The Code of Good Governance

3rd edition
Foreword

It is over ten years since the Developing Governance Group, following consultation with the voluntary and community sector, published the first Code of Good Governance for the boards of not-for-profit organisations, including charities.

Over the years much has changed, including greater scrutiny of, and often public comment on, the work of not-for-profit organisations. As Northern Ireland’s charity regulator, the Commission sees at first hand just how important good governance is to charities - and to the confidence and trust which the public has in them.

Good governance is about putting in place the right policies, procedures and checks to help your organisation achieve its purposes, enabling it to clearly demonstrate the good outcomes it has achieved for its beneficiaries, its staff and volunteers, and the community.

Trustees come from all walks of life, and bring with them their own skills, knowledge and experience. However, no matter their age or background, all trustees need the practical help required to develop high standards of governance and improve practice. And that is where practical, accessible tools such as this Code become must-have resources.

I welcome the publication of the updated Code of Good Governance and I encourage all voluntary and community organisations to use this Code as a guide when reviewing or updating their governance arrangements, and to adhere to the five principles contained in it.

Nicole Lappin
Chief Charity Commissioner
Charity Commission for Northern Ireland
Introducing the Code

The Code of Good Governance sets out the principles and key elements of good governance for the boards of not-for-profit organisations including charities, voluntary, community, sporting, faith and social enterprises.

The aim of the Code is to help the boards of these organisations to develop high standards of governance and improve their governance practice.

The Code was first launched in 2008 by the Developing Governance Group, following consultation with the voluntary and community sector which recognised the need to have its own principles of governance. While it is not mandatory, it has been widely accepted as the set of standards for governance practice in the sector.

This Code of Good Governance in Northern Ireland has been produced by the Developing Governance Group which includes infrastructure support organisations as well as those that provide support across the sector.

Members of the Developing Governance Group are:
Age NI, Arts & Business NI, Community Arts Partnership, Early Years - the organisation for young children, NICVA, NI Sports Forum, Rural Community Network, Sport NI, Supporting Communities and Volunteer Now.

Many of the member organisations of the Developing Governance Group will be able to provide practical assistance with subscribing to the Code through their governance work.

This third edition of the Code of Good Governance has been revised into five overarching principles following a review and consultation with the sector. The revision took account of other Governance Codes across the UK and Republic of Ireland.
Using the Code

This revised Code sets out five key principles that form the basis of the Code, together with the recommended practice. The principles are not laid out in order of importance or priority; each of the five principles are equally important.

We recognise the diversity, complexity and structure of different organisations however, our intention is that the Code will be able to suit your differing and changing needs over time. The principles are broad and generic so that organisations of any size or type can use the Code as a tool to support continuous improvement.

Terminology

There are many different names used to describe the governing body of a voluntary or community organisation such as the committee, management committee, board, trustees, directors, council, or governors. In this Code we have used the term ‘the board’ to mean the organisation’s governing body.

A glossary is included at the end of the Code to help with interpreting any terminology that some may not be familiar with.

Equality and diversity

This Code recognises that all organisations should follow principles and practices that fully promote equality of opportunity and recognise diversity in all its forms including age, gender, faith, race, sexual orientation, disability, experience and thinking, these should be an integral part of good practice.

Complementary practical resources

The Developing Governance Group has also created the ‘Governance Health Check’ and remapped the practical resources on the ‘diycommitteeguide’ website in line with the revised principles of the Code to assist organisations with implementing the Code. Both resources have been devised to provide practical information and a self-assessment framework for voluntary boards to assess their own governance practices, identify areas for improvement and demonstrate accountability. Visit www.diycommitteeguide.org for further information.

Tell others about it

We encourage organisations that work to adhere to the Code of Good Governance to state this in their annual report and other relevant material.
Principle 1

Understanding its function in delivering organisational purpose

The members of the board are equally responsible in law for governance. They are collectively responsible for ensuring that the organisation remains faithful to its purpose. The board will lead by:

- Ensuring organisational purposes and rules set out in the governing document remain relevant and valid.
- Setting and upholding the vision, values, and reputation of the organisation.
- Understanding and fulfilling its legal duties.
- Ensuring the stewardship of assets.
- Ensuring appropriate organisational structures are in place.
- Understanding the organisation’s operating environment.
- Developing and agreeing a long-term strategy.
- Reviewing and overseeing the work of the organisation in the interests of its beneficiaries and/or members.
Principle 2

Working as an effective team

The board will ensure that it has an effective balance of knowledge, skills, attitudes and behaviours to deliver organisational purpose. The board will lead by:

- Structuring meetings effectively including preparation, frequency, recording and communication.
- Ensuring that all board members, including office bearers, understand and fulfil their respective roles.
- Providing all board members with opportunities for training and development according to their needs.
- Periodically reviewing their individual contribution and performance as a team.
- Finding, recruiting and retiring board members to meet the organisation’s changing needs in line with the governing document, taking into account skills, experience and diversity.
- Providing suitable induction for new board members.
- Accessing external advice when necessary.
- Developing and maintaining a positive working relationship within the board and with volunteers and staff.
- Ensuring that all members are able to participate fully at meetings and carry out their challenge function in an open and constructive way.
Principle 3

Maintaining control, making effective decisions and managing risk

The board has ultimate responsibility for setting the vision and strategy and overseeing the activities of the organisation. While the board may delegate some of its functions to paid staff, boards must regularly review internal controls, risks, performance, policies and procedures by:

- Developing and monitoring organisational plans and budgets.
- Evaluating results and assessing impact.
- Ensuring proper arrangements/agreements are in place for partnership working and service delivery.
- Understanding and complying with all legal, contractual and regulatory requirements that apply to it.
- Implementing appropriate up to date internal financial and management controls.
- Regularly identifying and reviewing the major risks to which the organisation is exposed including systems to manage those risks.
- Ensuring that delegation to committees, staff and volunteers (as applicable) works effectively and the use of delegated authority is properly documented and supervised.
- Making proper arrangements for the recruitment, remuneration, supervision, support and appraisal of all staff including the most senior member of staff.
- Making proper arrangements for managing and supporting volunteers.
Principle 4

Acting with integrity

The board should act at all times with honesty and probity in the interests of the organisation and its beneficiaries and members. The board ensures that the organisation’s performance and interaction with its stakeholders are guided by the values, ethics and culture put in place by the board. The board should:

- Act according to high ethical standards.
- Identify, understand and manage conflicts of interest and loyalty both within the board and across the organisation.
- Maintain independence of decision making.

- Adopt a suitable code of conduct.
- Have a clear and effective approach to promoting equality, diversity, inclusion and good relations within the board and throughout the organisation.
- Encourage inclusive and accessible participation of beneficiaries and members.
- Understand and comply with its safeguarding responsibilities.
- Develop and provide a safe and respectful culture for all.
Principle 5

Being open and accountable

The board leads the organisation by being open and transparent, accountable and responsive. The board should:

• Ensure open and effective communication and engagement with beneficiaries, members and stakeholders about the organisation and its work.

• Consider organisational responsibilities to the wider community, society and the environment.

• Put in place arrangements to deal with complaints constructively, impartially and efficiently.

• Ensure proper arrangements for the management of membership as set out in the governing document.

• Demonstrate public benefit/impact in line with its organisational purposes.

Glossary of Terms

Accountability is the duty to explain the ways in which an individual or group has carried out, or caused to be carried out, the obligations placed upon them by law, a governing body or constitutional document. While the discharge of these activities/obligations may be delegated to others, the obligation to account for the actions cannot be delegated.

Appraisal is a formal assessment of performance over a set time frame.

Assets are everything your organisation owns that are of value, including buildings, equipment, money, trademarks and intelligence. Can also include intangible items such as reputation, skills and experience.

Autonomous is a self-governing, independent body which is free from external control and constraint.

Beneficiaries are the people your organisation is set up to help, those who benefit from what you do.
Board is a group of elected or appointed people who are ultimately accountable and collectively responsible for the governance and strategic direction of an organisation.

Compliance is the act of taking steps to comply with relevant laws, polices, and regulations.

Conflicts of interest may arise in a situation where a board member may obtain personal benefit from a particular decision in relation to the organisation, or when a personal interest may get in the way of making decisions in the best interests of the organisation.

Culture is the ideas, customs, and social behaviour of a particular people, society, or organisation.

Delegate is to give another person the authority to do work and/or take decisions on your behalf.

Diversity can encompass many characteristics such as: age, gender, race, ethnicity, religion, marital status, sexual orientation, economic, cultural and social background, level of educational attainment and professional background. Recognising diversity in governance is about respecting and valuing people’s differences and enabling them to contribute and realise their full potential within an inclusive culture.

Effectiveness is being able to bring about the intended or expected result.

Equality is about ensuring that every individual has an equal opportunity to make the most of their lives and talents; it also means that we ensure that nobody is treated less favourably than other people or being harassed on any of the prohibited equality grounds.

Ethics are standards of morality and conduct of either an individual or organisation.

Good relations is to promote the growth of relations between people that acknowledge the religious, political and racial context in NI, and seek to promote respect, equity and trust, and embrace diversity in all its forms.

Governance is about leadership and ensuring that an organisation is effectively and properly run. It has been defined as “the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation.”

Governing document is the written set of rules governing an organisation e.g. a constitution, trust deed or articles of association.
**Integrity** is used to describe soundness of moral character; this is demonstrated through adherence to moral and ethical principles.

**Monitoring** is collecting and recording information in a routine and systematic way to check progress against plans and enable evaluation.

**Not-for-profit organisations** may be better described as not-for-personal-profit as these organisations may make a surplus in line with their Objects but they don’t distribute this among the members but rather use it to further the purposes of the organisation.

**Public benefit** is one of the key components of what makes a purpose charitable. A benefit must flow from the charity’s purpose; be capable of being demonstrated and be beneficial, not harmful to the public, or to a section of the public and it must not provide a private benefit to individuals unless the benefit is incidental.

**Probity** is the quality of having strong moral principles, honesty and decency.

**Prudence** is exercising care, caution, and good judgement as well as wisdom in looking ahead.

**Purposes** is the statement of what your organisation has been set up to achieve, set out in the governing document. It should reflect the organisation’s broad aims, rather than the day-to-day activities. Also known as objects, objectives or aims.

**Risk management** is the analysis and management of risk. It involves the identification and assessment of risk, the decision whether to accept, guard against, prevent or insure against the occurrence and the process of implementing such decisions.

**Safe culture** means that anyone who interacts with the organisation should be treated with dignity and fairness and feel that they are in a safe and supportive environment which promotes and respects the rights of all.

**Safeguarding** means ensuring there are measures in place to prevent harm to staff, volunteers, beneficiaries and anyone who comes into contact with your organisation. It also means responding appropriately where harm has occurred to an individual. While safeguarding is everyone’s responsibility, trustees need to provide leadership on culture, policy and procedures which promote and respect the rights of children and adults.

**Stakeholder** is anyone with a significant interest in the effectiveness of an organisation, e.g. members, trustees, beneficiaries, staff, volunteers, funders, suppliers, regulators.
Values are the principles and beliefs which the organisation seeks to apply, both in setting its mission and aims, and in its day-to-day operations.

Vision is what the world will look like if the organisation is successful in achieving its mission.

Voluntary and community sector is made up of organisations which are governed by voluntary boards. These non-statutory, autonomous, not-for-profit organisations are usually constituted formally and may or may not be charitable. They include sports, religious, societies and social enterprises, as well as any organisation registered as a charity, Community Amateur Sports Club (CASC) or Community Interest Company (CIC).

Volunteering is defined as the commitment of time and energy, for the benefit of society and the community, the environment, or individuals outside (or in addition to) one’s immediate family. It is undertaken freely and by choice, without concern for financial gain.

Online governance resource -
www.diycommitteeguide.org

- a useful resource of practical help and support mapped to the principles of the Code of Good Governance.

- a signposting directory which includes links to all Developing Governance Group members including the training and support they offer.

- download the Governance Health Check, a self-assessment tool to assist boards to demonstrate their good governance practices and highlight areas where improvement may be needed.

Pocket sized Codes of Good Governance

Copies of the Code of Good Governance booklets can be collected from any of the Developing Governance Group members or by contacting the Secretariat which is provided by NICVA on 028 9087 7777 or Volunteer Now on 028 9023 2020
For practical help and support in adhering to these principles and to download in a more accessible format visit www.diycommitteeguide.org

For further information please contact the Secretariat at NICVA on 028 9087 7777 or Volunteer Now on 028 9029 2020