



Good Governance of Charities

# Good Governance Principles and Practices for Registered Charities

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# Eight Keys to Good Governance

Board of Directors is ultimately responsible for all aspects of the charity. It should focus on:

1. Steering toward the purposes and guiding strategic planning;
2. Being transparent to members and the public;
3. Developing appropriate organizational structures;

# Eight Keys to Good Governance

4. Ensuring that the Board knows its role, and avoids conflicts of interest;
5. Maintaining fiscal responsibility;
6. Ensuring that an effective management team is in place, and overseeing the team;
7. Implementing assessment and control systems; and
8. Planning for Board succession.

# #1 Strategic Planning

Lots of different approaches. Some suggestions:

- Stay within your legal powers
- Understand the limits of charity
- Keep it as simple as possible
- Set measurable goals
- Assign responsibilities
- Follow-up on performance
- Be ready to adapt to changing conditions (it is not a straitjacket!)

# #1 Strategic Planning – Basic Elements

- Vision and Mission
- Values
- Environmental Scan
- Strategic Priorities
- Goals and Objectives
- Strategies and Performance Measures
- Budget

## #2 Transparency

- High expectations of all charities
- Internal and external transparency needed
- Email and websites are great tools
- Publish just about everything

## #3 Appropriate Organizational Structure

- Governance and operational structures
- Board committees - can improve governance efficiency or reduce cohesion
  - finance, human resources, executive committee are common standing committees
  - special committees on issues that may arise
  - good communication essential
  - clear written mandate and authority

## #4 Roles and Conflicts

- Depends upon capacity: working Boards versus governance Boards
- Document the respective Board / staff roles (governance / management)
- Be clear about delegation
- Adopt a conflict of interest policy
- Understand what a conflict of interest is
- Ask the question frequently – is anyone in conflict?

## #5 Fiscal Responsibility

- Obvious necessity
- Often the hardest work
- Basic financial skills are essential with Board and staff
- Primary task of Finance Committee of Board, but full Board must be attentive.
- Information flow critical. Information must be complete, timely and coherent.

## #5 Fiscal Responsibility

- Understand the disbursement quota
- Understand fund restrictions
- Enduring property
- The importance of “qualified donees”
- Limits on payments to non-qualified donees
- Reporting requirements for charities
- Be attentive and ask questions
- Consider training

## #6 Effective Management Team

- The Board may need to do everything itself.
- It may be in a position to hire staff.
- Good governance involves a combination of supporting, mentoring, reviewing and challenging - a creative tension.
- Clarify expectations and policies.
- Review performance, communicate.

# #7 Assessment and Control Systems

## Financial

- annual budget
- monthly and quarterly financial reports
- complete, timely, and coherent information is essential
- expenditure limits, approvals
- annual audit

# #7 Assessment and Control Systems

## Strategic

- Scan the horizon
- Study performance
- Are we making progress toward goals and objectives?
- Can we respond to changing circumstances?

# #7 Assessment and Control Systems

## Assess Board Performance

- Examine the Board's strengths and weaknesses
- How can you improve?
- Are changes needed?

(information, schedule, structure, support, training)

## #8 Board Succession

- One of the critical challenges for all charities.
- The generational shift from founders to the next generation is often unsuccessful.
- Nurture and train young leaders!