

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 accountable for their decisions.

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.

According to Bradfield and Nyland, (2002 p29) good governance consists of:

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

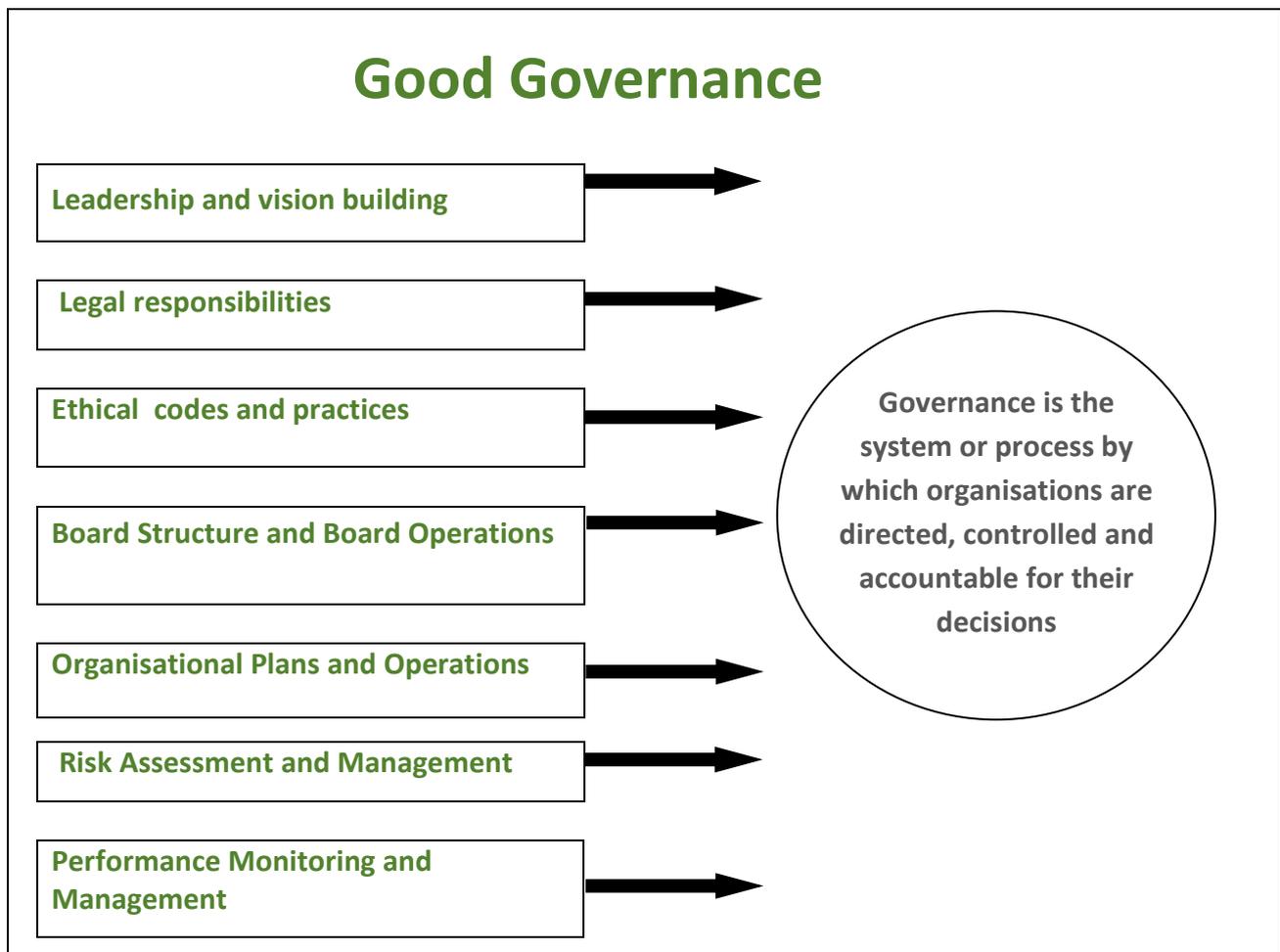
Board or Committee Members are responsible for the governance of their organisations and need to satisfy themselves that appropriate governance structure and strategies are in place. Good governance means that Board Members accept responsibility for all aspects of the organisation.

The accountability requirements for Board Members 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 and includes, but is not limited to:

- Laws governing the legal entity of organisation (*See Resources below*)
- Laws governing employment and industrial relations and includes awards, contracts of employment, termination/dismissal policy, discrimination and EEO.
- Legislation and regulations relevant to funding bodies such as Department of Family and Community Services and Federal government departments.

Ethical codes and practices

This includes codes of conduct and practice for Boards and employees as well as managing adopting conflict of interests and other processes that ensure that Board members behave with honesty, diligence and integrity. *(See Resources below)*

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 Executive Office 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?

Policies

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

Compliance Measures

The Board needs to ensure that the organisation's policies have been effectively implemented.

In order to monitor compliance, the Board needs to regularly assess their policies and procedure; questions that need to be considered include:

- Is the relevant policy in place?
- When the policy was 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?

A Compliance Calendar

A compliance calendar identifies 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?

References & Resources

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

Commonwealth Legislation

- [Corporations Act 2001 \(Cth\)](#)
- [Privacy Act 1988 \(Cth\)](#)

NSW Legislation

- [Associations Incorporation Act 2009 \(NSW\)](#),
- [Co-operatives \(Adoption of National Law\) Act 2012 \(NSW\)](#)
- [Privacy and Personal Information Protection Act 1998 \(NSW\)](#)
- [Health Records and Information Privacy Act 2002 \(NSW\)](#)
- [Charitable Fundraising Act 1991 \(NSW\)](#)
- [Work Health and Safety Act 2011 \(NSW\)](#)

NCOSS Sector Support

- [Templates and Resources](#)
 - [Ethical frameworks: Codes of ethics and codes of conduct](#)
 - [A guide to Ethical Decision Making](#)
 - [Managing Conflicts of Interest](#)

Australian Charities and Not-for-profits Commission

- [Governance for Good](#)
- [Guide for board members](#)
- [Governing documents](#)
- [Responsible persons - board or committee members](#)

NSW Family and Community Services (FACS)

- [Corporate Governance Chapter 1 in Good Governance: It's your business](#)

Australian Institute of Company Directors

- [Good Governance Principles and Guidance for NFP Organisations](#)

NB: The above websites were accessible on 17 August 2015. If the links do not work search on the title of the document or go directly to the organisation's website.