# GOVERNANCE FOR TRUSTS, SOCIETIES AND COMMUNITY ORGANISATIONS

## Governance that will get you thinking...

**This is a two hour session focused on the nuts and bolts of good governance. These sessions are tailored for the needs of newly appointed board members and people looking to improve their skills. The session is interactive and covers the roles and responsibilities of board members, provides effective processes and templates and develops an action plan for the future.**
**If you are looking to improve your effectiveness at the board table then this is the course for you.**

"A goal without a plan is just a wish."

Antoine de
Saint-Exupéry

# CONTENTS

# WHAT IS GOVERNANCE?

At its most basic governance is about two things – why and where are we going.

Management is responsible with another set of two things, how we will get there, and how well did we do.

**A simple model of governance follows below:**

VISION
"Where are we going?"

STRATEGIC REVIEW
"Why are we going there?"

OPERATIONS
"How are we getting there?"

EVALUATION
"How well did we do?"

Choose either Vision, Operations, Evaluation or Strategic Review and discuss what this actually means. For example what is an evaluation, how would you evaluate something? What is a vision? Why is it useful to have one?

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# WHAT IS GOVERNANCE?

| Activity 2 | Where is our group headed? |

**What is your organisations vision?** .................................................................................................
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**How are you getting there (key strategies)?** ................................................................................
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**How well are you doing?** ..............................................................................................................
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**Strategic review?** .........................................................................................................................
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# WHAT IS GOVERNANCE?

**Governance and operational realities**

**Governance**

**Operational**

**Closed model**          **Overlapping model**          **Linked model**
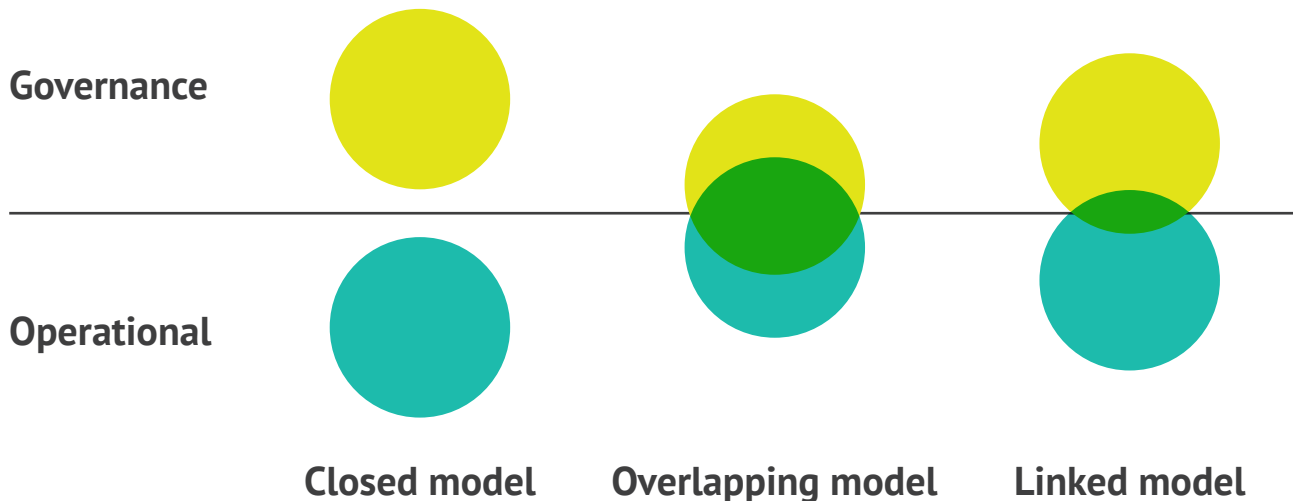
What does your current structure look like? ...................................................................................
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What are the strengths of that model? ......................................................................................
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What are the challenges of that model? ....................................................................................
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# WHAT IS GOVERNANCE?

**Creating a balance**

**Governance**

**Operational**



THINKING

DOING

Where is the line in your organisation? ...................................................................................................
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How do you separate the various functions? ...........................................................................................
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What does this mean for your organisation's services? ..........................................................................
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# WHAT IS GOVERNANCE?

## Activity 5 — What is the role of the board?

**Good boards are needed when the going gets tough, but they must be clear on roles and responsibilities.**

**1** At a board meeting, the manager reports that she has received several brochures for new filing cabinets. She passes them around the board asking them to let her know if they have any recommendations for purchase.

Whose role?  Board ....................................................................................................................

Manager ....................................................................................................................

**2** With a shortage of volunteers in the organisation, a board member suggests using an idea that another organisation uses of creating a certificated training course to attract and retain volunteers. The idea is discussed and an enthusiastic sub-committee is set up to seek sponsorship for the project. The manager is not at all keen saying that she doesn't think this will make a lot of difference and will only be a lot of extra work for her. The manager doesn't act to progress the work in this area.

Whose role?  Board ....................................................................................................................

Manager ....................................................................................................................

**3** The manager has no time at the end of a busy year to complete a small report on the use of some funding. The deadline is missed and the report gets forgotten. The organisation does not receive this funding the following year.

Whose role?  Board ....................................................................................................................

Manager ....................................................................................................................

**4** The organisation gets a grant from Council to publish a guide to local social services in the area and the manager is delegated the task of getting the publication done. In the days that follow that board meeting individual board members contact the manager and give her instructions as to how the publication should look, who should be included in it and who might be used as printers.

Whose role?  Board ....................................................................................................................

Manager ....................................................................................................................

**5** The co-ordinator's husband is persuaded to take on the role of treasurer for the organisation. He doesn't present a written financial report at committee meetings but says everything is fine and the bank balance is healthy. He is usually late with his quarterly reports.

Whose role?  Board ....................................................................................................................

Manager ....................................................................................................................

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# WHAT IS GOVERNANCE?

## Activity 6 — How well do you know your guiding document?

Different types of groups have different names for their guiding document: – Some common examples are deed, constitution or charter.

What is the name of your guiding document? .................................................................................
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What are the objectives of your guiding document? ....................................................................
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What are the powers listed in your document? .............................................................................
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How many board members? ..........................................................................................................
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Does your document provide the right to be indemnified out of the trust property for those expenses? ......
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What information is required to be present at the AGM? .............................................................
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Does your document state your organisation is required to have audited accounts, is there a time limitation on this? ...............................................................................................................................
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# WHAT IS GOVERNANCE?

## Activity 7 — How do you balance the roles?

Does your organisation have clearly defined roles for board, staff and volunteers? ...................................
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Are there any conflicting roles? ...............................................................................................
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Do you have clear lines of communication (processes) between board, staff and volunteers? .........................
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To what extent do board and staff feel they are working towards to the same set of goals? .........................
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How well do board, staff and volunteers share information vital to making sound decisions? .........................
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Have you delegated some responsibilities to staff or volunteers? ...............................................
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How do you assess how well the board is performing? ...............................................................
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What induction process is in place for new board members, staff and volunteers? ...................................
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What can the organisation offer board, staff and volunteers to keep them motivated, up to date and interested?
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*Reference: Role of the Chair – Page 20*
*Developing an annual work plan of governance tasks – Page 21*
*Characteristics of troublesome Board members – Page 22-23*
*Guidelines for new Board of Trustees induction – Page 24*

# WHAT IS GOVERNANCE?

## Activity 8 — Meeting and agenda

All boards benefit from well-structured meeting agendas.

**The Agenda – Preliminaries**
- Apologies.
- Confirmation of previous minutes.
- Review action items.
- Items of other business to add to agenda.

**Strategic Issues (most demanding issues)**
- This is the key focus area for the board meeting.
- This may include an Environmental Scan (any issues or events at a local or national level that may impact on the operation of the organisation).
- Board only time.  Useful as a regular part of the meeting process so that frank conversations can occur without management input**.**

**Strategic Issues for next meeting – Reports**
- Manager's report (taken as read, specific areas discuss as required).
- Finance report (taken as read with key areas discussed and noted).
- Officer's report (taken as read, specific areas discuss as required).

**Routine matters for decision/consent – Key points to note**
- Write clear objectives, using phrases to start like:
  - decision item
  - to review
  - to update
  - to discuss/brainstorm
  - to select
  - to set timeline
  - to evaluate
- Focus is on strategic issues and the future, not operational matters.
- All documentation needs to be read before the meeting. Reports should be taken as read and only points raised by board members or report author discussed.
- Minutes should clearly show decision items, action items, the owners of action items and the completion timeframe.

**TACKLE the most IMPORTANT issues first.**

# WHAT IS GOVERNANCE?

## Activity 9 — Ignorance of the law is no defence

**For your organisation list 3 or 4 legal responsibilities that impact on your day to day running.**

**Consider:**

Do you work with children?

Do you handle other peoples personal information?

Do you know if your organisation is PCBU – Person Conducting a Business or Undertaking?

Do you know which tier your organisation falls into under the financial reporting standards?

Do you handle or prepare food?

Do you employ staff?

What sort of legal entity is your organisation?

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# WHAT IS GOVERNANCE?

## Activity 10 — Are you part of the digital revolution?

**The digital age is transforming how organisations operate. This presents a wealth of opportunity but also a wide range of risks that must be managed.**

The reality is that many funders only accept on line applications for funding, they require on line accountability reports and are increasingly moving towards regular and real time reporting. Many projects and causes are successfully utilising online crowd funding approaches and social media is opening up more and more communication and profiling opportunities. Additionally valuable information and up to date resources are now free to download.

If you are using technology well you will have the appropriate hardware, software, skills and knowledge to manage the associated risks and support your organisation. Accessing these opportunities will help you achieve your vision.

## Discuss with your board

**The following questions will help you assess how effectively your organisation is engaging with technology:**

- **?** Do you have a written information and communication technology plan with a budget that is reviewed by the board to make sure it aligns with objectives and priorities?

- **?** Does your board have the skills to understand IT and have effective discussion around technology including security and current and future developments?

- **?** Do you have a record of how much you spend on IT and the skills to ensure you're getting good value for money?

- **?** Are you comfortable that whoever manages your IT has:
    - a. a list of all your IT assets, the licenses you are using and when they expire?
    - b. fair, usable IT policies that everyone understands and agrees to?
    - c. appropriate support and training for staff and volunteers?
    - d. ensured that your data is secure and computers and devices are virus-free?

- **?** Do you have a contingency plan or disaster recovery plan for your IT set-up?

- **?** Is your data and information about others protected? Can only the Intended user access this Information?

- **?** Are mobile devices secure and stored safely?

## ICT GATEWAY

The ICT Gateway is a social enterprise operated by BAF which aims to support local Iwi and community organisations by building the capacity of these organisations to effectively plan and utilise Information and Communication Technology. For more details contact kiki@ictgateway.org.nz or visit: www.baf.org.nz/projects/ict-gateway

# WHAT IS GOVERNANCE?

## Activity 11 — Governance self-check

| | Yes | Sometimes | No | Don't know | N/A |
|---|---|---|---|---|---|
| Does your mission/vision/purpose statement clearly communicate what you want to achieve? | ○ | ○ | ○ | ○ | ○ |
| Are your values and beliefs clearly stated and reflected in all your programmes and activities? | ○ | ○ | ○ | ○ | ○ |
| Do you have a strategic plan, developed consultatively, that guides your board, staff and volunteers? | ○ | ○ | ○ | ○ | ○ |
| Are your board meetings well attended? | ○ | ○ | ○ | ○ | ○ |
| Do conflicts among board members interfere with the board's work? | ○ | ○ | ○ | ○ | ○ |
| Is your board's relationship with the staff one of mutual trust and respect? | ○ | ○ | ○ | ○ | ○ |
| Do the roles of board members and staff complement each other? | ○ | ○ | ○ | ○ | ○ |
| Is your staff's performance evaluated frequently? | ○ | ○ | ○ | ○ | ○ |
| Do you have systems in place to ensure services are monitored and evaluated? | ○ | ○ | ○ | ○ | ○ |
| Do you make time to consider new programmes and initiatives? | ○ | ○ | ○ | ○ | ○ |
| Is your financial expenditure in line with your objectives and priorities? | ○ | ○ | ○ | ○ | ○ |
| Is the quality and quantity of your programmes and activities consistent with your contracts/resources and staff? | ○ | ○ | ○ | ○ | ○ |
| Are your members and funders kept aware of your major decisions and financial condition? | ○ | ○ | ○ | ○ | ○ |
| Do your financial monitoring and control systems enable you to quickly identify budget overruns, errors and protect you from most criminal activities? | ○ | ○ | ○ | ○ | ○ |
| Are your board members carefully recruited and selected? | ○ | ○ | ○ | ○ | ○ |
| Does your organisation provide adequate orientation, training and evaluation for board members? | ○ | ○ | ○ | ○ | ○ |
| Does the board have adequate measures to prevent conflict of interest? | ○ | ○ | ○ | ○ | ○ |
| Do your personnel practices and procedures provide protection from and recourse for acts of abuse or harassment? | ○ | ○ | ○ | ○ | ○ |
| Does your organisation have good levels of internal communication? | ○ | ○ | ○ | ○ | ○ |
| Is your organisation generally well regarded in the wider community? | ○ | ○ | ○ | ○ | ○ |
| Do you communicate the results of our work to the wider community? | ○ | ○ | ○ | ○ | ○ |
| Does your board have reason to be optimistic about your ability to deal with whatever the next three years bring? | ○ | ○ | ○ | ○ | ○ |
| Are you confident you comply with the relevant legislation? | ○ | ○ | ○ | ○ | ○ |
| Are you proud to be involved with the organisation? | ○ | ○ | ○ | ○ | ○ |

# IDENTIFY PRIORITIES

## Activity 12 — Identify issues and actions

From the information discussed what stands out as your main issues to address. What action will take to address these?

| Issue | Action |
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# IN SUMMARY
## GOOD GOVERNANCE IS

- ✔ Strategic leadership, setting overall direction, priorities and providing strategic thinking.
- ✔ Stewardship, ensuring policies and processes are in place for the human, financial and physical resources of the organisation.
- ✔ Building and maintaining external relationships with stakeholders or potential stakeholders.
- ✔ Owning the moral and social responsibility of the organisation.
- ✔ Ensuring the organisation complies with all legal and constitutional requirements.
- ✔ Selecting and employing the Manager/CEO.
- ✔ Monitoring and evaluating the boards performance.
- ✔ Asking the hard questions and seeking clarity.
- ✔ Reviewing long-term vision and planning that.
- ✔ Staying true to vision and purpose, not falling into the trap of chasing funding.
- ✔ Not signing off anything you're not comfortable with.
- ✔ Having a sense of humour.

Boards of not for profit organisations, trusts and societies have the sole responsibility for performance and accountability of the organisations they represent. Being a trustee or executive member is a position of trust, which requires a duty of care and to act in good faith.

Governance is complex and difficult to capture in a simple definition. Essentially the need for governance exists anytime a group of people come together to accomplish an end. Though governance literature proposes several definitions, most rest on three dimensions: authority, decision-making and accountability.

A working definition of governance must reflect these dimensions:

**Governance determines who has power, who makes decisions, and how accountability is monitored.**

Holding power and making decisions are key features of governance in that boards set the direction of why and where charitable organisations go. Boards set the strategic direction and are responsible for ensuring that resources are obtained and are used in appropriate ways to achieve the board's direction.

> "If management is about running the business, governance is about seeing that it is run properly."
>
> R. Tricker

## Governance and operational models

Governance

Operational



### Closed model

### Overlapping model

### Linked model
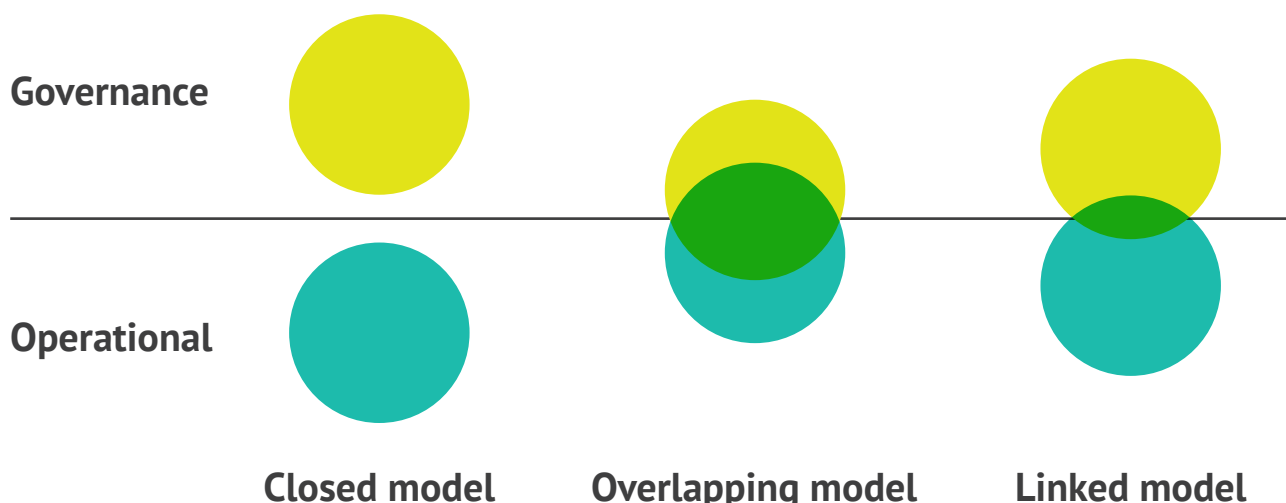
The Closed model shows the governance and management operating in different spaces with limited or poor communication. This is surprisingly common amongst many community organisations and can lead to a break down in the understanding about the vision and priorities between governance and management. The model is generally unproductive, with governance often seen as interfering rather than providing good strategic stewardship.

The Overlapping model shows an overlapping of the governance and management roles. This model has a real blurring of the responsibilities and accountabilities. This model can often be over bureaucratic or lack momentum due to the confusion about responsibilities. The focus can often be on minor details and operational matters rather than the important strategic issues.

The Linked model has both governance and management working in defined areas but linked. It's based on clear roles and responsibilities and clear communication and reporting. The model works best when there is mutual awareness and respect between the roles of governance and management. Generally it means that governance can work at a more proactive level rather than reactive.

## Relationships with management/operational staff

### The Paradox and The Challenge

The board-staff relationship is a paradoxical one especially for Community-based organisations. When acting in their governing role, the board must stand above staff and be the "boss." But when acting in their supporting role, board members act to support and assist staff-led work.

Some boards become so excited about their roles as governors that they mistake governance for close supervision of management and begin meddling in minor management affairs. In other cases, as boards govern more, they shirk their supporting role. The challenge is to fulfill both roles, not simply switch from one to the other.

In short, boards have some inherent limitations in their ability to govern, including lack of time, lack of familiarity with the field, and lack of material stake. These limitations have been supplemented by the sector's nearly exclusive emphasis on the board's supporting role and by a human tendency to avoid conflict. A first step towards an effective board is acknowledgment of the paradox, and the need to perform both functions equally well. A failure to govern as well as support is a transgression both against clients and the wider community.

**Practical Ways to Strengthen Governance:**

1. Have auditors and programme evaluators report to the board. Auditors should be selected by and report to the board or the board audit committee.

2. Utilise independent management evaluators. Boards need unbiased sources of information about management. One of the most difficult tasks for boards is the evaluation of the CEO. Problems are created when a board obtains all its information from the person being evaluated.

3. Make governance an explicit part of meetings. Boards should affirm their responsibilities in both support and governance. Among the qualities we should seek and reward in board members are critical thought, discernment and a questioning attitude. When someone raises an objection or concern, or votes against the majority, the board president should make a point of going up to that person and expressing appreciation for the seriousness and courage to make the point.

4. Consider board stipends. To give a signal about the importance and seriousness of board work, we should take another look at the corporate practice of payments for board service. Smaller organisations could consider small stipends such as $15/meeting. Such stipends reimburse board members for expenses, and demonstrate visibly that the agency places a real value on board support and governance. (Some board members may choose to contribute their stipends back to their organisations.)

5. Consider a paid or voluntary secretary to the board. Duties might include: board correspondence, obtaining information from staff or others at board request, clippings from professional journals for the board, minutes and follow-up for the board, meeting arrangements, and helping new officers with their responsibilities.

6. Recruit governors. When recruiting, boards should seek members who are good governors as well as those who are good supporters. People familiar with nonprofit management as well as those familiar with business, operational volunteers as well as fundraising volunteers, people who ask critical questions as well as people who cheer. A diverse board such as this will keep the agency rooted in the world it serves as well as in the world in which it raises funds.

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## Liability of board members

### Personal liability of trustees

A trust that is not incorporated under the Charitable Trusts Act 1957 does not have a separate legal identity – this means that the trustees are personally liable for the trust's debts and any penalties awarded against it. Usually the trust deed will grant the trustees a right to be indemnified out of the trust property for those expenses.

**Because being a trustee involves significant responsibilities, it is critical that trustees minimise their potential personal liability by clearly understanding:**

- The charitable objects of the trust (if applicable).
- Their powers as trustees.
- The trustees' investment powers and duties, including the need to be prudent and diligent in carrying out their duties.
- The operational procedures of the trust.
- The provisions for appointing trustees and retirement.
- The conditions for having a charitable tax exemption.
- The Health and Safety at Work Act.

**Trustees will not be held personally responsible for inadequately managing the trust, provided they act honestly and do not breach the trust's objects, powers and rules. However, trustees will be held personally and strictly liable to make good to the trust any losses arising from:**

- Using trust money for their own purposes.
- The destruction of any trust property.
- Selling trust property without authority.
- Negligently allowing others to misappropriate trust property.

## Role of the Chair

The extent of the role of the Chair depends somewhat on the size and structure of the organisation, the current endeavours and how well management functions. The Chairs role is the effective operation of the board without limiting the collective responsibility. There are a number of functions the chair is responsible for, these are listed below.

- Providing overall leadership.
- Maintain regular contact with the manager over operational matters.
- Knowledge of the board's policies and delegations.
- With the manager set the agenda and know what outcome is sought from each agenda item.
- Chair the meeting based on good meeting practice (retaining control without dominating a meeting).
- Encourage and support all the board team to be involved in discussions and debates.
- Dealing with conflicting views and perspectives when these arise.
- Know how and when to draw a discussion to closure.
- Have strategies to handle a maverick board member.
- Ensure adequate controls to cover compliance and risk management for the organisation.
- Know the CEO's strengths and weaknesses and how to provide mentoring should this be needed.
- Promptly consult with the rest of the board over any issue of major concern.
- Need to know own strengths and weaknesses.

To learn more about how to be an effective chair your next step is to attend the How To Be An Effective Chair training run by The Wheelhouse. Check out the training calendar for dates: **www.wheelhouse.org.nz/training**

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# REFERENCE MATERIAL

## Developing an annual work plan of governance tasks

**To ensure that the board does not meander from one meeting to the next it should put together an annual work plan that helps set the content of meetings during the year. This also ensures that the board focuses on important matters in a timely manner during the year.**

### Developing an annual work plan

In developing an annual agenda, a board might consider all its significant events and duties for the coming year, allocating a date for each of these. In addition to the matters brought to the board at every meeting, e.g. financial reports, typical items might include:

- Preparation for the AGM.
- The chief executive's performance appraisal cycle and key dates.
- Board performance review.
- Financial reporting.
- An annual review of organisational strategy.
- Key dates for applications, accountability and reporting to funders and other key holders.
- Dates for retirement/selection of new members.
- Designated discussion on particular strategic issues.
- Consultation with key stakeholders.
- Meeting with the external auditor.
- Committee reporting dates, e.g. the audit committee.
- Signing off the annual report;
- A schedule for policy review.
- Health and safety 'walk through' – A board member to walk around/visit the work environment.

It would also include dates for significant events such as national championships, annual awards dinners, etc.

The allocation of time over a year should balance the need to ensure the organisation is complying with its statutory and contractual obligations, and the improvement of organisational performance.

The annual agenda also ensures that the board controls its own business and is committed to addressing essential governance matters. Scheduling ahead of time does not prevent including issues on a month-by-month, as-required, basis.

It is recommended the board schedule an in-depth discussion during the year against each of the Key Result Areas. This ensures these core strategic outcome statements are examined by the board at least quarterly. This serves as an in-depth analysis of the chief executive's achievements, and strengthens board members' knowledge about the organisation's desired results.

To learn more about planning your next step is to attend the Planning for Trusts, Societies and Community Organisations training run by The Wheelhouse. Check out the training calendar for dates: **www.wheelhouse.org.nz/training.**

# REFERENCE MATERIAL

## Characteristics of troublesome board members

**Each of the following characteristics will force a board to alter its behaviour to accommodate or counteract this member, leading to loss of focus and performance. The chief executive's performance can also be seriously affected.**

- Aggressive personal behaviour – at its extreme this is straightforward playground-style bullying.
- Misinformation – only tells the convenient part of the story, mixes up facts, distorts or withholds information, may be intellectually dishonest.
- Mixed messages – for example, board and staff are confused, set at cross purposes, split into opposing camps, played off against each other.
- Obsessive discussion – the board is distracted by this board member's preoccupation with a particular topic or issue.
- Subterfuge – board and/or staff alter their usual approach to accommodate or counteract this member.
- Crisis du jour – the board and staff are diverted by whatever problem the board member brings with them
- Apathy – the board silently shrugs its shoulders and shuts down.

### Possible preventative strategies

- Understand the cause of the problem.
- Select directors carefully.
- Induct effectively.
- Conduct individual board member performance assessment and follow up with professional development.
- Provide a trial period.
- Set term limits.
- Make performance expectations and criteria explicit.
- Establish clear job descriptions.
- Adopt a code of conduct/ethics.
- Reach explicit agreement on governing style.
- Promote active chairmanship and directorship – referee the boundary lines.
- Establish a conflict resolution process.
- 'Go with' the resistance.
- Call in an expert.
- Get tough and say goodbye.

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**A disruptive perspective on governance**

This is a difficult situation to manage. It is not uncommon to find a board that is dominated by one director, perhaps the chair who, by strength of personality and conviction, persuades the board to adopt his or her way of governing when that 'way' is dysfunctional, outdated or simply wrong. Often their idea of good governance is based on past experience characterised by ad hoc responses or interventions. Because their ego is often tied up in their dominating assertions, there are no quick or easy ways to persuade these people that there is a better, more effective way.

A board facing this situation has two options: go with the dominant but ill-informed board member and risk inevitable board malfunction or confront the problem. Confrontation should not have a personal focus but adopt a principles-based 'remainder of the group' position that says there is a better way, leaving the individual with the choice of agreeing or leaving the board.

An external governance specialist can help by depersonalising the discussion and offering independent advice based on professional experience. As part of that process, formal individual evaluation of all directors can be a useful tool.

## Guidelines for new Board of Trustees induction

**Why do an induction?**

- To make the new board member feel welcome and valued.
- To build 'the team' environment.
- To assist them in understanding the role and expectations.
- To understand the rules.
- To ensure they start making contributions quickly – getting up to speed.

**Information you should provide to new board members:**

- History of the organisation.
- Trust deed.
- Strategic plan.
- Partnerships overview.
- Annual reports (latest).
- Governance policies.
- Last three monthly reports.
- Organisational chart.
- Manager/CEO position description.

**Organise:**

- Meeting with the Manager/CEO and board Chair for:
  - Background to the organisation/history.
  - Understanding of current operating environment.
  - Discussion of current issues.
  - Details of things that the organisation has achieved or are proud of.
- Meeting the staff.
- Mentoring - the offer of a mentor.
- Professional development in areas desired.
- Board Chair session on code of conduct.
- Observation of activities.
- Copies of programmes.
- Outline of new initiatives.

## Legal responsibilities

**Ignorance of the law is no defence to failing to comply with it. It is therefore important to identify the laws and regulations that apply to your organisation.**

- You must know and understand your Deed.
- All decisions must be in accordance with the organisation's Deed.
- Regularly review your policies and procedures to ensure they comply with any law changes and reflect any changes to your organisation. For example Health and Safety at Work Act 1985, Vulnerable Children's Act and changes to financial reporting standards
- Delegated authority is commonly given to staff/volunteers, but it is the trustees who remain ultimately responsible for ensuring that legal requirements are adhered to.
- Avoid any conflict of interest.

## Health and Safety at Work Act 2015 (HSWA)

**Everyone who goes to work should come home healthy and safe. To achieve this, HSWA provides a new way of thinking.**

**The Health and Safety at Work Act:**

- Ensures everyone has a role to play.
- Make everyone's responsibility clear.
- Focuses on managing work risk.
- Requires those who create the risk to manage the risk.
- Requires businesses to engage with workers and enable them to actively participate in health and safety.
- Allows flexibility in managing health and safety risks.

## Who or what is a PCBU?

A PCBU is a Person Conducting a Business or Undertaking. It is a broad concept used throughout HSWA to describe all types of modern working arrangements which we commonly refer to as businesses. In summary if your organisation, locally or the umbrella organisation, has a minimum of one direct employee you are a PCBU.

**For further help and guidance visit:**
www.worksafe.govt.nz/worksafe/hswa/hswa-guidance

**ACT**
Review for continuous improvement

**PLAN**
Identify and assess the risks

**CHECK**
Monitor the control measures

**DO**
Eliminate or minimise the risks
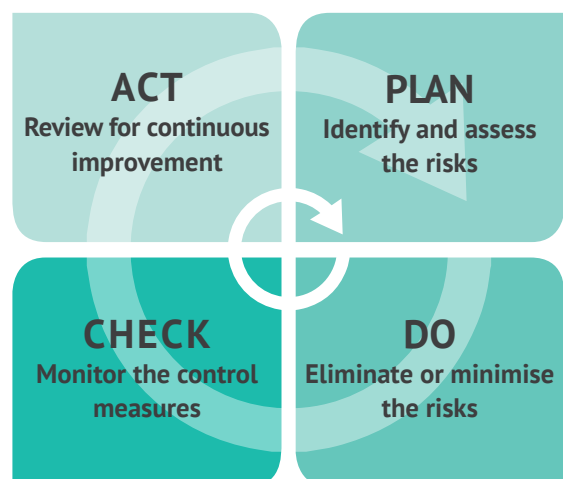
## Vulnerable Children's Act 2014

This act is about a better life for the most vulnerable children in New Zealand. The Vulnerable Children Act 2014 made sweeping changes to protect vulnerable children and help them thrive, achieve and belong. The heads of six government departments are now accountable for protecting and improving the lives of vulnerable children. NZ Police, the Ministries of Health, Education, Justice, and Social Development and the Department of Corrections have new, legislated responsibilities.

**For further help and guidance visit:** www.childrensactionplan.govt.nz/resources/vulnerable-children-act-2014/

## Financial leadership

**Good financial management is crucial to the ongoing success of any trust, society or community organisation.**

**Qualities of a financially healthy organisation:**

- Operating surplus-your income is greater than your expenses
- Postive equity-your total assets are greater than total liabilities
- Maintenance is on schedule and up to date
- Internal controls are in place
- A budget is linked to the organisational plan.

**Financial reporting to the board - At the board meeting it is good practice to review:**

- Financial performance
- Financial position
- Budget linked to your strategic plan.

**Indicators that your organisation could be at risk financially:**

- Negative working capital
- Expenses are greater than income
- Maintenance schedules not being met
- Unexplained financial gaps
- Reports not being presented or understood at meetings
- Not up to date with required reporting.

**New reporting standards came into effect on 1 April 2015 and registered charities will need to prepare financial statements in line with these new standards.  There are now four tiers of income which set out how you report.  Financial reporting needs to tell a story about what you do, the resources used in doing it, and how well positioned you are to continue doing it.**

**For further help and guidance visit:**  www.charities.govt.nz/new-reporting-standards

**Other key legislation for not for profits in New Zealand may include, but are not limited to:**

Charities Act 2005; Charitable Trust Act 1957; Trustee Act 1956; Incorporated Societies Act 1908; Income tax Act 2004; Estate and Gift Duties Act 1968.

Other legislation may apply to both the not for profit and commercial organisations such as Health and Safety at Work Act 2015; Vulnerable Children's Act 2014, Fair Trading Act 1986; Privacy Act 1993; Contract Enforcements Act 1956; Consumer Guarantees Act 1993; Fair Trading Act 1986; Food Act 1981/Food Hygiene Regulation 1974; Food(Safety) Regulations 2002. It is the responsibility of your board to ensure you are in compliance with all appropriate legislations.

**The Wheelhouse**
Empowering Taranaki Community Groups

## Financial questions for all boards

To assess your board's financial status answer the following questions. If you answer any of the questions with "no", "sometimes" or "don't know" make it a priority to find out the relevant information as soon as possible.

| | Yes | Sometimes | No | Don't know | N/A |
|---|---|---|---|---|---|
| Has the board adopted a written policy stating the responsibilities and authorities it has delegated? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Does the board periodically review the activity of the individual(s) who have been assigned financial duties to ensure they have not exceeded the scope of their authority? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Does the board review the financial statements of the organisation on a regular basis? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Does the board get proper financial statements frequently enough to present an accurate picture of the financial health of the organisation? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Are your annual reports filed in a timely manner? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Has the board given all agency banks resolutions authorising bank accounts and designated cheque signers? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Does the board determine that organising activities remain consistent with those indicated in its operating budget? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Is your current budget consistent with your organisations goals and plans? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Do you review on a monthly or quarterly basis actual income and expenditure compared with your current budget? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Does the board approve the operating budget and the capital expenditure of the organisation? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Must the board give its approval before the budget can be exceeded? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Does your organisation prepare a cash flow budget to predict cash flow problems? Do you know how deficit periods are dealt with? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Have your organisation's books been set up by a competent bookkeeper or accountant? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Are funds donated for special purposes kept separate from general funds? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Does your organisation use numbered cheques with its name and address printed on each cheque? Do you know who has custody and control of unused cheques? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Are voided cheques preserved and filed after appropriate mutilation? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Has the board authorised the amount of the petty cash fund and adopted a policy as to the nature of the expenditures which should be paid from this fund? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Is adequate supporting documentation required for all petty cash disbursements? | ◯ | ◯ | ◯ | ◯ | ◯ |
| Are there adequate systems in place to protect against fraudulent behaviour? | ◯ | ◯ | ◯ | ◯ | ◯ |

# NOTES

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# USEFUL WEBSITES

| | |
|---|---|
| wheelhouse.org.nz | A Taranaki portal for training opportunities, resources. |

**Links are available via the wheelhouse to the following websites**

| | |
|---|---|
| community.net.nz | Resources for Community and Volunteer groups. |
| communitymatters.govt.nz | Guides and funding criteria for the Department of Internal Affairs. |
| iod.org.nz | The Institute of Directors promotes excellence in corporate governance. |
| sportnz.org.nz | Resources and publications for sports clubs and organisations. |
| communitylaw.org.nz | Legal Information and Community Law manual. |
| charities.govt.nz | The DIA carries out the registration, education and monitoring of charities. |
| societies.govt.nz | Societies and Trust information online. |
| baf.org.nz | Community Development organisation supporting Taranaki groups. |
| newplymouthnz.com | New Plymouth District Council. |
| southtaranaki.com | South Taranaki District Council. |
| stratford.govt.nz | Stratford District Council. |
| childrensactionplan.govt.nz | Protecting vulnerable children. |
| worksafe.govt.nz | Work Safe New Zealand. |
| improveit.org | ImproveIT. |
| communitynetworksaotearoa.org.nz | Community Networks Aotearoa. |
| huie.org.nz | Hui E! Community Aotearoa. |
| inspiringcommunities.org.nz | The New Zealand government business website. |
| ird.govt.nz/non-profit | Inland Revenue - Charitable Organisations. |
| business.govt.nz | New Zealand government business website. |
| nznavigator.org.nz | Online self-assessment tool. |
| volunteeringnz.org.nz | One stop shop for volunteer support. |
| creativecommons.org.nz | for all things copyright |
| bdo.nz/en-nz/industries/not-for-profit | Financial policy templates and resources |

**For more information, please contact** manager@wheelhouse.org.nz

The Wheelhouse
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**The Wheelhouse is a partnership of the following Taranaki capacity building organisations**



wheelhouse.org.nz