

**THE INSTITUTE OF CHARTERED
ACCOUNTANTS OF ONTARIO
BOARD OF DIRECTORS RESOURCE MATERIALS**

**Good Governance in Meeting
the Duties of
Directors of Charities
and Not-For-Profits**

(Power Point Presentation)

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A. OVERVIEW OF TOPICS

- **Why “Governance”?**
- **What Does “Governance” and “Good Governance” mean?**
- **How To Achieve Good Governance?**

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B. WHY “GOVERNANCE”?

- **Is there life after Enron and Worldcom?**
- **Tougher corporate governance laws**
- **Accountability requires good governance**

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**C. WHAT DOES “GOVERNANCE” AND
“GOOD GOVERNANCE” MEAN?**

- **Governance is not the same as Good Governance**
- **“Governance” in the voluntary sector is:**
 - **“the processes and structures that an organization uses to direct and manage its general operations and program activities”**
- **Good Governance**
 - **Achieving desired results and achieving them in the right way**

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- **The United Nations - a list of characteristics of good governance:**
 - **Participation in decision making and reaching broad consensus on what is in the best interest of the organization**
 - **Accountability and transparency**
 - **Responsive, effective and efficient performance**
 - **Equity and sound rule of law**
 - **Strategic planning**

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– **Elements of “Good Governance”:**

- **Vision - envisioning the future**
- **Direction - setting goals**
- **Resources - securing resources**
- **Monitoring - reviewing periodically**
- **Accountability - ensuring efficient use of resources and reporting progress**

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D. HOW TO ACHIEVE GOOD GOVERNANCE?

- **Responsibility of Directors**
 - **Directors have a duty to manage the charity**
 - **Duties of directors**

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- **Due Diligence Is the Key**
 - **In order to achieve good governance, the directors must exercise due diligence**
 - **Directors must understand:**
 - **Objects and activities of the charity**
 - **Statutes, regulations and policies under which the charity operates**
 - **Regulators who have jurisdiction over the charity**
 - **Financial position of the charity**

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- **Eight Areas That Are Key to Effective Governance:**
 - **Mission and strategic planning**
 - **Transparent and communication**
 - **Organizational structures**
 - **Board's role**
 - **Fiscal responsibility**
 - **Human resources**
 - **Assessment and control systems**
 - **Succession and diversity of the board**

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1. Mission and Strategic Planning

- **Carrying out the mission of the charity**
- **Mission statement and organizational goals must be consistent with the law, e.g.,**
 - **Letters patent**
 - **Constitution**
 - **By-laws**
 - **Trust deed**
 - **Other restrictions**
- **Periodic review**

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2. Transparency and Communication

- **Communicating to members, stakeholders and the public**
- **The board should:**
 - **Establish policies for communication and feedback**
 - **Establish code of ethics for the board**
 - **Establish complaint and grievance procedure**
 - **Meet regularly**

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- Keep proper minutes and corporate records**
- Respond appropriately to requests for information**
- Develop a privacy policy**

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3. Organizational Structures

- Developing appropriate structures for the organization**
- Basic organizational structure documents include:**
 - Letters patent**
 - Constitution of the charity**
 - By-laws of the charity**
 - Trust deed**
- Proper and legal procedures for directors and members meetings**
- Audit committee**

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4. Board's Role

- **Understanding of the board's role**
- **Understanding the duties of directors**
- **Developing a board governance policy**
- **Developing a code of conduct for board members**
- **Developing a conflict of interest policy**

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5. Fiscal Responsibility

- **Maintaining fiscal responsibility by the board**
- **Establishing a budget; monitoring and controlling expenditure; maintaining proper accounting books and records**
- **Proper issuance of charitable donation receipts**
- **Preparing and auditing financial statements**
- **Proper management and protection of the assets of the charity**

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6. Human Resources

- **Effective management team to oversee human resources**
- **With respect to employees:**
 - **Ensuring compliance with employment legislation and workplace safety regulations**
 - **Establishing policies and procedures**
- **With respect to volunteers:**
 - **Screening volunteers**
 - **Establishing policies for recruitment and oversight**

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7. Implementing Assessment and Control Systems

- **Establishing a code of ethical conduct**
- **Establishing a framework of internal regulation**
- **Establishing periodic review and audit procedures**

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8. Planning for Succession and Diversity of the Board

- **Orientation of new directors and diversity of the board**
- **Continuous education of directors**
- **Periodic internal review and audit**

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