cybersecurity and ransomware defense readiness
- Vendor and fintech partnership oversight
- Fraud detection controls
- Data governance and AI-related risk controls

12-Month Governance Improvement Roadmap

Sample - 2026

This roadmap assumes a calendar-year cycle and can be scaled to the credit union's size.

Q1

Governance Alignment & Risk Foundation

Focus: Clarity and baseline assessment

- Review and update Board and Supervisory Committee charters
- Conduct annual Enterprise Risk Assessment (ERA)
- Confirm risk appetite statement and key risk tolerances
- Approve annual internal audit plan (risk-based)
- Board education session: 2026 regulatory outlook & NCUA priorities

Deliverables:

- Updated governance charters
- Documented top 10 enterprise risks
- Approved audit plan
- Risk dashboard template finalized

Q2

Strategic & Financial Alignment

Focus: Linking strategy to performance metrics

- Joint Board/Management strategic workshop
- Review net worth ratio projections (base and stress scenarios)
- Validate CECL assumptions and credit monitoring practices
- Review liquidity contingency funding plan
- Executive compensation review tied to strategic KPIs

Deliverables:

- 3-year strategic scorecard
- Stress testing summary
- Liquidity "early warning" thresholds
- Compensation alignment memo

Q3

Operational & Technology Oversight
Focus: Resilience and control effectiveness

- Cybersecurity tabletop exercise
- Review third-party/vendor risk program
- Supervisory Committee review of internal audit results and remediation tracking
- Business continuity/disaster recovery testing report
- Board education session: AI, fraud trends, and digital banking risk

Deliverables:

- Cybersecurity readiness summary
- Vendor risk heat map
- Audit issue remediation tracker
- BCP testing results report

Q4

Performance Evaluation & Succession
Focus: Accountability and sustainability

- CEO annual performance evaluation
- Supervisory Committee self-assessment
- Board self-assessment
- Succession plan review (CEO and key executives)
- Review strategic progress and update 2027 priorities

Deliverables:

- Formal performance evaluation documentation
- Governance self-assessment summary
- Updated succession plan
- Strategic progress scorecard

Sample Board & Supervisory Committee Reporting Dashboard

The following are examples of monthly/quarterly governance dashboard.

Financial & Capital Indicators

Metric	Current	Target	Trend	Risk Level
Net Worth Ratio	10.45%	≥10%	Stable	Low
ROA	0.82%	≥0.75%	Improving	Moderate
Loan Growth (YTD)	6.10%	5-7%	On Plan	Low
Deposit Growth	3.20%	4%	Slightly Below	Moderate
Liquidity Ratio	18.00%	≥15%	Stable	Low

Credit Risk Indicators

- Delinquency Ratio
- Net Charge-Off Ratio
- Loan Concentrations (Auto, CRE, Unsecured, etc)
- CECL reserve coverage ratio
- Top 10 loan exposures

Include color-coded thresholds aligned with risk appetite

Interest Rate & Liquidity Risk

- Net Economic Value (NEV) sensitivity
- Net Interest Income (NII) simulation results
- Stress scenario liquidity coverage
- Contingency funding availability

Operational & Compliance

- Internal audit findings (open vs. resolved)
- IT security incidents
- Vendor risk ratings
- Regulatory exam status
- Member complaint trends

Strategic & Member Metrics

- Digital adoption rates
- Member growth
- Product penetration
- Net Promoter Score (if used)
- Community impact initiatives

Governance Self- Assessment Check List

Board Self-Assessment

Rate 1 (Strongly Disagree) to 5 (Strongly Agree)

Area	Rating				
Strategy & Oversight					
• The Board focuses on strategy rather than day-to-day operations.	1	2	3	4	5
• We clearly understand the credit union's top enterprise risks.	1	2	3	4	5
• Our risk appetite is clearly defined and referenced in decisions.	1	2	3	4	5
Financial Oversight					
• We understand capital adequacy and stress testing results.	1	2	3	4	5
• We actively monitor liquidity and interest rate risk.	1	2	3	4	5
CEO Oversight					
• CEO performance metrics are aligned with strategy.	1	2	3	4	5
• Succession planning is documented and current.	1	2	3	4	5
Governance Effectiveness					
• Board materials are timely and actionable.	1	2	3	4	5
• Meetings allow adequate time for strategic discussion.	1	2	3	4	5
• Continuing education is sufficient.	1	2	3	4	5

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Supervisory Committee Self-Assessment

Area	Rating
Audit Oversight • The internal audit plan is risk-based and comprehensive. • Audit findings are tracked and resolved timely. • We understand IT and cybersecurity control risks.	1 2 3 4 5 1 2 3 4 5 1 2 3 4 5
Independence & Objectivity • The committee operates independently from management. • Executive sessions occur when appropriate.	1 2 3 4 5 1 2 3 4 5
Regulatory Readiness • We are prepared for NCUA or state examinations. • We monitor compliance trends and emerging risks.	1 2 3 4 5 1 2 3 4 5

Joint Governance Questions

- Are roles between Board and Supervisory Committee clearly defined?
- Is management transparent and proactive in reporting issues?
- Do we escalate and address emerging risks promptly?
- Does the governance structure support long-term member value?

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rkl ADVISORS for WHAT'S NEXT

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