



Management Support Unit (MSU)

Information Sheet 1: Good Governance

This fact sheet provides governance guidelines to help Board members and managers of non-government organisations (NGOs). It aims to assist NGOs to operate to high standards of governance so they are effective in achieving the goals of their organisation and ensuring proper accountability.

What is Governance?

Governance is the system or process by which organisations are directed, controlled and held to account to ensure that the right decisions are made.

Governance is about the 'big picture' – providing leadership and direction to the organisation and ensuring that the proper processes and structures are in place so that it can operate effectively and ethically.

In essence, good governance consists of:

- Acting in the interests of the organisation and accepting responsibility for all aspects of the organisation; guarding the organisation's vision, mission, values and assets – Fiduciary duty.
- Being honest and careful – Diligence.
- Ensuring the organisation has a current strategic direction and being informed about progress – Responsibility.
- Ensuring financial accountability and management - Accountability
- Protecting the integrity of the organisation and declaring any conflict of interest – Probity.

(Bradfield and Nyland, 2002a. 29).

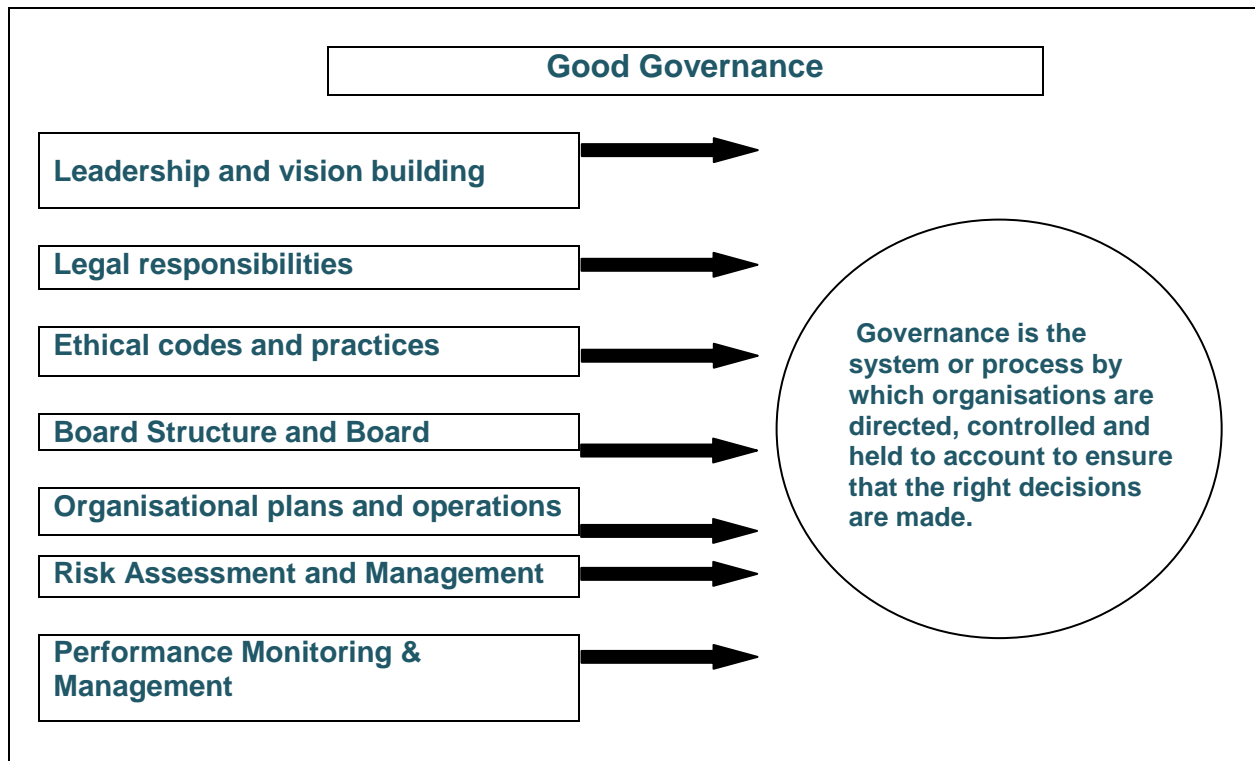
Directors (also known as Board or Committee Members) are responsible for the governance of their organisations and need to satisfy themselves that an appropriate governance structure and strategies are in place. Good governance means that Board Members accept responsibility for all aspects of the organisation.

The accountability requirements are ever increasing and to ensure the legality and effectiveness of organisations, it is essential to maintain good governance processes.

There are a number of models of governance and no one model is appropriate for all organisations. However, there is broad agreement about the principles of good governance. An effective Board operates with skill, efficiency and cohesion to achieve the aims of the organisation; has a clear understanding of its role, responsibilities and processes and works on behalf of all stakeholders.

Management functions, or responsibility for how the policy directions are put in place and how the service is run, are generally delegated to employed staff such as managers. In small organisations, Board members may also be involved in some management or operational functions.

What does Good Governance entail?



In order to ensure good governance, the Board needs to pay attention to the following matters:

- **Leadership and vision building**
It is the responsibility of the Board to provide strategic direction and establish and maintain the values and principles on which the organisation is built.
- **Legal responsibilities**

- The Board needs to ensure that its legal obligations are met. The legislation governing an organisation can be very wide - ranging and includes, but is not limited to:
- Laws governing the legal entity of organisation such as: Associations Incorporation Act 2009 (NSW), Cooperatives Act 1992 (NSW) or State and Federal Corporations Law.
 - Laws governing employment and industrial relations and includes awards, contracts of employment, termination/dismissal policy, discrimination and EEO.
 - Privacy legislation.
 - Charitable Fundraising Act 1991 (NSW).
 - Occupational Health and Safety Act 2000 (NSW).
 - Legislation and regulations relevant to funding bodies such as ADHC, CS, NSW Health and Federal government departments.
- **Ethical codes and practices**
This includes codes of conduct and practice for Boards and employees as well as matters of conflict of interests and any other processes that ensure that Board members behave with honesty, diligence and integrity (Refer to the guidelines contained in Information Sheets No. 2: Code of Conduct; No.13: Ethical Decision Making and No 14: Managing Conflicts of Interest at <http://www.ncoss.org.au> then select MSU/Resources).
- **Board Structure and Board Operations**
Structure relates to the composition of the Board, the selection and appointment of Board members, succession planning, and Board roles and responsibilities. Board operations refer to maintaining and improving Board processes, clarifying the responsibilities of the Board and the General Manager or CEO and delegations of authority.
- **Organisational plans and operations**
The Board needs to ensure that the organisation operates within a comprehensive policy framework that includes an overarching strategic plan and operational plan.
- **Risk Assessment and Management**
The Board needs to ensure that careful processes of risk assessment and management are implemented and reviewed.
- **Performance Monitoring and Management**
The Board is responsible for monitoring both its own performance and that of the chief executive or manager and taking steps to address any issues that emerge.

What Does an NGO need to have in place in order to ensure Good Governance?

1. Policies

To maintain effective governance, the Board needs to ensure that a comprehensive set of policies is in place related both to the management of the service and the operation of the Board itself. This includes ensuring that policies comply with all relevant legislation.

(Refer to the Policy and Procedures Manual for Management & Governance.

Go to: www.ncoss.org.au select MSU/Resources/Sample Documents/Governance.)

2. Compliance Measures

The Board needs to ensure that there are ways to assess that the organisation's policies have been implemented effectively. A governance compliance report should form part of the manager's report to every Board meeting. A compliance report is a tool that assists the Board to ensure that its governance responsibilities are being met.

In order to *monitor compliance* it is helpful for the Board to have checklists that ask:

- Is the relevant policy in place?
- On what date was that policy last reviewed?
- Does it comply with relevant legislation and regulations?
- Has somebody been allocated responsibility to carry out tasks associated with that area of liability? If so, who has that responsibility?
- What processes are in place to check whether the policy is being satisfactorily implemented?
- Is there any issue that has arisen since the last meeting that needs to be addressed?

3. A Compliance Calendar

The Board needs to ensure that a compliance calendar is in place so that its members can be reminded when particular governance matters need to be addressed. For example:

- When are insurance premiums due?
- When do annual performance reviews of staff commence?
- When are funding acquittals due?
- When is the annual statement sent to the Office of Fair Trading?

Reference:

Bradfield, Jane and Nyland Julie, 2002a, *Good Governance Practice for Voluntary Committees of Management, Research Report*, Department of Human Service, State Government of Victoria.

Resources for Good Governance

Resources for Good Governance can be found in a separate document. This guide includes examples of compliance checklists, a compliance calendar and other governance resources and can be found by going to the NCOSS homepage: www.ncoss.org.au/component and select MSU/Resources. Scroll down and select *Resources for Good Governance: Information Sheet 27*.