IPPF

From choice, a world of possibilities

Welcome on board

A handbook to help IPPF Member Associations improve their governance

IPPF

Who we are

The International Planned Parenthood Federation (IPPF) is a global service provider and a leading advocate of sexual and reproductive health and rights for all. We are a worldwide movement of national organizations working with and for communities and individuals.

IPPF works towards a world where women, men and young people everywhere have control over their own bodies, and therefore their destinies. A world where they are free to choose parenthood or not; free to decide how many children they will have and when; free to pursue healthy sexual lives without fear of unwanted pregnancies and sexually transmitted infections, including HIV. A world where gender or sexuality are no longer a source of inequality or stigma. We will not retreat from doing everything we can to safeguard these important choices and rights for current and future generations.

Foreword

IPPF's Code of Good Governance was approved by the Governing Council in November 2007 and sets out seven principles for the good governance of the Federation at national, regional and international levels. This handbook is intended to be used in conjunction with the Code and provides examples of good practice, carefully selected for each principle, to help members of governing bodies in IPPF to be as effective as is possible in a variety of circumstances.

Extensive use has been made of the most up-to-date material from organizations specializing in the voluntary sector, such as BoardSource (USA) and the National Council for Voluntary Organisations (UK), as well as helpful suggestions and guidelines from IPPF's own volunteer experience of governance accumulated over 60 years.

What this publication cannot do is to cover all the potential situations and problems likely to be encountered in the area of governance. However, it does address the main issues that a Member Association, for instance, is likely to meet when applying the principles of the Code of Good Governance to fulfil its obligations to those it serves, to the public at large, and to responsibilities required by national legislation or its donors.

All the guidance given should be applied in the context of IPPF's approved policies including the Standards and Responsibilities of IPPF Membership and the requirements of the IPPF Accreditation System.

Many Member Associations are well-established organizations, often operating in countries where there is a tradition of voluntary non-governmental organizations. The handbook is intended to be a stimulus for these Associations to look afresh at how they operate. Other newer Associations may find themselves in unfamiliar territory. For these, the handbook will equip them properly for their journey and guide them around the pitfalls that may await them.

There is a challenge too: IPPF's Member Associations have always had to compete with other non-governmental organizations for the same resources, whether provided by the public or the state. In these straitened times it is even more important for IPPF members to demonstrate that they are well governed so that they can win the confidence of donors and bid successfully for those resources.

Armed with the guidance and tools included in this handbook, we reiterate what we said when we launched the Code of Good Governance: that adherence to its principles will help us strengthen the communities in which we work, contribute to a stronger and more accountable civil society, and make our sexual and reproductive health and rights movement more effective.

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IPPF President

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Practical guidance for improving governance

How to use this handbook and make it yours

"The trouble with organizing a thing is that pretty soon folks get to paying more attention to the organization than to what they're organized for."

Laura Ingalls Wilder, American author

The leadership function

This handbook provides practical guidelines on how to organize the work of a governing body. There should be one governing body in an IPPF Member Association and its powers, duties and functions will be set out in its governing document. The governing body may be known as the board, the management committee, the executive committee or such other name as the Association may decide or that may be required by national legislation. Similarly, the people who form the governing body of an Association may be known as trustees, directors, board members, governors or committee members. For the purposes of this handbook, the term 'governing body' is used; however, 'board' has been used in some exceptional cases because of copyright-related constraints. As a member of the governing body of your Association, you have been elected to perform an important leadership function. With your fellow governing body members, you are accountable for the performance of the Association, to those who have elected you, to the donors and partner organizations that support your work, and to the clients and communities your Association is set up to serve.

In partnership with staff, you need to ensure that the Association is operating in a manner that is true to its values, mission and policies and is working towards achieving its objectives.

The next section deals with governing body member knowledge and awareness of the leadership role and functions (see page 7). The following seven sections, starting on page 13, are organized to reflect the seven principles set out in the IPPF Code of Good Governance. All the sections need your attention and none should be ignored. In each section you will find an explanation of why the subject matter is important and practical guidance on how to work towards meeting the requirements of each.

Individual and collective contributions

When you attend your first governing body meeting, you will meet those people with whom you will work together for the coming term of office. Some you may know, others may be new to you. Individually you will have the experience, skills and ideas that will be a great resource for the Association. Collectively you will need to work together for the general good of the Association and to ensure that the governing body works effectively and efficiently to achieve the Association's objectives.

Being a governing body member may be hard work but should also be rewarding, providing opportunities for personal development: as you give your skills and experience to the running of your Association, so will you gather new insights, skills and experience.

Solutions and achievements

There may be difficult times ahead, perhaps even moments of crisis, but through hard work you will be able to find solutions. There will also be happy times when you will be able to celebrate achievements. This handbook will help you to avoid the former and enjoy more of the latter. The years ahead will hopefully also be a great learning experience for you personally during which you will feel a sense of pride in contributing to your community and, more generally, to the sexual and reproductive health and rights movement.

Welcome on board!

Governing body member knowledge and awareness

If people do not know what they are governing, they will never be able to govern well. It may seem an obvious fact but it is often forgotten.

Why is it important?

Governing body members who do not fully understand the Association's aims and objectives, its programmes and activities, or the context and environment in which the Association operates are unlikely to perform to best effect. The first step is therefore to make sure that everyone knows what the governing body governs and the sexual and reproductive health and rights situation in the country, both historically and currently.

While the seven sections that describe the seven principles cover particular areas of governance in detail, as set out in the IPPF Code of Good Governance, it is worth setting out a general overview of the governance function. Governing body members have ultimate responsibility for directing the affairs of their Association, ensuring that it is financially solvent and well run so that it can deliver the outcomes for which it exists. To do that they need to ensure that:

- their Association complies with all legal requirements, internal as in the Association's constitution or governing document, and external as in national legislation
- they act with integrity and avoid any personal conflicts of interest or misuse of the Association's funds or assets
- they keep themselves informed of the Association's activities and financial position
- funds and assets are used wisely, and activities that may place them at risk are avoided
- they exercise reasonable care and skill, using their personal knowledge and experience to run the Association effectively and efficiently
- they understand and respect the differing roles and functions of the governing body and the staff as represented by the executive director

It is important that each governing body member is properly equipped to undertake their governance function.

By working through this section of the handbook systematically, and becoming familiar with the essential documents listed, governing body members will have taken the first step towards ensuring that they know what they are governing. If they are completely new to the Association, members will need to learn about its history, how it is structured, what its main activities are and its financial situation. Members need to learn about its long-term strategy and its policies, about the Association's partners and supporters, and about those who oppose its work. They will learn about what the Association has achieved, how many clients it serves every year, what kinds of services it provides and how many people it employs. They will also learn who their fellow governing body members are, and what skills and ideas they bring to the governing body.

How do you do it?

There are three aspects to consider, which we look at in turn:

- **orientation for new members of the governing body**
- **governing body mentoring**
- **post-orientation follow-up**

Orientation for new members of the governing body

1. Why is it important to have an orientation process?

- Regardless of how qualified new governing body members are, it will take them some time to learn how the Association and the governing body function.

An orientation process, appropriately designed and implemented, will help new members of the governing body to familiarize themselves with the Association, its mission, processes and procedures, as well as the roles and responsibilities of the governing body and the executive director. The sooner they feel a part of the governing body, the sooner they can contribute to the Association's development.

- When governing body members do not feel part of the team, or do not understand clearly what is required of them, the effectiveness of the governing body and the Association is diluted. When this happens, members can act according to personal agendas or deal with the things they know about or are comfortable with – this means they can lose sight of the Association's long-term interests. This can lead to their interfering too much in the management of the Association which, of course, is the preserve of the executive director.

2. Who is responsible for designing and implementing the orientation process?

- This is a joint responsibility. The executive director will usually work with a small sub-committee of the governing body and the governing body chair* to design and implement a suitable process.

3. Who should participate in the orientation process?

- It is important for all new governing body members to participate in the orientation process, regardless of their contacts or previous knowledge of the Association. It can alert governing body members returning after time away to changes in policies, systems or procedures. It can also be helpful for governing body members who need to refresh their memory on certain topics.
- The Association's staff can participate in the orientation process, but the governing body has the ultimate responsibility to guide the process. It can be useful to appoint a mentor for each new member of the governing body (the so-called 'buddy system'). The mentor should be an experienced governing body member who can explain how the governing body functions and be available to answer any questions or concerns that the new member may have.

4. When should the orientation process start?

- This will depend on whether new members are recruited from outside the Association or arrive after an agreed electoral process.
- For those coming from outside, orientation should begin during their recruitment. Potential candidates should be sent general information about the Association, including its mission, vision and strategic plan, an outline of its programmes and activities, and its governing document. They should also be informed of their responsibilities as governing body members, including the number of meetings they must attend in a given period, their participation on committees, term of office and about the type of commitment they must make. It may be useful to provide a list of current governing body members and the last audited annual accounts together with the external auditors' report.
- Much the same sort of information can be sent to Association volunteers offering themselves for election to the Association's governing body once they have signified their acceptance for nomination as candidates.

5. What steps should be included in the formal orientation process?

- **First step: initial contact**

  As soon as their appointment has been confirmed, new members of the governing body should be contacted to welcome them to the governing body and to inform them that they will receive detailed information about the Association and their role in it within a few days.

- **Second step: the *Governing Body Manual***

  Each new member should receive a copy of the *Governing Body Manual*. This will introduce them to the Association and provide a reference book for the future. Associations that do not have this type of manual should create one in loose-leaf format, which will allow sections to be updated easily when necessary. The manual should include the following sections:

* Generally speaking, the terms 'chair', 'chairperson' and 'president' are used interchangeably, and refer to the same roles and functions. The president of an Association is usually also its chair.

General information about the Association:
- mission and vision
- brief history
- general information about current programmes, activities and services provided (by type and number)
- target population
- an organizational chart showing reporting and accountability lines for staff
- name and general information (CV) about the executive director
- contact information for the Association (address of the main office, telephone numbers, email addresses and so on)

Official documents:
- governing document (such as the constitution, bylaws or regulations)
- strategic plan
- approved policies on relevant issues such as risk management, banking and general financial matters, insurance, health and safety, bullying and harassment, reimbursement of expenses, purchasing of goods and services
- work programme and budget for the current year
- minutes from recent governing body meetings (at least the last three)
- most recent annual report
- most recent financial audit report
- official IPPF documents to provide information about the Federation and how it operates (such as what IPPF stands for, what it does and how it works)

Information about the governing body of directors:
- governing body members' names and general information about them
- composition and structure of the governing body
- governing body committees, including their terms of reference and members
- schedule of meetings and events for the current year
- the most recent evaluation of the governing body

Roles and responsibilities of the governing body:
- a document listing the roles and responsibilities of the governing body, both as a body and for individual members
- a copy of the code of conduct for governing body members

The list of topics set out above is not exhaustive; others may be added as considered necessary. It is important, however, that this manual is kept up to date. This may be done initially through the Association's website if one exists and followed up with hard copy to be added to the loose-leaf folder.

- **Third step: orientation meeting**

Whether a formal orientation meeting is organized before the next scheduled governing body meeting will depend on a number of factors, such as the potential expense of calling in new (or returning) members from afar, and how many new members there are. If a separate meeting is considered justified it should preferably be held at the Association's main office, but at an alternative suitable venue if this is not possible. If it is not possible to hold an orientation meeting, then orientation should be one of the main items on the agenda for the first meeting of the new governing body.

Either way, new or returning members should be guided through the *Governing Body Manual*, paying particular attention to issues such as the Association's mission and vision, the strategic plan, structure, organizational chart and finances. Time should be spent to clarify the roles and responsibilities of the governing body and the honorary officers. It is also important to allow time for a question and answer session. However, it is important to avoid overloading the new members with information and it may be preferable just to provide a general overview and leave more detailed discussions to subsequent meetings. If the Association has decided to adopt the 'buddy system', this may be a good time to appoint a mentor for each new governing body member.

- **Fourth step: visit the Association's facilities and programmes**
  Finally, the new governing body members should visit the Association's facilities, as well as getting a first-hand opportunity to visit selected programmes, activities and service centres. This is a good opportunity for those members who are completely new to familiarize themselves with the services provided, find out who receives services and their needs, and to meet the staff. Similarly, they should visit the Association's main office so they can see, for example, where the governing body meets and where the executive director's office is. Observing the work in person will give them a better insight into the environment in which the Association operates and, in turn, help them make better decisions.

  See also Appendices 1 and 2 for further information about holding an orientation meeting and how it might be structured.

Governing body mentoring

It can be helpful to pair up a new governing body member with a more seasoned board member and ask the experienced member (mentor) to stay in contact with the new member during his or her first year on the governing body. The mentor can answer questions about the governing body and help the newcomer feel welcome. The relationship could be structured or less formal, depending on the needs of the new member, but each pair should be encouraged to clarify mutual expectations.

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Post-orientation follow-up

Good practice dictates that every new governing body member in any organization should receive a thorough, well-administered orientation before assuming responsibility. A good orientation prepares the new governing body member to be an effective leader, supplying him or her with key information about the Association and about the responsibilities of governing body membership. Good orientation practices, along with well-thought-out volunteer profiling, ensure that new governing body members have the knowledge and confidence to influence policy making as well as the skills to contribute to the governing body's effectiveness.

However, it is good practice to carry out reviews some time after the orientation process to determine how well individuals have received and absorbed the information given to them and what each has done to further their understanding of the Association and, in particular, how the governing body works.

Post-orientation review meeting

A review meeting with the Association's president a couple of months after joining provides an opportunity for the new governing body member to give feedback, register problems and seek more information where needed. Such a review can be used to:

- provide any further explanation of the Association's structure or activities
- identify special skills and areas of interest for the new governing body member
- review basic governing body member responsibilities
- address problems that may have arisen
- identify areas where the new governing body member may want more support or training
- get feedback on how the new governing body member has found the experience of serving on the board

Checklist for a new governing body member

☑ Have you received the *Governing Body Manual*?
☑ Have you filled in a skills assessment form?
☑ Do you know when the Association was set up and its history?
☑ Do you know the aims of the Association?
☑ Do you know about the activities of the Association?
☑ Do you know how the Association is funded?
☑ Do you know about the main problems facing the Association?
☑ Do you know about future projects and activities planned?
☑ Do you know about the networks and special relationships that your Association has with other organizations?

- ☑ Do you understand the staff and volunteer structure and your relationship with staff and volunteers?
- ☑ Do you understand your role and responsibilities as a governing body member?
- ☑ Do you have a copy of the code of conduct for governing body members?
- ☑ Have you met with the president and executive director and visited some of the Association's facilities?
- ☑ Have you met and got to know the other governing body members?
- ☑ Do you know how the work of the Association relates to initiatives undertaken by other organizations?
- ☑ Do you have support or training needs – and are they being addressed?

IPPF Code of Good Governance: **Principle 1**

The governing body ensures member integrity and collective responsibility

Why is it important?

One for all, all for the Association! That's another way of describing the contents of this section. All governing bodies are composed of individuals who act together for the benefit of the Association. This means that each individual must ensure that how they act and how they behave are for the good of the Association. It also means that the governing body speaks and acts as one and assumes collective responsibility for the decisions it takes during its meetings.

This does not mean that there is only one opinion on the governing body. In fact, a diversity of opinions and perspectives will enrich the discussions during meetings and hopefully lead to more decisions that are well founded. However, once that decision is taken, it becomes the position of the governing body and all governing body members must support it wholeheartedly in all ways. An individual cannot speak outside or to staff of the Association and say "This was the governing body decision but I think it is not the right one" or "I was not at the meeting when they took the decision and I don't support it, I would have preferred it if …" Such discussions are held during the meetings of the governing body and not outside.

The governing body acts and makes decisions in the collective interest of the Association and shares group responsibility for these decisions. Its members do not act or make decisions according to their own individual interests, or in the interests of any other organization or cause they may be involved with or have an interest in. The governing body ensures that when members are elected by a particular constituency (such as a branch), they act for the collective benefit of the whole not just for that individual constituency. When serving on the governing body, members wear the colours of the Association and not those of their local branch or individual professional interest.

The governing body understands its role in promoting and protecting the Association's mission, values and reputation and works to enhance its public standing through all activities carried out by members on its behalf. An agreed code of conduct enables governing body members to identify and declare actual or potential conflicts of interest and provides an agreed process for dealing with such conflicts.

The policies of the governing body should not allow members to derive material benefit from their position beyond what is allowed by the law and the rules of the organization.

How do you do it?

There are three aspects to consider, which we look at in turn:

- **role and responsibilities**
- **code of conduct**
- **conflicts of interest**

Role and responsibilities

Role

The role of the governing body is to govern, not to manage, and it is this difference that often causes problems within Associations. Governance is about providing the strategic framework within which the executive director can act. However, governing bodies often become involved in matters relating to operational management and so neglect their proper governance duties. This generally happens because operational issues will be more in line with the work experience of individual governing body members.

Governing body members may also tend to be drawn into operational matters for one or more of the following reasons:

- the subject is one with which they are familiar
- there is the instant sense of accomplishment or gratification of having made a positive decision
- it shows who is in charge

It is often difficult for governing body members to stand back and maintain their strategic perspective – it is understandable that this should happen given that many Associations began with a few people who personally combined governance and management. As the Association grew, or as members of staff were appointed, it proved difficult to get rid of old habits and to delegate appropriately.

Governing bodies often start off with good intentions but lose their way and become involved in matters that should be left to the executive director. To some extent a drift from governance into management is inevitable from time to time, but it is for the Association's president and individual members to ensure that such diversions are limited in scope and time.

Friction is frequently caused when an individual governing body member, deliberately or through ignorance, disregards the chain of command and approaches the executive director or staff directly for information, or attempts to influence executive decisions. This and other potential conflict zones can be avoided by having a code of conduct (see Appendix 4) that governing body members sign up to. This code of conduct should be supported by a policy that sets out guidelines for the way that governing body members should behave towards staff and to make sure that all communication with staff is channelled through the executive director.

The executive director must be given freedom of action to manage the staff and the Association's work within the parameters set by the governing body and as articulated in its decisions and policies. It is the overarching duty of the president to preserve the integrity of the governing body's role and to create the right atmosphere by consulting and collaborating with the executive director to solve problems. This is not easy and requires a high degree of frankness, trust and support.

Responsibilities

The section 'Governing body member knowledge and awareness' on page 7 gives a brief overview of the responsibilities of a governing body. It also sets out how new governing body members can receive orientation on what is expected of them.

To reiterate: governing body members are expected to act reasonably and prudently in all matters relating to the Association and its long-term interests. Each member of the governing body should act with the same degree of care that they would exercise in managing his or her own affairs or those of someone else for whom they had responsibility. In practice this means that each member has to know something about the legal, financial and managerial issues affecting the Association, without necessarily being an expert in any particular area.

This also means that the members of the governing body should be people who govern, inspire trust and act as stewards for the Association's assets. Above all, they have a responsibility to protect the Association's values and the interests of its stakeholders, whether they are its members, volunteers, staff, clients, donors or involved in any other capacity.

IPPF has developed seven principles of governance in its Code of Good Governance, and each principle is dealt with in detail in seven separate sections.

See Appendix 3 for model job descriptions for governing body members and the honorary officers.

Code of conduct

A governing body member code of conduct is an agreement between the Association and individual governing body members that spells out the standards of behaviour expected from members. Governing body members sign up to the code when they join the governing body: in doing so, they are pledging to uphold its standards.

The governing body, using input from other parts of the Association, writes the code to establish a set of values – for example integrity, honesty and transparency. It also asks for specific behaviours from governing body members designed to put these values into practice.

This governing body member code of conduct, well formulated and properly implemented, can be a powerful tool for improving the quality of governing body governance:

- the very act of writing a code can have a good effect on the governing body by bringing concerns into the open and inspiring debate

- the code of conduct provides basic protection for the Association by defining inappropriate behaviour on the part of its governing body members
- the code can be used to improve governing body member recruitment, orientation, assessment, training and development

Every governing body member and honorary officer should sign a declaration to confirm that they have received a copy of the code of conduct, have read and understood it, and agree to abide by its contents. It is for the Association to decide whether the same code or adaptations of it should apply to members of governing body committees and senior staff.

Fostering governing body member ownership

For implementation to be effective, the governing body must feel that the code of conduct comes from its members, reflecting their concerns and expressing their wishes. This sense of ownership is born during the writing process when the governing body formulates the code. Once a code has been created, this feeling of ownership has to be kept alive. New governing body members have to commit themselves to the existing code of conduct and serving members need to keep it in mind.

See Appendix 4 for a model code of conduct.

Commitment to IPPF's principles

In addition to subscribing to a general code of conduct, it may also be appropriate for the members of the governing body of an IPPF Member Association to commit themselves to the five goals set out in the IPPF Strategic Framework.

See Appendix 5 for a model declaration.

Conflicts of interest

What is a conflict of interest?

A conflict of interest exists when the personal or professional concerns of a governing body member affect his or her ability to put the welfare of the Association before personal benefit. Experience suggests that volunteers serving as governing body members are likely to be involved, in one form or another, with other organizations in their communities so it is not unusual for actual or potential conflicts of interest to arise.

Any governing body member who has a financial interest in a matter under discussion should declare the nature of his or her interest and withdraw from the room. In addition, governing body members should not be involved in decisions that involve the possibility of appointing a relative to the position of executive director.

Why be concerned about conflicts of interest?

Governing body service in the voluntary sector carries important ethical obligations with it. This is because when governing body members fail to exercise reasonable care in their oversight of their Association, they are not living up to the trust and confidence placed in them by the public. In addition, in many countries, governing body members have a legal responsibility to assure the prudent management of an organization's resources and they are held liable for their own actions.

What are the implications of a conflict of interest?

Conflicts of interest relate broadly to ethical behaviour, which includes not just legal issues but also considerations in every aspect of governance. Broadly speaking, there are three levels of ethical behaviour: (1) obeying the law; (2) decisions where the right action is clear, but one is tempted to take a different course; and (3) decisions that require a choice among competing options. It is the third level that can pose the most problems for governing body members of Associations.

How can we manage conflicts of interest?

Set up a system of checks and balances to circumvent actual or potential conflicts of interest, beginning with well-defined operating policies on all matters that might lead to conflict. Most importantly, create a conflicts of interest policy (see Appendix 6), based on the Association's needs and circumstances, to be reviewed regularly. Each governing body member should agree in writing to uphold the policy.

In addition, the Association should maintain a register of interests (see Appendix 7) for all governing body members, who should be required to update their details annually.

It is for the Association to decide whether its conflicts of interest policy should also apply to its entire staff or only to those in senior positions and staff members having responsibility for particular functions, such as recruitment and procurement.

IPPF Code of Good Governance: **Principle 2**

The governing body determines the organization's strategic direction and policies

Why is it important?

The governing body should set out the Association's strategic direction in order to deliver its mission, goals and objectives.

Strategic planning is about setting the bigger picture: it is also about defining the priorities that are essential to the Association's mission and committing the governing body to delivering these. Governing body members have ultimate responsibility for the well-being of the Association and therefore for defining its strategic direction and priorities. But they cannot do this alone; for the plan to succeed, close collaboration and working in partnership with the executive director and other staff are essential.

A strategic plan does not include detailed activities and implementation plans. Rather, it sets goals and objectives that will help governing body members to ensure that the annual work programme and activities are in line with the longer-term strategic aims of the Association. It is an essential governance document that governing body members need to be familiar with. It also needs to be reviewed for continued relevance at least annually, and as the situation in the country changes and new challenges and opportunities arise. A good strategic plan provides a clear overview of where the Association is heading and it will help governing body members to concentrate on strategic thinking and not get involved with day-to-day operational and management matters.

Why doesn't strategic planning get done?

There are always reasons not to draw up a business plan or think strategically.

- For many Associations it is enough of a struggle just to keep going day by day; and for others the very words 'strategic plan' are enough to evoke bad memories or put them off.
- Others cannot see the point of trying to plan when so much is changing. They are afraid that even when they do spend time and effort, the 'goalposts will have moved'.
- Finally, there may be a lack of skills or resources to implement the plan.

The dangers of not planning strategically

Yet despite all the difficulties, real or imagined, it is precisely in these circumstances that planning is so important.

- If an Association spends its time worrying about funding, has no clear direction and relies on what was done in the past as the basis for what to do next, or cannot think beyond the end of the current financial year, then that Association is in imminent danger of becoming stagnant.
- Such an Association spends all its time hoping things will get better. It is rooted in the past rather than governed by what it wants to do in the future. It becomes paralyzed and predictable although the environment in which it operates is constantly changing.
- Unless that Association is bold enough to decide on a direction to go in, and formulate and agree a plan for getting there, then it will wither and die.

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Why policies are needed

If the strategic plan shows where the Association is going, policies will provide the underpinning framework and

guidance for how to get there. Governing body members have the responsibility to make sure there is a policy framework within which the Association can operate. There are a number of subjects that need to be covered by policies, but three things are common to all organizational policies:

- they are written down
- they are approved by the governing body as a whole
- they are developed together with the executive director

Taken together, the Association's strategic plan and its policies are two very important tools for the governing body to plan, implement and monitor the activities of the Association.

How do you do it?

There are two aspects to consider, which we look at in turn:

- **strategic plan**
- **policies**

Strategic plan

Purposes and benefits of formal strategic planning

1. Changes or affirms the direction of the Association.
2. Enriches the input of appropriate governing body members, staff and other volunteers by giving them a vital piece of the action.
3. Concentrates resources on important things, guides the Association in developing new programmes, and allocates assets and resources to areas offering the best potential for successful outcomes.
4. Provides better information for the governing body to make better decisions.
5. Provides a frame of reference for short-term (usually annual) operating plans and associated budgets.
6. Develops situation analyses of opportunities and threats to the work of the Association: these identify the Association's strengths and weaknesses and can provide better awareness of the potential for developing new programmes and activities or reining back on others.
7. Improves communications and public relations by making everyone more capable of interpreting the Association's mission, goals and achievements.
8. Develops a sense of security among governing body members and staff by forming a better understanding of a changing environment and the Association's ability to adapt to it.
9. Provides a mind-stretching exercise.
10. Trains all managers at all levels and improves management practices.
11. Provides a road map to show where the Association is going and how to get there.
12. Sets more realistic and demanding, yet attainable, objectives.
13. Reviews and evaluates present activities and their outcomes in order to make proper adjustments and modifications to reflect such things as a changing environment, and staff, client or donor feedback.
14. Provides awareness of a changing environment in order to adapt better to it.

A 10-step strategic planning process

Who are we?

1. Create or affirm the Association's vision and mission.

Where are we now?

2. Analyze the current plan (if one exists) and performance of the Association in the areas of programmes, finances and administration.
3. Assess and document the community needs to which the Association is responding.
4. Assess constraints, opportunities and resources – both internally and in the external environment – factors that will affect the Association and influence planning.

Where do we want to go?

5. Prepare preliminary goals and objectives based on the information gathered and assessed in steps 1–4 above. If necessary, revisit and reaffirm the vision and mission in light of new information.
6. Review and validate the goals and objectives.

How will we get there?

7. Develop a financial plan and budget to support the validated goals and objectives.
8. Develop an action plan for each objective.
9. Prepare a comprehensive plan for review, approval and implementation.

How are we doing?

10. Evaluate progress and update the plan on a regular basis.

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Strategic planning terminology

Vision

- The reason why the Association was established and why it continues to exist.
- What does it want to change or protect?
- What sets it apart from other voluntary organizations?

Mission

- The Association's current goal/s and sense of purpose.
- The beliefs and values that hold it together.

Strategic aims

- The direction and priorities for the Association over the planning period.
- A set of related aims that indicate a direction for the Association for the planning period.

Operational objectives

- The ways and means to implement the strategic aims.
- These objectives should be clear and measurable and set in a time frame consistent with the planning period.

Critical success factors

- These are the things that the Association has to get right to achieve its strategic aims and operational objectives.
- Usually they are about such things as the internal workings of the Association, its systems and procedures, staff expertise and skills.

The planning process – responsibilities

The planning process should be led by the governing body but should involve all those people likely to be affected by any potential change.

The worst approach is for a detailed plan to be produced by a select few, probably written in terms that few can understand who then become frustrated because no one takes the plan seriously. On the other hand, involving too many people at one time makes it awkward to manage the process because meetings are often drawn out and it becomes difficult to reach decisions, particularly when emphasis is placed on consultation and consensus. These latter two factors can also stifle radical new approaches.

The planning process – in outline

<table>
<tr><td>Stage 1</td><td colspan="2">Clarify the vision and mission of the Association.</td></tr>
<tr><td rowspan="2">Stage 2</td><td colspan="2">Gather information.</td></tr>
<tr><td>Internal information
• Where are we now?
• How well are we doing?
• What are our successes?
• What are our failures?
• What financial data and information do we have?</td><td>External information
• What is happening in our chosen field of work?
• Are there trends or events that could have an impact on us?</td></tr>
<tr><td>Stage 3</td><td colspan="2">Use the information to identify key assumptions, strategic choices and direction.</td></tr>
<tr><td>Stage 4</td><td colspan="2">Develop and plan a strategy that can be achieved and resourced.</td></tr>
<tr><td>Stage 5</td><td colspan="2">Show that the Association has the capability to carry out the plan.</td></tr>
</table>

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A possible answer to this problem is to think of the process as operating on three levels:

- The first level gives the governing body, the executive director and senior managers the essential task of setting out the mission and core values for the Association and, in effect, pointing the process in the right direction.
- The second involves staff at all levels who, having participated in the 'top table' discussions, should then be able to put 'flesh on the bones' and develop specific plans for their units following the general direction agreed by the governing body and senior managers.
- At the third level, groups of staff, governing body members and other volunteers can collaborate together to work out specific parts of the process, such as trying to identify future trends in community needs, the effect of government interventions or withdrawal, and so on.

The whole process has to be managed tightly otherwise it could very easily degenerate into a series of interminable meetings at which initiatives and mould-breaking ideas are killed off in the name of consultation and consensus.

The governing body needs to take responsibility for setting out the direction for the Association, agreeing key priorities, ensuring that the plan is produced on time, that it fits together and is in an understandable format.

Working out the details for implementing the strategy, such as producing annual plans or project feasibility studies, is probably best delegated by the governing body to the executive director and the staff because they are the people who will have most knowledge about the practicalities.

Policies

The governing body and policy setting

What is policy?

Policy can be defined as *"a course of action adopted to influence subsequent decisions and actions."* Policy is best seen as referring to the broad, overarching, guiding principles to be used to make decisions. For example:

- It reflects the core values of the Association and represents the interests of its stakeholders (these are the members, the people the Association serves, its staff and those who provide material and moral support).
- It gives broad but clear guidance, so that the executive director can act with the secure knowledge that the governing body has established a basic framework for programmes and operational management matters. Examples include finance and logistics.

This therefore means that the Association's governing body will establish principles and procedures embedded in policies to:

- guide staff, particularly the executive director
- influence current operations
- have an impact on the Association's future course of action

With such policies in place, the executive director does not need to keep bringing operational issues back to the governing body and, used in conjunction with the Association's governing document, these policies provide guidance on how to run the Association in a sensible and fit manner. A well-organized set of policies keeps the governing body on track: learning about them should form part of the orientation for new governing body members.

Why bother with policies?

Every organization has policies, even if they are informal. To be most effective, policies need to be short, understandable and sensible. They also need to be written in a particular way, so that:

- it is clear what they are
- they will be remembered and used
- they will not be misinterpreted or used selectively

If this is not done, decision making is made more time-consuming because governing body members may find themselves facing each new issue as if it had never been encountered before.

The governing body should develop a policy for key aspects of the Association. It is usually staff who actually draft the policies. This may be done at the request of the governing body, or on the initiative of the executive director to deal with an operational matter where governing body guidance is required.

It may seem an overwhelming task and a lot of work for volunteers and staff. However, once it has been done, it allows the governing body to stop worrying about the routine and micro details of the Association's processes.

Policy setting is not a once-and-for-all exercise. The need for amendments may arise from external events, such as changes in local legislation and donor requirements. For example:

- new policies may be needed to deal with new activities or issues arising from within the Association
- all policies should, in any event, be reviewed from time to time to assess whether they remain relevant
- the governing body should identify any habits, styles and practices that need to be incorporated into formal policies

It is worth restating that although their formulation is time-consuming, policies are an essential part of good governance because they:

- describe certain preferences about how the Association's work is to be done
- promote consistency and give continuity to governing body decisions
- are essential for the successful exercise of powers delegated to the executive director and other senior staff
- are a means of helping to ensure that the actions of staff in different places, such as at head office or the branches, are consistent with each other and serve to promote the Association's aims and objectives

It is important that the governing body does not have any 'hidden policies'. This happens sometimes because the governing body wishes to retain freedom of action; or to demonstrate that it is 'in charge'; or because the issue is one that is difficult to define without danger of misinterpretation. Whatever the reason, this attitude may rebound to the governing body's disadvantage as it can lead to lack of decisive action by staff and excessive delays in dealing with issues because they have to be referred to the governing body each time.

Each policy approved by the governing body should be incorporated into a written manual, set out by topic, such as financial, personnel, conflict of interest and conduct of business. Every governing body member and senior staff member should have a copy of the policy manual.

The manual acts as a rulebook. However, it is advisable to keep the policies broad enough to avoid their becoming detailed regulations that might be used destructively rather than creatively and become a battleground between governing body members and staff.

A brief checklist

- ☑ Has the governing body identified what policies are needed to implement its approved strategic plans?
- ☑ Who is involved in the process of devising the Association's policies?
- ☑ Have these policies been written down and approved by the governing body?
- ☑ Does the governing body monitor and review the operational effects of its policies?
- ☑ Are policies re-examined periodically to ensure that they remain relevant?
- ☑ Are there customs and practices that may be considered as policies whether or not formally adopted?

What policies should we have?

Here are some suggestions for topics that should be considered for formal policies:

Advocacy and external relations:

- governing body and staff behaviour when engaged in public speaking
- the Association's relationship with the media
- responsibilities for public relations and information (including the designated spokesperson/s for the Association)
- relations with other associations and organizations

Resource mobilization:

- allocation of responsibilities for dealing with approaches to and by potential donors of funds, equipment or other supplies
- recovery of overheads incurred in managing external projects

Stewardship:

- risk management (i.e. assessment of risks, mitigation of risks – including insurances)
- accountability (i.e. defining responsibilities at the different levels of the Association)
- financial accounting (i.e. opening bank accounts, investments, reserve and special funds, payments for goods and services)
- financial management (i.e. budget setting, budget monitoring, financial reporting, insurance, asset management)

- logistics (i.e. purchasing of goods and services, store accounting)
- internal control (i.e. allocation of responsibilities)

Planning:

- strategic planning (i.e. regular review of the Association's mission, allocation of responsibilities for carrying out the different stages of the planning process)
- operational planning (i.e. allocation of responsibilities for preparation of plans)

Human resources:

- recruitment (i.e. non-interference of volunteers in the staff recruitment process, restrictions on recruitment of family members, job descriptions and grading, non-discrimination and diversity)
- salaries and benefits (i.e. general principles governing salary levels and increases, travelling expenses and associated allowances)
- performance management (i.e. appraisal system and procedures – including the executive director)
- employee relations (i.e. grievance and disciplinary procedures, governing body behaviour towards staff)

Other:

- key sexual and reproductive health and rights issues
- role and composition of standing committees and their relationship to the governing body
- composition of governing body (if not in governing document)
- conduct of meetings (if not in procedural bylaws or regulations)
- annual governing body evaluation
- gender equity
- involvement of young people
- whistle blowing
- payments to volunteers
- code of conduct
- conflict of interest (if not in governing document)
- data protection (including disaster planning)

IPPF Code of Good Governance: **Principle 3**

The governing body appoints and supports the executive director

Why is it important?

One of the most important responsibilities of the governing body is to recruit an executive director who can provide the leadership to manage the Association so that the work programme is implemented according to plan and within budget. The governing body also needs to:

- support the executive director
- establish and nurture effective working relationships between the executive director and the governing body (especially the honorary officers)
- set up and implement an appropriate performance appraisal process
- devise a suitable remuneration package to retain and motivate the executive director

While the governing body needs to monitor and review the work of the Association and that of the executive director, it is not there to control or judge. The executive director may feel nervous going into an appraisal meeting because of what that monitoring and review process may bring. However, if possible, he or she should leave it feeling empowered to continue the work because of the way that the process has been conducted and by the support offered by the governing body.

The relationship between the governing body and the executive director is the most critical factor in the Association's leadership. A good partnership depends on open and honest communication and mutual respect. It also requires each party to be clear about their respective complementary roles and responsibilities, together with an understanding and acceptance of the difference between governance and management. The two parties need each other and, for the good of the Association and its mission, they must find a way to work together productively.

The governing body must ensure that the duties and responsibilities of the executive director are clearly set down, agreed and carried out. The executive director is accountable to the governing body, but all the staff are accountable to the executive director. This may seem obvious and simple, but a recurrent problem in many organizations is tension and misunderstandings between the staff and the governing body because of confused or unclear reporting lines and lines of authority. The governing body hires an executive director to manage the Association and the implementation of its programme. If the governing body regularly gets involved in executive or operational management, it is preventing the executive director from managing and therefore doing the work which he or she has been hired to do.

How do you do it?

There are three aspects to consider, which we look at in turn:

- **selecting an executive director**
- **developing a good relationship between the president and executive director**
- **supporting the executive director and assessing his or her performance**

Selecting an executive director

The responsibility of choosing the executive director undoubtedly has the greatest impact on the Association's development and effectiveness. While this function may also be shared with others who have a stake in the outcome, the final decision is, and should be, the governing body's to make.

The governing body may choose to hire an executive search consultant to help recruit a strong field of candidates, or it may prefer to carry out the search on its own or by canvassing for candidates by open invitation. A carefully considered search process is essential, of course, but in order for an executive director to perform effectively the governing body must recognize its duty to provide a positive working environment.

Before starting the recruitment process, the governing body should:

- review the Association's statement of mission and purpose and ensure its adequacy
- draw up an inventory of the Association's major strengths and needs
- establish specific long-term priorities for the next period of executive leadership
- establish clear objectives and clarify expectations for at least the first year of the new executive director's term of office
- articulate the particular attributes, skills and style it seeks in its new executive director
- provide an adequate compensation package and other employment terms
- clarify its own functions as distinct from those of the executive director and staff, including recognizing the executive director's exclusive responsibility to select and supervise a management team without governing body interference
- prepare a comprehensive job description (see below) that reaffirms that the organization's executive director is the chief staff officer (by whatever title). There should be no ambiguity with the position of the top elected governing body officer on this matter

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Defining the difference between the governing body's responsibilities and those of the executive director

Governing body/staff relations

The president's role to support the executive director:

1. To communicate openly and fairly with the executive director.
2. To be the liaison person between the governing body and the executive director.
3. To take the lead in supporting and evaluating the executive director and encouraging the governing body to do likewise.
4. To discuss problems confronting the Association with the executive director.
5. To discuss and review with the executive director any matters of concern to the governing body.

The executive director's role to develop the governing body:

1. To ensure that current job descriptions are in place for the chief executive, governing body members and the honorary officers.
2. To maintain a healthy and mutually supportive relationship with the president.
3. To help to provide thorough orientation for new governing body members.
4. To help the governing body to clarify and maintain its strategic oversight functions and its policies.
5. To keep the governing body informed on a timely basis about programme and financial inputs and outputs and all other subjects relevant to the Association's well-being; and adhere to the doctrine of 'no surprises'.
6. To propose and help plan governing body retreats or special workshops, including periodic governing body self-study sessions of its responsibilities, membership, organization and performance.
7. To approach assessment as a tool to strengthen the performance of the executive director and the governing body.

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Governing body/staff leadership

The following are examples of typical governing body or staff leadership roles in an Association.

The governing body takes the lead, for example, when it:

- guards the mission and sets the direction for the organization
- hires, supports and evaluates the executive director
- serves as an ambassador in the community
- monitors financial management, approves the annual budget and makes sure that there is an annual audit

The executive director takes the lead when he or she:

- manages the daily operations
- develops and proposes policy questions for the governing body's consideration
- hires, supervises and motivates staff
- develops and implements programmes

The governing body, president, executive director and staff share the lead when they:

- develop a strategic plan
- initiate and implement periodic organizational evaluations
- prepare for governing body meetings

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See Appendix 10 for an exercise on the different responsibilities of a governing body and staff.

Developing a good relationship between the president and executive director

Things that can help:

- having clear boundaries between the role of the executive director and the role of the president
- role descriptions and guidelines for the governing body
- clear lines of communication
- meeting at regular times with agreement on times and method of communication
- agreement on the level of contact that the president has with other managers
- recognition from the executive director that the president needs to consult with other governing body members on matters arising: this means allowing time for this in the decision making process
- annual appraisal of the executive director by the governing body

Things that can be unhelpful:

- over-involvement or interference by the president in the day-to-day management of the Association
- the executive director seeking to make decisions which properly belong to governing body members, and vice versa
- poor judgement by the executive director or president about what falls within his or her delegated powers
- the executive director concealing information from the president
- the president seeking independent publicity
- the executive director seeking to manipulate the governing body against the president

Supporting the executive director and assessing his or her performance

The executive director needs consistent moral and substantive support from the governing body. Some governing bodies have found it useful to assign the responsibility for organizing the assessment of the chief executive's performance to the executive committee. This helps, but the governing body as a whole should ensure that the executive director:

- receives frequent and constructive feedback
- is assisted when governing body members overstep prerogatives or misunderstand their roles
- feels that his or her performance is being assessed in reference to expectations that are mutually agreed
- is introduced to other community leaders and organizations
- is invited to important social functions
- is complimented for exceptional initiatives
- is encouraged to take professional and personal leave for renewal
- feels that the governing body is aware of and sensitive to personal situations and needs

With regard to informal and formal performance reviews, the governing body and executive director should agree on criteria and processes. This delicate business is helped immeasurably if annual objectives are mutually discussed and agreed on; they become the primary criteria for review through informal and candid discussion.

The formal, periodic and comprehensive review process can be especially challenging for everyone concerned. The governing body performs this function best, as part of its responsibility to be supportive, when the governing body and executive director have agreed on the three points below:

1. The primary purpose of the evaluation is to help the executive director perform more effectively. This means that matters such as a salary increase or contract extension are discussed separately after the performance evaluation.
2. The executive director should be consulted on the review process well before it is initiated.
3. The governing body and executive director need to understand that their effectiveness is interdependent – neither can be assessed completely independently.

Given the importance and delicacy of comprehensive executive performance assessment, and assuming governing body policy is to carry out written performance reviews annually, some governing bodies and executives have mutually agreed to use qualified third-party services from outside the Association for this purpose.

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Performance assessment

Why an appraisal system is needed:

1. It is important that systems of best management practice are in place to support and monitor all staff. The role of the executive director of an Association combines the responsibilities of heading up its operations with developing and maintaining a constructive working relationship with the governing body. This ensures that agreed strategic objectives are implemented.

2. Appraising the executive director is an important process for both the Association and the individual. The aims of a formal appraisal are to:
   - provide support for the executive director
   - maximize the potential of the executive director
   - provide a longer-term overview of the performance of the executive director
   - provide a benchmark of accountability for the executive director
   - reassure (or otherwise) the governing body that the executive director is performing effectively
   - identify potential problem areas
   - achieve the best management of the Association

3. Governing body members will have differing degrees of involvement with the activities of the Association and differing ideas about how much authority is delegated to the chief executive. Therefore:
   - governing body members must be clear about what they are asking their executive director to do
   - the executive director must know what success criteria apply to him or her and how he or she will be assessed against these criteria
   - the importance of the relationship between the president and the executive director, and their differing roles, must be clear and understood by both parties

4. An agreed system of appraisal provides the foundation for defining the relationship between the executive director, the president and the governing body. It also helps to clarify and set clear objectives for the successful running of the whole Association. This helps improve trust and therefore helps the executive director and the governing body members to work well together.

5. It is important that the executive director, the president and the governing body discuss and agree answers to the question "Why do we want to do this?" Here are some examples of what the appraisal process may include:
   - review the executive director's achievements and weaknesses against agreed objectives, competences or performance benchmarks
   - set short, medium and long-term objectives for the executive director
   - identify areas for the executive director's training, support and development
   - adjust the executive director's role and responsibilities
   - review the executive director's achievements as a role model for the Association's values
   - identify barriers to success of the organization in the past and avenues for action in the future
   - communicate shared views or differences in vision, attitudes and objectives for the future

- set new objectives for the executive director and, indirectly, for the top team
- review the support of the executive director by the chair (president)
- identify the president's or the governing body's need for training, support and development, or their need to change their methods of operation
- build good working relationships and trust between the executive director, the president and the governing body

6. Look at what the role of the executive director requires of its incumbent and what the person brings to that role. It is the combination of these two main factors that is crucial to performance. It is not enough to look at the role in isolation. Therefore, as well as exploring the successful setting and achievement of negotiated objectives, it is important to examine the skills and abilities that the executive director demonstrates in attaining them. Competence is essential, but 'quality' and leadership are just as important and should be recognized in the appraisal process.

The key elements of a successful appraisal process are:

- sufficient training
- preparation by all the appraisers and the appraisee
- a serious desire for good outcomes, by all parties
- adequate time set aside for the task
- measurable objectives
- observable qualities – which are therefore quantifiable
- assessable competences
- keeping all paperwork to a minimum
- remembering that the completed appraisal documents are confidential
- writing up the appraisal immediately
- supporting comments as far as possible with clear examples
- ensuring that individual objectives that are set out in the appraisal are linked to organizational objectives
- sending a draft copy to the chief executive so that he or she can comment before signing it with the chair
- remembering to thank the chief executive and all other people involved

Appraisal of the executive director

Types of assessment

1. Intermittent and continuous communication between the president and the executive director.
2. Informal periodic feedback by the president or other governing body members. Potential problems can be averted and performance strengthened by periodic conversations about how things are going, particular achievements or problems that have arisen.
3. Annual governing body review. A more formal process, this includes both an executive director self-assessment and feedback from members of the governing body. It ought to deal with accomplishment of pre-established goals and performance related to the executive director's job description, and it should identify both the executive director's strengths and areas where improvement is desirable or needed. It should lead to establishment of performance goals for the year ahead and identify ways in which strengths may be built on and weaknesses compensated for. Written governing body member feedback should be summarized into a report that is discussed with the executive director by the president and at least one other member of the governing body.

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Standard appraisal

1. Standard appraisal involves the review with an individual of their achievements, weaknesses, aspirations, disappointments and any development needs, by one, two or occasionally more people – the president and other honorary officers.

2. Standard appraisal focuses primarily on two aspects of performance:
   - what an individual has achieved, usually measured against plans set at the beginning of the year and adjusted through the year, together with his or her job description

- how the individual achieved the results: finding out whether the performance comes from qualities and skills favoured by the Association and checking that these are compatible with the cultural values it seeks to foster

3. A good job description gives a legitimate baseline for the individual to be judged against and defines clearly where their responsibilities start and end. Good objectives – specific, measurable, agreed, realistic and time-related – define the responsibilities of the post and the standards of performance expected.

4. Use 'competence' frameworks. Competence frameworks set out the qualities and skills that an organization wants to encourage and develop in its senior managers. Such frameworks typically cover aspects of performance such as:
   - leadership
   - strategic thinking and planning
   - delivery of results
   - management of people
   - communication
   - management of finance and other resources
   - personal effectiveness
   - intellect, creativity and judgement
   - expertise and professional competence

Adapted from 'Appraising the Chief Executive: An Essential Guide to Performance Review'. © ACEVO, 83 Victoria Street, London SW1H 0HW, www.acevo.org.uk

See Appendix 11 for a checklist to be used in the appraisal process.

See Appendix 12 for an executive director appraisal sample prompt sheet.

See Appendix 13 for a sample appraisal form.

IPPF Code of Good Governance: **Principle 4**

The governing body monitors and reviews the organization's performance

Why is it important?

Having agreed the strategic direction of the Association, devised the necessary policies and employed a capable executive director to manage the Association, the monitoring role of the governing body becomes very important. Is the Association doing what it said it would do? Are current programmes and projects effective in pursuing the Association's mission? Are they being carried out efficiently and within budget? These are some of the questions the governing body needs to ask itself at regular intervals.

Firstly, the governing body needs to ensure that the Association's programmes and activities have realistic targets and outcomes. Secondly, the governing body has to ensure that appropriate systems and procedures are in place to collect the data and information that it requires to carry out its monitoring and review function. Thirdly, the governing body, in consultation with the executive director, should devise and put in place the periodic performance reports that it requires. In doing so, the governing body needs to be clear about what data and information it wants, how it is to be presented and when.

The governing body should also ensure that authority delegated to staff is sufficient for purpose and subject to appropriate budgetary and other limits, and that it monitors and reviews the use of such delegated authority. In addition, the governing body should periodically review the Association's governance structure and its associated costs to ensure its continued relevance and effectiveness and that it gives value for the money spent.

How do you do it?

There are three aspects to consider, which we look at in turn:

- **indicators**
- **performance reports**
- **quality assessments**

Indicators

Indicators are signs of progress and change that result from an activity, project or programme. The word 'indicator' stems from the Latin words 'in' (towards) and 'dicare' (make known). Once developed, indicators provide guidance about what information should be collected and used to track progress.

The following indicators are defined by what they set out to measure:

Input indicators measure the provision of resources, for example the number of full-time staff working on the project.

Process indicators provide evidence of whether the project is moving in the right direction to achieve its set objectives. Process indicators relate to multiple activities that are carried out to achieve project objectives, seeking answers to questions such as:

- What has been done? Examples include training outlines, policies and procedures developed, level of media coverage generated.
- Who and how many people have been involved? Examples include number of participants, proportion of ethnic groups, age groups, number of partner organizations involved.
- How well have things been done? Examples include proportion of participants who report they are satisfied with the service or information provided, proportion of standards, such as in quality, that have been met.

Output indicators demonstrate the change at project level as a result of activities undertaken. Examples include numbers of sexual and reproductive health services provided, and having a written HIV and AIDS workplace policy in place.

Outcome indicators illustrate the change for the beneficiaries of the project in terms of knowledge, attitudes, skills or behaviour. These indicators can usually be monitored after a medium to long-term period. Examples include the number of new contraceptive users in a community and the number of young women aged 12 to 13 vaccinated against human papilloma virus.

Output and outcome indicators are usually expressed as numbers, percentages or ratios/proportions or as a binary (yes/no) value.

In IPPF, output and outcome indicators are referred to collectively as 'results' indicators.

Impact indicators measure the long-term effect of a project or programme, often at the national or population level. Examples of impact indicators in sexual and reproductive health include maternal mortality ratio, HIV prevalence rate and total fertility rate.

Impact measurement requires rigorous evaluation methods, longitudinal study and an experimental design involving control groups in order to assess the extent to which any change observed can be directly attributed to project activities.

For the reasons stated above, measuring impact is rarely feasible, nor appropriate, for most projects implemented by IPPF Member Associations. The indicators used to measure Millennium Development Goal 5 on improving maternal health are examples of impact indicators.

All the indicators discussed above can be categorized as quantitative or qualitative indicators depending on how they are expressed.

Quantitative indicators are essentially numerical and are expressed in terms of absolute numbers, percentages, ratios, binary values (yes/no), etc.

Qualitative indicators are narrative descriptions of phenomena measured through people's opinions, beliefs and perceptions, and the reality of people's lives in terms of non-quantitative facts. Qualitative information often provides information that explains the quantitative evidence: for example, the reasons for low levels of condom use; why so few young people attend a sexual and reproductive health clinic; the cultural determinants that contribute to high levels of gender-based violence. Qualitative information supplements quantitative data with a richness of detail that brings a project's results to life.

It is important to select a limited number of key indicators that will best measure any change in the project objectives and that will not impose unnecessary data collection. As there is no standard list of indicators, each project will require a collaborative planning exercise to develop indicators related to each specific objective and on the basis of the needs, theme and requirements of each project.

Performance reports

It is important that project indicators and benchmarks are built into any activity or project so that its planned results are achieved or its impact measured. There are, of course, other areas of an Association's operations that require monitoring and reporting to the governing body. In the main, these relate to the functions supporting frontline clinical and other services. If these are performed poorly there can be an adverse impact on the effectiveness and public perception of an Association's services. Shortages of clinical supplies because of an inadequate supply system do not sit well with service users. As a minimum, the governing body should receive data and information that will enable it to satisfy itself that the logistics system is performing as intended and, in particular, that all service outlets are supplied adequately. It should also require assurance from the executive director that identified problems have been, or are being, dealt with.

Monitoring and reporting usage of consumable supplies

Consumables such as contraceptives, drugs and medical supplies are by their very nature relatively fast-moving items and it is important to ensure that minimal wastage occurs through items exceeding their 'use-by date'.

The governing body will need to satisfy itself that:

- stock levels are not excessive (based on historical and projected usage)
- the store system and procedures ensure that the oldest stock is used first

This is not usually a problem where a clinic is located close to the headquarters store and does not need to keep a substantial stock. If stores have to be sent to branches it may be more difficult to keep track of them.

The governing body should decide whether it requires the following types of reporting:

- It is likely to need a periodic (say, quarterly) status report from all clinics and other outlets. This report would show stores used and received in the period and the stocks in hand. If an Association is selling contraceptives, the governing body will probably need such a report so that it can cross check the income deposited into the account against the number of contraceptives sold.
- It should receive periodic reports of assets that have been lost, stolen, damaged beyond repair, or written off as beyond economic repair or having exceeded their shelf life.

If structured correctly such reports can:

- provide evidence of stock movements, highlighting those where stocks are slow-moving
- identify stores where there is high wastage (for whatever reasons)
- on the basis of this information enable the governing body to ask questions about store accounting systems and procedures

However, accounting for consumables is one of the more problematical areas. Current practice is not to account for individual issues of consumables at the user end because, very often, the time, effort and cost involved outweigh the value of the stores concerned.

In such circumstances, control can be exercised through monitoring the aggregate issues from the main store to each user or outlet over a given period. If this data is compared with activity data then it should be possible for management (and the governing body) to satisfy itself that usage of different items is consistent with the work carried out.

Monitoring and reporting usage of equipment

The term 'equipment' covers fixed and portable items having a longer life than consumables and items that may need repair or servicing (such as vehicles) or the periodic replacement of components (such as medical equipment). These items are usually recorded in asset registers or equipment inventories. The purposes of doing this are twofold: firstly, to provide evidence of the existence of the item and, secondly, to record the costs incurred in maintaining it.

The asset register is an important document because it provides information needed for balance sheet purposes and for the valuation of current assets. In addition, the record of maintenance costs is crucial in making decisions about replacing equipment and especially to convince donors of the need to fund such replacements. This may be particularly necessary where replacement is sought well before the end of the anticipated working life of the piece of equipment.

The governing body will need to satisfy itself that:

- the type of asset record adopted will be satisfactory for the purposes indicated above
- the system and procedures are adequate to ensure that new items of equipment are added to the record and those disposed of are removed from it, and that maintenance costs are recorded

The governing body will also need to make a decision about which items should be put in the asset record and what periodic reporting it will require to ensure that equipment is being used to best effect.

In general, decisions about which items to record will be made according to one or more of the following criteria:

- its financial value (original or replacement cost)
- its intrinsic value (how vital the item is to an Association's operations)
- its attractiveness (as a desirable item to steal)
- its anticipated life

Monitoring and reporting in general

Whatever form of reporting is decided on it must be taken seriously by the governing body and the staff.

It is evident that if a report is to serve its purpose, the data and information it contains must be relevant, timely and as accurate as possible given the primary importance of the first two characteristics. It is in trying to achieve these aims that difficulties often arise.

Staff will have an understandable desire to ensure that figures, whether financial or otherwise, are 'correct'. Unfortunately, this desire for absolute accuracy can result in reports being delayed to such an extent that, when eventually received, their contents are virtually worthless for the purposes of management or the governing body. This means that the governing body will need to set deadlines for the executive director to submit reports.

In fact, as far as financial data is concerned, the largest single item of expense is usually staff costs (sometimes around 75 per cent). In any financial report, therefore, 75 per cent of the normal expenditure is already known. The remaining 25 per cent can be deduced from a combination of actual and/or projected figures; this includes using financial data from previous reports in conjunction with anticipated activity to arrive at a reasonable estimate of the expense incurred in the period.

As long as the assumptions that have been made are noted in the report (and any significant corrections are made in a subsequent report) then the executive director and the governing body should be able to take decisions with confidence and take them at a time when they are likely to have most effect.

For example, receiving information in October of a significant overspend that became evident in August is potentially disastrous because short-term, probably panic, measures will be taken to try to retrieve the situation. These may have a more serious effect on an Association's work programme than the more considered adjustments that could have been put in place had the situation been revealed two to three months earlier.

As stewards of the resources entrusted to them, the governing body should, as a minimum, receive quarterly reports that provide the following:

- a comparison of actual income and expenditure with that budgeted for the reporting period and for the year to date
- explanations for any significant variances between actuals and budgets (the governing body will need to decide what percentage is counted as 'significant')
- a comparison of actual and planned activity in the period and in the year to date (only details of those activities which are not proceeding to plan should be reported, thereby saving endless repetitions of known information)
- identification of matters where a governing body decision is required (this may be action to address a potential overspend, to adjust a budget by moving funds from another item, or to adjust the work programme by reducing planned activity)

It is important that programme activity reports are prepared and reviewed side by side with the relevant financial data. To consider each in isolation runs the risk of poor decisions being made. For example, if the governing body reviews a report that shows a budget that is in line with expectations without the comparable activity report, the governing body may not appreciate that programme activities have not kept pace with spending. This means that the Association may end up spending the money without achieving its planned level of activity.

In some circumstances it may be useful to increase the frequency of reporting, such as towards the end of the financial year. For example, monthly reporting could be beneficial in the last three months of a financial year, perhaps concentrating on those activities where deficits are likely. The governing body does not need to meet to consider such interim reports as long as each member is kept informed.

It will be for the Association's president, in consultation with the other honorary officers and the executive director, to decide whether a particular situation is serious enough to warrant calling the governing body together. If the honorary officers have delegated authority to act in such circumstances then there is no problem, as long as they report back at the next scheduled business meeting.

Quality assessments

A request for a special assessment of a particular aspect of the Association's activities may arise internally or externally.

If internally, then it will be for the governing body to decide the terms of reference of the assessment, reporting requirements and deadlines, as well as who will carry out the review. Whether the need for the assessment arises from identified systems or procedural problems or, for example, to ensure that the quality of the services offered by the Association is meeting the expected standard, the governing body should ensure that the assessment is carried out by suitably qualified volunteers and/or staff. In some circumstances it may be necessary for the governing body to commission an outside consultant to ensure that the required objectivity and expertise is applied to the problem.

External assessments will usually arise at the request of donor agencies or, occasionally, to satisfy local regulations. The governing body will probably have little influence on the content of the assessment in these circumstances.

IPPF Code of Good Governance: **Principle 5**

The governing body provides effective oversight of the organization's financial health

Why is it important?

Members of the governing body are the custodians of the Association's assets and liabilities and also of the Association's capacity to continue to serve clients and communities. This responsibility is a serious one and may seem scary at first especially to those without financial skills. However, with some training and determination, members will be able to take this on. Members of the governing body will need to learn how to read and interpret financial data and how to use this data to make wise and informed decisions about the Association's financial situation.

There may be one or two individuals on the governing body with professional financial skills but it is not advisable to defer all financial considerations to them. As outlined in the section 'How to use this handbook and make it yours', members of the governing body have collective responsibility for all decisions made and it is the responsibility of each member to be informed and to ask questions if something is not clear.

Those elected to serve as a member of the governing body hold in trust everything that their predecessors have established and the economic engine that is the Association's ability to continue to serve the community. To protect and to enhance the capacity of the Association to serve its clients and communities is the fundamental financial responsibility of members of the governing body.

The governing body needs to ensure that:

- the Association is solvent and that its finances are managed prudently, in accordance with recognized international accounting practices and according to local legal requirements
- it identifies and regularly reviews the risks faced by the Association and takes action to manage the risks identified
- adequate insurance is provided to protect the Association against potential liabilities
- the Association establishes a system of internal control and regularly reviews its operation
- the budget is reviewed and approved, and spending is monitored to ensure that the Association's finances are managed in its best interests
- after appointing external auditors, the audited annual accounts and financial statements are reviewed and approved and any recommendations made in the management letter are followed up

How do you do it?

There are eight aspects to consider, which we look at in turn:

- **financial regulations**
- **understanding financial terminology**
- **accountability**
- **budgeting**
- **risk management**
- **internal control system**
- **monitoring and reporting**
- **resource mobilization**

Financial regulations

Regulations provide the substance from which systems and procedures can be devised and, perhaps more important, the means of setting out what constitutes good practice. Not least, they provide a way of ensuring continuity in administrative matters. For these reasons, the process of drawing up and implementing financial regulations is vital to an Association's financial health. This is also because the process itself will inevitably raise questions on a variety of issues.

Take one simple example – the procedures for dealing with income received through the post. The conventional control point is at the point of receipt. This means that post opening is usually a controlled procedure with two people responsible for opening the post and recording any cheques or other income received.

This may be practicable in large Associations, but in smaller ones with few staff it may not be a viable proposition. In this situation the governing body, advised by the executive director and if necessary the external auditor, should weigh the risks of not having a post opening procedure against the administrative time and effort required, taking into account the average number and value of postal receipts. Alternatively it could advise donors to make payments direct to the Association's bank account thereby reducing postal receipts.

Among other things, an Association's financial regulations should set out:

- details of who is responsible for maintaining financial records and preparing reports
- the scheme of delegation – in other words, what authority has been delegated, to whom, and within what limits
- the procedures for preparing and approving financial plans and budgets
- the procedures for paying staff
- the procedures for purchasing goods and services and authorizing payments to creditors (suppliers)
- the procedures for dealing with income received into the Association
- the procedures for opening and maintaining bank accounts, including cheque signing

In each case, the governing body should require the executive director to draft appropriate regulations taking advice, as necessary, from the external auditors and others, on the principles to be considered and incorporated into the regulations.

As indicated above, the principles may well need to be tempered with a dash of pragmatism and risk management. Any controls imposed by the regulations should therefore be:

- sensible in terms of the materiality of the area to be controlled
- capable of being executed with the minimum of administrative effort
- able to be monitored whenever possible by the executive director and the governing body

Understanding financial terminology

All members of a governing body should try to understand the basic elements of what an Association's financial statements and periodic reports contain – and what they say about the state of its finances. Accounting, and particularly the way figures are presented, can be bewildering to the uninitiated but having at least basic knowledge of the terminology used can help.

See Appendix 14 for a general glossary of financial terms and see Appendix 15 for more detail on some selected financial terms.

See Appendix 16 for information on calculating ratios and indicators which may be used by large Associations.

Accountability

Accountability can mean different things to different people but in the financial sense it means being held responsible for making good use of scarce resources to achieve stated objectives. It operates at all levels, but the governing body has the heaviest responsibility because it has the greatest power to determine the use of resources.

However, the principle has a more widespread context and is often misunderstood. Governing body members may interpret 'accountability' merely as a disciplinary device. 'Making someone accountable' can, unfortunately, lead to exposing staff to pressure from a senior officer or even a member of the governing body. This will not produce effective and efficient staff if they cannot see that the principle is applied equally to the accountability of the governing body.

Accountability for an Association has two basic features:

- It runs from top to bottom. The governing body is accountable as well as the staff.
- It is reciprocal. There are two parties to the contract: the governing body, as employer, provides work and payment for doing it, and the staff who give their time, skills and experience.

The governing body is therefore accountable to the members of an Association, the community it serves, its donors and probably to the state.

An Association's governing body, collectively and individually, has accepted full general accountability by taking office under its governing document, and to its

donors by entering into agreements with them on behalf of the Association. This accountability is not affected by the voluntary nature of the governing body's service and does not mean that an Association has a greater obligation towards the governing body as individuals.

For example, governing body members may believe that they have the right or obligation to exercise an overriding personal control over an Association's activities – whether or not they have the experience or skills to do so. If governing body members act in this way then they are abusing their position and disregarding their responsibility (and their general accountability) for ensuring that all resources are used for the greatest benefit of the Association regardless of the personal position or past service of individual members.

To ensure that staff understand the terms of their accountability, the governing body must organize an Association's work in such a way that all staff members, from the executive director downwards, know:

- what is expected of them
- the framework of rules within which they must operate
- how their performance will be judged

If the governing body carries out its core functions effectively, then a sound basis will have been set for creating a fair system of accountability. Most people are not antagonistic to being accountable for their actions.

What they do resent is being blamed for:

- not doing what they had not been instructed to do
- not taking opportunities that they did not know they were authorized to take
- breaking policy rules or regulations that they did not know existed

Good communication from the governing body to the staff, via the executive director, is vitally important.

Unfortunately this is often not achieved for several reasons. There is the attitude that staff are paid servants whose duty is to carry out instructions without asking unnecessary questions. This principle is quite inappropriate to a modern Association. If the spirit of voluntarism is to mean anything, then staff must be able to use their initiative. Another misconception is that of the 'one happy family' where everyone shares common principles and ways of doing things so that communication happens spontaneously. This is an utter fallacy.

Finally, there is the idea held by some volunteers that staff wish to participate in the decision making process. In general, this belief is quite false but staff do wish to be told about decisions that affect their work. Very often governing bodies are inclined to keep decisions confidential because they are afraid of the staff's reaction. In fact the occasional adverse reaction can be accepted from staff as long as they know that the governing body generally practises open and timely communication.

Budgeting

It is the governing body's responsibility to determine the general principles to be used in drawing up budgets as well as who does what and when. These principles should be set out in the financial regulations so that everyone is clear what has to be done. In some cases the way in which budgets are drawn up, and in particular the amount of detail required, will be subject to donor preferences. There may also be different presentation requirements among donors and these will have to be catered for.

The important fact for the governing body to understand is that the budget is the financial expression of a programme of work and does not exist in isolation. Of course it is vital that an Association does not overspend or get into debt, but this is only one side of the coin.

A budget will normally be broken down into two main components – project activities and support services. However, donors may require costs to be further divided. For example, an Association receiving funds from IPPF will have no option but to present its annual programme and budget in the format prescribed by IPPF.

The governing body must assure itself:

- that the financial and other data used to compile a budget are sound
- that budgets and sub-budgets fully reflect the resources needed to undertake the activities specified

The governing body should be especially careful in reviewing budgets for continuing activities because there is the danger that wrong assumptions or calculation errors may be carried forward into a succeeding year. For this reason it is probably sound practice to insist on zero-based budgeting for such projects. This basically means ignoring previous budget calculations, and treating it as a new project.

Finally, the governing body should ensure:

- that the planning process starts far enough in advance to meet anticipated deadlines
- that it meets to approve the proposed annual plan in good time for it to be discussed thoroughly before being approved and submitted to donors if appropriate

Each governing body member should have a copy of the approved annual plan and its associated budget and should receive updates as and when necessary.

Risk management

The characteristics of successful risk management frameworks are really quite simple. Successful risk management processes are:

- aligned to the Association's mission
- supported by the governing body, management, staff and volunteers
- communicated effectively throughout the Association
- adaptable to environmental change
- simple but structured

A 10-point plan for risk assessment

Risk assessment:

1. Develop/review your strategy.
2. Highlight the potential risks.
3. Research the evidence.

Risk analysis:

4. Categorize the risk.
5. Score and prioritize the risks.

Risk management:

6. Devise a risk management strategy.
7. Agree a plan of action.
8. Communicate about risk.
9. Monitor and evaluate.
10. Review policies and procedures.

This 10-point plan can be used as the basis for establishing a risk management process. Ensuring this is done in practice will depend in part on the size and resources of the Association. Where an Association has an existing internal audit function it should take the lead. In smaller Associations, a designated senior member of staff should take the lead.

The following is a definition of effective risk management for charities (voluntary organizations) developed for the UK:

"A charity's system of internal control has as its principal aim the management of risks that are significant to the fulfilment of its charitable objectives, with a view to safeguarding the charity's assets and to ensure the charity is effectively fulfilling its objectives."

Risk and opportunity

Risk management does not have to be seen as a threatening or negative activity. Risk can instead be seen as an opportunity. It is about understanding the reasons for undertaking an activity, reviewing what is required, and coordinating activities to deliver and benefit from increased resources.

The key risk management proposals listed below illustrate the wide coverage of risk management, which is an activity that is constantly undergoing change and requires constant monitoring:

- systematic and structured risk management
- evidence-based risk management
- addressing uncertainty and its causes
- risk management as part of decision making
- human factors and behaviour
- adding benefit and value
- tailoring risk management
- transparency and inclusion of stakeholders
- responding to change
- enterprise risk management

As the categories show, risk management embraces all aspects of an organization and, if read in conjunction with the 10-point plan (see left), will provide a useful framework for Associations embarking on risk management.

Proactive risk management

Proactive risk management involves identifying risks and then taking a deliberate course of action to do one of the following:

- minimize the impact of risk, for example with contingency planning
- accept the risk
- transfer the risk (insurance)
- reduce the risk (if complete avoidance is impossible or disproportionately expensive in time or money)
- monitor the risk and potentially exploit the upside

Take one example ('monitor the risk and potentially exploit the upside'): in the United Kingdom, environmental charities have traditionally seen landfill site operators as enemies. However, under the 1996 Landfill Tax Regulations, such companies can divert a proportion of their tax liability to charities that have prevention of pollution of land as their purpose.

Internal control system

Underpinning proactive risk management is a sound internal control system that:

- can respond to significant risks
- is embedded in day-to-day processes
- is capable of responding to external and internal changes
- can immediately report major control weaknesses

An internal control system will provide a governing body with reports on:

- identifying, evaluating and managing key risks
- assessing effectiveness of related controls
- recommending action to remedy weaknesses, including considering costs and benefits
- ensuring the adequacy of monitoring the internal control system
- ensuring that the internal control system remains effective through the whole process

Having such information will give reassurance to the trustees that their charity is well run.

See also the 'Internal control' section on the right which provides more information and see Appendix 17 for an internal control framework.

Balancing objectives

Associations need to be clear about their key objectives and the risks associated with achieving those objectives. For example, objectives might be:

- to grow public donations by 10 per cent per year
- to meet the needs of 80 per cent of their client group within the next two years
- to comply with legislation
- to safeguard stakeholder interests

Once identified, two questions need to be answered:

- What risks would prevent us from meeting these objectives?
- What controls could we adopt to minimize risks to an acceptable level?

This inevitably leads to balancing the charity's objectives against the control objectives.

Example: The governing body is concerned about its overall risk strategy and compliance with national accounting requirements. Action: Undertake potential full reviews of methods and processes that the Association uses, and recognize, manage and harness the power of risk to ensure compliance.

Example: The governing body is concerned with potential levels of fraud. Action: Identify potential areas of fraud and establish an effective fraud prevention and detection function.

Example: The governing body is concerned about confidentiality and security of data. Action: Undertake comprehensive review of information technology security policy including compliance with legislation relating to data protection.

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See Appendix 18 for a risk management checklist for governing bodies and their members.

Internal control

Like accountability, internal control can mean different things to different people and, as a result, can cause confusion among governing body members and staff. It is important, therefore, that everyone involved understands what is meant when the term is used.

In broad terms, internal control is a process instigated by the governing body of an Association designed to provide reasonable assurance that:

- the Association's operations are effective and efficient
- the Association's financial and other reporting is reliable
- the Association is complying with applicable laws and regulations

For an Association receiving donated funds there is the added need for assurance that those funds have been accounted for as required by the agreement with the donor and that any other conditions have been met.

While internal control is a process, it must itself also remain effective throughout the whole process. Internal control consists of five inter-related components, which are derived from the way a business is run and are integrated with the management process. These components apply to all Associations although they may be implemented differently by different sized Associations.

A small Association can still have effective internal control even though its controls may be less formal and structured than in a larger one.

The five components are:

- the control environment
- risk assessment
- control activities
- information and communication
- monitoring

See Appendix 17 for an internal control framework with these five components described in more detail.

What internal control can do

Internal control can help an Association to achieve its performance targets and prevent loss of resources. It can help to ensure reliable financial and operational reporting and to ensure that there is compliance with applicable laws, regulations and agreements.

In summary, it can help an Association get to where it wants to go and avoid mishaps and surprises along the way.

What internal control cannot do

Some people have greater – and unrealistic – expectations about internal control. They look for absolutes, believing that by having good internal control their success is assured. This belief is unfounded because even the best internal control can only help towards achieving the goal of success or even just survival.

Shifts in government policy or programmes or economic conditions are likely to be beyond the control of the governing body or managers. In addition, internal control cannot change an inherently poor manager into a good one.

Others believe that internal control can ensure the reliability of financial reporting and compliance with laws and regulations. This belief is also unwarranted because an internal control system, no matter how well conceived and operated, can provide only reasonable – not absolute – assurance to management and the governing body that an Association will achieve its objectives.

There are limitations in all internal control systems:

- system breakdowns may occur because of simple errors or mistakes
- faulty decisions may be made
- controls may be circumvented by the collusion of two or more people
- managers may override controls
- resource constraints may mean that some controls have to be set aside or cannot be implemented
- some controls may be too costly in relation to their likely benefits

Responsibilities for internal control

Everyone in an Association has a responsibility in varying degrees for internal control.

The executive director should set the standards that affect the integrity, ethics and other factors of a positive control environment that is seen as constructive and non-threatening and, through his or her leadership and direction, ensures that senior managers are doing what they should be doing. Most staff are directly involved in actions relating to internal control and they have a responsibility to communicate operational problems or non-compliance with the system or procedures.

However, it is the governing body that provides governance, guidance and oversight of an Association's activities. This means that the governing body has the primary responsibility for ensuring that the operational managers (led by the executive director) do not override controls or ignore or stifle communication from subordinates about control failures or their avoidance.

A strong, active and inquisitive governing body is often able to identify and correct control problems arising such as the poor manager who intentionally misrepresents facts so as to disguise ineffective or inefficient work or, in the worst case, the dishonest one who does so to cover fraudulent activities.

It is important that the governing body recognizes that its part in ensuring effective internal control is in exercising its governance role to the full, not in becoming involved in the precise detail of actual controls. All too often it is easy for governing body members to lose sight of this in their anxiety to be seen to be doing something.

Monitoring and reporting

Twenty questions to ask when reviewing financial information

Auditor's report on the annual financial statements

1. How long ago was the last audit conducted?
2. What does the auditor's opinion say – qualified or unqualified?

Balance sheet

3. Does the Association have enough ready cash (see 'Cash at bank' listed under 'Current assets') to pay off its immediate debts (see 'Creditors')?
4. How long could the organization survive if all its funding dried up? (Calculate the 'survival ratio'.) How does this compare to last year?

Income and expenditure (or profit and loss) account

5. Are income and expenditure broadly in balance? (Look for net income/expenditure.)
6. Is there a significant increase or decrease in activity levels from the previous year?
7. What is the balance of direct project costs *versus* administrative costs? Is it reasonable for the size and nature of the organization?
8. How 'donor dependent' is the organization? (Calculate the 'donor dependency ratio'.)

Budget monitoring report

9. Is expenditure broadly in line with the budget (±10 per cent)?
10. Is income broadly in line with the budget?
11. Are there any significant variances? If so, have they been satisfactorily explained?
12. What action is being taken to correct significant variances – for example under-spending as a result of delayed activity plans?
13. Are there any large bills outstanding which could substantially affect the figures shown?
14. Is the organization owed any large sums of money and, if so, what is being done to retrieve them?
15. Are there any unbudgeted expenses which may occur in the rest of the year?
16. What is the projected end-year outcome? Is this outcome satisfactory? If not, what steps can be taken to change the result?

Cash flow forecast

17. Is there enough cash in the bank to fulfil the activity plan for the next six months?
18. What grants are due in the rest of the year and are they still expected to come through on time?
19. Are cash balances invested to produce the best return?

General

20. What non-financial figures are being produced to show how the programme of activities is progressing?

'Mango's Guide to Financial Management for NGOs', available at www.mango.org.uk

Ten key financial questions governing body members should ask

1. Have we made a gain or loss?
2. Are our key sources of income rising or falling?
3. Are our key expenses, especially salary and benefits, under control?
4. Do we have sufficient reserves?
5. Is our cash flow projected to be adequate?
6. Where are we compared with budget?
7. Is our financial plan consistent with our strategic plan?
8. Are all the staff satisfied and productive?
9. Are we filling all needed reporting documents on a timely basis?
10. Are we fulfilling all of our legal obligations?

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Resource mobilization

An overview

An Association obviously needs money and supplies to do its work: how much depends on what it plans to do. Initially, raising the money and the other resources will probably require the involvement of the whole membership. While hard cash is needed in the form of one-off donations or grants, gifts of office or medical equipment and other supplies are equally welcome, as are things such as offers of free or low-rent office space. All these resources, whether provided in cash or in kind, should be regarded as part and parcel of 'resource mobilization'.

As an Association gains in strength and recognition, this responsibility should devolve to the governing body assisted by the executive director. At the same time, to maintain and, hopefully, increase an Association's operations will require longer-term commitments from its existing donors and the need to seek out new sources of funds.

Governing body involvement in resource mobilization is crucial because members often have contact with the influential opinion leaders who must be lobbied and sometimes also with those more wealthy members of the community who can make private donations of money or materials.

Success in an Association corresponds directly to the degree of involvement of the governing body. If the governing body works hard at mobilizing resources then the money and other resources tend to flow in; if the governing body is only minimally involved then the Association probably does not do as well as it might.

One reason for a low level of involvement in this area is that because the governing body's responsibilities are so broad, there is never enough time for it. Another reason is that conflicts or stress arise between the governing body and staff over who should do what. One way to avoid such problems is to separate the target audiences. For example, staff would target the broad public at large while governing body members focus on the people whose contributions or influence can make a sizeable impact.

Good governing body members will want to be involved in a tangible way, other than just providing their wisdom and experience. However, these efforts are often frustrated because of inadequate staff support or because governing body members' talents and experience are not matched with the tasks.

Taking the lead in resource mobilization requires the governing body to dedicate adequate time and to focus on the key areas where significant gains can be obtained. Governing body members will have different talents and varying degrees of access to individuals who matter but each should be prepared to devote a meaningful amount of time to resource mobilization and advocacy.

Governing bodies should remember that "the money does not just walk in and surrender" – it takes hard work from the governing body and staff.

Delivering the goods

Although funding from IPPF and other donors is important in the early stages of the life of an Association, it needs diversified support for it to grow and take root. This may be solely financial but can be 'in kind' where appropriate, or of an intangible nature.

The resources of a commercial company are more than its physical and financial assets as shown in its balance sheet. They include factors that give it operational stability, such as access to reliable suppliers and outlets, goodwill and the continuity of the firm. Above all they include the skills of its staff, their professional and technical competence, and even their character, motivation and morale.

An IPPF Member Association has a similar set of tangible and intangible assets and because it is a voluntary organization it often has the additional asset of a much broader sense of goodwill towards it. This usually manifests itself in the willingness of individuals to give voluntary service and of other organizations to provide facilities (including premises, on occasions), the use of administrative or technical services, and supplies in kind.

However, resource mobilization is not merely about getting voluntary help, money or other assets. It is:

- a matter of creative and imaginative enterprise, developing specific objectives and specific resources so that each generates the other
- thinking of objectives that will provide an outlet for existing resources
- identifying ways to locate new resources for urgent projects and activities

A governing body should make sure that all potential resources are exploited. Often, however, the ability of an Association to make good use of funds and services in practice is more often a limiting factor than the actual availability of resources.

As an Association progresses from one evolutionary stage to the next, it has to find new kinds of resources as well as access to new ways of procuring them. It may have to change its attitudes quickly and radically from perhaps a competitive attitude at the start to one more conciliatory and cooperative.

Similarly, as an Association passes through these evolutionary stages, the governing body may have to change its attitude towards its staff. It has an obligation to support and build up its staff through well-thought-out and consistent decisions about developing their skills and providing the best opportunities for them to serve the Association's objectives. This investment should produce a pay-off in the form of interesting and well-managed projects that will prove attractive to potential contributors.

The sources of money are generally well known, both nationally and internationally. It is important to invest time and effort to identify existing and potential sources of in-country financial or non-financial contributions. International assistance is more problematical because of donors having their own agendas that may, or may not, fit in with an Association's objectives.

The governing body's job is to combine well-judged opportunism and forward planning with sufficient flexibility to adapt objectives so as to make use of resources that may unexpectedly become available. At the same time it is most important that an Association is not diverted by such windfall resources from its chosen path as set out in its strategic plan.

Forecasting the sources of support and their duration is something that causes problems to governing bodies. This is often because the fundamental nature of forecasting is misunderstood:

- **It is not** about pretending to know exactly what cannot be known until some future date.
- **It is** about estimating the approximate levels of support that an Association may receive while accepting that some of these are uncertain and unpredictable.

This process can be assisted if resource inflows are divided into three categories:

- **Probable** – This includes funding up to a certain minimum level from international and in-country agencies, minimum levels of income from members' subscriptions, service fees and sales, inputs in kind from voluntary helpers and the use of facilities or premises.
- **Possible** – This includes higher than anticipated funding from existing donors, or funds still under negotiation.
- **Unpredictable** – This includes sudden changes in government policies freeing up funds previously not available to Member Associations, new interest from external agencies, and funds generated by the Association itself through personal contacts suddenly bearing fruit.

It is the governing body's task, assisted by the executive director, to match the commitment of the resources with the expected pattern of their availability. This allows core activities to be organized up to the level of the probable support. Further activities can be organized with flexible timing to match the actual inflow of resources. Even more activities can be planned and held in reserve ready to be implemented when an unexpected surplus or windfall occurs.

With careful planning the governing body will arrive at a work programme containing **full**, **partial** and **reserve commitments** that matches the **probable**, **possible** and **unpredictable** availability of resources.

'Earmarked' or 'restricted' funds are a universal source of problems particularly when the donor will not pay for overhead expenses. An Association can then find itself having to use its core funding to subsidize a project paid for out of restricted funds. Such projects need very careful consideration by the governing body; if too many are accepted, the core programme will become distorted and an Association could find itself pursuing a different agenda from that set out in its strategic plan. In some circumstances the overhead costs incurred can be offset by creative use of services and expenses that can be charged to the project, often with the tacit consent of the funding agency.

Finally, it should always be the ultimate aim of an Association to become self-sustaining, and creative thought needs to be given to this goal and the stages towards achieving it. In looking for ways to do this, Associations should not think just in terms of obtaining funds from different sources but also at profit-making ventures. Depending on the local law applying to non-governmental organizations, such profit-making ventures can be set up as independent commercial organizations as long as there is governing body representation and all profits are channelled (in the most tax efficient way) to the 'parent' Association.

IPPF Code of Good Governance: **Principle 6**

The governing body is open, responsive and accountable

Why is it important?

The governing body should be open and transparent about its work on behalf of the Association. It can do this through a variety of means including ensuring that its aims and objectives are articulated and disseminated to the general public and other organizations working in allied fields. But the Association can enhance its openness by being seen to be responsive to questions and complaints from its clientele and the public, as well as by encouraging and enabling service users and beneficiaries to participate in the Association's planning and decision making. This can all be made clear in a transparency policy.

Accountability is a word that has received increased attention in recent years. It is used in many different contexts in varying ways. The members of the governing body are accountable for the performance of the Association and for ensuring that financial obligations are met. They are also accountable for operating ethically and within the law and meeting other legal requirements. Accountability for these cannot be delegated by the governing body members but authority to achieve them can be delegated.

Simply put, the governing body is accountable for three different groups. (You can read more about accountability under Principle 5, on page 40.)

Firstly, it is accountable to those people and communities the Association has been set up to serve. They have the right to ask how well the Association is doing; whether it does what it says it will do; and how well it lives up to its own policies. Being transparent about what the Association does and how it is done is crucial for the trust people will have in the Association. The Association must be able to show clearly how it contributes to the greater good of the society it serves.

Secondly, the governing body is also accountable to those agencies and individuals that contribute financially and otherwise to the Association. How the Association spends what they provide and how well those resources are used towards achieving the Association's goals are important questions that the governing body needs to be ready to answer, among other things, by regularly providing information about such matters.

Thirdly, there is an internal accountability to which the governing body must respond. Having been elected to serve on the Association's governing body, members are accountable to those who elected them to that position. This implies collective reporting on what has been done as a governing body, what it has not been able to do and about plans for the future. The governing body also needs to ensure that the essential governance documents are available for inspection by members of the Association and that it leaves a record of the discussions leading to the decisions made on their behalf.

How do you do it?

There are five aspects to consider, which we look at in turn:

- **transparency**
- **accountability**
- **procedural regulations**
- **governing body meetings**
- **openness and responsiveness**

Transparency

Transparency means being open about the work of the governing body with the Association's members and beneficiaries, other organizations and the general public. Make the Association's aims and objectives clearly known by producing statements of the Association's:

- mission, objectives and policies
- methods, activities and achievements, including evaluations and analyses of the Association
- geographical scope
- organizational structure and in particular how it is governed and managed

- constituency, affiliations and links to other organizations, if any
- sources and uses of funds

Make this information widely known by:

- publishing and disseminating annual narrative and financial reports, as well as reports on particular activities and on the results of reviews and evaluations
- using the media to tell the public about your work
- mounting public education programmes where appropriate
- maintaining regular dialogue with government and other relevant agencies
- participating in non-governmental organization networks

Accountability

Accountability means being able to provide an explanation for the actions and/or conduct of the organization (or an individual). This is particularly important for Associations that work with or on behalf of disadvantaged people, and that raise funds on this basis. The Association is accountable to:

- members of the Association
- service users and other beneficiaries
- donors and those organizations with which contracts are entered into
- the public
- the state

Governing body members can improve accountability by ensuring that the Association works transparently.

See also the section on 'Accountability' under Principle 5.

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Procedural regulations

In general, procedural regulations (sometimes called 'bylaws' or 'statutes') are a useful device for formalizing the details of the way a governing body conducts its business outside of an Association's governing document. That document, for example, should set down in broad terms a procedure for nominating and electing governing body members but the regulations will specify the detailed nomination and voting procedures. Similarly, whereas the governing document might only indicate broad categories of membership, the regulations could specify the membership qualifications and the subscription rate payable.

Regulations put flesh on the bare bones of a governing document. They also provide the flexibility to change procedures (with the approval of the membership) without having to amend the governing document: the latter can be a long drawn-out process as it will probably involve having to satisfy the national authorities.

The content of the procedural regulations may vary but a list of possible contents is set out below:

- the official name of the Association
- the Association's statement of purpose
- the maximum and minimum number of governing body members
- powers and duties of the governing body and its officers
- governing body election procedure
- terms and tenure limits of governing body members and honorary officers
- procedure for removal of governing body members and filling vacancies
- what constitutes a quorum
- provisions for participation via telecommunications
- decision making rules
- frequency and notice requirements of meetings
- indemnification clause
- bylaw amendment procedure
- procedure for dissolving the Association (although this will generally be in the Association's governing document)

Governing body meetings

Preparatory work

Governing body meetings require:

- solid preparation
- a clear agenda
- a method of recording decisions taken and actions agreed

Adequate notice should be given of the date of each meeting. Usually the minimum time required is set out in the Association's governing document or procedural regulations and this should reflect the ease with which governing body members can be contacted. If there are particular

communication problems (for example in ensuring that members receive their meeting papers in good time) or transport difficulties these should be taken into account as well.

Normally the governing body should not need to meet more than four times a year. It can sometimes be helpful to members to schedule each meeting at or about the same time every year.

The timing of meetings should reflect as far as possible the need, among other things, to:

- periodically review the implementation of the annual plan
- review and approve the next annual plan
- review and approve the annual report (including the audited accounts)

The president, as chairperson, will have a leading role to play in agenda setting and overseeing the preparation of papers for each meeting. The president will work closely with the honorary secretary and the executive director, who will be jointly responsible for drafting papers, supplying data and information, and arranging the logistics for each meeting.

The draft agenda, together with explanatory papers, should always be prepared in good time and to a deadline. There will be occasions when up-to-date financial or similar data is required; in such cases, preparatory papers should give the situation at a given date and commit to submitting updated figures at the time of the meeting.

Conduct of governing body meetings

There are four basic rules that can help to ensure that governing body meetings run smoothly and produce results:

- Meetings should be kept as informal as possible to encourage open and honest discussion but the chairperson (usually the president) should have a good knowledge of the procedural regulations.
- Unanimous decisions are not always necessary: a good governing body can accept split votes as long as everyone has been given the time to express their views. Trying to win over governing body members who disagree with the majority can lead to precious business time being lost.
- Meetings should be conducted with courtesy and respect so that no one is afraid to contribute to a debate.
- Creating factions or cliques should be avoided, as should entering into personal politics. No member should feel intimidated by, or feel the need to defer to others merely because they wield power in the local community, or are long-standing members or have political connections.

Time management is essential. Allowing a discussion to be dragged out will affect the time available for other agenda items or may make it difficult to arrive at a firm decision. Every effort should therefore be made to start and end meetings on time (allowing 10 to 15 minutes' leeway on both) and that time limits are set for each agenda item.

Key facts and figures should be obtained and provided to governing body members well ahead of the meeting. Papers should be largely self-explanatory so that staff input at a meeting can be kept to a minimum.

The executive director will normally be an ex-officio member of the governing body and other senior staff should attend, as necessary, for specific agenda items. Some governing bodies allow senior staff to be in attendance throughout on the basis that this will enable them to understand how the governing body arrived at its decisions, and this will help them when they come to implement those decisions, particularly policies.

If the governing body needs staff to explain the issues being discussed this may be a sign of poor preparatory work or that the governing body is becoming too involved in the detail of the operations.

A minute-taker should be appointed. It is preferable that this is not the executive director who usually has enough to do without having that responsibility as well.

When decisions are taken on agenda items, the president (as chairperson) will be responsible for ensuring that agreement is reached on the wording of any motion, and that the proposer and seconder of the motion, the votes cast and the decision are correctly recorded. Even if a decision is unanimous and voting is not required, it is essential that this is recorded accurately.

Post-meeting procedures

The president should meet with the honorary secretary and executive director as soon as possible after a governing body meeting to reach a broad agreement about what happened and whether staff are required to take any immediate action as a result of decisions taken by the governing body. This should also provide an opportunity for each of them to give their views about the meeting.

At a later stage it may be necessary for them to meet again to discuss and agree the draft minutes. However, depending on the complexity of the issues discussed, the intensity of debate and the decisions reached, it may often be possible to do this by letter, telephone or email.

Once agreed, the draft minutes are circulated to governing body members and their agreement of the minutes will be the first agenda item at the next meeting.

It is good practice to prepare and distribute minutes within one month after a meeting, and to set a deadline to make sure this happens.

See Appendix 19 for a minutes checklist and sample format.

Towards more effective governance meetings

The IPPF Code of Good Governance provides a set of useful principles to guide the way governance meetings are conducted. The following 10 ground rules will help us to realize these principles:

1. **Be prepared**. Read the background material provided before the meeting.
2. **Be present**. Turn off your BlackBerries and mobile phones or put them on vibrate if you are expecting an emergency call.
3. **Speak up**. Contribute your viewpoints to the discussion. Let other governing body members know what you are thinking. In other words, be active but not over-active. No one person should dominate the discussion and everyone should participate at some point.
4. **Be concise**. The chair of the governing body will permit one person to speak at a time and has the right to terminate discussion. Points made by members should be succinct, relevant and not simply a repeat of previous points. Do not carry on side conversations.
5. **Respect diversity of opinion**. Members of the governing body will not always agree. Members have the right to disagree but not to be disagreeable. Disagreements should be confined to issues, not personalities.
6. **Respect difference in roles**. Volunteers and staff at governance meetings have different roles and these should be respected.
7. **Keep trust**. Treat as confidential any information that is shared as such during the meeting.
8. **Be on time**. Respect time frames (beginning, ending and breaks).
9. **Act**. Take action on any personal responsibility you have as a result of the meeting.
10. **Enjoy**. Keep a sense of joy and humour.

Openness and responsiveness

Openness

While it may be relatively easy for the governing body to display its openness through the Association's annual report and through local media, when it comes to its own membership and service users an Association can often be reticent to reveal information about what its governing body does. This can be counter-productive because when attempts are made to curtail access to what should be readily available information, this very action tends to arouse suspicions about what may be being hidden.

As a minimum every member should be provided with a copy of the following:

- governing document and any subsidiary documents, such as procedural regulations
- proceedings of annual general meetings
- the Association's organizational chart
- strategic plan (summarized if necessary)
- annual work programme and budget (summarized)
- annual report

The proceedings of governing body meetings (and those of subsidiary committees) should be accessible at a given place (usually the Association's headquarters office) on demand to members of the Association and the general public, as well as the annual financial statements and audited accounts.

Responsiveness

Enabling stakeholders (Association members, service users and members of the public) to register complaints about the standard of services received, grievances over actions or proposed actions of the Association, or alleged harm arising from those actions, is a critical aspect of accountability. This literally enables stakeholders to hold an organization to account for either its decisions or actions by querying these and requesting an investigation and response.

It is therefore important for an Association to have a policy approved by the governing body for dealing with complaints from stakeholders in place and operating. This should set out a process for receiving, investigating and responding to complaints and a description of what constitutes a valid complaint. The policy must set appropriate standards against which the Association can be judged, and should not allow for gaps in accountability by preventing complaints being filed in relation to particular issues.

The policy allows for, and enables enforcement of, a response to the complaint, where this is appropriate.

A critical characteristic of a complaint mechanism is that it must be independent. This is crucial to the effectiveness of the mechanism, its credibility, and the trust that complainants have in it. Although an internal mechanism can never be entirely independent from the Association, it is crucial that it is made as independent as possible and, at the very least, is independent from the subject of the complaint. This independence must apply to the assessment, investigation and resolution of the complaint.

Complaints, by their nature, take place after the alleged offence took place. In most cases, complaint mechanisms deal with events that have already happened, and therefore often cannot change the outcome or 'solve' the issue. In these situations, they can function in determining a response or redress, but it may be that no action can be taken other than acknowledgement of the issue. It should be emphasized that complaint and response mechanisms are a last resort; stakeholder engagement is the essential precursor that prevents complaints arising.

Experience suggests that most people who make formal complaints do so only after their initial informal complaint has not been treated seriously or courteously. This makes it extremely important that members of the governing body and staff do not treat complainants lightly or dismissively. The fact that their complaint has been heard and an apology given for any failings on the part of staff or for poor quality service may well satisfy most people, because people also acknowledge that mistakes happen. Where complaints are dealt with informally the details of the complaint and of the action taken to resolve it should be recorded in case the complainant decides to bring a formal complaint after all.

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IPPF Code of Good Governance: **Principle 7**

The governing body ensures its own review and renewal

Why is it important?

The period spent as a member of the governing body should be a period of learning for members as individuals and for the group as a whole. Members should aim to leave the Association in better shape than when they started their term of office and also be able to identify which new or additional skills are needed on the governing body depending on what new challenges the Association faces in the future.

Regular rotation of members of the governing body is crucial for this so that opportunities arise for new members to be elected. Setting a cumulative maximum number of terms which an individual can serve on the governing body also reinforces the concept of regular renewal and revitalization.

To make sure that the governing body is effective, it should also engage in regular self-assessment of its own performance and that of individual governing body members.

The governing body should take care to organize its work to make the most effective and efficient use of the time, skills and knowledge of its members, and ensure that their capabilities are enhanced through development and training activities.

A diverse governing body is greater than the sum of its members. United around the mission of the Association – when individuals with different backgrounds, experience and skills get together – the variety of perspectives and ideas will help the governing body to make wise, balanced and inspired decisions. It is therefore important that Associations seek to include different people on the governing body and enable them to contribute actively. Making sure that those groups which the Association seeks to serve are also represented on the governing body is also an important mechanism to ensure that the Association's work is in line with the needs of those groups.

Making good use of the time of governing body members means taking care when setting the agenda, proper minute-taking, timely and effective reporting, giving plenty of advance warning of meetings, and arranging them at times convenient for the members and the business cycle of the Association.

How do you do it?

There are nine aspects to consider, which we look at in turn:

- **governing body profiling grid**
- **governance or volunteer development committee**
- **information system checklist**
- **agenda ideas**
- **consent agendas**
- **building the governing body meeting agenda**
- **short form of self-assessment**
- **post-assessment questionnaire**
- **governing body diversity**

Governing body profiling grid

The worksheet on page 56 can be adapted by Associations to assess their current governing body composition and plan for the future. The governance committee, if there is one, or a designated sub-group of governing body members, can develop an appropriate grid for the Association and then present its findings to the full governing body.

In considering governing body building, an Association is legally obligated to follow its governing document and its regulations or bylaws, which may include specific criteria on the size, structure and composition of the governing body. Or the regulations or bylaws may need to be updated to incorporate and acknowledge changes in the environment and community that have made changes in the governing body structure necessary or desirable.

It is important to remember that an Association will look for different skills and strengths from its governing body members depending on its stage of development and other circumstances.

Governing body profiling grid

	1	2	3	4	5	6	A	B	C	D	E	F
Age												
Under 18												
19 – 34												
35 – 50												
51 – 65												
Over 65												
Gender												
Male												
Female												
Race/ethnicity												
African American/Black												
Asian/Pacific Islander												
Caucasian												
Hispanic/Latino												
Native American/Indian												
Other												
Resources												
Money to give												
Access to money												
Access to other resources (foundations, corporate support)												
Availability for active participation (solicitation visits, grant writing)												
Community connections												
Religious organizations												
Corporate												
Education												
Media												
Political												
Philanthropy												
Small business												
Social services												
Other												
Qualities												
Leadership skills/ motivator												
Willingness to work/ availability												
Personal connection with the organization's mission												

	1	2	3	4	5	6	A	B	C	D	E	F
Personal style												
Consensus builder												
Good communicator												
Strategist												
Visionary												
Bridge builder												
Areas of expertise												
Administration/ management												
Entrepreneurship												
Financial management												
Accounting												
Investments												
Fundraising												
Government												
Law												
Marketing, public relations												
Human resources												
Strategic planning												
Physical plant (architect, engineer)												
Real estate												
Representative of clients												
Special programme focus (e.g. education, health, public policy, social services)												
Technology												
Other												
Number of years (or terms) on the board												

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Governance or volunteer development committee

Associations may consider setting up a governance or volunteer development committee to be responsible for enhancing the quality of the governing body's work through periodic reviews of how the governing body operates and making recommendations for improvements. The duties of the committee revolve around five major areas:

1. Help create governing body roles and responsibilities:
   - Lead the governing body in regularly reviewing and updating the governing body's description of its roles and areas of responsibility and what is expected of individual governing body members.
   - Assist the governing body in periodically updating and clarifying the primary areas of focus for the governing body, and help shape the governing body's agenda for the next year or two, based on the strategic plan.

2. Pay attention to governing body composition:
   - Lead in assessing current and anticipated needs related to governing body composition, determining the knowledge, attributes, skills, abilities, influence and access to resources the governing body will need to consider to accomplish its future work.
   - Develop a profile of the governing body as it should evolve over time.
   - Identify potential governing body member candidates and explore their interest and availability for governing body service.
   - Encourage individuals to put themselves forward for election as members of the governing body (subject to the Association's rules and procedures for nominating candidates for election).
   - In cooperation with the Association's president, contact each governing body member eligible for re-election to assess his or her interest in continuing governing body membership and work with each member to identify what he or she might be able to contribute to the Association.

3. Encourage governing body development:
   - Provide candidates with information needed before election to the governing body.
   - Design and oversee a process of governing body orientation, sharing information needed during the early stages of governing body service.
   - Design and implement an ongoing programme of governing body information, education and team building.

4. Assess governing body effectiveness:
   - Initiate periodic assessment of the governing body's performance and, as appropriate, propose changes in governing body structure and operations.
   - Provide ongoing counsel to the Association's president and other governing body members on steps they might take to enhance governing body effectiveness.
   - Regularly review the governing body's practices about member participation, conflict of interest, confidentiality and so on, and suggest improvements that may be needed.
   - Periodically review and update governing body policy and practices.

5. Prepare for future governing body leadership and succession:
   - Take the lead in succession planning, taking steps to recruit and prepare for future governing body leadership.
   - Nominate governing body members for election as governing body officers (subject to the Association's rules and procedures for the nomination of candidates for election).

Information system checklist

Every Association will have similar information needs and the following checklist offers a starting point for planning an effective information system.

At least two weeks before each governing body meeting (or earlier, depending on the Association's rules or regulations):

- agenda
- information about issues for discussion, incidental information and information for decision making
- financial information

At least two weeks before the governing body meeting at which it is discussed (or earlier, depending on the Association's rules or regulations):

- annual budget
- audit report
- strategic plan

After each governing body meeting:

- minutes
- notice of the next meeting

Monthly:

- financial report
- significant published articles about the Association

Quarterly:

- financial report

Regularly, as appropriate:

- memo for executive director summarizing current governing body activities, accomplishments and needs
- a report from the president on activities undertaken on behalf of the governing body
- updated material for the governing body members handbook
- advance copies of publications, brochures and promotional material
- a digest on the latest developments affecting governing body members
- annual report

What is good information?

- **Concise**: Clearly written or represented, easy to understand and as brief as possible.
- **Meaningful**: Presented in relation to significant factors, such as targets set by the governing body, past performance indicators or other data for comparison.
- **Timely**: Pertinent to the current agenda and up to date.
- **Relevant**: Helps the governing body make decisions, carry out monitoring, create policy or debate issues. Contains the clearest possible indications of a situation or condition. Is the best information that can be obtained.
- **In context**: Clearly states or shows why the trustee needs to know this information. Explicitly relates to trustee decision making, monitoring or policy making.
- **Well presented**: Presented in the clearest possible way, whether in written form, graphically, through raw numerical data or via other means.

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Agenda ideas

New types of agendas, with a focus on important issues and a minimum of time-wasting, have the power to transform governing body meetings into events that matter. To streamline agendas, try the following:

Strategic agendas

All governing bodies should be involved in a regular strategic planning process carried out in cooperation with the executive director. This process throws up strategic priorities for the Association which can then be used to structure meetings of the governing body. For example, if improving fundraising revenues is an organizational priority, governing body members devote an agenda to reviewing fundraising policy, their involvement in fundraising schemes and existing systems for monitoring fundraising practices. Every governing body meeting should involve planning around a central strategic issue.

In Associations that don't carry out a formal strategic planning process, governing bodies should work closely with the executive director to develop a set of priorities to serve as a strategic agenda for meetings.

Flagged items

To give governing body members a clear idea of what will be expected of them at meetings, agenda items should be identified according to what the governing body needs to do about them. In this system, items belong to one of three categories: control, influence and accept.

Control: Items on which the governing body must make a decision or carry out an action.

Influence: Items that the governing body can influence, for example through giving advice or creating policy.

Accept: Routine items that don't require a governing body decision, governing body action or the creation of a new policy.

Items that come under the Accept category often take up a disproportionate amount of time at meetings. This should represent a red flag that the governing body may not be engaging significantly in strategic issues or providing the steer that the Association needs.

Consent agendas

Many participants rightly complain about the amount of meeting time spent on routine, standard and repetitive items, rather than those that need serious deliberation. One way to speed up decision making is to introduce a 'consent agenda'.

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What is a consent agenda?

A consent agenda is a component of a meeting agenda that enables the governing body to group routine items and resolutions under one umbrella. As the name implies, there is a general agreement on the procedure. Issues in this consent package do not need any discussion before a vote. Unless a governing body member requests the removal of an item ahead of time, the entire package is voted on at once without any additional explanations or comments. Because no questions or comments are allowed on the content, this procedure saves time.

What items should be included in a consent agenda?

Routine, standard, non-controversial and self-explanatory are adjectives that describe consent agenda items well. Here are some examples:

- minor changes to a procedure (email is added as an acceptable method of communication to announce a change in a meeting schedule)
- routine revisions of a policy (essential change of dates)
- updating documents (address change for the main office)
- standard contracts that are used regularly (confirmation to use the traditional in-house contract with a new vendor)
- confirmation of conventional actions that are required in the bylaws or regulations (after election of new officers, signatory authority for a bank account or acceptance of gifts)
- committee and previous governing body meeting minutes

How do we make a consent agenda function efficiently?

Information on the items to be included in a consent agenda is distributed to governing body members well ahead of the meeting. This allows thorough examination of the routine items without using up valuable meeting minutes.

If a governing body member has a question, he or she can contact a named colleague to clarify a concern. If this is not helpful enough, during the meeting before a vote any governing body member may request that an item from the consent agenda be removed and discussed separately. To keep the process intact and efficient, this is the only comment allowed about the contents of a consent agenda. To streamline the process even more, governing body members could be invited to contact the governing body chair before the meeting to request that an item be removed and placed on the regular agenda.

What precautions need attention?

Although the use of consent agendas is becoming more common, there are still many people who are not familiar with this meeting procedure; their use needs to be explained well to all governing body members to ensure that everyone understands both the rationale and the steps involved. To achieve the objective of a consent agenda – to save valuable discussion time for meaningful issues – it is important to make sure that governing body members receive support materials well before voting and that they familiarize themselves with the details.

When putting the agenda together, the governing body chair and the executive director need to pay special attention to include only items that are suitable for mechanical processing. Governing body members need to be vigilant so that debatable issues do not accidentally pass through without appropriate deliberation.

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Building the governing body meeting agenda

To improve meeting productivity:

1. Establish one or two key objectives for each meeting.
2. Relate specific agenda items to the wider goals of the Association.
3. What are the two or three questions that must be addressed once an item is placed on the agenda? What information will the governing body need to answer those questions?
4. Is the governing body discussing, giving advice or making a decision? Mark each item accordingly.
5. Arrange the agenda to allow important issues to be addressed at the meeting.
6. Establish a consent agenda that includes routine actions requiring the governing body's approval or that are provided for the governing body's information. All items on the consent agenda are grouped together and it requires one motion to approve them. (A governing body member can ask to have an item removed from the consent agenda and added to the regular agenda.)
7. Set time limits for each agenda item.
8. Committees should report only when they need guidance or action from the governing body or when they have completed an assignment. Written reports that serve as updates do not need to be presented verbally. They should be distributed as part of the consent agenda in advance of the meeting.

To help meetings run smoothly:

- Distribute agendas with supporting documents at least one week before the meeting.
- Insist that people come to the meetings prepared.
- Begin and end the meetings on time.

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Short form of self-assessment

Responsibility	My governing body supports this responsibility by:	My governing body could improve in this area by:
1. Determine the Association's mission and vision.		
2. Engage in strategic planning.		
3. Formulate needed policies.		
4. Approve and monitor the Association's programmes and services.		
5. Ensure adequate financial resources.		
6. Provide effective financial oversight and ensure sound risk management.		
7. Select and support the executive director and review his or her performance.		
8. Understand and respect the relationship between governing body and staff.		
9. Act as a responsible employer.		
10. Enhance the Association's public image.		
11. Carefully induct new governing body members.		
12. Carry out governing body business efficiently.		

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See Appendix 20 for the self-assessment questionnaire used by IPPF's Western Hemisphere Region.

Post-assessment questionnaire

Questions	Comments
1. How did the self-assessment exercise help you: • To identify important strengths of the governing body? • To identify areas of governing body operation that need improvement? • To clarify your understanding of the governing body's major responsibilities?	
2. What did you expect from the self-assessment?	
3. Did the process meet your expectations?	
4. What do you personally need to do to improve the governing body's effectiveness now?	

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Governing body diversity

By understanding the power of diversity, and by utilizing it appropriately, a governing body possesses the basic tools to create a responsive and open-minded Association.

Defining governing body diversity

Governing body members have a surprisingly demanding and varied job to do. Rarely can one governing body member fulfil most of the necessary functions. If that was the case, few governing bodies would need more than two or three members. By focusing on defining governing body diversity in terms of skills, aptitude and perspective, we can create a structure for matching organizational needs with acceptable candidates. Various backgrounds and experiences (professional and personal as well as cultural and ethnic) add to the quality of the governing body.

Other important characteristics could include leadership skills, community involvement, public recognition, political connections, fundraising capacities, and shared values and commitment. Familiarity with the Association's movement and community can be important. Sometimes the presence of a few donors, professional insiders, customers and clients on the governing body can positively benefit the Association. These examples all focus on maximizing the special value of each governing body member in leadership.

Why is a diverse governing body a benefit?

A homogeneous governing body may not always be ready to deal effectively with problems due to an inherent near-sightedness. Diversity on a governing body breeds varying opinions, approaches, attitudes and solutions. It requires open-mindedness, curiosity, acceptance and responsiveness, which can ultimately facilitate understanding and willingness to work together. This is clearly not the easiest way to get a group to make decisions, but different or opposing backgrounds, cultures, beliefs, habits and norms can necessitate a consensus-oriented approach to conflict management.

A governing body should reflect the needs of the Association's entire constituency. This is a way to create accountability and form a link with the constituents. A uniform governing body may not make the necessary effort to create this sense of community leadership.

How to avoid tokenism

Start with a firm commitment to diversity. Announce it; put it in writing. Creating a sense of ownership is difficult if recruitment of new governing body members is based on pure representation of a specific group in the constituency. No governing body member wants to fill a quota. No one should be required to – in fact, no one is able to represent an entire sub-section of the population. Governing body members contribute according to their skills and knowledge. Focus on the governing body as a diverse creature, not on individual representation.

To avoid the appearance of creating token positions, it is necessary to treat each governing body member equally. Expect the same from everyone; each governing body member, new or old, has the same basic responsibilities. Involve every new member immediately. Assign tasks independently of cultural or ethnic background. Recruit several members at the same time from the same group.

Recruitment process

It is difficult to create an effective recruitment strategy without first assessing the present composition of the governing body. Establishing the profile of the existing governing body helps identify the missing links. The governance committee has a key role here. It should have a continuous pool of candidates at differing stages of cultivation so that when an opening needs to be filled, or when it is time to expand the governing body size, the process is ready to deliver. Diversity among the governance committee members, naturally, is a key element for increasing the heterogeneity of the governing body.

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Appendices

Appendix 1

How to have a successful orientation meeting

- Hold the meeting at a date and time that is convenient for all participants. Set the date for the meeting well in advance.
- Provide information that is useful and easy to understand. The meeting is not the time to address complicated topics such as an analysis and interpretation of the Association's finances.
- Send the agenda for the meeting well in advance.
- Allow time for the new members to meet their new colleagues. Allow time for current board members, the executive director and employees at the meeting to be formally introduced.
- It can be helpful to invite one or more well-known board members who have served on the board in the past to share their institutional memory and to report on the history and growth of the Association. You can ask them to answer the following question (be sure to notify them in advance so they can prepare): what information would you have liked to have had before joining the board of directors that would have made your work more effective?
- If you feel it is appropriate, you can include an official swearing-in ceremony during which the new members of the board state their commitment to the Association and formally recognize their responsibilities as members of the board of directors.

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Appendix 2

Governing body orientation chart

About the organization

Information	Issues	Presentation options
Programme	Offer new governing body members a feel for the work of the Association – what it does, who it serves, what difference it makes – to get them emotionally and intellectually connected and motivated.	• Tour of facilities • Observation of/participation in programme activities • Presentation by client, member or programme participant • Video, slides, film presentation • Oral presentations • Written materials
Finances	Help new governing body members become informed about where money comes from, how it is spent and the state of the Association's financial health. (This information will also be useful for returning governing body members.)	• Presentation by executive director, finance director or honorary treasurer • Background materials (most recent audit, budget), graphically presented if possible
History	Provide sufficient knowledge about the past so that the present makes sense. Also, help them see their own participation as part of the Association's ongoing story.	• Visual presentation, backed up by personal reflections from current or previous governing body members • Brief written history
Strategic direction	Clarify the mission, vision, values and goals that inform the Association's actions.	• Presentation/discussion led by the executive director or Association president • Copy of strategic plan (or other documents, especially mission statement, if no plan is available)
Organizational structure	Help new governing body members understand who does what and what the lines of accountability are.	• Copy of the constitution, bylaws or regulations • Organizational chart • Introductions to key staff members

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Appendix 3

Governing body member job description

Common responsibilities

Governing body members and honorary officers have the following common responsibilities:

- To ensure that the Association complies with its governing document and any relevant national legislation or regulations.
- To ensure that the Association pursues its objectives as defined in its governing document.
- To ensure that the Association applies its resources exclusively in pursuance of its objects; in other words, the Association must not spend money on activities that are not included in its own objects, no matter how worthwhile those activities are.
- To contribute actively to the governing body's role in giving firm strategic direction to the Association, setting overall policy, defining goals and setting targets, and evaluating performance against agreed targets.
- To safeguard the good name and values of the Association.
- To ensure the effective and efficient administration of the Association.
- To ensure the financial stability of the Association.
- To protect and manage the property of the Association and to ensure the proper investment of its funds.
- If staff are employed, to appoint the executive director and monitor his or her performance.
- In addition to the above statutory duties, each governing body member should use any specific skills, knowledge or experience they have to help the governing body reach sound decisions. This may involve scrutinizing governing body papers, leading discussions, focusing on key issues, and providing advice and guidance on new initiatives or on other issues in which the governing body member has special expertise.

Attributes required of a governing body member and honorary officers:

- a commitment to the Association
- a willingness to devote the necessary time and effort
- strategic vision
- good, independent judgement
- an ability to think creatively
- a willingness to speak their mind
- an understanding and acceptance of the legal duties, responsibilities and liabilities of being a governing body member
- an ability to work effectively as a member of a team
- a commitment to the following principles: selflessness, integrity, objectivity, accountability, openness, honesty and leadership

Honorary officers

Job description of president*

General responsibilities and attributes required: as previously stated.

Specific duties of the president

- To plan the annual cycle of governing body meetings.
- To set agendas for governing body meetings.
- To chair and facilitate governing body meetings.
- To give direction to governing body policy making.
- To ensure that decisions taken at meetings are implemented.
- To represent the Association at functions and meetings and act as a spokesperson as appropriate.
- The vice-chair acts for the chair when the chair is not available and undertakes assignments at the request of the chair.

* In most Associations the president also chairs governing body meetings but in a few cases a different person may be elected to be the chairperson. In this case, that person should conform to the general and specific requirements set out above.

- Where staff are employed:
  - To liaise with the executive director to keep an overview of the Association's affairs and to provide support as appropriate.
  - To lead the process of appraising the performance of the chief executive.
  - To sit on appointment and disciplinary panels.
- To liaise with the executive director to develop the governing body.
- To bring impartiality and objectivity to decision making.
- To facilitate change and address conflict within the governing body and within the Association, liaising with the executive director (if staff are employed) to achieve this.

Personal specification:

- leadership skills
- experience of committee work
- tact and diplomacy
- good communication and interpersonal skills
- impartiality, fairness and the ability to respect confidences

In most circumstances it would also be desirable for the president (and vice-president, if one is elected) to have knowledge of the type of work undertaken by the Association and a wider involvement with the voluntary sector and other networks.

Job description of the secretary

General responsibilities and attributes required: as previously stated.

Specific duties of the secretary

The role of the secretary is to support the president by ensuring the smooth functioning of the governing body. Tasks will include the following (either by carrying them out directly or delegating to a member of staff and ensuring that they have been carried out):

- To prepare agendas in consultation with the president and executive director.
- To make all the arrangements for meetings (booking the room, arranging for equipment and refreshments, organizing facilities for those with special needs, and so on).
- To prepare agendas in consultation with the president and executive director and circulate them and any supporting papers in good time.
- To receive agenda items from other governing body members and staff.
- To check that a quorum is present.
- To minute the meetings and circulate the draft minutes to all governing body members.
- To ensure that the minutes are signed by the president once they have been approved.
- To check that governing body members and staff have carried out action agreed at a previous meeting.
- To circulate agendas and minutes of the annual general meeting and any special or extraordinary general meetings.
- In Associations which are companies, to act as company secretary where this role is not delegated to a member of staff.
- To sit on appraisal, recruitment and disciplinary panels as required.

Personal specification:

- organizational ability
- knowledge or experience of business and committee procedures
- minute-taking experience, if this is not being delegated to staff

Job description of the treasurer

General responsibilities and attributes required: as previously stated.

Specific duties of the treasurer

The role of a treasurer is to maintain an overview of the Association's affairs, ensuring its financial viability and ensuring that proper financial records and procedures are maintained. In small Associations without paid staff the treasurer may take a greater role in the day-to-day finances of the Association. Tasks will include the following:

- To oversee, approve and present budgets, accounts and financial statements.
- To be assured that the financial resources of the Association meet its present and future needs.
- To ensure that the Association has an appropriate reserves policy.

- To prepare and present financial reports to the governing body.
- To ensure that appropriate accounting procedures and controls are in place.
- To liaise with any paid staff and volunteers about financial matters.
- To advise on the financial implications of the Association's strategic plans.
- To ensure that the Association has an appropriate investment policy.
- To ensure that there is no conflict between any investment held and the aims and objectives of the charity.
- To monitor the Association's investment activity and ensure its consistency with the Association's policies and legal responsibilities.
- To ensure the Association's compliance with legislation.
- To ensure equipment and assets are adequately maintained and insured.
- To ensure that the accounts are prepared and disclosed in the form required by donors and the relevant national statutory bodies.
- If external scrutiny of accounts is required, to ensure that the accounts are scrutinized in the manner required (independent examination or audit) and any recommendations are implemented.
- To keep the governing body informed about its financial duties and responsibilities.
- To contribute to the fundraising strategy of the Association.
- To make a formal presentation of the accounts at the annual general meeting and draw attention to important points in a coherent and easily understandable way.
- To sit on appraisal, recruitment and disciplinary panels as required.

Personal specification:

- financial qualifications and experience
- some experience of voluntary sector finance and fundraising
- the skills to analyze proposals and examine their financial consequences
- a preparedness to make unpopular recommendations to the governing body
- a willingness to be available to staff for advice and enquiries on an ad hoc basis

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Appendix 4

A model governing body member code of conduct

Association values

As a governing body member of the Association I promise to abide by the fundamental values set out below that underpin all the activities of the Association.

Accountability

Everything the Association does will be able to stand the test of scrutiny by the public, the media, members, stakeholders, donor agencies, national or local government regulators and courts.

Integrity and honesty

These will be the hallmarks of all conduct when dealing with colleagues within the Association and, equally, when dealing with individuals and institutions outside it.

Transparency

The Association strives to maintain an atmosphere of openness to promote confidence of the public, individual members, stakeholders, staff, and national or local government regulators.

Additionally, I agree to the following:

Law, mission and policies

- I will not break the law or go against national or local government regulations for non-governmental organizations in any aspect of my role as governing body member.
- I will support the Association's mission and consider myself its guardian.
- I will abide by the Association's policies.

Conflicts of interest

- I will always strive to act in the best interests of the Association.
- I will declare any conflict of interest, or any circumstance that might be viewed by others as a conflict of interest, as soon as it arises.
- I will submit to the judgement of the governing body and do as it requires regarding potential conflicts of interest.

Person to person

- I will not break the law, go against national or local government regulations or act in disregard of the Association's policies in my relationships with fellow governing body members, staff, volunteers, members, service recipients, contractors or anyone I come into contact with in my role as governing body member.
- I will strive to establish respectful, collegial and courteous relationships with all I come into contact with in my role as a governing body member.

Protecting the Association's reputation

- I will not speak as a governing body member of this Association to the media or in a public forum without the prior knowledge and approval of the executive director or president.
- In any justifiable circumstances where it was not possible to obtain prior consent, I will inform the president or executive director at once when I have spoken as a governing body member of this Association to the media or in a public forum.
- When I am speaking as a governing body member of this Association, my comments will reflect current Association policy even when that does not agree with my personal views.
- When speaking as a private citizen I will strive to uphold the reputation of the Association and those who work in it.
- I will respect governing body and individual confidentiality.
- I will take an active interest in the Association's public image, noting news, articles, books, television programmes and the like about the Association, about similar organizations or about important issues for the Association.

Personal gain

- I will not seek to gain materially or financially from my role as a governing body member, nor will I permit others to do so as a result of my actions or negligence.

- I will document expenses and seek reimbursement according to the approved policy and procedure.
- I will not accept substantial gifts or hospitality without the prior consent of the president.
- I will use the Association's resources responsibly, when authorized, in accordance with the Association's approved policies and procedures.

In the boardroom

- I will strive to embody the principles of leadership in all my actions and live up to the trust placed in me by the Association.
- I will abide by governing body governance procedures and practices.
- I will strive to attend all governing body meetings, giving apologies ahead of time to the president if I am unable to attend.
- I will study the agenda and other information sent to me in good time prior to the meeting and be prepared to debate and vote on agenda items during the meeting.
- I will honour the authority of the president and respect his or her role as meeting leader.
- I will engage in debate and voting in meetings according to procedure, maintaining a respectful attitude towards the opinions of others while making my voice heard.
- I will accept a majority governing body vote on an issue as decisive and final.
- I will maintain confidentiality about what goes on at governing body meetings unless authorized by the president or governing body to speak of it.

Enhancing governance

- I will participate in induction, training and development activities for governing body members.
- I will continually seek ways to improve governing body governance practice.
- I will strive to identify good candidates for governing body membership and the appointment of new governing body members on the basis of merit.
- I will support the president in his or her efforts to improve his or her leadership skills.
- I will support the executive director in his or her role and, with my fellow governing body members, seek development opportunities for him or her.

Leaving the governing body

- I understand that substantial breach of any part of this code may result in my removal from the governing body.
- Should I resign from the governing body, I will inform the president in advance in writing, stating my reason for resigning, and I will participate in an exit interview.

This Code of Conduct was adapted from NCVO's publication 'Best Behaviour: Using Trustee Codes of Conduct to Improve Governance Practice'. © National Council for Voluntary Organisations (NCVO), www.ncvo-vol.org.uk or www.askNCVO.org.uk

Appendix 5

Annual declaration of commitment to IPPF principles for volunteers and senior staff

(as expressed in IPPF Western Hemisphere Region's strategic goals)

Name:

Position held in the Association:

Please indicate your commitment to the implementation of the following IPPF/WHR goals. Indicate if you have any reservation about implementing any of them, and please specify your reasons.

Principle	Answer
1. ADOLESCENTS: All adolescents and young people are aware of their sexual and reproductive rights, are empowered to make informed choices regarding their sexual and reproductive health, and are able to act on them.	
2. STIs/HIV/AIDS: Reduction in the global incidence of STIs/HIV/AIDS and the full protection of the rights of people infected and affected by STIs/HIV/AIDS.	
3. ABORTION: Universal recognition of a woman's right to choose and to have access to safe abortion and the elimination of unsafe abortion.	
4. ACCESS: All people, particularly the poor, marginalized and under-served, are able to exercise their rights, to make free and informed choices about their sexual and reproductive health, and to access sexual and reproductive health information, sexuality education and high quality services.	
5. ADVOCACY: Strong public, political and financial commitment to and support for sexual and reproductive health and rights at national and international levels.	

I certify that the information given above is complete and correct to the best of my knowledge and belief.

Signature Date

Appendix 6

Conflicts of interest policy

Conflicts of interest

Conflict of interest is generally defined as a situation in which an individual's private interest differs from his or her professional obligations to the Association. More specifically, it can be understood as an interest, financial or otherwise, in a business or activity that might appear to be in substantial conflict with the proper discharge of duties in the interest of the Association.

It is prudent to have a conflicts of interest provision in the Association's governing document, as well as a more detailed conflicts of interest policy. Such provisions will provide clear-cut procedures so that a governing body member can always make unbiased decisions and is not in the awkward position of approving or influencing a transaction between the Association and himself or herself, or in less direct ways, such as lobbying for the recruitment of family members.

Examples of good practice

- When trustees become aware of a new, actual or potential conflict of interest, they should give notice of it to the Association's secretary to enable the conflicts register to be updated.
- The secretary should include in their report for each governing body meeting details of any contracts or agreements to be entered into before the next meeting of the governing body and any potential conflicts identified from a check of the register.
- Competitive tendering for contracts or work for which a governing body member might be suited (and taking up references from other clients or customers).
- Governing body members should be required to declare any potential or actual conflicts of interest at the start of each governing body meeting.

Obligations

The duties and responsibilities of each governing body member include:

- At all times, to act in the best interests of the Association.
- Not to benefit from his or her office as a governing body member – other than to the extent permitted by the Association's governing document and approved policies.
- Not to put himself or herself in a position where his or her interests conflict with those of the Association.

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Appendix 7

Notification by governing body member of personal interests

I (full name) _____

GIVE NOTICE of the following personal interests to be registered *(please state 'none' where appropriate).*

GIVE NOTICE of the following changes to my registered personal interests.

Delete as appropriate

(a) I am a member or in a position of general control or management of the following body or bodies exercising functions of a public nature.

(b) I am a member or in a position of general control or management of the following voluntary, charitable or non-governmental organizations.

(c) I am a member or in a position of general control or management of the following body or bodies one of whose principal purposes includes the influence of public opinion or policy.

(d) My employment and any business carried on by me.

(e) Name of employer.

(f) Details of any contract for goods, services or works made between the Association and myself or a firm in which I am a partner or a company of which I am a remunerated director or hold a beneficial interest (10 per cent) in the form of shares.

(g) Details of any contract for goods, services or works made between the Association and a related person,* or a firm in which that person is a partner, or in a company of which that person is a remunerated director or holds a beneficial interest (10 per cent) in the form of shares.

(h) Details of the interests of any person from whom I have received a gift or hospitality with an estimated value of at least US$_____ *(value to be decided by the Association).*

(i) Details of my ownership or part-ownership or any interest whatsoever (or that of a related person*) in land or property used by the Association or likely to be used by the Association.

Signed: _____

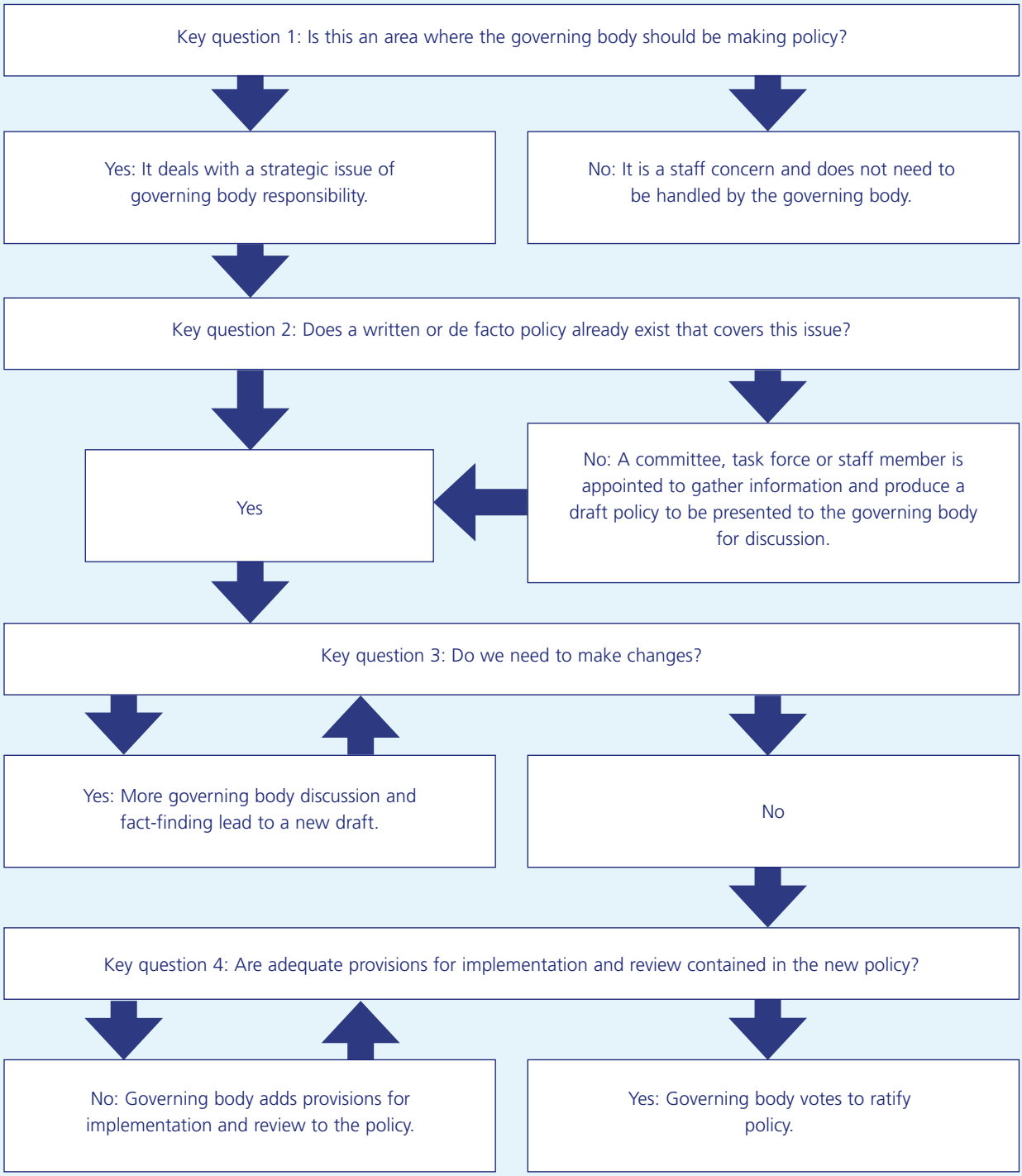
Date: _____

Note: The IPPF Membership Standards has an Annual Declaration of Interests form to be signed by volunteers and senior staff. This form may be used as an alternative to the above.

* A related person means a spouse, parent, parent-in-law, son, daughter, step-son, step-daughter, child of a partner, brother, sister, grandparent, grandchild, uncle, aunt, nephew, niece, or the spouse or partner of any of the preceding persons. The definition also includes partners, meaning a member of a couple who live together.

Appendix 8

Policy making flowchart



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Appendix 9

A model job description for an executive director

1. Job title: **Executive director**
Reports to: **the governing body**

2. Purpose of the job:

- To work with the president to ensure that the governing body formulates and regularly reviews the Association's mission and strategic plan, and to ensure it is able to monitor annual plans, budgets and targets.
- To be responsible for staff leadership, management and administration of the Association to implement the governing body's policies.
- To work with the president to ensure that the governing body receives appropriate advice and information on all relevant matters to enable it to fulfil its governance responsibilities.

3. Principal tasks:

3.1. Working with the governing body

a) To ensure the progress of the Association's work is appropriately presented and reported to the governing body together with all matters relevant to the discharge of its responsibilities.
b) To work with the president to develop policy proposals for governing body discussion and decision.
c) To support the president in ensuring that all members of the governing body continue to be engaged and involved in the governing body's work.
d) As appropriate, to monitor and advise on the composition of the governing body, its committees, and the process of governing body self-assessment and development.
e) To put in place an annual calendar of meetings of the governing body and its standing committees.

3.2. Leading and managing the Association

a) To ensure that a long-term strategy is in place that can guide the Association in achieving its objectives.
b) To enable the Association to articulate its mission, corporate values and operational philosophy, and ensure that these are applied consistently across the Association.
c) To be responsible to the governing body for the general financial health of the Association. This includes the management of risk and the maintenance of adequate and relevant internal controls.
d) To ensure that expenditure is controlled in line with the work programme and budget approved by the governing body.
e) To ensure that the Association discharges its constitutional and legal obligations.
f) To provide leadership to the senior management team, and keep under review and appraise the work of staff reporting directly to the executive director.
g) To ensure that the Association has the resources (human, material and financial) to operate as effectively and efficiently as possible.
h) To develop a staffing structure that supports the efficient delivery of programmes and services, the accomplishment of major goals identified in the strategic plan and effective overall management.
i) To establish and maintain a human resources system that is in keeping with the mission and values of the Association and that ensures the right people are recruited, assures their retention and maximizes their potential.
j) To ensure that the Association is presented in an appropriate and professional manner to its stakeholders and meets all demands for data and information in a timely and transparent manner.

4. Promoting the Association

a) To maintain effective networks with all principal supporters and stakeholders.
b) To seek opportunities to expand and promote the role of the Association.

Adapted from 'Appraising the Chief Executive: An Essential Guide to Performance Review'. © ACEVO, 83 Victoria Street, London SW1H 0HW, www.acevo.org.uk

Appendix 10

Who does what?

Listed below are responsibilities typically carried out in most Associations. If the responsibility is carried out primarily by the governing body, indicate that by writing 'governing body' in the space provided. If the responsibility is carried out primarily by the staff, indicate that by writing 'staff' in the space provided. If the responsibility is carried out by both the governing body and the staff, indicate that by writing 'both' in the space provided.

_____ hires, supports and evaluates the chief executive.

_____ develops and implements programmes.

_____ makes a personal financial contribution to the Association.

_____ prepares for governing body meetings.

_____ develops and proposes policy questions about undertaking new programmes.

_____ identifies, recruits, orients and involves new governing body members.

_____ ensures that adequate financial controls are in place.

_____ creates a fundraising plan and strategy.

_____ develops and monitors adherence to human resource policies.

_____ approves the annual work programme and budget reflecting the Association's goals and policies.

_____ promotes the Association in the community.

_____ reviews the Association's policies, procedures and bylaws/regulations.

_____ develops a strategic plan and monitors the Association's initiatives against it.

_____ determines the Association's mission and purpose.

_____ monitors income and expenses on a daily basis.

_____ serves as a liaison and provides information to governing body committees.

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Appendix 11

An appraisal checklist for presidents and executive directors

	President	Executive director
1. The president and executive director should discuss the importance of establishing an appraisal system, recognizing that it should be of mutual benefit to the president, governing body and executive director.		
2. Discuss with the governing body once agreement has been obtained 'in principle'.		
3. Establish the purpose of the appraisal once agreement has been given by the governing body.		
4. Agree the job description to be used (there may be more than one).		
5. Agree qualitative and quantitative key objectives to be appraised.		
6. Identify what obstacles and supports there may be to implementing the process in the Association.		
7. Ensure there are sufficient resources allocated to carry out the process properly.		
8. Recognize and plan for the training needs of those involved in the process.		
9. Research models of appraisal, using outside help, for example consultancy, if necessary.		
10. Select a model that feels right for the Association, and adjust and adapt it to meet your needs.		
11. Establish a format and timescale for the process.		
12. Decide who should conduct the appraisal.		
13. Identify who should be consulted as part of the appraisal process.		
14. Establish how to separate the remuneration and the appraisal aspects of the process.		

	President	Executive director
15. Produce back-up materials (such as forms) to support the process, including a self-appraisal form for the executive director and a form to record a personal development and training plan.		
16. Ensure that the executive director has the opportunity to carry out his or her self-appraisal beforehand.		
17. Establish a process for giving good, clear, documented feedback.		
18. Pilot the process.		
19. Monitor and evaluate outcomes.		
20. Modify the process if necessary.		
21. Keep everything simple and transparent.		
22. Agree ongoing action at the end of the appraisal, who should take it and when.		
23. Agree targets and achievement criteria for the executive director for a given period ahead and methods to monitor these.		
24. Write up the results of the appraisal immediately and give a draft to the executive director for his or her comment.		
25. Explore ways of appraising the governing body's performance, linked to this process – both appraisal for individual governing body members and the governing body as a whole.		
26. All the appraisers and the executive director to sign off the appraisal process.		
27. Report to the governing body that the appraisal has been completed.		
28. Revise the job description if necessary.		
29. Agree the timescale for the next appraisal.		
30. Revise the appraisal process.		

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Appendix 12

Executive director appraisal: sample prompt sheet

Direction	Management and communication	Personal contribution
Leadership • Creates and conveys a clear vision? • Initiates and drives through change? • Is visible, approachable and earns respect? • Inspires and shows loyalty? • Builds a high performing team? • Acts decisively having assessed the risks? • Takes final responsibility for the actions of the team? • Demonstrates the high standards of integrity, honesty and fairness expected? • Carries forward decisions of the governing body?	**Management of people** • Consults staff and volunteers and identifies their training needs? • Establishes and communicates clear standards and expectations? • Gives recognition and helps all staff develop their full potential? • Addresses poor performance? • Builds trust, good morale and cooperation within the team? • Delegates effectively, making best use of skills and resources within the team? • Seeks face-to-face contact and responds to feedback from staff? • Manages relationships with the governing body and between staff and governing body members?	**Personal effectiveness** • Shows resilience, stamina and reliability under heavy pressure? • Takes a firm stance when circumstances warrant? • Is aware of personal strengths and weaknesses and their impact on others? • Offers objective advice to the governing body without fear or favour? • Pursues adopted strategies with energy and commitment? • Adapts quickly and flexibly to new demands and change? • Manages own time well to meet competing priorities?
Strategic thinking and planning • Identifies strategic aims, anticipating future demands, opportunities and constraints? • Demonstrates sensitivity to stakeholders' needs? • Makes choices between options which take into account their long-term impact? • Translates strategic aims into practical and achievable plans? • Takes decisions on time, even in uncertain circumstances?	**Communication** • Negotiates effectively and can handle hostility? • Is concise and persuasive orally and in writing? • Listens to what is said and is sensitive to the reactions of others? • Demonstrates presentational and media skills? • Chooses the methods of communication most likely to secure effective results? • Communicates effectively with the president and governing body members?	**Expertise** • Earns credibility through depth of knowledge and experience? • Knows how to find and use other sources of expertise (including information technology)? • Understands parliamentary and political processes and how to operate within them? • Applies best practice from other sectors and organizations? • Understands how policy impacts on operations, staff, users and volunteers?

Direction	Management and communication	Personal contribution
Delivery of results • Defines results taking account of the needs of users or other stakeholders? • Delivers results on time, on budget and to agreed quality standards? • Demonstrates high level project and contract management skills? • Ensures that others organize their work to achieve objectives? • Knows when to step in and when not to? • Encourages feedback on performance and learns for the future? • Makes clear and considered recommendations to the governing body?	**Management of financial and other resources** • Negotiates for the resources to do the job, in the light of wider priorities? • Commits and realigns resources to meet key priorities? • Leads initiatives for new and more efficient use of resources? • Ensures management information systems are used to monitor and control resources? • Manages contracts and relationships with suppliers effectively?	**Intellect, creativity and judgement** • Generates original ideas with practical application? • Homes in on key issues and principles? • Analyzes ambiguous data and concepts rigorously? • Defends logic of own position robustly but responds positively to reasoned alternatives? • Encourages creative thinking in others? • Delegates decisions appropriately?

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Appendix 13

Sample executive director appraisal form

Date:
Appraisers:
Status of current job description (i.e. Is it satisfactory? Does it need updating?):
Key objectives of the job description: 1. ..... 2. ..... 3. ..... 4. ..... 5. .....
Key objectives/targets set (jointly by the governing body and the executive director) for the executive director during the period being appraised. [Note: If these were modified during the review period, the final objectives should be listed here.] 1. ..... 2. ..... 3. ..... 4. ..... 5. .....

Direction – Leadership Comments:
Direction – Strategic thinking and planning Comments:
Direction – Delivery of results Comments:
Management and communication – management of people Comments:
Management and communication – communication Comments:
Management and communication – management of financial and other resources Comments:
Personal contribution – personal effectiveness Comments:
Personal contribution – expertise Comments:
Personal contribution – intellect, creativity and judgement Comments:
Job description Does the executive director's job description need updating? If so, agree and note how this should be done and the timescale.

Targets/key objectives
When agreeing targets, ensure that they tie in with the Association's strategic/business/corporate plan.

Key targets/objectives	Timescale	Performance indicators
1.		
2.		
3.		
4.		
5.		

Can you foresee any major difficulties in achieving these?

What other resources are needed to achieve these targets/objectives?

Signed **Date**

Personal training and development plan

Identify any recommendations to enhance the executive director's development and contribution over the coming year. Please note whether they will aid improvement of job performance, satisfaction or prospects, and whether in the long or short term.

Include:

- on-the-job initiatives – coaching, projects, new tasks
- off-the-job training – such as courses, conferences, further education
- any actions that the president or governing body members can contribute

Training or development needs	Action	Timing	Responsibility	Estimated budget

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Appendix 14

Glossary of financial terms

Accounts	A set of financial records, either kept on paper or on a computer.
Accounts code	A code used to group specific types of transactions, for example 'transport' or 'salaries'. Also known as *nominal code*.
Accounting period	A specific period of time for recording and reporting financial activity, usually a month or a year.
Accounting software	A computer programme used to keep an organization's accounts. Most accounting software is based on *double entry bookkeeping*, which can make it complicated to run. Also known as an accounting package.
Accruals	Money that you owe to a supplier for goods or services that you have received, but not yet paid for in full.
Accumulated fund	Money an organization may build up year by year through not spending all its income or by investing its funds. Includes the current estimated value of any fixed assets. Also known as *general funds, general reserves* or *reserves*.
Acid test	The ratio achieved by dividing *current assets* (excluding stocks) by *current liabilities*. It tells us if the organization has sufficient funds to pay off its debts immediately.
Apportioning costs	The technique of splitting shared costs across different parts of the organization. For example, *central support costs* are normally apportioned to different activities.
Apportionment policy	The policy that explains how shared costs are split across different parts of the organization.
Asset	Something you own. Any possession or claim on others which is of value to the organization. See also *fixed assets* and *current assets*.
Asset register	A list of the organization's *fixed assets,* usually giving details of value, serial numbers, location, purchase date, and so on.
Audit	An independent examination of activities (for example financial records) which concludes whether they are in good order or not.

Audit trail	The ability to track any recorded transaction through an organization's accounting systems, including checking original supporting documents.
Authorization	The process of approving transactions, normally the decision to purchase or commit expenditure. Careful authorization is a way of making sure that spending is appropriate and in line with the *budget*.
Back donor	When funds are passed on from one organization to another, the original donor is sometimes called the 'back donor'.
Balance sheet	A summary of how much an organization owns (i.e. '*assets*') and how much it owes to other people (i.e. '*liabilities*') at any particular date.
Bank book	A register that records all transactions passing through a single bank account. Also known as a cash book or a *cash analysis book*.
Bank reconciliation	The process of checking that your *bank books* and *cash books* agree with your *bank statements* at any particular date. This is an important check that your records are complete and accurate.
Bank statement	A report produced by the bank, which lists all the receipts and payments made into a specific bank account and the balance that is held in the account on a specific date.
Beneficiaries	Beneficiaries are the people that *non-governmental organizations* and donors ultimately aim to help. They are the most important *stakeholders* for any non-governmental organization.
Bookkeeping	The process of keeping all the financial records up to date in an organization. This usually involves transferring details recorded on supporting documents into *books of account* or *accounting software*.
Books of account	Formal records of financial transactions which are kept by accounting staff, including *cash books*, registers of *assets* and *accruals*, wages/salary books and others.
Budget	An amount of money that an organization plans to raise and spend for a set purpose over a given period of time.
Budget holder	A named individual who has the responsibility for managing a specific *budget* and has the authority to approve expenditure from that budget.
Budget monitoring report	A report that shows how much has actually been spent and received compared to the *budget*. This is a key tool for financial management. Also known as a *budget versus actual report*.
Budget *versus* actual report	A report that shows how much has actually been spent and received compared to the *budget*. This is a key tool for financial management. Also known as a *budget monitoring report*.

Capacity building	The process of helping individuals and organizations develop skills and confidence so that they increase their capacity to act.
Capital expenditure	Expenditure on equipment, property and other *fixed assets* that will be used to support activities over more than one year.
Cash analysis book	A *cash book* that has columns for different types of expenditure, that can be used to analyze transactions as they are recorded.
Cash book	A register that records all transactions passing through a single account. Also used to refer to a *bank book*.
Cash flow forecast	A report that shows exactly when specific receipts and payments will happen over a certain period, and the total amount of cash an organization expects to have as a result.
Central support costs	Costs that cannot be allocated to a specific activity, department or project but which are general in nature. Also referred to as *overheads, core costs* or *indirect costs.*
Chart of accounts	A list of all the *accounts codes* used in an organization's accounting system, including a description of each code.
Closing balance	The amount of money held in a specific account (for example a bank account) at the end of an *accounting period.*
Committed expenditure	Money that you are committed to spending on specific goods and services from specific suppliers which you have not yet paid to them.
Core costs	Costs that pay for central organizational support, not directly related to specific activities. Examples include office rent and electricity. Also known as *central support costs, overheads* and *indirect costs.*
Corruption	The abuse of entrusted power for private gain. (Definition from Transparency International.)
Cost centre	A specific activity (or group of activities) where costs are incurred or income generated. Cost centres provide a useful structure for the accounts in organizations with several different activities or donors.
Cost-effectiveness	This means comparing the cost of activities to the results they achieve, as a way of reviewing whether your activities provide value for money. It is extremely difficult for *non-governmental organizations* to measure cost-effectiveness in practice.
Creditor	Anyone the organization owes money to.

Current assets	Cash and other assets that are in the process of being turned back into cash (for example *debtors*). In theory, they can be converted into cash within one year.
Current liabilities	Debts that you have to pay back within the next 12 months (for example from suppliers or a bank overdraft).
Current ratio	The ratio achieved by dividing *current assets* by *current liabilities.* It tells us if the organization is able to pay off its debts within 12 months.
Debtor	Any person or organization who owes you money.
Depreciation	A way of spreading the cost of a *fixed asset* over a number of years. Every year, a proportion of the original cost is charged from the *balance sheet* to the *income and expenditure account.*
Designated funds	*Unrestricted funds* which have been accumulated over time and set aside for a particular purpose by the *trustees.*
Development	The process of social change in favour of the poor. There is no universal agreement on how to achieve this. Different people follow different theories (based on different social values) which they believe will lead to 'development'. For example, some believe in free market economics, or democracy or local empowerment.
Direct cost	A cost that can be specifically allocated to an activity, department or project.
Donation in kind	A donation of goods or services, rather than a donation of money.
Double entry bookkeeping	The method that accountants use to record every transaction in two places in the accounting system. It gives a full picture of all an organization's cash and non-cash transactions.
Empowerment	The process of helping individuals to increase their influence on the factors that govern their lives.
Exception report	A short report that describes significant differences from planned activities, for example one that may accompany the management accounts.
External audit	A financial audit carried out by an independent auditor, separate from the organization, which provides an opinion on whether financial reports are 'true and fair'. External auditors may also write a management letter, which comments on important issues noted in the organization's internal controls.
Financial accounting	Recording, classifying and sorting financial information, resulting in financial reports for people external to the organization.

Financial management	The processes that *trustees,* managers, staff and beneficiaries use to make sure that financial resources are used to achieve an organization's objectives efficiently, effectively and accountably.
Financial sustainability	An organization's long-term financial security, which is based on having strong *stakeholder* relationships, diverse sources of income, *unrestricted funds* and *general reserves*. See also *sustainability*.
Financing strategy	A document that sets out how the organization expects to finance its operations now and in the future. It has to be developed as part of the overall strategy and approved by the governing body.
Fixed assets	Items (such as equipment, vehicles and buildings) that are owned by an organization which retain a significant part of their value for more than one year. Also known as tangible assets.
Fixed costs	Costs that you will incur no matter what level of activities you carry out (for example office rent); the opposite of *variable costs.*
Float	A sum of money entrusted to someone in advance for a particular purpose when the precise costs are not known in advance.
Fraud	The deliberate mis-use of an organization's resources for private gain.
Fund accounting	A method of tracking income and expenditure according to different 'funds', related to specific donors or projects.
Funding grid	A report that shows how the *budget* agreed with each different donor fits together with the total budget for a project or organization.
General funds or General reserves	*Unrestricted funds* that can be used for any purpose to achieve the organization's objectives. Also referred to as *accumulated funds.*
General ledger	A complete list of all the transactions recorded in all the *account codes*. This is the central register for *double entry bookkeeping* systems (for example as used by most *accounting software*). Also known as the *nominal ledger.*
Humanitarian aid	Short-term assistance provided to people who have become very vulnerable because of a specific emergency (for example providing food and shelter to earthquake victims).
Imprest	A cash float, set at an agreed level, which is topped up by the exact amount spent since it was previously replenished, to bring it back to its original level.

Income and expenditure report	Summarizes income and expenditure transactions for an *accounting period*, adjusted for transactions that are not yet complete or took place in a different accounting period (for example *accruals*).
Indirect cost	A cost that cannot be allocated to a specific activity, department or project but which is general in nature. Also known as *central support costs, overheads* or *core costs.*
Institutional donor	An organization that provides funding to *non-governmental organizations*. Examples include the UK Department for International Development, USAID and Comic Relief.
Internal audit	An audit carried out by staff within an organization that often checks whether policies and procedures are being followed in practice.
Invoice	A written request for payment received from a supplier for specific goods or services.
Journal entry	An entry in the accounts that covers a non-monetary transaction – for example for recording a *donation in kind*, or *depreciation* or correcting an error made in the accounts.
Liability	An amount owed by your organization to others, including loans, *accruals*, grants received in advance and outstanding *invoices*.
Liquidity	The level of cash and assets readily convertible to cash compared to the demands on the available cash, for example to pay bills.
Liquidity ratio	A measure of *liquidity* obtained by dividing *debtors*, cash and short-term investments by *current liabilities*.
Lobbying	The process of encouraging powerful decision makers to take account of the interests of poor and marginalized people.
Logical framework analysis (also known as 'log frame analysis')	A method to plan, monitor and report on projects, based on a rigid hierarchy of goals, objectives and activities. There is a vigorous debate about whether it is a suitable tool for accountability in the *non-governmental organization* sector.
Management accounting	Providing financial information to managers for the purposes of planning, decision making, and monitoring and controlling performance.
Net book value	The original cost of an *asset* less its accumulated *depreciation* to date. This is the value of an asset that is shown on the *balance sheet*.
Net current assets	The funds an organization has available for conducting its day-to-day operations. Usually defined as *current assets* less *current liabilities*. Also known as *working capital*.

Nominal code	Another name for *accounts code*. A code that groups specific types of transactions, for example 'transport' or 'salaries'.
Nominal ledger	A complete list of all the transactions recorded in all the *accounts codes*. This is the central register for *double entry bookkeeping* systems (for example as used by most accounting software). Also known as the *general ledger*.
Non-governmental organization	A not-for-profit organization that is based on a set of social values, is independent from the government and works for the benefit of other people. Also known as a non-profit organization or a private voluntary organization.
Opening balance	The amount of money held in a specific account (for example a bank account) at the beginning of an *accounting period*. It should be the same as the *closing balance* from the previous *accounting period*.
Organogram	A chart that shows who works where in an organization and how departments are organized.
Overdraft	A short-term loan from a bank, when you spend more money out of your bank account than you have in it. Overdrafts are expensive and have to be repaid whenever the bank demands the money back. It is best to avoid them.
Overheads	Costs that cannot be allocated to a specific activity, department or project but which are general in nature. Also referred to as *central support costs, core costs* or *indirect costs*.
Petty cash account	A small cash float held in the office for small day-to-day payments.
Petty cash book	A register that records all receipts and payments made from the *petty cash account*.
Phased budget	A *budget* that is split into distinct time periods – typically showing the budget for every month.
Prepayments	Transaction where you pay for goods or services before you receive them, for example an annual insurance premium. Prepayments are the opposite of *accruals*.
Receipt	A formal record received from a supplier that confirms that you paid a certain amount of money for certain goods or services, including details of date, amount, supplier etc. Also given to anyone who buys goods or services from your organization.
Receipts and payments report	A summary of the *cash book* for a specific *accounting period*, including *opening and closing balances*. This does not include adjustments for transactions which are not yet complete or which refer to different *accounting periods*.

Reconciliation	The process of checking that one set of records agrees with another set of records. This allows you to be sure that information is complete and accurate. The *bank reconciliation* is a particularly important control.
Reserves	Funds set aside from surpluses produced in previous years.
Restricted funds	Income received that has to be used for a specific purpose (for example a specific project). May have additional conditions attached, including the requirement to report back to the donor in a specific format.
Separation of duties	Splitting the different duties for handling a transaction among different people (for example one person places an order and another writes the cheque). Also known as segregation of duties.
Service delivery	The process of providing people with 'welfare services' such as clean water, education and health care. Normally the responsibility of the government.
Signatories	People who are authorized to sign cheques on behalf of the organization.
Stakeholders	All the groups of people who are involved in an organization's activities. Examples include beneficiaries, staff, managers, *trustees*, donors, government.
Supporting documents	The original documents that describe each transaction, for example *invoices, receipts* and records of *authorization*.
Sustainability	An organization's ability to keep on existing and working in future years. See also *financial sustainability*.
Treasurer	An individual *trustee* who has specific responsibility for overseeing the financial management of a *non-governmental organization* and for bringing financial matters to the attention of the other trustees.
Trial balance	The list of balances on each individual *nominal account* on a specific date. The *income and expenditure account* is prepared from the trial balance.
Trustee	A member of an organization's most senior decision making body, often known as the governing body of trustees or the governing body. Trustees have collective responsibility for how an organization uses its resources.
Two golden rules of non-governmental organization field work	1. *Non-governmental organizations* have to maintain a respectful dialogue with the people they aim to help. 2. Non-governmental organizations depend on their field staff, and have to empower them to make good judgements.

Unrestricted funds	Funds held for the general purposes of the organization, which can be spent on any activity that contributes to the organization's stated objectives.
Variable costs	Costs that vary with the levels of activities (for example bricks for a building project, or fuel for field visits). The opposite of *fixed costs*.
Variance	The difference between the *budget* and the actual amount of income or expenditure on any one *accounts code* or for an entire budget.
Virement	The transfer of money from one *budget* heading to another.
Voucher	A note that describes the financial aspects of a transaction. Often used in accounting systems. Vouchers includes details such as date, amount, *accounts code*, payee, payer etc.
Working capital	The funds an organization has available for conducting its day-to-day operations. Usually defined as *current assets* less *current liabilities*. Also known as *net current assets*.
Year-end	The cut-off date for the annual *accounting period*.
Zero-base budgeting	A method of preparing *budgets* based on calculating estimates of income and expenditure from scratch rather than from last year's financial results.

'Mango's Guide to Financial Management for NGOs'. Available at www.mango.org.uk/guide

Appendix 15

Glossary of common terms used in non-profit financial statements

Accrual basis

A method of accounting that reflects transactions when they happen (even if money has not yet changed hands). For example, some copy paper is delivered from the stationery store on 24 February, but the bill is not paid until 6 March. Using the accrual basis of accounting, this expense would be recorded on 24 February and a 'liability' (account payable) would also be recorded. On 6 March, when the bill is paid, the liability reflecting that transaction is eliminated. A major reason for using the accrual basis is to match income and expenses properly within the same time period. Another advantage is that amounts owed by or to the organization are currently recorded. To be in conformity with generally accepted accounting principles, financial statements must be prepared on the accrual basis.

Asset

A resource, including cash and property, owned by an organization.

Cash basis

The cash basis of accounting reflects only cash receipts and cash disbursements. In other words, a transaction is recorded only when cash changes hands.

Fund accounting

Fund accounting is a concept particular to non-profit organizations and government entities. Financial records must be maintained for each programme that receives contributions designated for the specific programme. Each set of records is called a 'fund' and is considered a separate accounting entity with its own financial statements. If all contributions received by an organization are for general operating purposes, the organization would have only one fund. Additional funds are created when grants and donations are received for specific projects. The number and types of funds maintained will vary from organization to organization and may change from year to year within an organization.

Net assets

Net assets represent the net amount of resources available to carry out the objectives of the organization. It is calculated arithmetically:

Total assets *minus* total liabilities = net assets

Permanently restricted net assets

The part of the net assets of a non-profit organization resulting from (a) contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization; (b) other asset enhancements and diminishments subject to the same kinds of stipulations; or (c) reclassification from or to other classes of net assets as a consequence of donor-imposed stipulations.

Temporarily restricted net assets

The part of net assets of a non-profit organization resulting from (a) contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled or otherwise removed by actions of the organization pursuant to those stipulations; (b) other asset enhancements and diminishments subject to the same kinds of stipulations; or (c) reclassification from or to other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfilment and removal by actions of the organization pursuant to those stipulations.

Unrestricted net assets

The part of net assets of a non-profit organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Liabilities

Debts or obligations owned by an organization.

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Appendix 16

Assessing financial health: ratios and indicators

This information is provided to help you calculate and use ratios more effectively when assessing the financial health of an Association.

Programme ratio

(programme service expenses *as a proportion of* **total expenses)**

Programme ratio measures the relationship between programme expenses (funds devoted to the direct mission-related work of the Association *versus* funds spent for administration and fundraising) and total expenses. Younger Associations might have lower programme ratios than more mature ones as they set about building the infrastructure to support their mission. In addition, some types of services simply require more overheads than others. Over time, Associations should strive to achieve ever higher programme ratios, devoting as many of their resources to 'programme activity' as possible.

Debt ratio

(total liabilities *as a proportion of* **total assets)**

Debt ratio measures the relationship of total liabilities and debt to total assets of the Association, an indicator of its financial solvency. Higher ratios could indicate financial problems in the future.

An Association's debt ratio may be distorted if it carries a high proportion of 'grants payable' or 'grants receivable' on its balance sheet. 'Grants payable' is the unpaid portion of grants and awards that an Association has made a commitment to pay to other organizations or individuals; it is carried as a liability on the balance sheet. 'Grants receivable' is the amount of grants pledged to the Association by governmental agencies, foundations and other organizations; it is carried as an asset on the balance sheet.

Liquid funds indicator

([fund balances *minus* **permanently restricted** *minus* **land, buildings and equipment]** *multiplied by* **12 and** *divided by* **total expenses)**

Liquid funds indicator divides fund balances (other than the effectively frozen endowment and the land, building and equipment fund) by an average month's expenses to yield an indicator, in months, of the Association's operating liquidity. These are the financial resources an Association may legally and reasonably draw down. A high liquid funds indicator could indicate low cash funding urgency and excessive savings.

Savings ratio

([total revenue *minus* **total expenses]** *divided by* **total expenses)**

Savings ratio measures the relationship between total annual savings and total expenses, revealing the rate of savings of the Association. While an important component of longevity, high ratios could indicate excessive savings. This ratio should be considered in combination with the liquid funds indicator. If the Association has low liquid funds, a higher savings rate may be desired.

Contributions and grants ratio

([contributions *plus* **grants]** *divided by* **total revenue)**

Contributions and grants ratio calculates the percentage of total revenue made up of contributions and grants, indicating the extent of the Association's dependence on voluntary support.

Accounts payable aging indicator

(accounts payable *multiplied by* **12** *divided by* **total expenses)**

Accounts payable aging indicator may shed light on the credit-worthiness of the Association. The lower the indicator (fewer months' average payment), the faster the Association pays its bills.

Fundraising ratio

(fundraising expenses *as a proportion of* **funds raised)**

While it is important to keep track of fundraising expenses, this ratio is perhaps the least useful of the ratios for several reasons. First, the costs of fundraising may not be reliably recorded, collected or reported. Indeed, experience in the USA shows that a high percentage of voluntary organizations report no fundraising expenses at all. Second, there are a number of reasons why the unique circumstances facing a voluntary organization might make its fundraising ratio higher or lower than another. For example, voluntary organizations that can depend largely on foundation funding will have much lower fundraising costs than those that must raise many smaller contributions. Nevertheless, an Association should ensure as far as it is able that fundraising costs are recorded and analyzed if only to decide which of different approaches tested are the most successful.

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Appendix 17

An internal control framework

1. Control environment

The control environment is the part of the culture of an Association which sets the tenor of control. It affects the control awareness of all of the individual employees. The main driving force is the importance the governing body is seen to attach to control and probity.

2. Governance and executive management

2.1 It is important to reiterate that the governance of an Association is distinct from executive action. The executive director and other senior managers need to operate within a strategic and control framework established by the governing body.

Many of the more dramatic instances of corporate failure or scandal in the private sector have been characterized by a confusion of governance and executive roles or the failure of a governing body to carry out its responsibilities as it should have. That is not to say that this does not happen in voluntary organizations.

2.2 It is the governing body that is responsible for establishing policies and strategies. Policies cover the objectives of the Association, the means by which they should be achieved and the general framework of controls.

2.3 The executive director is responsible for ensuring that the aims and objectives of the Association are achieved within the policy framework.

3. Control environment as limiting factor

3.1 The actions of the governing body and the executive director will set the values and culture of the Association. The effectiveness of internal control will not rise above the level of integrity and ethical values of top management.

No matter how well designed and operated controls are, they will not be sufficient to prevent senior managers overriding them. It is self-evident, therefore, that senior managers need to be subject to the control system. Actions which seek to avoid or undermine control procedures should be seen to have serious consequences, by making these explicit in codes of staff conduct and disciplinary procedures.

3.2 Conduct of volunteers

Volunteers are subject to the control system and, therefore, actions which seek to avoid or undermine control procedures should be seen to have serious consequences by making these explicit in codes of volunteer conduct.

Volunteers, and governing body members especially, should respect the role and authority of the executive director and the staff chain of command. Equally they should avoid actions that may cause waste, extravagance, loss of assets or poor value for money, and result in a loss of funding to the detriment of the Association and the people its serves.

3.3 Staff conduct

Staff need to know what behaviour is expected or acceptable and what is unacceptable.

In some parts of an Association, there have been instances of fraudulent financial reporting in which managers under pressure to meet budgets misrepresented financial results. In many reported cases, unethical or unacceptable behaviour from staff resulted from ignorance of the standards.

4. Actions

4.1 Control environment

The actions of the governing body (and the executive director) must clearly indicate their commitment to good internal control and the value which they place on it. Among other things, they could do this by:

- establishing an audit committee where this may be appropriate
- documenting key internal control procedures
- publishing procedural regulations and financial regulations

- establishing sound human resource policies including a staff appraisal system which ensures that an individual's objectives flow from those of the Association
- ensuring that, where employed, internal auditors have sufficient status, independence and resources

5. Risk assessment

5.1 Risk assessment is the foundation of internal control. The existence of an appropriate control environment is a prerequisite for good internal control and internal controls will not be effective unless the environment is fertile.

An adequate assessment of the risks which face an Association in trying to achieve its objectives is the foundation on which internal control systems are built.

Internal control is often treated as being synonymous with internal financial control and governing bodies place emphasis on risk in financial and activity systems. There are, however, other risk areas.

5.2 Risks can be due to many factors both external and internal.

External factors which may create risks are:

- the economic environment
- the social environment – for example the willingness to pursue litigation
- the actions of individuals and associations with which IPPF has a relationship (as a client or as a supplier)

Internal factors will be due to:

- the behaviour and actions of employees of the Association
- failure of systems

5.3 Risks can be further categorized as recurrent or non-recurrent and as ongoing or new.

Recurrent, ongoing risks arise from the continuation of an Association's activities.

New risks may be due to new developments which may be recurrent or non-recurrent in nature; or due to new elements in the external/internal environment such as the enactment of new laws and regulations, the introduction of a new system and changes in personnel at top management level (see chart below).

	Recurrent	**Non-recurrent**
Ongoing	Existing business activities	Acquisition of fixed assets
New	New activities to be undertaken	Structural changes in the Association

5.4 The ongoing recurrent risks should already have been documented and addressed by the internal control systems. The most important of these risks will be subject to close attention by any independent review or audit and thereby brought to the attention of the governing body. The governing body and senior managers should also direct their attention to new and significant areas of risk and key areas of existing risk.

5.5 The process of identifying risks is not normally achieved by sitting down with a blank piece of paper and thinking of everything that can go wrong. Although this is possible, it would result in too many omissions.

New risks can be identified by consideration of risks associated with developments, changes within the Association and new external factors.

Recurrent ongoing risks should be identified by an examination of basic operating activities which will be designed to achieve a set of objectives.

It can be helpful when identifying recurrent ongoing activities to consider the relationship between objectives, risks and control objectives.

Design of internal control systems

Internal control systems have traditionally been designed by finance directors and imposed on staff operating those systems through instructions, procedure notes and guidance notes. This approach is inappropriate in a management culture which claims to delegate decision making closer to day-to-day

operational activities. It is also an inflexible 'model', incompatible with the needs of an Association operating in a rapidly changing environment.

Today, the identification of risk and the design of controls must, if they are to be effective, involve the staff performing the work working with their managers and auditors as necessary.

For financial systems, the director of finance (or the executive director where there is no finance director) will have responsibility for the internal financial control system and must therefore satisfy him or herself that the controls are sufficient and adequate to ensure the achievement of operational objectives and compliance with internal and external standards and regulations.

5.6 It is only through the commitment and the empowerment of individuals within an Association that a robust and responsive internal control system can be developed and maintained.

Staff who are committed to and understand what their unit and others within the Association are trying to achieve are more likely to identify important changes that may impact on the health of an Association, and take action to manage the risks.

5.7 The governing body should:

- satisfy itself that risks from ongoing activities have been identified and that the decisions on the appropriate level of control to manage the risks are sufficient, adequate and documented
- review all new organizational objectives and activities and decide on the level of control to manage the associated risks
- promote an environment in which all staff participate in the identification of business risks

6. Control activities

6.1 Control activities:

- are the procedures that help to ensure that organizational objectives and policies are carried out
- ensure that risks that may inhibit the achievement of objectives are minimized
- include a range of measures as diverse as approval and authorization procedures, performance reviews, reconciliation, physical security of assets, stocktaking, segregation of duties, physical and logical access control (such as identity badges and password control on access to information systems)

6.2 Each control activity, or series of activities, will address a control objective that was formulated to address a specific risk to the achievement of an organizational objective.

6.3 There is a wide range of control activities. In an internal control system these activities are designed to:

- ensure completeness
- ensure accuracy
- ensure validity
- secure physical integrity
- minimize losses

Control activities are an integral part of the process by which an Association tries to achieve its objectives. They do not exist for their own sake or because it seems the right and proper thing to do or because they are being imposed by the auditor or some external regulator. Control activities also serve as a mechanism for managing the achievement of a specific objective.

6.4 Control activities should be:

- agreed to cover all organizational risks
- designed by staff involved in the activities which produce the need for the control
- documented so that staff understand what is to be done, why and by when, and by whom

6.5 The executive director should monitor (on behalf of the governing body) the documentation of control activities and control objectives to ensure that the controls are adequate to address the identified risks.

7. Information and communication

7.1 Staff need pertinent and timely information in order to discharge their duties under the internal control system.

Internal information will be concerned with:

- functions
- human resources
- financial revenue costs and income
- compliance with controls, policies and protocols
- activities

Information on external events and the actions of other associations is also needed for the governing body to make informed decisions.

7.2 Effective communication must occur throughout an Association, particularly in respect of the responsibilities and duties of individuals as they affect internal control. This communication may take the form of financial regulations, procedure notes, protocols, codes of conduct, management instructions and guidelines, and informal briefing.

7.3 Staff need to have a means of communicating significant information to top management. Staff who deal with operational issues every day are often in the best position to recognize problems as they arise. For such information to be reported upwards, there must be open channels of communication and willingness among senior management to listen and take action when required. Staff must believe that their managers really do want to know about problems and will deal with them effectively.

Communication between management and the governing body is critical. The governing body must be kept up to date on performance, developments, risks and any other relevant events or occurrences.

7.4 Appropriate communication channels are required with outside bodies and others who may provide information which may be significant in enabling the Association to develop services to address evolving demands and preferences.

It is also important to make clear to organizations contracting with the Association, particularly suppliers, that improper actions such as offering inducements will not be tolerated.

Information systems

Information systems should be consistent with needs, including the support of new objectives and new requirements. It is a common mistake to assume that newer systems provide better control – the opposite may be true. Loss of control will inevitably result from a failure to develop, choose and implement new systems with care.

7.5 The governing body should take a keen interest in the acquisition of information technology: that is an important aspect of organizational strategy.

Choice of systems can be a critical factor in achieving objectives. The most common mistake is to make too small an investment at the system specification and design stages with the result that the system fails to identify, and therefore cannot meet, all user requirements.

7.6 The governing body should ensure that:

- a review is undertaken of the information requirements necessary to achieve the Association's objectives
- a recognized systems design methodology is used to design, specify and implement the system
- sufficient resources are devoted to the design and implementation of new systems and that all stakeholders are involved in the process
- its commitment to internal control is communicated to all staff
- all staff are required to report errors, or the occurrence of the unexpected, and to try to establish the cause and the eradication or management of the risk
- effective channels of communication are set up to enable staff to report problems to the executive director, and to the governing body when necessary
- effective channels of communication are established with outside bodies (inwards and outwards)

8. Monitoring internal control

8.1 Internal control systems need to be monitored so that the governing body may be sure that they continue to be effective.

To be effective, several layers of monitoring are needed. These will include:

- self-proving controls such as reconciliation (for example of control accounts, batch control totals)
- exception reports (for example outstanding orders, uncleared debtors)
- supervisory compliance checks (for example approvals, authorizations)
- management reviews
- independent reviews by internal or external audit

Separate reviews and evaluations

8.2 Well-designed internal control systems will be structured to provide evidence of their own operation to some degree.

There will, however, always be reliance on the staff operating the controls. For example, if bank reconciliations are not carried out properly and supervisory reviews are only cursory, there is a real risk that the ledger and therefore the financial management reports will contain material errors.

To provide adequate assurance it is necessary to have an independent monitoring function, such as internal or external audit.

8.3 Internal audit

The role of internal audit is to carry out an independent review of internal control. Its programme of reviews or audits will be subject to approval by the governing body (via the audit committee if there is one).

Internal audit will report its progress, major findings, management's response to audit findings and progress on implementing recommendations.

Although internal audit is engaged by and professionally accountable to the executive director, its work is fundamental to giving the governing body reasonable assurance that the risk of financial losses through waste, errors or other causes is minimized.

The establishment of an effective audit committee enables members of the governing body to devote sufficient time to this vital aspect of governance.

8.4 External audit

The external auditor's primary task is to certify that the statement of accounts gives a true and fair view of the financial activities of the Association.

Through this process, external auditors confirm the accuracy, probity and legality of the accounts. The combined effect of this certification and the more detailed internal audit review process is a major factor in helping an audit committee discharge its responsibility for ensuring sound financial systems and accurate accounts.

External audit seeks to rely on the work of internal audit and, if the work is considered to be insufficient in volume or quality, then the resources needed for external audit may need to be increased – which means an increase in the audit fee.

8.5 Value for money

The message is simple:

- poor internal control will lead to an increase in the cost of audit (whether internal or external)
- economizing on audit will not reduce its aggregate cost because it needs to be sufficient to achieve business objectives
- if ignored or undervalued, the cost to the Association in waste, losses, errors and additional external audit fees will far outweigh any short-term savings

If monitoring internal control is to be cost-effective, then the governing body and the executive director must foster an environment where internal control is the responsibility of all staff:

- it must be seen as an integral part of the quality programme
- it is essential for ensuring the financial health of the Association and therefore in the long-term interests of its staff as well as its clients

If an Association has taken internal control seriously, and its system is adequately designed and documented and operated by staff, then internal or external audit will be able to minimize the work they perform on financial systems and still give reasonable assurance to the governing body that control objectives are being achieved.

This means that the governing body should seek assurance from the executive director that:

- self-proving and supervisory controls have been incorporated into financial systems wherever possible
- staff responsible for systems or parts of systems are required to review compliance with agreed control procedures and assess the adequacy of controls
- where appropriate and cost-effective, internal audit services of sufficient quality and coverage have been established to enable external audit to place reliance on its work

9. Corporate structure and responsibilities

9.1 The governing body is accountable to the Association's members, clients, donors and, often, to the national government, for the management and custody of resources.

It is also charged with achieving a number of objectives. As the governing body only normally meets infrequently, it needs to concentrate on the key issues and delegate powers and responsibilities to the executive director and his or her staff.

The governing body will need to establish policies and objectives, approve 'high level' plans and take key decisions.

It will also need to ensure that the business risks associated with the operational activities established to achieve programme objectives have been identified and controls implemented to manage the risks.

The executive director will undertake most of the detailed work to prepare, implement and monitor results.

9.2 If an audit committee is established, it will provide an additional link between the internal control systems, which seek to ensure that objectives are achieved, and the governing body: this link will be independent of that between internal control systems and the executive director and staff.

Role of members of the governing body

9.3 Role of the president

The president has responsibility for directing the work of the governing body, establishing a proper balance between the roles of its members and the executive director.

The president should make sure that operational decisions are left to the executive director, but also make sure that such decisions are within the policy framework and consistent with the objectives of the Association.

The president will also lead the setting up and maintenance of the appropriate control environment by commissioning the writing and maintenance of financial regulations, schemes of delegation and other relevant documents.

9.4 Roles of governing body members

Members should be elected for the skills and knowledge that they can bring to the Association through their professional or business background. They are not involved in the operational management of an Association's programme of work and, because of this, can sometimes bring a clearer or more objective view to bear on certain issues. Internal control is the responsibility of the whole governing body and each member should play some part in this process.

9.5 Audit committee

The governing body may set up task forces or working groups to undertake some of its more detailed reviews and considerations. The decision to establish these will depend on circumstances and the mix of expertise and interests of governing body members.

Setting up an audit committee may be one way of focusing governing body expertise and effort on internal control issues. In some countries the law may require a committee of this nature. However, the type of committee required is often one that has a direct overseeing and controlling role.

This contrasts with the more hands-off approach that is characteristic of a modern audit committee where the emphasis is on ensuring that a satisfactory system of internal control is in place and monitoring and reviewing its continued operation.

If an audit committee is set up, it should be constituted formally and its role and terms of reference included in the constitution or procedural regulations. Usually the committee will include:

- three to five volunteers, none of whom should be an honorary officer

- at least one member who has a financial background

The committee would normally meet not less than twice a year; once to review the external audit report and annual accounts, and a second time to consider other issues.

The executive director, director of finance, internal auditor and external auditor will attend meetings by invitation. At least part of one meeting each year should be held with the external auditors, without the executive director or other senior managers present.

The committee chairperson should submit a formal written report to the governing body after each meeting.

Role of senior staff

9.6 Executive director

The governing body is ultimately accountable for the results of the absence or poor quality of internal control. Nevertheless, the executive director has primary responsibility for ensuring that internal control is implemented and continues to operate effectively. The executive director will do this by delegating authority to other senior managers, whenever possible.

The director of finance, where one is appointed, is accountable for internal financial control and will, together with internal or external auditors, be relied on for professional advice.

It is important that the executive director maintains an active interest in ensuring that audit recommendations are implemented and that due consideration is paid to internal control in the development of new services or systems. The executive director will also play a key role in nurturing the right control environment – his or her attitude, behaviour and actions will convey much about the level of importance that is attached to control.

The executive director will be subject to internal control. The Association's codes of conduct and other advice on expected standards of behaviour of staff will apply just as much to the executive director as to any other member of staff.

The governing body (through the agency of the audit committee where one exists) should pay particular attention to this to ensure that general and specific controls are not overridden. Where the governing body has delegated certain powers to the executive director, it is important that the exercise of these powers should be documented and reported to the governing body. Exercise of the power to change budgets, waiving of financial regulations for tendering purposes and exercise of judgement in negotiation of contracts are some of the key areas to be considered.

The executive director is at the pinnacle of the day-to-day decision making process and, as such, will need to rely on the accuracy and the validity of all management information. The executive director will therefore take a particular interest in having adequate levels of assurance on the internal control process pertinent to the production of management information. The executive director should be subject to adequate levels of control to prevent abuse of the position and the potential for overriding key controls.

9.7 Director of finance

The director of finance (where appointed) is responsible for:

- implementing the Association's financial policies and ensuring that these conform to IPPF requirements and those of other donors
- designing, implementing and supervising financial control systems
- preparing and maintaining accounts certificates, estimates, records and reports as may be required for the purpose of carrying out duties required by law
- considering bases and assumptions used to prepare each budget statement, forecast or report provided to the governing body
- providing advice to the governing body on the reasonableness of any such bases or assumptions

The director of finance is in a key position, therefore, as the most senior officer to be involved in the design, implementation and maintenance, and monitoring of internal financial control systems.

Like the executive director, the director of finance will be reliant on good internal control to enable him or her to base decisions on accurate management information. The director of finance is responsible for

ensuring the accurate provision of financial information which will rely on the establishment of good internal control systems. The director of finance will also be in a position to override or subvert internal financial control and therefore should be subject to the same controls and independent reviews as other staff.

Appendix 18

Risk management checklist for governing bodies and their members

- ☑ Attend governing body meetings regularly.
- ☑ Keep a written, permanent record of all governing body minutes and official actions.
- ☑ Exercise general supervision over the Association's affairs.
- ☑ Corporate decisions require knowledge of the subject and a great deal of common sense. If you vote in the minority, make sure your vote is so noted in the minutes.
- ☑ Pursue the warning signs that come to your attention that something is wrong.
- ☑ Insist on meaningful governing body meetings with full disclosure of operating results.
- ☑ Require the Association to employ professional auditing services by an accredited certified public accountant.
- ☑ When possible, retain competent legal counsel.
- ☑ Keep written reports from all committees.
- ☑ Authorize appropriate corporate indebtedness.
- ☑ Know all the directors and officers of the governing body.
- ☑ Adopt and follow sound business policies and practices.
- ☑ Avoid self-serving policies.
- ☑ Avoid conflicts of interest.
- ☑ Require and review human resources policies.
- ☑ See that the Association maintains a good credit and financial standing.
- ☑ Review the adequacy of the Association's insurance cover.

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Appendix 19

Minutes checklist and sample format

Minutes are the permanent record of the proceedings of a meeting and need to be clear, accurate, brief and objective. They include the basic items set out below.

- Date, time and place of the meeting.
- Name of the person who chaired the meeting (usually the Association's president).
- Names of members present, excused and absent without notification.
- Existence or absence of a quorum.
- All proper motions, including the name of the proposer and the seconder.
- Results of all votes taken.
- Names of anyone abstaining from any vote or casting a 'no' vote.
- List of all reports and documents introduced during the meeting (copies of reports should be attached to the official minutes).
- Summary of significant points raised during discussion but not a verbatim account of presentations and discussions.
- Any commitments made by officers or anyone else present.
- Time of adjournments.
- Signature of the meeting secretary.
- Minutes sometimes include a brief addendum to describe required follow-up activities and to identify the person(s) responsible for the action(s) and the date(s) by which they will be completed.

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Minutes

Sample format

Association: _____

Chair: _____

Date and time: _____

Minute-taker: _____

Location: _____

Present – governing body:	
Present – staff:	
Present – guests:	
Excused:	
Absent:	

Topic	Discussion/action taken	Implementation: when/by whom

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Appendix 20

Governing body self-assessment questionnaire

(example used by IPPF's Western Hemisphere Region)

1. Mission of the IPPF				
	Yes, sufficiently	**Yes, but not sufficiently**	**No**	**Not sure**
1.1 Do all governing body members endorse a position vis à vis the Five 'A's that is consistent with IPPF's framework and position on these issues?				
a. Advocacy	☐	☐	☐	☐
b. Abortion	☐	☐	☐	☐
c. Adolescents/youth	☐	☐	☐	☐
d. AIDS	☐	☐	☐	☐
e. Access	☐	☐	☐	☐
2. Strategic planning				
2.1 Does the governing body have an adequate understanding of the current strategic plan?	☐	☐	☐	☐
3. Programmes				
3.1 Does the governing body have an understanding of the needs and concerns of the Member Associations?	☐	☐	☐	☐
3.2 Does the governing body receive adequate information with which to assess programmatic progress?	☐	☐	☐	☐
3.3 Does the governing body have enough opportunity to discuss programmatic issues?	☐	☐	☐	☐

4. Resource development	Yes, sufficiently	Yes, but not sufficiently	No	Not sure
4.1 Has the governing body developed a systematic plan in the area of resource development, which includes targets, time frame and individuals responsible, and can be evaluated?	☐	☐	☐	☐
4.2 Does the governing body contribute by giving and/or raising funds?	☐	☐	☐	☐
5. Fiscal responsibility				
5.1 Does the governing body approve the annual budget before the beginning of the fiscal year?	☐	☐	☐	☐
5.2 Does the governing body receive appropriate information on the financial situation of the Regional Office?	☐	☐	☐	☐
5.3 Does the governing body receive and analyze the report from the audit committee regarding the annual audit, and the management letter from the auditors?	☐	☐	☐	☐
5.4 Does the governing body oversee the work of the investment committee and oversee the investment strategy of the Region as presented to them by the investment committee?	☐	☐	☐	☐
6. Policy				
6.1 Has the governing body made sure that policies in areas such as harassment, discrimination, treatment of clients or employees with HIV/AIDS, are developed and implemented?	☐	☐	☐	☐
7. Resource allocation				
7.1 Does the governing body monitor that strategic directions (including the Five 'A's), as defined in the strategic plan, have been assigned the necessary resources?	☐	☐	☐	☐
7.2 Does the governing body have a system for reviewing and approving staff recommendations concerning resource allocation to Member Associations?	☐	☐	☐	☐

8. Relationship with the Regional Director/staff	Yes, sufficiently	Yes, but not sufficiently	No	Not sure
8.1 Has the governing body delegated authority and responsibility to the Regional Director regarding hiring and firing of staff, managerial, financial and programmatic functions?	☐	☐	☐	☐
8.2 Has the governing body conducted a formal written evaluation of the Regional Director in the past year?	☐	☐	☐	☐
8.3 Is there a climate of trust and respect between the governing body and Regional Director?	☐	☐	☐	☐
8.4 Do governing body members refrain from attempting to direct the work of staff members?	☐	☐	☐	☐
9. Advocacy/public image				
9.1 Has the governing body developed a systematic plan for advocacy that includes targets, time frame, and individuals responsible?	☐	☐	☐	☐
9.2 Have effective advocacy actions been carried out by governing body members since the last election?	☐	☐	☐	☐
10. Governing body composition and operation				
10.1 Does the governing body have an effective process to attract and select new members?	☐	☐	☐	☐
10.2 Does the governing body have a broad representation of IPPF/WHR sub-regions?	☐	☐	☐	☐
10.3 Does the governing body include the professional expertise to meet the needs of the Region?	☐	☐	☐	☐
10.4 Is there an orientation programme for new governing body members and does it include sharing appropriate documentation?	☐	☐	☐	☐
10.5 Does the governing body receive an agenda and necessary information prior to governing body meetings?	☐	☐	☐	☐
10.6 Does the governing body have an appropriate relationship with the appointed committees?	☐	☐	☐	☐

	Yes, sufficiently	Yes, but not sufficiently	No	Not sure
10.7 Do all governing body members prioritize the interests of the Region over the interests of their individual Member Association when sitting on the governing body?	☐	☐	☐	☐
Individual director's performance This section of the questionnaire refers only to your individual performance, not the performance of the governing body as a whole.				
1. Are you familiar with the key issues facing IPPF and the Region?	☐	☐	☐	☐
2. Do you have an adequate understanding of IPPF/WHR and its programmes?	☐	☐	☐	☐
3. Do you have an adequate understanding of the needs and interests of the Region and its clients?	☐	☐	☐	☐
4. Have you contributed to resource development efforts?	☐	☐	☐	☐
5. Have you contributed to advocacy efforts?	☐	☐	☐	☐
6. Have you contributed time outside of the scheduled meetings?	☐	☐	☐	☐
7. Have you prepared well for the meetings?	☐	☐	☐	☐
8. Have you followed through on promises made during the meetings?	☐	☐	☐	☐
9. Have you contributed your knowledge and expertise during meetings?	☐	☐	☐	☐
10. Do you feel that your talents have been adequately utilized by the governing body?	☐	☐	☐	☐
11. Do you feel that your views and opinions are taken into consideration?	☐	☐	☐	☐

Acknowledgements

The guidance provided in this handbook represents the most up-to-date good governance practice from IPPF's own experience and also from other organizations, mainly in the UK and USA. The production of *Welcome on board* was coordinated by the Organizational Effectiveness and Governance Division in IPPF's Central Office, London, with contributions from colleagues in IPPF's Africa Regional Office and Western Hemisphere Regional Office.

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IPPF

From choice, a world of possibilities

Welcome on board

A handbook to help IPPF Member Associations improve their governance

IPPF is a global service provider and a leading advocate of sexual and reproductive health and rights for all. We are a worldwide movement of national organizations working with and for communities and individuals.

IPPF's Code of Good Governance was approved by the Governing Council in November 2007 and sets out seven principles for the good governance of the Federation at national, regional and international levels. This handbook is intended to be used in conjunction with the Code and provides examples of good practice, carefully selected for each principle, to help members of governing bodies in IPPF to be as effective as is possible in a variety of circumstances.

Extensive use has been made of the most up-to-date material from organizations specializing in the voluntary sector, such as BoardSource (USA) and the National Council for Voluntary Organisations (UK), as well as helpful suggestions and guidelines from IPPF's own volunteer experience of governance accumulated over 60 years.

Armed with the guidance and tools included in this handbook, we reiterate what we said when we launched the Code of Good Governance: that adherence to its principles will help us strengthen the communities in which we work, contribute to a stronger and more accountable civil society, and make our sexual and reproductive health and rights movement more effective.

Dr Jacqueline Sharpe
IPPF President

Dr Gill Greer
IPPF Director-General

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