

2002 Church and The Law Seminar – November 5, 2002

Good Governance in Meeting the Duties of Directors & Leaders

by Theresa L.M. Man, B.Sc., M.Mus., LL.B.

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2002 CHURCH & THE LAW SEMINAR

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November 5th, 2002

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A. WHY “GOVERNANCE”?

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

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B. WHAT DOES “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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C. 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 Tasks 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. Organization 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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