

The Code of Good Governance

Governance Health Check



Developing
Governance
Group

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Preface

It is vital that local Management Committees and Boards understand the important role good governance plays in the running of a strong, successful and legally compliant organisation. Not only does good governance support the day-to-day running of the organisation, but it also provides a means of building public trust and confidence.

Voluntary and community sector organisations are playing a key role, delivering local support services, helping individuals and groups, and providing numerous benefits to the public. In turn, those organisations receive a range of support, from funding to volunteers giving freely of their time, skills and knowledge. That is why it is so important organisations are able to retain the public's trust and confidence.

However, public trust and confidence can be easily damaged. As charity regulator, the Commission receives concerns about charities, many of which could easily have been resolved by ensuring the correct governance processes were in place, and being adhered to, in the first instance.

While the Commission's approach to regulating charities is to work, where possible, with a charity to help put things right, we understand that it can be concerning to hear from the Commission's enquiries team, particularly over a governance issue which could easily have been avoided. That is why we work in partnership with groups and organisations such as the Developing Governance Group to deliver information and advice, encouraging and facilitating better governance and accountability.

Implementing this health check is a practical, step-by-step means of ensuring your organisation is adhering to the key principles of the Code of Good Governance, as well as identifying areas where you may wish to make changes or improve. Together with my fellow Commissioners, I welcome the publication of this self-assessment health check and encourage Management Committees and Boards to make the most of the advice and information it offers.

Tom McGrath
Chief Commissioner, Charity Commission

Good Governance – A Health Check

Introduction

The Code of Good Governance sets out five principles and practices of good governance for voluntary and community organisations. 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 governance health check is a self-assessment tool which has also been devised by the Developing Governance Group as a practical resource to assist committees/boards to work towards adhering to the principles of the Code. It should help committees/boards of any size to demonstrate their good governance practices to their stakeholders, beneficiaries and funders alike.

Using the governance health check

Throughout the health check the questions refer to the 'board', this is intended to mean the committee, management or executive committee, board of directors or trustees or any other name given to the governing body of the organisation.

Although it should not be overly burdensome, it is strongly recommended that an appropriate amount of time is set aside for the board to use this tool. For example, a whole meeting could be dedicated to completing the questionnaire. It would also be beneficial to appoint at least one board member to lead the process of ensuring the actions are carried forward including organising any training identified.

When the governance health check is being filled out, board members should be mindful that it is an internal document for their organisation and should not feel inhibited about answering the questions honestly. The aim of the questionnaire is to help boards to review their governance arrangements, check that they have appropriate systems in place and identify areas where they could improve. It is a best practice tool - it is not mandatory.

This health check uses a scale as a self-assessment tool. When you are completing it, it is important to consider what evidence you have to help you determine where you are on the scale as outlined below:

- Fully Met: You are confident that the procedure is actively in place and you have the evidence to support it
- Part Met: You partly carry out the practice or the practice needs adapting or improving and you have some evidence to support it
- Not met: You do not carry out the practice and you have little or no evidence

You can then list the practices in the column entitled 'our evidence'. A list of examples under the 'suggested evidence' section has been included to be used as a prompt. Please note that this is not an exhaustive list as it is recognised that different organisations, depending on their activities and beneficiaries, will be subject to various regulations and will therefore need to provide additional evidence to certain questions.

Once areas requiring improvement have been identified, the 'actions' box at the end of the questions under each principle should be filled out. Additional guidance and a range of practical resources are linked into each of the five governance principles, available to download from www.diycommitteeguide.org which will assist the board to implement the identified actions.

The Code of Good Governance (revised 2016) summary

An effective board will provide good governance and leadership by:

- understanding its role and responsibilities
- working well both as individuals and as a team
- ensuring delivery of organisational purpose.
- exercising appropriate control.
- behaving with integrity and by being open and accountable.

Glossary of Terms

Accountability is being liable for one's responsibilities and answerable for one's actions in relation to these.

Assets are things that your organisation owns that are of value, including buildings, equipment, money, trademarks and intelligence.

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

Beneficiaries are the people who will be helped from the work of the organisation.

Community audit is a survey of the needs of the local community.

Compliance is the act of conforming to official requirements.

Cyber Security is the protection measures put in place to keep IT systems safe and secure.

Delegated authority is the decision-making power which has been given to a sub-committee or person so that they can carry out a particular task or activity. The committee, however, remain accountable for the outcome of the delegated work.

Digital refers to the use of technology to store, use and communicate information electronically.

Diversity is used in this health check to refer to the involvement of a range of different people of various life experiences and backgrounds.

Effective is something that works in practice and achieves what it is intended to achieve.

Encryption is the protection of data that is either stored or transmitted to render it unreadable without a security key so that only authorised persons can view it.

Equity is used to mean fairness and impartiality.

Firewall is a digital barrier or filter between a trusted IT system or network and outside electronic connections such as the internet.

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, setting out in writing the systems for controlling and managing the organisation, eg a constitution, trust deed or memorandum and articles of association.

ICO is the Information Commissioner's Office which is the data protection regulator.

ICT (information and communication technologies) refers to technologies that provide access to information through telecommunications, similar to IT (information technology) but with the focus primarily on communication technologies.

Integrity is used to describe soundness of moral character; this is demonstrated through adherence to moral and ethical principles.

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

Objects this clause (sometimes called purposes) which expresses the aims of the organisation is laid out in the governing document. It also describes who is going to benefit from the work of the organisation and in which geographical area.

Probity is to behave with integrity, being open, transparent and honest.

Procurement is the process of buying/acquiring goods or services.

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

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.

Quorum is the minimum number of voting members that must be present in order to proceed with a meeting. Quorums for general meetings and committee meetings are usually stated in the governing document.

Solvent means having enough money to pay all the debts owed to other people or organisations.

Stakeholders are people or organisations who have a legitimate interest in the organisation's work and have an interest in its success.

Subject access request is the term under data protection regulations which gives a person the right to access the personal data that an organisation holds on them.

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.

Good Governance – A Health Check

Principle 1: Understanding roles and responsibilities

An effective board will provide good governance and leadership by understanding its role and responsibilities. The members of the board are equally responsible in law for board actions and decisions. They are collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations.

Understanding Roles and Responsibilities	Not Met	Part Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Is the role of your board clearly defined?					Written role descriptions Induction pack
Are the board members aware of the mission, vision and values of the organisation?					Mission statement Vision & values statement Objects/Purposes relevant and valid
Do board members understand their legal responsibilities in relation to their role?					Duties in charity and trust law Duties in company law Charity Commission Trustee declaration
Are the board members aware of the organisation's operating environment?					Awareness of need Relevant government policies Community audits

Understanding Roles and Responsibilities	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Is the board clear about who the beneficiaries and stakeholders are?					Records of service users Participants Register of Members Funders Statutory bodies Governing document
If you have premises and other assets, are they used and maintained effectively?					Maintenance log Fire safety procedures Security procedures Planning for renewal Monitoring usage eg schedule of income analysis Asset register Insurance Leases Tenancy agreements Franchise contracts
Have you got a written up to date list of the voting members of your organisation?					Register of members
Have you reviewed your governing document in the last three years?					Minutes of general meetings Special resolutions Date of adoption on document

Understanding Roles and Responsibilities	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Have you checked your charity registration status with the Charity Commission?					Charity Register on CCNI website Registration list on CCNI website
If charitable, does your organisation fulfil the public benefit requirement?					Read Charity Commission's guidance on the 'public benefit requirement' Public benefit statement

Actions required to adhere to Principle 1

Required Action	By whom	By when

Go to Principle 1: Understanding roles and responsibilities on www.diycommitteeguide.org/code/principle/leadership for templates and other resources to help you implement your actions.

Principle 2: Working well both as individuals and as a team.

An effective board will provide good governance and leadership by working well both as individuals and as a team. The board will have a range of appropriate policies and procedures, knowledge, attitudes and behaviours to enable both individuals and the board to work effectively.

Working Well	Not Met	Part Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Are your board meetings and sub-committee meetings effective?					Appropriate agenda Quorums met Minutes including records of decisions made Regular reports and other info Held regularly Regular full attendance
Have you got adequate skills, or reasonable access to skills, and experience on your board?					Skills audit Training eg child protection, recruitment, governance Evidence of advice obtained Possibly amend governing document if it's restrictive
Has your board received appropriate information and guidance in relation to governance?					Induction pack/ materials Governance training /events / seminars/conferences Regular policy updates Mentoring

Working Well	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Does the board work to attract new members in accordance with its governing document?					Rotation of board Terms of office Board members replaced when term of office expires Process for admitting new members Identify skills gaps Advertising skills gaps Recruitment policy Board induction Plan for committee renewal
Does the board have a policy to deal with internal conflicts within the board?					Code of conduct Clear role boundaries Governing document Whistleblowing policy Legislation
Does the board review its own performance on an annual basis?					Board members survey Board appraisal Review days or sessions Governance health check

Actions required to adhere to Principle 2

Required Action	By whom	By when

Go to Principle 2: Working well on www.diycommitteeguide.org/code/principle/leadership for templates and other resources to help you implement your actions.

Principle 3:

An effective board will provide good governance and leadership by ensuring delivery of organisational purpose. The board has ultimate responsibility for directing the activity of the organisation and delivering its stated purposes.

Delivery of organisational purpose	Not Met	Part Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Are the activities of the organisation in line with the objects/purposes laid out in your governing document (eg constitution/articles/deed)?					Up to date governing document Review services offered Needs assessment Satisfaction surveys Public benefit statement
Does the organisation have a written plan for what it wants to achieve including strategies for sustainability?					Strategic Plan Business plans Fundraising strategy Diversified income streams identified Impact statement
Does the organisation have an annual work plan?					Operational plan Work plans Service level agreements

Delivery of organisational purpose	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Have you procedures in place to help the board regularly monitor progress and evaluate the effectiveness of the organisation's work?					Organisation plans Action plans Staff and/or volunteer reports Reports to funders On-going monitoring and review Satisfaction surveys Evaluations Consultation with stakeholders Reviewed, updated policies Minutes of meetings Achievement of outcomes

Actions required to adhere to Principle 3

Required Action	By whom	By when

Go to Principle 3: Delivery of organisational purpose on www.diycommitteeguide.org/code/principle/leadership for templates and other resources to help you implement your actions.

Principle 4:

The key principle: An effective board will provide good governance and leadership by exercising appropriate control. As the accountable body, the board will maintain and regularly review the organisation's system of internal controls, performance, and policies and procedures.

Exercising appropriate control	Not Met	Part Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Do you adhere to the legal and compliance obligations of the organisation?					Letters of offer / contracts Insurance Contracts of Employment Leasing agreements Equal opportunities policy Child protection and Adults at Risk policies Access NI checks Charity and company law administration and reporting requirements Data Protection / GDPR Other...
Do you ensure compliance with health and safety legislation and fulfil your duty of care obligation to employees, volunteers, service users and the general public?					Health & Safety Policy, notices Fire and Health & Safety Risk assessments Fire alarms, extinguishers, Accident book Insurance policies First Aid Policies and procedures in line with legislation and good practice

Exercising appropriate control	Not Met	Part Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Do you understand data protection legislation and can the organisation demonstrate compliance with the data protection principles?					Personal data register Data protection policy Data sharing agreements (where appropriate) Privacy notice Data Protection Officer if required Record consent where required ICO registration Staff/volunteer training Breach reporting procedures Process for responding to subject access requests
Are you looking after the data that you hold?					Information register Acceptable use of ICT systems policy Records management policies Monitoring and evaluation of records security Staff have separate email accounts Understanding who is responsible for creating and updating records Cybersecurity risk register

Exercising appropriate control	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Do you review your approach to cybersecurity and ensure that your systems are robust and protected?					<ul style="list-style-type: none"> Strong password policy Backup hard drives Encrypting sensitive information and personal data Internet firewall Spam filter for email Secure mobile devices Keep equipment and software up to date Understanding threats such as viruses, malware and phishing Cybersecurity risk register Secure remote access to systems
Have you got appropriate financial systems in place?					<ul style="list-style-type: none"> Financial procedures policy Budget Cash book / Cheque Journal Ledger / computerised accounts Cash flow forecast Purchase order book Petty cash Segregation of duties Required cheque signatories Online banking dual authorisation Bank reconciliations Cash handling procedures Credit control Debt management

Exercising appropriate control	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Are your annual accounts externally examined by an independent person?					Full audit Independent examination
Is the financial reporting to the board clear, transparent, readily understood by all board members at each meeting?					Agenda of meetings Treasurer input Management accounts Income and Expenditure sheet Adequate guidance/mentoring Scrutiny by all board members
Does the board consider and manage risks (uncertainties, threats), both short-term and long-term, in all aspects of the organisation's work?					Risk policy Risk assessments carried out Risk register in place Consideration of: <ul style="list-style-type: none"> • Governance risks • Operational risks • Financial risks • External risks • Compliance risks • Reputational risks Training Minutes of meetings

Exercising appropriate control	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Does the board set out and communicate the functions of sub-committees, officers, staff and anyone performing duties on its behalf?					<ul style="list-style-type: none"> Organisation chart Terms of reference Role descriptions Job descriptions Minutes Policies and reporting processes Induction Governance manual training
Does the board regularly monitor and review the effectiveness of sub-committees?					<ul style="list-style-type: none"> Minutes of meetings and sub-committee meetings Reports Evidence of decisions taken in line within agreed parameters Terms of reference
Do you meet the legal requirements in relation to the recruitment and management of staff?					<ul style="list-style-type: none"> Equal opportunity Grievance / disciplinary policies Dismissal and redundancy Remuneration Leave entitlements Access NI checks Recruitment and selection training Pension provision

Exercising appropriate control	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Have you got appropriate staff management systems in place?					Up to date staff contracts Clear roles Job descriptions and accountability Regular supervision of all staff including most senior staff member Training and development Appropriate HR policies inc Bullying and harassment
Does the board have clear procedures/guidelines to distinguish between staff and volunteer responsibility?					HR policies Volunteer policies Organisation charts Role descriptions Job descriptions
Have you got appropriate systems in place for recruitment and management of volunteers?					Volunteer policy Induction Role descriptions Agreements Volunteer expenses policy Training Support and supervision

Exercising appropriate control	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Do you adhere to fundraising legislation and good practice considerations when raising money?					Rules for street collections Rules for door to door collections Code of fundraising practice CCNI fundraising guidance Cash handling procedures for fundraising activities
Do you sell raffle/lottery tickets in line with lottery legislation?					Register societies lottery with council Societies lottery ticket sold for £1 only
Has the board discussed the ethics of receiving sponsorship?					Charitable purposes HMRC guidance
Have you stipulated what your fundraising is for?					Code of fundraising practice Charity Commission guidance
Are you engaged in fundraising activities that could be considered as trading?					HMRC guidance CC35 Charity Commission for England and Wales guidance
Do you have procedures in place for fundraising being carried out on your behalf? How do you monitor this?					Fundraising policy / strategy Risk assessment Insurance policy Cash handling procedures Fundraising contract/agreement

Actions required to adhere to Principle 4

Required Action	By whom	By when
Go to Principle 4: Exercising appropriate control on www.diycommitteeguide.org/code/principle/leadership for templates and other resources to help you implement your actions.		

Principle 5:

An effective board will provide good governance and leadership by behaving with integrity and by being open and accountable. The board will be open, responsive and accountable, acting at all times with integrity, in the interest of the organisation and its beneficiaries.

Integrity, openness and accountability	Not Met	Part Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Do you have procedures in place to deal with gifts and hospitality?					Policy on gifts & hospitality Guidelines
Does the board have a policy on payments to its members which is in line with the governing document?					Is this permitted by the governing document? Policy on payments Conflicts of interest register Out of pocket expenses policy
Do you have procedures in place to deal with conflicts of interest including conflicts of loyalty?					Conflicts of interest policy Conflicts of interest register Standing item on agenda Governing document Minutes Connected persons definition
Have you clear plans in place for when something goes wrong?					Communications policy Contingency plans Emergency procedures Business continuity plan Serious incident report to CCNI

Integrity, openness and accountability	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Does the board ensure that there is regular and effective consultation with key stakeholders?					Consultations Regular meetings Questionnaires AGM Member/user feedback Monitoring and evaluation reports User forums Accessible social media
Is the board accountable to key stakeholders about its' own work and the governance of the organisation?					AGM Annual report Regular meetings Partnership agreements Procurement policy and procedures Reports to funders Annual reporting to the Charity Commission/other regulators Accessible list of board members External audit/evaluation Complaints procedure Donor management procedures
Do you listen, respond and represent the views of your beneficiaries?					Engagement with beneficiaries Consultations Involvement of beneficiaries when trying to influence government decision

Integrity, openness and accountability	Not Met	Partially Met	Fully Met	Our evidence – Please describe below	Suggested Evidence (examples only)
Does the board ensure that there is regular and effective communication with key stakeholders?					Information provided is timely, relevant, accurate and good quality AGM Annual report Newsletter Website Social media Member/user participation Regular meetings Community audit
Do you recognise, promote and value equality and diversity?					In the composition of your committee, staff, volunteers, beneficiaries Equal opportunity policy Training
Does the board, at least annually, consider its independence from government, funders or other stakeholders?					Mission, vision and values Conflict of interest BCT's Independence stocktake Conflicts of loyalty Research Annual review

Actions required to adhere to Principle 5

Required Action	By whom	By when

Go to Principle 5: Openness, Integrity and Accountability on www.diycommitteeguide.org/code/principle/leadership for templates and other resources to help you implement your actions.

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.

Pocket sized Codes of Good Governance

Copies of the revised 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

The Developing Governance Group

The Developing Governance Group is made up of the following sector support organisations:

Age NI, Arts & Business NI, Early Years, 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. NICVA and Volunteer Now jointly provide secretariat to the Developing Governance Group.

Disclaimer

Reasonable precautions have been taken to ensure information in this publication is accurate. However, it is not intended to be a definitive guide to assessing your governance structures and practices; it is designed to provide guidance in good faith without accepting liability. The onus is on each committee/board to take forward actions identified. If relevant, we recommend you take appropriate professional advice or guidance before taking any action on the matters covered herein.