

GOOD CORPORATE GOVERNANCE MANUAL

(A Training Manual for good Corporate Governance in
Non-Governmental Organizations and similar entities)



Hivos
people unlimited

HIVOS FOUNDATION: REGIONAL OFFICE FOR SOUTHERN AFRICA

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Chapter 1

The 19th Century saw the foundations laid for modern corporations; this was the century of the entrepreneur. The 20th Century became the century of management the 21st century promises to be a century of governance, as the focus swings to the legitimacy and the effectiveness of the wielding of power over corporate entities worldwide

2002 King Report on Corporate Governance

1.1. WHAT IS GOVERNANCE?

Governance has become an issue of global importance, but exactly what constitutes governance and precisely where its boundaries lie are still subjects of debate. It is an emerging discipline and one about which relatively little has been written from the perspective of developing economies prior to the release of the Second King Report on Corporate Governance for South Africa in the first quarter of 2002.

Governance is essentially the practice by which public and private enterprise and organizations are managed and controlled. It encompasses:

- The creation and ongoing monitoring of a system of checks and balances to ensure a balanced exercise of power;
- The implementation of a system to ensure compliance with legal and regulatory obligations;
- The implementation of a process whereby risks to the sustainability of the entity are identified and managed within agreed parameters; and
- The development of practices which make and keep the entity accountable to the broader society in which it operates.

Governance, then, is essentially about responsible leadership.

This is leadership that is transparent, answerable and accountable.

1.2. WHO NEEDS GOOD GOVERNANCE?

Any and all businesses, whether companies, partnerships or otherwise, and any other organizations, be they non-governmental, societies, trusts, or other entities, as have stakeholders, require good governance.

The stakeholders may be investors, the public at large, specific sectors of society, employees, beneficiaries, or others, and need utmost good governance of the entity. Whosoever such stakeholders may be, they are entitled to total assurance of the soundness and continuity of the entity, of its unequivocal adherence of ethical practices, of absolute transparency in all its operations, and of efficacy of its management and conduct of its operations.

1.3 WHY IS GOOD GOVERNANCE NECESSARY?

Good governance is a prerequisite for:

- Investor or Donor confidence in, and support for, any entity;
- Public recognition of, and respect for, the entity;
- Absolute compliance with law;
- Effective attainment of the purposes for which the entity exists;
- Maximized assurance of continuity of the entity's operations;
- Protection of the best interests of all the entity's stakeholders (inclusive of Donors, the Board of Trustees/Directors or like persons, Management and Employees, Beneficiaries, the Public at large, and Society as a whole).

1.4 Good governance benefits are manifold. Good governance will:

- Bring greater accountability and transparency;
- Prevent reluctance to introduce management and institutional changes;
- Provide a quality rating by donors; governments and the community;
- Provide an incentive for the provision of collective services to members by support bodies that members cannot provide for themselves;
- Enable organizations to reframe development work through systems and policies that ensure transparency, enhanced accountability and program impact;
- Enable organizations to enhance the return from the dollar or the investment, which would result in enhanced donor confidence;
- Enable entities to be exemplary in self-regulation; and
- Bring a renewed perspective of how entities can be managed through setting up effective Board structures, appropriate organizational policies and governing procedures.

CHAPTER 2

ORGANISATIONAL CONSTITUTION

2.1 Each and every organization should be constituted by an appropriate governing document, be it a Trust Deed (in the case of Trusts), a Constitution (for entities comprised of members), or a like governance instrument. Such document is executed by the initial founders, in the case of a Trust, or by the founder/members of any other organization. Its key contents must comprise:

- The name of the entity;
- The Objects for which the entity is established and as are to be pursued by it;
- The qualification for, and prescribed procedures for becoming, members of the organization (for membership organizations);
- The composition of the organization's managing body i.e. Trustees, Board of Directors, Committee or like authority, and the manner of appointments thereto;
- The powers, duties, and obligations of the managing body;
- Processes for accountability of the managing body to stakeholders e.g. prescribed convening of meetings, distribution of reports, and the like;
- Principles of financial management and accountability, inclusive of preparation of financial statements, audits thereof, and distribution of such statements and financial reports;
- Provisions for process of amendments to the Trust Deed, Constitution or like governance instrument;
- Process for dissolution of the entity and disposal of assets upon dissolution.

CHAPTER 3

STAKEHOLDERS' MEETINGS

3.1 Every organization has an accountability obligation to its stakeholders. In order to fulfill that obligation, at least one meeting of stakeholders should be convened in each year, and due and proper notice (of not less than 21 days) should be given to all stakeholders. That notice must specify the date, time and venue of the meeting, and should include full details of the meeting's Agenda, inclusive of any resolutions which stakeholders are asked to pass at the meeting, and should be supported by relevant reports and copies of audited financial statements.

As a general rule, the Agenda should comprise:

1. Reading of Notice of the meeting, and confirmation of presence of any prescribed quorum.
2. Recordal of apologies for absence.
3. Confirmation of Minutes of the preceding meeting, followed by addressing any matters arising from those Minutes.
4. Tabling of Chairman's Report on the operations of the organization for the preceding year, discussions thereon, and consideration of any resolutions arising therefrom.
5. Consideration and adoption of financial report and of the audited financial statements for the preceding financial year, and consideration of the Auditors' Report thereon.
6. Election (if so prescribed by the organization's founding document/constitution) of Office Bearers/Board/Committee.
7. Election of Auditors for the current financial year.
8. Consideration and adoption of any resolutions which constitutionally properly can be addressed by the meeting.
9. Any other business which may constitutionally be addressed by the meeting.

3.2 In addition to the aforesaid meeting/s the organization shall convene such other meetings as prescribed in the founding document/constitution, including any meetings requisitioned (in compliance with relevant provisions of the founding document/constitution), by stakeholders.

3.3 Save if otherwise prescribed by the founding documents/constitution, the stakeholder meetings will be chaired by the organization's Chairman/President or, in his/her absence, by the Vice President. Should the latter also be absent, the meeting is chaired by a person elected to do so at the meeting. The organization's Secretary should be in attendance, and should record Minutes of the meeting, and similarly the Treasurer/Financial Director should be present to respond to members' enquires arising out of the Financial Report and Financial Statements. It's incumbent upon all other office bearers to make their best endeavours to attend the meetings.

CHAPTER 4

THE BOARD AND ITS OPERATION

- 4.1.1 A Board is the policy making body of an organization and is found at the top of the organizational structure. It usually consists of elected and or co-opted individuals. In most organizations members of the Board are not salaried but perform voluntary, community service. In some cases they are given allowances to meet certain costs.
- 4.1.2 Every organization should be headed by an effective Board that should exercise leadership, enterprise, integrity and judgement in directing the organization so as to achieve impact and to act in the best interests of the organization's values and constituencies served.
- 4.1.3 The four basic duties for the Board are: the duty of loyalty, the duty of care and skill, the duty of knowledge, and the duty of attention. Board functions include: making decisions on policies and strategies of the organization, representing the organization, accountability for the organization, overseeing the organization's work, the setting and agreeing of standards, resource mobilization, conflict and tension management and being the custodian of the organization.

4.2 TYPES OF BOARDS

There are many types of Boards and their suitability varies according to circumstances. Four different types of Boards are:

4.2.1 Elected Board

The Board is chosen by individuals from amongst themselves. Examples of organizations that have this model include: Membership organizations, Trade Unions and Consumer Associations, and Non Governmental Organizations. This type of Board takes account of members' views. Equally members are able to influence the Board's agenda by passing motions at Annual General Meetings (AGMs).

4.2.2 Self Perpetuating Board

Board members are responsible for choosing their successors. This commonly happens when an entrepreneurial or individual group establishes a trust, charity or campaigning organization. Many trusts are run by Boards established in this fashion.

4.2.3 Selected Board

In an NGO with a small membership, the members may without elections select people to serve on the Board. These “guardians” may be past members of the Board or people who have made a significant contribution to the organization. Usually these people have relatively little influence and usually act only when the Board is divided or when serious organizational problems occur. Examples of such organizations include housing associations, arts organizations and some charities.

4.2.4 Appointed Board

On this type of Board, a third party such as a government minister or the organization which established the Board, appoints members. The model is suitable for quasi-nongovernmental organizations.

4.3 FEATURES OF A GOOD BOARD

Organizations should have a Board Charter Framework that sets out the following: size, roles and responsibilities, composition, member selection, leadership, compensation or remuneration, meeting procedures, performance, committees and relationships.

4.3.1 Appropriate Size

The size of Board should be determined by the needs of the organization. Generally, the bigger and more complex the organization, the bigger the Board is. Also, if there is a wide range of interests represented by the Board, it would tend to be bigger. Many NGOs have a Board size ranging from eight to 12 members.

4.3.2 Good balance of Board membership

Within the Board, there must be a balance of power so that no one person or group of persons can dominate the decisions. There must also be a good balance of skills and experience among the Board members and the set of competencies needed is determined by what the organization does. Another key factor that needs balancing is gender. Generally there is need for more women representation at this policy making level. Some constitutions have a clause that allows a Board to co-opt a member in order to address any of the above imbalances.

4.3.3 Have clear roles and responsibilities

The Board must have clear roles and responsibilities outlined in the relevant documents. These roles should not overlap with those of others. The roles and responsibilities should not give undue power to any one person or group of persons in the Board. The Board must define the roles of the full Board, the Chairperson, committees, individual Board members, Board office bearers and the Chief Executive Officer such that there is no duplication or confusion of roles.

4.3.4 Exercise rigor in selecting members

The pre-appointment process should follow a proper procedure. Curriculum vitae of potential Board members should be considered by the organization nominating the candidates. Their eligibility to be Board members should be checked. Before accepting to become a Board member, it is important for the individual to understand what he or she will be required to do and whether he or she has the time and skills to serve effectively and efficiently.

4.3.5 Proper Selection of a Chairperson

The pre-appointment of the Chairperson should follow a laid down procedure that enhances independence of decision-making. The procedures are often a laid down in the organization's Constitution. The Chairperson is expected to maintain a close, but independent working relationship with the Chief Executive Officer.

4.3.6 Establishes appropriate Board Committees

The Board is accountable for the performance and affairs of the organizations. It can delegate some of its authority to committees that are made up of Board members. However, the full set of Board members remains responsible and accountable for any decisions made. The Committees must, in the most cases, submit recommendations to the full Board for approval. Each committee must have clear terms of reference. Some NGO Boards have committees on Finance, Personnel, Communications and Fundraising. Committees are often determined by needs.

Box 1: Types of Committees

The term committee may be used to cover sub committees, advisory panels and task groups

Sub committees may take decisions but should be accountable to the board for their actions.

Advisory panel refers to a group established to advise the Board on an ongoing basis. It has no decision making power but can be very influential.

Task groups are established to carry out a specific job in a given time scale and report back to the Board. The tasks may require coordination and close Board supervision.

Committees are important because they can yield the following advantages:

- Increase the efficiency of the Board by taking responsibility of defined areas of work;
- Allow representatives of different stakeholders groups (e.g. parents, politicians, special interest groups, major donors) to present their views in an organized way;
- Help the organization keep more closely in touch with service users;
- Are an effective means of presenting and consulting on people's views; and
- Provide support and guidance and wisdom to staff responsible for delivering services.

It is important that the Constitution specify how long each Board member is eligible to remain on the Board. Normally, each term ranges from one to three years. The maximum number of terms is usually three. This practice is seen as an important part of good governance.

4.3.8 Building Capacity

New members need to be inducted into their roles and all Board members need to develop and strengthen their governance skills in light of technology developments, changing corporate environment and other variables. The strategies for this include:

Board members should receive a briefing on the organization's work and given descriptions and reports on current strategies and plans. The Board's Code of Conduct and the organization's expectations of its Board members should be supplied. They can also be oriented through reading past papers, meeting beneficiaries and interacting with staff. In some cases it is prudent to send them on short-term training or to link them with an experienced member of the Board for mentoring.

Box 2: Key feature of an orientation manual

An Orientation Manual can be developed to provide the Board members with an overview of the philosophy of organization, and explanation of how the organization operates and of who make ups the organization.

Generic but not exclusive contents may include:

- International Organization;
- Organization Vision/Mission/Goals;
- Other Regional Operating Centre (s);
- How does the Organization Accomplish its Goals;
- Scope of Organizational Programs;
- How and Who Funds the Organization?
- Role of the Board;
- Fundraising;
- Expectations from Board Members;
- Benefits for Board Members; and
- Relevance and impact of Organization.

4.4 DUTIES AND RESPONSIBILITIES OF A BOARD

The duties and responsibilities of a board include: common law and judiciary duties, shaping and maintaining norms, formulating policies and providing direction, providing standards and control mechanisms, mobilizing and managing resources, protecting the organization, evaluating the Board and individual Board member performance and selecting skills and technologies that the organization should adopt.

4.4.1. Common Law Duties

In the discharge of their functions, the Board members must satisfy common law and statutory requirements by always acting in good faith, with care, diligence, skill and within the laws of the country. Acting in good faith means that each Board member must do what they believe to be in the best interests of the organization. Acting within the law implies that they must know the laws that govern their activities.

4.4.2. Fiduciary duties

The Board must satisfy three principles that fall under fiduciary duties. The Board and its members should avoid conflict of interest. A Board member should not be involved in making a decision that he or she has vested interests in, as this would bias his/her decision. A Board member in an organization should not profit from being a member of that organization. He or she should not use the resources of the organization as collateral for his or her personal gain.

4.4.3 Providing strategic direction

The Board has the responsibility for the long term strategic direction of the organization, whereas the management team is responsible for operations. Although the responsibility for setting the direction remains with the Board, in most organizations the process of establishing the vision, mission and strategy is a joint one involving the Board and management. In some cases this process is driven by the Chief Executive Officer. The

Board is ultimately responsible for creating an environment which is conducive to good governance.

4.4.4 Identifying the stakeholders

A major prerequisite in deciding on strategic direction is a clear understanding of who the stakeholders and clients are. The primary clients are generally not the owners of the organization, but beneficiaries such as the communities the organization serves. It is important to identify the stakeholders because this would guide relationship management.

4.5 THE BOARD AND ITS OFFICE BEARERS

The key office bearers of the Board include the Chairperson, Treasurer, Secretary and Patron(s).

4.5.1 Appointment of Chairperson

The role, powers and qualities of the Chairperson need to be clearly defined. The appointment of the Chairperson should follow a laid down procedure that enhances independence of decision-making. The Chairperson is expected to maintain a close, but independent, working relationship with the Chief Executive Officer.

4.5.2 The role of the Chairperson:

- Chairing the meetings of the Board to ensure observation of the agenda and time allocated to each item, directing discussions and summing up decisions and actions;
- Lead the Board in strategic planning, financial, appointment and evaluation of the CEO and evaluation of programme performance;
- Arrange annual appraisal of the Board performance and its individual members. It is recommendable practice for the Board to adopt a “Charter” that lays out its responsibilities (Appendix 4)
- Ensures that all Board members receive all Board papers and the necessary information in good time before each Board meeting;
- Act as a link between the Board and the Chief Executive Officer without limiting the principles of collective responsibility and Board discussions. Ideally the Chairperson should meet with the CEO prior to Board meetings so as to be fully informed and give appropriate advice;
- Represents the organization on key public occasions;
- Plans the AGM cycle and ensures the agenda are set;
- Provides the leadership to Board members who set policy and to whom the CEO is accountable; and
- Serves as an ex officio member of Board committees and attends their meetings when possible.

4.5.3 The role of the Treasurer:

- Advise the Board and the CEO and his finance officer, on the finances and financial control and operation of the organization;
- Report to the Board and the AGM on the Financial matters and standing of the organization;
- Receive periodic Financial Reports from the Management Team/Section; and
- Ensure that proper books of accounts are kept.
- Interact with the organization's auditors to procure timeous and satisfactory completion of audits of the books of account and financial statements.

4.5.4. The role of the Secretary is to support the Chairperson by doing the following tasks and/or delegating them and ensuring that they have been carried out effectively:

- Convene meetings of the Board as and when required;
- Attend to meetings, keep records and circulate minutes of meetings;
- Keep a register of all names and addresses of all members of the Board;
- Notify all members of the Board promptly of any vacancy for an appointed member of the Board and the procedure for nominating any person to fill such a vacancy; and
- Communicate with authorities as required by law.

4.5.5 The role of the Patron

- Board may invite any person(s) to hold the honorary title of 'patron' of the organization as a mark of honor and distinction, subject to the organization's constitution so providing;
- A patron may be invited to attend and speak at any meeting of the organization if he or she wishes or is invited by the Board to do so, but holds no executive powers.

4.6 THE BOARD AND THE SECRETARIAT

4.6.1 The Board relates with the Secretariat, through the Chief Executive. It is usually important for any direct communication with his/her officer to be copied to him/her. Communication channels need to be clearly spelt out. Generally Board committees can have direct communication with the staff responsible for the relevant function. The Finance Committee, can liaise with the Finance Manager, while the Advocacy Committee can communicate directly with the Advocacy Coordinator. This however should be done with the full knowledge of the CEO who may be allowed to be part of these committees as well.

4.7 Shaping and maintaining norms

The Board should determine the purpose and values of the organization and ensure that these are lived up to. This is important for the image of the organization, its reputation and credibility. If unproductive norms begin to surface, it is the responsibility of the Board to challenge and correct them.

4.8 Formulating policies and providing direction

The Board should be at the centre of determining the key challenges and opportunities that the organization should respond to. In this connection, Board members are expected to have contextual competence, which is the ability to read and respond to the environment. The other key role of the Board is to develop the relevant policies that are needed in the organization and to approve them. (e.g Finance, personnel and administration policies)

4.9 Provide standards and control mechanisms

The Board should ensure that a proper management structure, systems and procedures are in place and functioning properly. It should regularly review systems, processes and procedures to ensure the effectiveness of its internal system of control for accuracy and informed good decision making. In addition, it ought to monitor and evaluate the programmes of the organization, as well as its financial sustainability.

4.10 Financial Responsibilities

4.10.1 The Board has the overall responsibility to ensure sustainability of the organization through successful resource mobilization and management strategies. The Board's financial responsibilities includes improving the financial reporting systems, accounting systems, and budgeting processes; ensuring that annual auditing takes place; appointment of auditors and designing their terms of reference and setting tender procedures.

4.10.2 It is common practice that some Board members are recruited specifically to assist with resource mobilization. Such members are invited because of their: posture in society, established networks, and capabilities to convince donors to contribute to the cause. It is important that Board members are sensitized about the need for resource mobilization. They should also be aware of how their experience can influence the extent to which an organization can be linked to influential members of society in a way that leverages the resources of that organization.

4.11 Protecting the organization

Board members have the responsibility to shield the organization from external threats to ensure that it continues to survive to serve its purpose. Protecting the organization also means meeting the requirements of its stakeholders such as government, donors, members and the beneficiaries.

4.12 Evaluating the Board and individual Board member performance

The Board should regularly assess its own performance and effectiveness as a whole and this process should be guided by clearly defined assessment criteria. It should also periodically review and assess the performance of individual members. The Board's mandate also covers evaluation of the Chairperson and Board Committees.

4.13 Evaluating organizational performance

The other key role of the Board is to assess the overall performance of the organization. This will allow it to make the necessary strategic adjustments.

4.14 Appointment of the Chief Executive Officer

The Board Generally appoints the Chief Executive Officer and participates in the appointment of all senior management. It also ensures motivation and protection of intellectual capital crucial to the corporation. The Board ensures that there is appropriate and adequate training for management and other employees. It also has to put in place a succession plan for senior management.

4.15 Selecting skills and technologies to adopt

The Board must recognize that, for the organization to survive and thrive, it has to ensure that the technology, skills and systems used in the organization are adequate to run it. It should also ensure that the organization constantly reviews and adopts the same in order to remain effective.

4.16 Communication

4.16.1 It is the responsibility of the Board to ensure that the organization's vision, mission and objective are effectively communicated to all the relevant stakeholders. This would include carrying out the public relations functions of the organization as well as maintaining its positive image.

4.16.2 The Board should clearly define the role of the CEO, set the term of appointment and management of the CEO's performance through a term performance contract. The CEO must report to and be accountable to the full Board.

4.16.3 The Board should regularly evaluate the performance and effectiveness of the CEO against the performance contract. The full Board must decide on the remuneration of the CEO, based on performance.

4.17 THE BOARD AND ITS STAKEHOLDERS

4.17.1 The Board needs to ensure that the organization communicates with its stakeholders effectively. Regular and constructive two-way communication between the organization and its stakeholders can enhance understanding of what the organization is planning to achieve, and how it plans to achieve those objectives. Open communication will also help organizations understand the expectations of the stakeholders. There are a number of strategies that organizations can use. These include involvement of stakeholders in annual review, during strategic planning sessions and end of year functions.

4.17.2 The main stakeholder groups of an organization are the members that make it, provided it is a membership organization. The Board needs to serve the legitimate interests of all members and principals and account to them fully, at the Annual and Extraordinary General Meetings. The Board needs to use the AGM to communicate with key stakeholders, including donors and encourage their participation in the survival and sustainability of the organization.

4.17.3 The other important key stakeholder is government, which must be contacted in connection with registration, tax payments and submission of audited accounts. The third group is that of beneficiaries who must be engaged with on a regular basis and whose needs and priorities must inform the organization's activities. Then there are donors, to whom an organization must account for the resources provided through narrative and, financial reports and meetings. The Board must ensure that a healthy and conducive relationship is established and nurtured with all the key stakeholders.

4.17.4 The Board should design a mechanism for monitoring the status of partnerships with funders, status of reporting obligations and implementation of various projects. This can be achieved through the use of Board Toolkit checklists which would form part of reports considered at Board meetings (Refer Appendix D8)

4.18 THE COUNTRY BOARD AND THE INTERNATIONAL BOARD

There are organizations whose origins are in a foreign country. They form a country Chapter and the country Board is located in the country and directs matters for the specific host country. Organizational by-laws must state clearly that the country Board is subordinate to the International Board. Country Boards are usually appointed subject to the approval of the International Boards. The country Board totally directs, controls and is held to account for all governance issues in the country.

Box 3:

Some common pitfalls of Boards

There are several issues that can reduce Board effectiveness, including:

- Board members without the necessary skills and experience;
- Board involvement in day to day management issues;
- Dominating and strong chairpersons who let their views triumph over others;
- Board members with special and narrow interests who unduly drive the agenda towards those interests; and
- Cliques form around a particular topic and incrementally take over Board meetings.
- **Board members nominated and/or appointed by the CEO**
- **Board members controlled by the CEO particularly where the CEO is the founder of the organization**
- **Board meeting infrequently**
- **Conflict of interests – Board members having vested interests in decisions of the Board or operations of the organization**
- **Board members remaining in office for extended and uninterrupted periods**
- **Board members failing to attend meetings**
- **Disciplinary issues within the Board**

Other forces that can make a Board less effective emanate from staff:

- Senior managers who do not serve the Board well, so that it becomes increasingly difficult to provide good governance;
- Staff members who avoid difficult decisions and take too many decisions to the Board;
- Staff who under-perform so that the Board is obliged to intervene in ever increasing detail;
- Genuine lack of understanding about what the Board's role ought to be;
- The function of supporting the Board is under-resourced so that planning, paperwork and maintenance of Board functions fall below the required standard; and
- The values and belief of the staff and Board gradually move in different directions, to the point where they interfere with practical management to of the organization.

4.19 BOARD PERFORMANCE

The Board should review its own performance at least annually. Reviews provide a structured setting for evaluating success and problems and setting an agenda of actions to improve Board performance in the future. An “annual away day” for the entire Board provides an appropriate setting for such discussions and it should cover:

- Review the performance of the Board and its committees against agreed list of governance responsibilities for the work of the organization and for the work of the Board;
- Review the structure and role of the Board and its committees;
- Review its composition to check that the governance structure has people with skills and abilities to take the organization on to the next stage in development;
- Check the two-way communication between management and the Board has been effective
- Confirm that members have attended and agreed on the minimum number of meetings to qualify for continued membership of the Board;
- Identify areas of improvement in all the above; and
- Develop a plan of action to implement changes needed and set criteria for monitoring these improvements at the next annual review.

4.20 THE CHIEF EXECUTIVE OFFICER AND THE BOARD

Management is made up of the CEO and senior staff. It is concerned with efficient administration of the organization and hence in the execution of its management functions: planning, organizing, staffing, leading and controlling. Observing good governance is essential.

The Board should ensure that a proper management team structure (organization, systems and people) is in place and that the structure functions to maintain corporate integrity, reputation and responsibility.

4.21 The Management Team

The Management Team shall be entrusted with day-to-day management and shall report to the Board through the CEO or his/her nominee. The Management Team shall consist of the CEO, who shall act as Chairman of the Management Team, together with no less than two other designated managers. Replacements or appointments are generally made by the CEO, often with the approval and involvement of the Board. The management Team meets as and when required, at least once every two months.

4.22 Appointment and placement of a CEO

4.22.1 The Board defines the role and qualities of the CEO who should be appointed through a formal process. The CEO often has a performance renewable contract, covering about three years although this varies and some can be employed on a permanent basis. The CEO's contract should include the following elements:

- Duties, powers and responsibilities delegated by the Board;
- Obligation to comply with any decision taken by the Board;
- Relationship to any other Board e.g. International Board;
- Obligation of confidentiality regarding information acquired as a result of his/ her position, both while serving as the CEO and thereafter;
- Duration of service;
- Remuneration and benefits;
- Termination of services;
- Annual and sick leave provisions;

4.22.2 Attributes and skills definition

It is the Board's responsibility to ensure that the CEO has the required qualities, qualifications and experiences. The CEO must be able to make meaningful contributions to the Board's deliberations. He or she should have integrity, independence of thought and the courage to express it, a grasp of the organizational operations, an understanding of management and financial language. If the CEO has no experience in the position, the Board has a responsibility to facilitate his or her learning in areas that may include relevant laws, financial management and leadership skills.

4.22.3 Periodic appraisal of the Chief Executive Officer

The Board should regularly evaluate the performance and effectiveness of the CEO against the performance contract. The parameters of the CEO responsibilities by which their performance can be measured and monitored include: organizational strategy and operational plans, annual budgets, established key performance indicators, organizational policy statements, delegated authority levels, sector benchmarking and Executive performance measurement criteria.

4.22.4 Role of the Chief Executive Officer in the Board

The CEO is an ex-officio member of the Board who normally has no voting rights. In some instances, he or she serves as the Secretary to the Board, and he/she is required to report to the Board regularly. Outside the Board meetings, reporting is encouraged through such media as the Internet, to increase transparency and communication with the Board. The CEO should ensure that communication with the Board is open and transparent, relevant and substantial, prompt and fairly sets out the organizational position on current issues. Transparency implies openness in fully explaining the reasons for any decision or course of action adopted by the Board.

The Chief Executive Officer faces greater responsibilities in cases where the Board is weak and does not adequately comply with its 'Charter'. In such cases the CEO has to ensure that the organization operates efficiently without usurping the powers of the Board.

4.22.5 The duties of the Chief Executive Officer are generally to:

- Ensure that strategic and financial plans are put in place, periodically reviewed and updated annually;
- Ensure that the Board, especially the Chairperson, are kept fully updated of any circumstances that may affect the organization;
- Build a strong and effective team;
- Ensure that all the necessary policies and procedures are developed and approved by the Board and applied effectively;
- Promote public knowledge about the organization and act as its chief spokesperson; and
- Keep stakeholders informed of the activities of the organization.

4.22.6 DIFFERENCE BETWEEN GOVERNANCE AND MANAGEMENT

The roles of the Board and management are different. Management serves the Board which is the policy making organ. The primary role of management is to implement and carry out tasks that may be delegated to them by the Board.

Roles of governance and management

Governance	Management
Determining policy and strategy	Implementing policy and strategy
Appointing and overseeing the chief Executive Officer	Appointing managers and staff
Monitoring the performance of the entire organization	Monitoring day to day activities
Managing the governance process	Delivering services and conditions
Providing insight, wisdom and judgement	Programming activities

Although the specific division of responsibilities varies with some specific issues, the purpose of this chart is to give both the Board and staff an overview of the expected role in each of the issues of the organization.

CONFLICT RESOLUTION

Conflicts are inevitable and if managed properly they can even be healthy. They are often good indicators of where change is needed. This change may be in the form of rules, benefits, power and responsibilities. Conflicts can also arise from changing interests, personality clashes and structural matters. It is always important to identify the actual source of the conflict and the services of a specialist can be sometimes essential. Conflicts can occur among employees, between employees and management, between management and Board, or within the Board.

It is important to set fair, transparent and effective conflict resolution procedures and to set up mechanisms that can pick up conflicts soon enough before they damage the organization.

CHAPTER 5

FINANCIAL GOOD GOVERNANCE

5.2 A key area of good governance pertains to an organization's financial management and control. Over and above ensuring that the organization's finances are managed by the Board, CEO, and financial personnel of undoubted competence and absolute integrity, the organization must have clearly defines financial policies, governance financial administration and accounting, fundraising, asset and risk management, and effective internal control procedures.

Achieving the foregoing requires, amongst other actions:

- Setting up appropriate, clear and transparent financial systems;
- Employing qualified persons to administer and manage these systems;
- Conducting annual audits;
- Developing and implementing clear policies on loans and staff advances;
- Setting up of mechanisms of purchasing goods and services that are free from vested interests of individuals in NGOs;
- Preparing of realistic projects and budgets;
- Putting in place and following appropriate consultations to effect any changes in the budgets; and
- Establishing a diversified funding base.

Some of the principal measures and actions to give effect to the above include:

5.3 BUDGETS

Budgets need to be prepared for all the activities to be undertaken in each financial year. A realistic assessment of an organization's fund raising capacity must play a critical part in the budgeting process. These budgets should include income, expenditure and the employment of capital. The demand of quick results must be balanced against the need for accuracy and being realistic in preparing these budgets. A prime objective of the budgetary control is to delegate responsibility for cost control to the persons who actually commit resources and incur expenditure. This clarifies responsibilities and gives the person concerned the authority to spend and improve managerial accountability by facilitating comparisons so that a more objective assessment of performance can be made. Provision for inflation should also be included in the budgeted figures.

5.4 STRUCTURE

The general structure of the budgets must reflect the organization's structure and activities. Generalized factors common to all budgets include:

- Salaries and allowances;
- Rentals;
- Communication;
- Meetings and workshops;
- Capital Investment;
- Monitoring and evaluation;
- Equipment;
- Programme activities
- Operational costs; and
- Income sources.

5.5 Project/program budgets

The organization should prepare a budget for each project to be undertaken, indicating the human and financial resources to be utilized. The estimated duration of each project must be included in these budgets. There is need to ensure that only competent and reliable persons are elected in project committees and are held accountable and responsible for the efficient and effective implementation, monitoring and evaluation of these budgets.

It is desirable that volunteer hours are costed in any budget. Costing volunteer hours is important for most donors and partners as it gives an indication of what the organization would have incurred in labour cost in the absence of volunteers. Volunteer costs can be calculated as they relate to the general/integrated budget as well as the project budget.

5.6 FINANCIAL REPORTING

5.6.1 Compliance with Generally Accepted Accounting Principles

Although not required, it is desirable that organizations comply with Generally Accepted Accounting Principles (GAPP), and rules promulgated by the Financial Accounting Standards Board (FABS), in their financial statement presentation. These accounting principles form the basis of internationally Accepted Accounting Standards (IAAS) now almost applied universally:

All financial statements should explain the financial position of the organization and must give a true and fair view of the state of its affairs.

- At the end of every month there is a need for preparation of financial statements.
- These statements usually should include a statement of financial position (balance sheet), and income statement and a statement of cash flow.

5.7 Financial analysis reports

Financial analysis reports help management to plan, implement, and control all organizational activities and to identify errors, trends, and usual transactions. The most important analyses to be performed routinely are: cash flow; expenses; cash balances; variance analysis and grants and contributions.

The organization, through the Board, should present a balanced and understandable assessment of the organization's position and prospects.

The Board members must explain their responsibility for preparing the accounts and there should be a statement by the auditors about the Board members' responsibilities. A balanced and understandable assessment extends to interim and other reports needed to evaluate programme implementation. The Board should monitor and evaluate the implementation of financial budgets, including the "annual solvency test".

a. Cash Flow Reports

A cash flow report is required ensure transparency on all cash transactions. Therefore, there is need to make reconciliations on how the organization generated and used its cash during the year. Proper documentation should be available for every cash transaction incurred. Proper delegation of duties should be used as an internal control measure (for example, the person authorizing and signing cheques should not be the same person preparing the cheques and recording them).

B. Variance report

Budgetary control is supported by variance accounting when the planned activities of an organization are expressed in budgets, standard costs, prices and profit margins and the differences between these and actual results are compared and accounted for. The arithmetic difference is the variance. There are many potential causes for variances and these include:

- Economic, social, legal and political changes;
- Changes in competition;
- Changes in supply conditions at home and abroad;
- Internal changes in operating systems;
- Inefficiencies in organization;
- Change as a result of other budget elements which have altered e.g. production will change with sales expense; and
- Poor budgeting.

Variance reports are necessary in that they show a need for action. A large number of minor variances in various small units of the organization, insignificant in themselves, may produce an overall profit and/or loss, balance sheet and/or cash flow which is significantly at variance and unacceptable. Action will need to be taken over a wide front to exert tighter control. Adverse variances should be explained first in non-monetary terms of the actions to be taken, and the financial effects of these actions can be calculated. Clear directions for implementations must be given and implementation must be monitored and reported back.

5.8 AUDITING

An audit is an independent examination of records, procedures and activities of an organization. An audit report outlines the auditor's opinion on the state of affairs of the organization in question. There are two kinds of audits: internal and external. Audits are essential as they demonstrate a commitment to transparency and accountability. There is need for both internal and external audits.

Audits ensure compliance and conformance with internally Accepted Accounting Standards. Mechanisms must exist and be effective to allow for accountability. All transactions need to be transparent, thus allowing even outsiders to make meaningful analysis of the organization's actions, its economic fundamentals and non financial aspects.

External audits should be performed by qualified Auditors meaning they meet the following criteria

- Chartered Accountant or Accounting Firm (firm preferred to an individual) or equivalent recognized in that country (e.g ACCA)
- Registered to practice as an Auditor

The external Auditors should be appointed by the relevant governance arm (AGM or Board)

The Audit report should be approved by the Board or relevant Governance Committee

In the absence of a Management letter, the Auditor should provide a letter confirming that they did not come across any reportable matters or weaknesses during the course of the audit

The external Audit appointment should be based on terms of reference which clearly spell out the expected outputs, tailored to suit the reporting requirements of the stakeholders (including Funding partners).

5.9 ASSET REGISTER

A register for all fixed assets either purchased or received as donations should be kept, and should include:

- The name and description of the asset;
- Name of supplier and details of maintenance contract;
- Serial number and/or registration number;
- Date of purchase or receipt;
- Cost of the asset;
- Rate of depreciation;
- Annual depreciation charge;
- Net book value; and
- Disposal proceeds and date of disposal.

The Finance Officer must reconcile the asset register to the general ledger, ideally at the end of every month.

5.10 INTERNAL CONTROLS

Effective mechanisms that allow for accountability must exist within an organization. There must also be responsible behavior that allows for preventive and corrective action and for penalizing mismanagement. The systems set must comply with provisions of the Constitution or Deed of Trust.

The organization must regularly review systems, processes and procedures to ensure the effectiveness of its internal system of control. This ensures that its decision-making capability and accuracy of its reporting and financial results are maintained at the highest level at all times.

Control procedures and policies within an organization are intended to safeguard its assets, detect fraud and error, and ensure the accuracy and completeness of accounting records and the timely preparation of reliable financial information. Some necessary control systems that may be used in an organizational include:

- a. Segregation of duties:** Duties are divided between two or more people for transparency. Work done by one person is checked by the other;
- b. Physical controls:** This includes receipting and banking cash on a regular basis, locking cash and other valuable items in a safe and the use of passwords on computers.
- c. Authorization and Approval:** All financial transactions require approval or authorization by an appropriate person; and
- d. Supervision:** Day to day work should be supervised to reduce errors and fraud.

5.11 RISK MANAGEMENT

Whilst the Board is responsible for the total risk management process, it delegates the design, implementing and monitoring of the same to management. The risk management systems should be able to identify potential risks areas, measures risks when they occur, but more importantly, find ways of anticipating and preventing them. The risks may be concerned with the operational environment, human resources, technology compliance and disasters. Some organizations incorporate "whistle-blowing" clauses in their policies to allow for protected reporting by employees and others. Risk management should be done continuously and the system should be reviewed regularly to take into account changes that may be taking place.

The organization should have a Finance policies and procedure manual which establishes the framework for financial management of the organization. (Appendix G) provides a best practices example of the content of a Finance policies and procedure manual. (Annexes of the manual are available from Hivos Foundation upon request)

ANNEX 10 provides a list of questions that can guide the Board in reviewing Financial statements.

CHAPTER 6

PERSONNEL AND ADMINISTRATION

6.1 Human Resources Policy

An organization must ensure that all HR systems and policies comply with Labour Legislation which provides the general framework for all Labour issues. Fundamental rights of employees must be protected. Policies and practices must eliminate unfair labour practice, and allow for corrective action and for penalizing mismanagement. The roles of non-managerial and managerial employees as enshrined by statutes must be recognized. The provisions relating to the formulation and functions of workers committees and councils should be addressed.

A Human Resources Manual (HRM) forms part of the human resources policy. It serves to define policies, set standards and act as a source of reference on matters such as induction, staff development and promotion. The key HR development policy areas and statements cover: Job descriptions; recruitment; staff development; compensation; job grading; integration and maintenance; and job termination.

6.2 Job descriptions

Job descriptions should be spelt out clearly and be aligned with the organizational goals and objectives in a manner that permits prudent organizational resources management and elimination of duplication of roles. They should describe key result areas and specific action to be taken by the incumbent. Expected competences and technical skills from incumbents should be clearly stated.

6.3 Recruitment procedures, placement and promotion

Selection policies can cover HR planning, establishment control, recruitment and selection, appraisal and promotion of advancement criteria. Where applicable, transfers should also be covered. Fair and transparent systems for attracting, retaining and motivating human resources should clearly justify internal and external recruitment procedures for the senior personnel and all employees of the Secretariat.

It is important that a volunteer policy on recruitment be put in place for those organizations that utilize the service of volunteers. The policy should be clear enough to enable effective use of volunteer skills. It should address issues relating to: roles and responsibilities, accountability, confidentiality (where applicable), hours of work, and terms of reference or terms of contract.

6.4 Staff development

The policy should provide for staff development which can be achieved through first establishing the needs and then addressing these by:

- External formal training;
- Internal formal training;
- Career planning and management; and
- Appraisal and development.

6.5 Compensation system

The HR Manual or policy should comprehensively cover the compensation system which should be determined by the individual performance, market forces and grading structure. Compensation aspects cover: job design and role definition; job evaluation and grading; salary and wages; working hours and overtime. It also covers generic allowances, benefits and facilities, medical benefits; special allowances, and special allowances for Managers and Heads of Departments. Vacation and leave conditions must comply with Labour Statutes, International Labour Organization (ILO) conventions as well as conform to codes of best practice.

6.6 Job Grading

The rewarding systems in NGOs need to be transparent and fair. Job grading enhances internal equity of positions to reward. The grading system should be closely aligned with the performance management system. Full employee participation in the job grading is encouraged. There are many job grading systems and the choice may be determined by the size of the organization among other factors. The most widely used job grading systems are the *Castellion, Paterson System and Shay Systems*.

6.7 Integration and maintenance

The HR policy must provide for smooth staff settlement into the organization. The organization will seek to provide conditions conducive to progressive staff mobility. Staff cooperation and discipline is expected to facilitate their objective. Integration and maintenance elements include:

- Social Welfare;
- Appraisal and counseling;
- Grievance handling;
- Circumstances leading to disciplinary action or summary dismissal;
- Dispute resolution; and
- Communication

6.8 Termination

The policy should provide for employment termination in the most humane possible manner, having due regard to the appropriate legislative requirements and standards practice. Termination policies cover the below areas:

- Ending of employment contracts by resignation or termination due to death, on grounds of ill health;
- Severance, dismissal and redundancy;
- Retirement;
- Abolition of office; and
- Voluntary resignation.

6.9 Code of Conduct

The staff code of ethics/conduct, for employees must be formulated and implemented with a view to enhancing fairness, accountability, responsibility, transparency and discipline. The code must comply with statutory provisions and conform to industry and related codes of best practice (Appendix E).

6.10 HIV and AIDS Policy

The HIV and AIDS pandemic is adversely affecting both the employees and the smooth running of organizations. It is estimated that more than 25 percent of the adult population in Southern Africa is infected by HIV and AIDS. Almost everyone in the Region is either infected or affected by this pandemic.

It is against this background that any organization, no matter how large or small, should have a full functional HIV and AIDS Policy that should be in line with other local, regional and international codes, policies, guidelines and conventions. The main areas to be covered in this policy include:

- Legal Framework;
- Key Principles;
- Policy Objectives and Strategies;
- Implementation and Coordination of Policy and Workplace program;
- Institutional Framework and responsibilities of various stakeholders; and

- Roles of the Government, employers and employees.

6.11 Diversity Policy

The NGOs should have workplace policies that accommodate people with special and diverse needs, including the disadvantaged. Such groups include people with disabilities and the disadvantaged (such as women). The policies must comply with relevant local statutes as well as conform to internationally acclaimed standards, such as those enunciated by the International Labour Organization. As stated in Section 5 sub-Section 1 of the Zimbabwe Labour Act, “no employer shall discriminate against any employee or prospective employee on grounds of race, tribe, place of origin, political opinion, colour, creed, gender, pregnancy, HIV/AIDS status or, subject to the Disabled Person Act, any disability referred to in the definition of “disabled person”. These provisions should therefore guide a diversity policy in organizations.

6.12 ADMINISTRATION

6.12.1 Office Systems and procedures policy

This policy should be developed in order to provide for efficient and effective management and governance of the NGO. It should cover: office hours; communication (mail, faxes, e-mail, internet, telephones); reception, appointments; meetings; filing and staff travel and subsistence allowances. Other key aspects that need to be addressed in the office procedures are financing issues; office upkeep; purchase and maintenance of equipment; office orderly and security; first aid box; press statements and staff notice board.

6.12.2 Fundraising Policy

A fundraising policy outlines guidelines in connection with, fundraising, resource mobilization, and relationship management with donors and other sources of funds and resources. Resource mobilization starts with a strategic plan, which should identify the resources needed. A fundraising policy should point out the key strategies and guiding principles.

6.12.3 Asset Management Policy

An asset management policy seeks to ensure that the organization's resources are properly channeled towards its vision, mission and objectives. The policy should have a bias for action and results while at the same time, complying with statutory provisions. Asset disposals should be in line with the provisions of the Constitution and or deed or trust.

6.12.4 Risk Management Policy

Risk Management it is the identification and evaluation of potential and actual risks as they pertain to the whole organization. A process of termination, transfer acceptance or mitigation of each risk is determined. Potential risks include liquidity, solvency, market risk, technological and operational risks, political risks and fraud.

APPENDIX "A"

THE 2002 KING REPORT ON CORPORATE GOVERNANCE

Although the King Report is specifically related to companies listed on the Johannesburg Stock Exchange, banks, financial and insurance entities, and some public sector enterprises, the substance of its principles pertain equally to non-governmental, community service and other civic society organizations, and a summary of the Report is, therefore, set out hereunder.

CHARACTERISTICS OF GOOD CORPORATE GOVERNANCE

Discipline - Corporate discipline is a commitment by a company's senior management to adhere to behaviour that is universally recognized and accepted as correct and proper.

Transparency - Transparency is the ease with which an outsider is able to make meaningful analysis of a company's actions, its economic fundamentals and the non-financial aspects pertinent to the company's business. It reflects whether or not investors can obtain a true picture of what is happening inside the company.

Independence - Independence is the extent to which mechanisms have been put in place to minimize or avoid potential conflicts of interests that may exist.

Accountability - Individuals or groups in a company who make decisions and take actions on specific issues need to be accountable for their decisions and actions.

Responsibility - While the board is accountable to the company, it must act responsibly towards all stakeholders of the company.

Fairness - The systems that exist within a company must be balanced, taking into account all those who have an interest in the company and its future – for instance, minority shareholders whose interests must receive consideration equal to those of the dominant shareholders.

Social Responsibility – A well-managed company will be aware of and respond to social issues, placing high priority on ethical standards.

THE BOARD OF DIRECTORS

Board Composition

Companies should be headed by an effective board with sufficient capacity to both lead and control the company. The Board is the focal point of the corporate governance system, and is ultimately responsible for the performance and the affairs of the Company.

The Board should comprise a balance of executive and non-executive directors, preferably with a majority of non-executive directors, enough of whom should be independent of management for minority interests to be protected. (King II also differs from its predecessor in defining directors, classifying them as executive, non-executive, independent and shadow. An independent director is by definition a non-executive having no other relationship with the company save for his directorship, whilst shadow directors, who work by influence, are to be regarded as executive directors).

The procedures for the appointment of directors to the Board should be formal and transparent, and a matter for the board as a whole, assisted where appropriate by a wholly non-executive nomination committee.

Board continuity, subject to performance and eligibility for re-election, is imperative. The board should set up a programme ensuring staggered rotation of directors where this is not already regulated by the articles

The Workings of the Board

The unitary board structure remains appropriate for South African companies (A unitary board structure includes both executive and non-executive directors on one board. It has been inherited from UK practice, and its strength is in the fact that the board's decisions are taken with all directors potentially sharing the same information and being aware of each other's opinions and concerns. By contrast, the dual board system is one that has separate management and supervisory boards. The dual board system is used in Germany, The Netherlands and elsewhere.)

The Board should have a balance of executive and non-executive directors. Every Board should consider whether its size, diversity and demographic composition make it effective

The Board should develop a charter setting out its responsibilities, which should be disclosed in the company's Annual Report.

The Board must give strategic direction to the company, appoint the CEO, and ensure that there is adequate succession planning to key positions within the company. The roles of the CEO and the Chairman should be separate and the performance of each member should be evaluated on an annual basis.

The Board should define levels of materiality, reserving specific power to itself and delegating other matters to management with the necessary written authority. It is important that the Board ensure that it retains full and effective control over the company at all times, and that it monitors management in the latter's implementation of Board plans and strategies.

The Board must ensure that the company complies with all relevant laws, regulations and codes of business practice, and communicates with its shareowners and relevant stakeholders openly and promptly, with substance prevailing over form.

The Board must identify key risk areas and key performances indicators of the business enterprise, which should be constantly monitored, with particular

attention given to technology and systems. It should also identify and monitor the non-financial aspects relevant to the business of the company.

The Board should develop a code of conduct addressing conflicts of interests, and must identify key risk areas and key performance indicators of the company.

The information needs of the Board should be well defined and regularly monitored, and the Board should have unrestricted access to all company information, records, documents and property. The Board should regularly review processes and procedures to ensure the effectiveness of its internal systems of control, so that its decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The Board should have an agreed procedure whereby directors may take independent professional advice, if necessary, at the company's expense.

The Board should ensure that there is effective communication between the company and its internal and external stakeholders. It should encourage shareholders to attend the company's AGMs, at which the directors should also be present. The Board should ensure that each item of business included in the notice of the AGM or any other shareowner's meeting is accompanied by a full explanation of the effects of any proposed resolutions.

The Board should record the facts and assumptions it relies on to conclude the business will continue as a going concern in the financial year ahead, or why it will not, and what steps the Board is taking to avert failure.

The Board must find the correct balance for its business between conforming with governance constraints and performing. Each Board should have at least an audit and a remuneration committee. The audit committee should have at least two independent non-executive directors. The majority of the members of the audit committee should be financially literate. The committee should be chaired by an independent non-executive director who is not the chairman of the Board. The audit committee should have written terms of reference, which deal with its membership, authority and duties. There should be formal procedures for certain

functions of the board to be delegated to these and other committees, describing the extent of the delegation, to enable the board to properly discharge its duties and responsibilities and to effectively fulfill its decision-taking process. Committee composition, a brief description of its remit, the number of meetings held and other relevant information should be disclosed in the Annual Report. The chairmen of the board committees, particularly those of audit, remuneration and nomination, should attend the Company's AGM. Board committees should be subject to regular evaluation as to their performance and effectiveness.

The performance of the Board as a whole and of the individual directors should be reviewed at least annually. The Board should meet regularly, at least once a quarter if not more frequently as circumstances require, and should disclose in the Annual Report the number of meetings each year and the details of attendance of each director at such meetings.

The board of directors should cover the following matters in their Annual Report:

- That the directors accept responsibility to prepare financial statements which fairly present the state of affairs of the company as at the end of the financial year and the profit or loss for that period;
- That the auditors are responsible for reporting on the financial statements;
- That adequate accounting records have been maintained, and also an effective system of internal control and risk management;
- That appropriate accounting policies have been used consistently, supported by reasonable and prudent judgements and estimates;
- That applicable accounting standards have been adhered to; or, if there has been any departure in the interest of fair presentation, it is not only disclosed and explained but quantified;
- That there is no reason to believe the business will not be a going concern in the year ahead, or an explanation of any reasons otherwise; and
- That the Code of Corporate Practices and Conduct has been adhered to; or, if not, in what respects there has not been adherence.

Directors and the Company Secretary

The duties of executive and non-executive directors are considered, identical. Non-executive directors should be individuals of calibre and credibility and have the necessary skill and experience to bring judgement to bear, independent of management, on issues of strategy, performance, resources and standards of conduct and evaluation performance.

Boards should ascertain whether potential new directors are disqualified from being directors and investigate their backgrounds along the lines required for listed companies by the JSE and under the Banks Act prior to their appointment. The nomination committee would prove useful for this purpose.

In the Annual Report, the capacity of the directors should be categorized as Executive, Non-Executive or Independent directors so that the genuine independence of the Board from outside influences can be determined.

New directors with no or limited board experience should receive training in the unaccustomed responsibility, which carries with it potential liability. A formal orientation programme should be established by the Board to familiarize incoming directors with the company's operations, senior management and its business environment, and to induct them in their fiduciary responsibilities.

Directors should receive further briefings from time to time on relevant new laws and regulations, and changing commercial risks.

Full disclosure of directors' remuneration should be provided on an annual basis, including earnings, share options, restraint payments and all other benefits.

Fixed-term service contracts of executive directors should not exceed three years.

The Company secretary plays a pivotal role in the corporate governance of the company and should be a person of sufficient stature to enable him to effectively discharge this role.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the total process of risk management, whilst management remains accountable to the Board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company.

The Board must decide the company's appetite and tolerance for risk, and should set the risk strategy in liaison with the executive directors and senior management. These policies should be clearly communicated to all employees to ensure that an assessment of the processes and outcomes of key risks is undertaken annually and that important risk management information is disclosed annually in the company's Annual Report or to shareholders at the AGM.

Risks should be assessed on an ongoing basis, and control activities should be designed to respond to risks throughout the company.

INTERNAL AUDIT

Companies should have an effective internal audit function that has the respect and co-operation of both the Board and management. The purpose, authority and responsibility of the internal auditing activity should be formally defined, and the internal auditor should report at a level within the company that allows him to accomplish his responsibilities fully.

The head of the internal audit function should report at audit committee meetings, and have unrestricted access to the chairman of the company (particularly where this position is held by a non-executive director) and the chairman of the audit committee.

If the internal and external audit functions are carried out by the same accounting firm, independence of the two activities must be ensured.

INTEGRATED SUSTAINABILITY REPORTING

Companies should report at least annually on the nature and extent of their social, transformation, ethical, safety, health and environmental management policies and practices.

Criteria and guidelines for materiality should be developed by each company to help it report consistently. Regard should be given to international models and guidelines.

Companies should involve stakeholders in determining standards of ethical behaviour, and should disclose the extent of adherence to the code of ethics.

Matters which should be specifically addressed are health and safety issues, the impact of HIV/AIDS and strategies to minimize its effect on the company, environmental reporting, social investment spending, employment equity, human capital development issues, and black economic empowerment.

ACCOUNTING AND AUDITING

Companies should aim for efficient audit processes using external auditors in combination with an internal audit.

The audit committee should consider whether or not an interim report should be subject to an independent external audit review.

At the interim stage, companies should review their previous assessment of the company as a going concern.

The guidelines for the appointment of an audit committee under section 3 above should be strictly interpreted.

RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

Companies should encourage more active participation by shareholders in the affairs of the Company and should be prepared to engage institutional investors in discussion of relevant issues. Shareholders should be encouraged to attend all relevant company meetings.

It is the Board's duty to present a balanced and understandable assessment of the company's position in reporting to stakeholders. Reports should be made in

the context of the need for greater transparency and accountability, and should be comprehensive and objective.

Where appropriate, reports should urge institutional shareholders in particular to play a more active role in ensuring good governance practice is adhered to.

CODE OF ETHICS

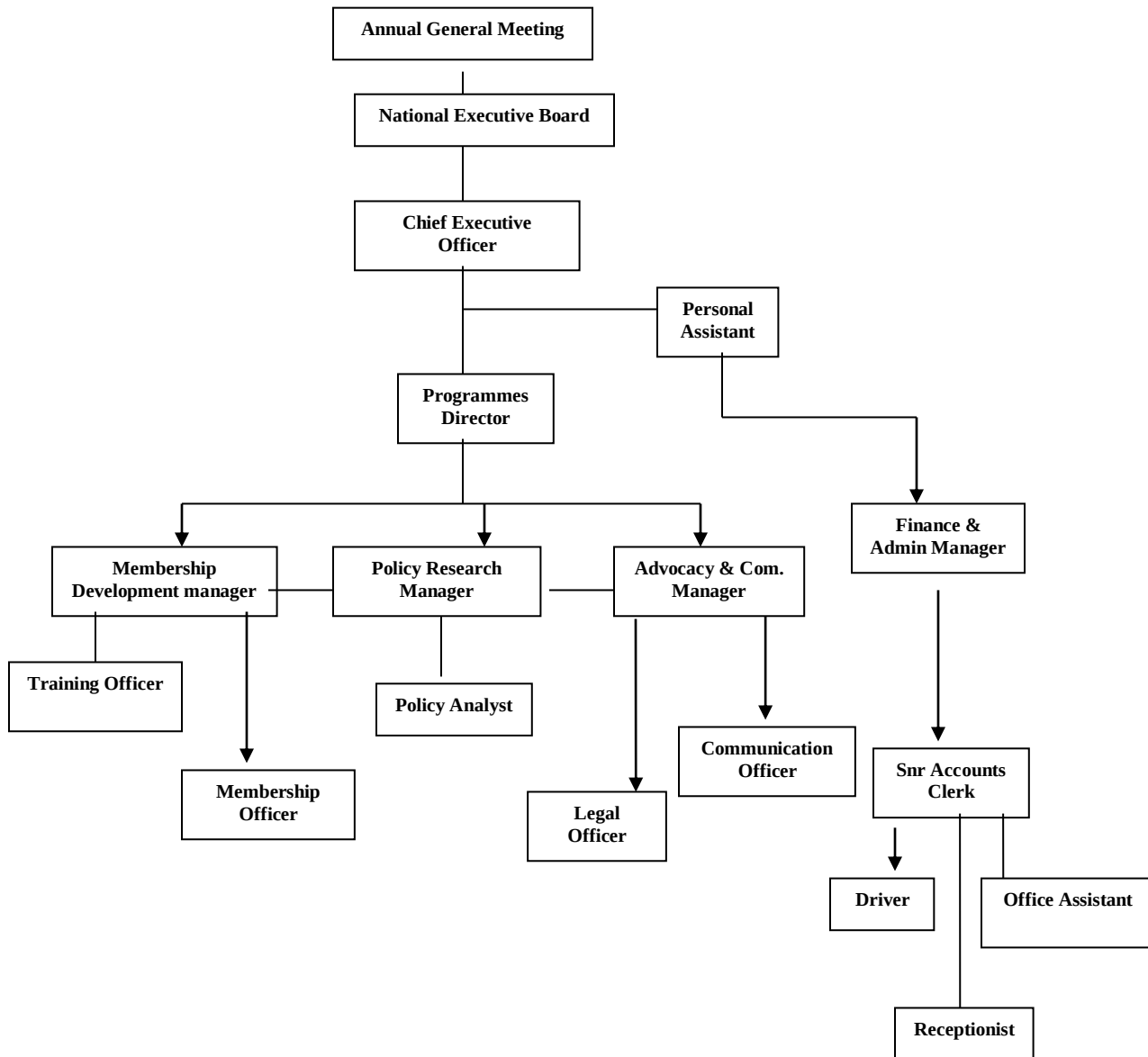
A company should implement its Code of Ethics as part of corporate governance.

A Code of Ethics Should:

- Commit the company to the highest standards of behaviour;
- Be developed in such a way as to involve all its stakeholders;
- Receive total commitment from the board and the chief executive officer of the company; and
- Be sufficiently detailed to give clear guidance as to the expected behaviour of all employees in the company.

APPENDIX "B"

A POSSIBLE GOOD GOVERNANCE ORGANIZATIONAL STRUCTURE



APPENDIX C

THE CONSTITUTION

OF

ABC YOUTH FORUM

Arrangement of Sections and Chapters

Chapter 1

ABC Youth Forum the Organization

Section

1. Name of the Organization
2. Mission Statement
3. Objectives of ABC
4. Common Seal

Chapter 2

Type of the Organization

5. Nature of the organization
6. Membership and Affiliation of the Organization
7. Registered Offices

Chapter 3

Governance of ABC

8. Authority of the Board of Trustees
9. Appointment and Selection of the Board of Trustees
10. Qualification, Structure and Leadership of the Board of Trustees
11. Vacancy in the Board of ABC
12. Meetings and Quorum for the Board of Trustees
13. Notice of Meetings of the Board
14. Attendance of the Donor Meetings by Board of Trustees
15. Extra – ordinary Board of Trustees Meetings
16. Notification for Extraordinary Board of Trustees Meetings

Chapter 4

Powers of ABC

17. Powers of ABC

Chapter 5
Board of Trustees of ABC

- 18. Number of the Board of Trustees of ABC
- 19. Trustees of ABC
- 20. Interest of the Board of Trustees of ABC
- 21. Right of Board of Trustees to see documentation
- 22. Duties of Trustees in Respect of Assets
- 23. Duties of Trustees in Respect of Loans and Overdrafts
- 24. General Oversight for ABC
- 25. Tenure of Office of Trustees
- 26. Election of the Chairperson, Vice Chairperson and Treasurer of the Trustees of ABC

Chapter 6
ABC Appointments and Disciplinary Committee

- 27. Appointments and Disciplinary Committee
- 28. Duties of Appointments and Disciplinary Committee
- 29. Composition of the Appointments and Disciplinary Committee
- 30. Qualifications to serve on Appointments and Disciplinary Committee
- 31. Selection of Individuals to serve on Appointments and Disciplinary Committee

Chapter 7
ABC Finance and Administration Committee

- 32. Finance and administration Committee
- 33. Duties of Finance and Administration Committee
- 34. Members of the Finance and Administration Committee
- 35. Qualifications to serve on Finance and Administration Committee
- 36. Selection of Individuals to serve on Finance and Administration Committee

Chapter 8
Programmes and Projects Committee

- 37. Programmes and Projects Committee

- 38. Duties of Programmes and Projects Committee
- 39. Members of the Programmes and Projects Committee
- 40. Qualifications to serve on Programmes and Projects Committee
- 41. Selection of Individuals to serve on Programmes and Projects Committee

Chapter 9

Financial Controls

- 42. Finance Management systems
- 43. Internal Auditor
- 44. Annual Audit report
- 45. Transparency
- 46. Accountability
- 47. Accessibility

Chapter 10

ABC Secretariat

- 48. ABC Secretariat
- 49. Duties of the Secretariat
- 50. Executive Director
- 51. ABC Staff
- 52. Vesting Assets and Liability
- 53. Liability of Loss

Chapter 11

Amendment of this Constitution

- 54. Amendment Procedure

Chapter 12

Dissolution of ABC

- 55. Dissolution of ABC

PREAMBLE TO THE CONSTITUTION

Recognizing the growing social injustice and reproductive health issues affecting the youth, women and children;

We, the Trustees of ABC, in order to empower Youth, Women and Children, combat the spread of HIV infection, mitigate the impact of AIDS and promote Human Rights and Democracy for social economic development, ***Hereby ordain and establish this Constitution for ABC***

Chapter 1

ABC

The Organization

Name of Organization

- 1 (a) The name of the Organization shall be ABC Youth Forum herein referred to as “ABC”

Vision of YONECO

- 1 (b) ABC seeks a self - reliant HIV and AIDS free society that respects democratic values and principles

Mission Statement

- 2 (a) ABC is committed to empowering youth, women and children, preventing the spread of HIV infection, mitigating the impact of AIDS and promoting democracy and human rights for socio – economic development

YONECO Values

- 2 (b) ABC believes in and upholds the values of:
- (i) Respect for human dignity;
 - (ii) Confidentiality;
 - (iii) Integrity;
 - (iv) Team spirit;
 - (v) Transparency and accountability.

Objectives of YONECO

- 3 The Objectives of ABC are:

- (a) To promote positive youth, women and child development through counselling, life skills, leadership and entrepreneurship ;

- (b) To safeguard, promote and protect human rights with particular reference to the rights of youth, women and children;
- (c) To conduct civic education on HIV/AIDS, human rights, gender, democracy, and good governance among the general population;
- (d) To enhance youth, women and children participation in democratisation process and socio – economic development of the Nation;
- (e) To provide social and economic support services for abused and victimised women and children at community level;
- (f) To provide care and support to those affected and infected with HIV/AIDS including people living with HIV/AIDS and orphans;
- (g) To provide networking and collaboration services locally and internationally on youth, women and children.

**Common
Seal**

4 (a) ABC shall have a Common Seal, which shall be in the form of an embossed Stamp with the formal name of ABC.

(b) The Seal shall be kept in a safe place and shall not be used without the permission and authority of the Board of Trustees.

Chapter 2

Type of the Organization

Nature of the Organization

5. (a) ABC shall be a non political, non profit, non governmental organization registered under the Laws of the Republic of Harambee to respond to issues of youth, women and children.
- (b) ABC shall operate both locally and internationally on matters relating to Youth, Women and Children

Membership and Affiliation of YONECO

6. ABC shall have affiliation and membership to both local and international networks and organizations that share the same vision, mission and values and principles.

The Registered Office

7. The registered office of ABC shall be located in the Municipality of Makerere or at any other place that the Board of Trustees may decide from time to time and its postal address shall be P.O. Box 333, Makerere, Email:abc@makerere.hr Website: www.abc.org.hr

Chapter 3

Governance of ABC

Authority of ABC

8 Sovereign authority of ABC shall lie with its Board of Trustee.

Appointment of the Board of Trustees

- 9 (a) The serving Board of Trustees shall propose names of new Trustees. The Trustees shall be selected based on their knowledge, expertise, skills and gender balance.
- (b) The nominees shall be discussed and endorsed by the Board of Trustees at a full meeting

Qualifications, Structure and leadership the Board of Trustees of ABC

- 10.1 (a) Trustees shall be persons who have high reputation and credibility in the Society to serve on the Board of ABC and not having positions in any Political Party;
- (b) Trustees may not, during the term of office as Trustees also be employees of ABC;
- (c) Trustees shall always be in good standing in terms of credibility, integrity and Laws of Harambee.
- (d) Any Trustees whose status changes in respect of qualifications shown in this section shall be required to resign and a casual vacancy shall be declared.

- 10.2 No person shall be appointed or continue to act as a Trustee
If he/she
- (a) is an undischarged bankrupt, having been adjudged or otherwise declared to be a bankrupt
 - (b) is adjudged or otherwise declared to be of unsound mind and incapable of managing his or her affairs
 - (c) has been convicted of an offence involving breach of trust or dishonesty or involved in activities which are contrary to the objectives of ABC.
- 10.3 The Board shall have an Executive Committee that shall comprise of members elected from their number as follows;
- (a) Chairperson
 - (b) Vice-Chairperson
 - (c) Treasurer
- 10.4 Where there is a vacancy in any of the positions of the Executive Committee, the Board shall elect amongst themselves persons to act in the vacant post for a maximum of three months pending a formal election of Trustees in accordance with section 9 (b) of this constitution.
- 10.5 Trustees may resign from office by giving three (3) months notice of their intention to the Chairperson of the Board and in case of the Chairperson, three (3) months notice to the Vice Chairperson.

**Vacancies on the
Board of Trustee**

11

- 11.1 A vacancy on the Board of Trustees shall arise on;
- (a) the expiry of the term of office of a Trustee;
 - (b) the resignation of a trustee after giving the necessary notice as provided for under article 10.5;
 - (c) the death of a trustee;
 - (d) the occasion of a trustee leaving the country for more than nine months;
 - (e) the occasion of a trustee failing to attend three consecutive meetings he or she has had notice of and without valid or reasonable explanation;
 - (f) the occasion of a trustee becoming by reason of mental or physical infirmity incapable of performing his/her duties as a member.
- 11.2 A vacancy created due to any of the above occasions shall be filled in accordance with section 9 of this Constitution.

**Meetings and Quorum
the Board of Trustees**

- 12 The Board of Trustees shall meet quarterly. The quorum for the meeting shall be two thirds of the members of the Board of Trustees and if no quorum has been reached, the meeting shall be re scheduled to another date provided that at the rescheduled meeting if no quorum shall also not be reached the members present shall proceed to do the deliberations

**Notice of
Meetings of the Board**

- 13 The Secretariat shall send the notice of the Meeting 21 days before the meeting date and Board Papers shall be sent at least 7 days to the meeting to allow for the members to read the documents.

**Attendance of Meetings
by Donors**

14. (a) Any donor to ABC may inquire into the activities and management of ABC relating to a particular donation and may attend any meeting of the Trustees at which that particular donations is being discussed and may participate in the deliberations thereat but shall not be entitled to vote.
- (b) Every Trustee, donor, or co-opted person who attends Board meetings shall regard and deal with as confidential all information that may come to his or her knowledge in the course of his or her dealings with **ABC**.

**Extra – ordinary
Board of Trustees Meetings**

- 15 The Board of Trustees shall have an extra ordinary general meeting to discuss and dispose of the agenda that is of urgency and requiring quick disposal.

Notification for

Extraordinary

Board of Trustees Meetings

- 16 The Secretariat shall provide a notice of 48 hours to convene an Extra – Ordinary meeting for the Board of Trustees requiring quick disposal of the agenda that is of urgency in nature.

Chapter 4

Powers of Board of Trustees

Powers of Trustees

- 17 The Powers of the Board of Trustees shall be:
- (a) To be responsible for the formulation of policies and decisions.
 - (b) To purchase, lease or otherwise acquire any property, real or personal, in connection with the exercise of any of its powers or objectives;
 - (c) To borrow money or raise funds through income generating activities or other fund raising activities for the furtherance of the objectives of ABC;
 - (d) To receive donations or gifts of monies or other property from any persons or body of persons towards the furtherance of the objectives of ABC;
 - (e) To do or perform any act and to do all things incidental or conducive to the performance of the functions of ABC under this Constitution.
 - (f) To hire and appraise the performance of the Executive Director and when necessary fire the Executive Director.
 - (g) To hire and fire senior staff of ABC

Chapter 5

Board of Trustees of ABC

Number of
Board of
Trustees of ABC

18

There shall be nine (9) members of the Board appointed through nomination from the serving members of the Board and ratified in the Board meeting; of whom one (1) shall be a youth

Trustees
of ABC

19

- (a) Board of Trustees of ABC shall legally be responsible for ABC and shall give general oversight over its activities
- (b) The Trustees shall be indemnified for costs incurred in course of doing authorised ABC business
- (c) The Trustees shall delegate to the Secretariat responsibility for the implementation of the policies and strategies set and approved during strategic and Board meetings and in the day to day management of ABC.

Interest of
Board of Trustees

20

- 20.1 Subject to sub-section 11.1, a Trustee shall not cease to act as a Trustee by reason only of his/her receiving or likely to receive any benefit from ABC or of his/her having or being likely to have any pecuniary interest in any business contracting with ABC for the supply of goods and services.
- 20.2 A Trustee shall declare any interest which he or she has or may have in any business which may be a party to any contract with ABC and shall, in such event, retire from

the part of the meeting of ABC or any committee of Trustees at which the matter is being discussed.

- 20.3 Failure by a Trustee to make the declaration referred to in sub- section 20.2 shall render the decision of the meeting on the matter null and void.

Right of Board
of Trustees to
see documentation

21. The Trustees, shall at their discretion, be able to call on the Secretariat for all papers, minutes, correspondences, accounts. produced within ABC for any Board, Committee or management meeting within ABC

Duties of
Trustees in
Respect of Assets

22. Trustees shall ensure that assets of ABC are kept in good order, are within the control of ABC and are being used in a way which furthers the objectives of ABC

Duties of Trustees
in Respect of Loans
and Overdrafts

23

- (a). Trustees shall ensure that decision taken by the Board in respect of borrowing by ABC are such that the overall financial stability of ABC is not in jeopardy
- (b). If the Board decides to authorise an application for overdraft, this authorisation shall be countersigned by the Chair of the Board of Trustees

General Oversight
for ABC

24. Notwithstanding the duty of the Management/ Secretariat to manage the affairs of ABC on its behalf, the Board of Trustees have a general duty to ensure that Management/Secretariat are within the spirit of this Constitution

Tenure of
Office of Trustees

25

- (a). Trustees shall serve ABC for maximum of two terms of three years each.
- (b). At the end of each year, a review of the Board of Trustees will be done by members of the board themselves, guided by the check list to assist in assessing the performance of fellow Board Members.

Duties of the Chairperson,
Vice Chairperson and
Nominations to Committees

26

- (a). The duties of the Chairperson and Vice Chairperson shall be those associated with that office.
- (b). The roles and responsibilities of the Chairperson are outlined below:
 - I. Open, close and chair meetings of the Board
 - II. Open, close and chair workshops and trainings organized by ABC
 - III. Speak on behalf of ABC when called upon to do so
 - IV. Represent ABC at meetings and other forums where such representation is requested
 - V. Prepare press releases, write articles, respond to mass media as occasion requires
- (d). The Vice Chairperson may deputise the Chairperson of ABC in all or any of the above.

Chapter 6

ABC Appointments and Disciplinary Committee

Appointments and Disciplinary Committee

27. There shall be a sub – committee of the Board of Trustees of ABC called Appointments and Disciplinary Committee.

Duties of the Appointments and Disciplinary Committee

28. The Appointments and Disciplinary Committee sub committee of the Board of ABC shall have the responsibility to:
- a. Review staff conditions of service;
 - b. Review Staff Performance;
 - c. Review staff contracts;
 - d. Recommend to the Board Appointment and Disciplinary decisions for the Board approval
 - e. Recommend to the Board the appointment of Senior Staff in ABC
 - f. Manage disciplinary issues in ABC

Composition of the Appointments and Disciplinary Committee

29

- 29.1 There shall be a five member Appointments and Disciplinary Committee composed of;
- (a) The chairperson of the Appointments and Disciplinary committee who shall be elected at the first meeting of the Board of Trustees

- (b) Two members of the Board of Trustees
- (c) The Executive Director as an ex – officio
- (d) The Human Resource and Administration Officer who shall be the Secretary

**Qualifications of Members of the
Appointments and
Disciplinary Committee**

30. The individuals with sound knowledge of Administration, Human Resource and Organizational Management shall be chosen to serve in this committee.

**Selection of Individuals
to serve on Appointments
and Disciplinary Committee**

31. The Board at its first meeting shall select members into the Appointments and Disciplinary Committee for the entire period of its tenure of office, which is three years. Where there is a vacancy, the Board of Trustees shall elect a member to fill the vacancy among the members of the board.

Chapter 7

ABC Finance and Administration Committee

Finance and Administration Committee

32. There shall be a sub – committee of the Board of Trustees of ABC called Finance and Administration Committee.

Duties of the Finance and Administration Committee

33. The Finance and Administration Committee sub committee of the Board of ABC shall have the responsibility to:
- (a) Receive and recommend annual budgets for ABC to the Board for approval
 - (b) Monitor expenditure and budget variances
 - (c) Supervise the effective and efficient use of ABC assets
 - (d) Ensure that Internal and Annual Audits timely takes places every year
 - (e) Recommend the Internal and External Annual Audit reports and ensuring that management implements the issues raised in management letters
 - (f) Recommend to the Board matters relating to wages, salaries and allowances as they relate to ABC

Composition of the Finance and Administration Committee

34

34.1 The Finance and Administration Committee shall be composed of five member as follows;

- (a) The treasurer who shall be the chairperson of the committee
- (b) Three members of the Board of Trustees
- (c) The Executive Director as an ex – officio
- (d) The Finance Manager who shall be the Secretary

**Qualifications of Members of the
Finance and
Administration Committee**

35 Individuals with sound knowledge of Finance and Administration shall be chosen to serve in this committee. At least one of the Board Members of the Committee shall be an Accountant.

**Selection of Individuals
to serve on Finance
and Administration Committee**

36. The Board at its first meeting shall select members into the Finance and administration Committee for the entire period of its tenure of office, which is three years. Where there is a vacancy, the Board of Trustees shall elect a member to fill the vacancy among the members of the board.

Chapter 8

Programmes and Projects Committee

Programmes and Projects Committee

37 . There shall be a Programmes and Projects Committee of the Board of Trustees in
ABC

Duties of the Programmes and Projects Committee

38. Duties of Programmes and Projects Committee shall be;
- (a) To receive and recommend ABC annual work plans for Board approval;
 - (b) To receive and recommend for approval, ABC quarterly, semi – annual and annual reports;
 - (c). To conduct monitoring and evaluation visits for the organizations in various places;
 - (d). To recommend to Board on the issues relating to ABC activities and expansion.

Members of the

**Programmes and
Projects Committee**

39. There shall be a five member Programmes and Projects committee composed of;
- (a) The chairperson of the Programmes and Projects committee who shall be elected at the first meeting of the Board of Trustees
 - (b) Two members of the Board of Trustees
 - (c) The Executive Director as an ex – officio
 - (d) The Programme Manager who shall be the Secretary

**Qualifications to serve
on the Programmes and
Projects Committee**

40. The members of the Programmes and Projects Committee shall have a sound knowledge of project planning, implementation and monitoring and evaluation. The Chairperson shall be knowledgeable in development work.

**Selection of Individuals
to serve on Programmes
and Projects committee**

41. Individuals to serve on Programmes and Projects Committee shall be selected at the first meeting of the Board of Trustees of ABC. When there is a vacancy, the Board of Trustees shall elect a member to fill the vacancy among the members of the board.

Chapter 9

Financial Management and Controls

Finance **Management Systems**

42

- (a) ABC shall develop comprehensive finance management systems, procedures and policies that shall guide the overall finance management in ABC. The policies and procedures shall be followed by all members of the organization
- (b) ABC shall employ a Finance Manager whose responsibility shall be to provide the Executive Director with such financial information to allow successful management of the resources
- (c) The Finance Manager must ensure the financial viability of ABC and draw to the attention of the Executive Director and Finance and Administration Committee all matters of financial management which cause concern

Internal

Auditor

43. ABC shall engage an internal auditor on part time basis who shall provide checks and balances for the organization to provide information about how finances are managed. The internal auditor shall provide to the Board information about the organizational viability.

**Annual
Audit Report**

44

- (a) A Certified Public Accountant shall be appointed as an Auditor each year during the last Board Meeting of the Organization
- (b). An Audit Report of complete accounts of ABC shall be conducted each year according to the international standards and any relevant Laws of Harambee
- (c). The Audit Report shall be presented to the Board of ABC within the first quarter following the year end

Transparency

45. ABC shall have financial systems and controls which allow ABC to have transparent accounts which shows income and expenditure details

Accountability

46. ABC shall be accountable to its beneficiaries and general public in respect of the finances entrusted to its care and in particular ensure the assets are used effectively and efficiently and with “ value for money” as a key concept

Accessibility

47

- (a) ABC shall produce regular reports and accounting Statements and these shall be made available to the Board and ABC donors and supporters
- (b) ABC published accounts shall be sent to donors and other stakeholders.

Chapter 10

ABC Management and Secretariat

YONECO Secretariat

48

- (a) ABC shall have a team of professional and technical staff which shall form ABC Secretariat
- (b) The Board of Trustees shall delegate the responsibility of the day –to – day management and policy implementation of ABC to the secretariat of ABC

Duties of the Secretariat

49

The Secretariat of ABC shall

- (a) manage and deliver to the beneficiaries – youth, women and children such services as may be agreed from time to time by the Board of ABC or its committees
- (b) use the resources provided by donors and government in cost effective ways which shall assist in the achievement of the ABC Strategic Objectives
- (c) develop internal systems which shall permit ABC Board and staff to collaborate effectively with government, donors, international organizations and the media
- (d) Advise ABC governance – Board and committees on policy and practice required

Executive
Director

50

- (a). ABC secretariat shall have a Chief Executive with the title of Executive Director.
- (b). The Executive Director shall be an ex – officio member of the Board but shall not have voting rights.
- (c). The Executive Director shall have immediate responsibility to the Chairperson and shall:
 - I. maintain custody of the Common Seal of ABC
 - II. Recruit junior staff up to the level of Assistant Project Officer
 - III. Negotiate agreements, sub agreements or any other authorised contracts with any other agent, donor and government on behalf of ABC provided that the Executive Director shall seek prior authority from the Chairperson of the Board
 - IV. Facilitate the activities of ABC Board and its sub committees
 - V. Represent ABC at local and international meetings and any other training
 - VI. Supervise and monitor ABC staff in various programmes
 - VII. Be the spokesperson for ABC
 - VIII. Preside over the finances at ABC secretariat

YONECO Staff

51. ABC shall engage the services of competent Staff in its areas of operations and secretariat at anytime as required and with levels of operations in ABC.

**Vesting of assets,
Liabilities**

- 52 (a) Upon incorporation all property, movable or immovable that ABC shall acquire either by way of purchase, donation, pledge or otherwise shall be registered in its name and become the property of ABC.
- (b) Upon incorporation ABC shall assume legal obligations and liability of all proprietary, contractual and employment claims that it may assume and as such legal proceedings and claims shall be instituted in the name of the Registered Trustees of ABC.

Liability for loss

- 53 In the execution of their functions,
- (a) Trustees shall not be liable for any loss to ABC Fund arising by reason of any investment made in good faith as long as the Trustee shall have sought and considered professional advice before making such investment.
- (b) The Trustees shall not be liable either for the negligence or fraud of any staff employed by the Board in good faith although the employment of such staff may not have been strictly necessary or expedient and provided that adequate supervision shall have been exercised.
- (c) Finally, Trustees shall not be liable for any loss arising by reason of any mistake or omission made in good faith by any Trustee.

Chapter 11

Amendment of this Constitution

Amendment of the Constitution

54. (a) This constitution may be amended at a Special Board Meeting specifically called to amend the Constitution with two – thirds majority accepting the amendment. Board Members shall be informed 21 days before the date of the special meeting.
- (b) Any member proposing changes in the Constitution shall do so in writing notifying the Secretary of the Board not less than twenty one (21) days before the date of the meeting at which the changes are first to be considered.

Chapter 12

Dissolution of ABC

Dissolution of ABC

- 55 (a) ABC shall be dissolved at a Special Meeting of the Board of Trustees and notice for such meeting shall be served on the members 21 calendar days before the meeting.
- (b) The dissolution of ABC shall be its liquidation by liquidators appointed by Trustees.
- (c) The Board shall function until the liquidators have been appointed. Any proceeds of the liquidation of ABC shall be used in furtherance of the objectives of ABC and donated to such charity body as Trustees shall direct.

Certification

This is certified copy of the Constitution of ABC Youth Forum (ABC).

Certified By

ANNEXURE "D"

THE BOARD

SAMPLE TERMS OF REFERENCE (ANNEX D1)

- a) The Board shall at all times be not less than five (5) nor more than nine (9) members in office. The/Country Director shall be the full-time Secretary to Board.
- b) If as a result of the death, resignation and or other failure of or inability to act by any Board member the number of members is reduced below (5), the Chairperson or in his or her absence, the remaining members then in office, shall thereupon, by communication in writing, appoint an additional member any person who is fit and willing to act.
- c) The Board will be appointed from amongst the people sympathetic to the vision, strategic aims and activities of the NGO. For the purpose of giving direction for the management and running of the organization, and holding and administering the funds and assets of the organization.
- d) Appointed members of the Board shall hold office for a period of two years from the date of their appointment and shall be eligible for re-appointment.
- e) A member shall be entitled at any time to resign as a member of the Board by notice in writing to that effect to his co-members.
- f) The members shall have the power at any time and from time to time to co-opt any other person to act as joint members with them and in terms of his Constitution.
- g) The members may, by majority of two thirds of their number, dismiss any person from his/her functions.
- h) Any retiring member of the Board shall be eligible for nomination and reappointment or cooption as the case may be for a further period of two years, but with no option for reappointment thereafter.
- i) The Board shall have the power to terminate the appointment of an appointed member provided at least two thirds of the Board support a resolution to that effect.
- j) Apart from the international Representative (which shall be filled ex-officio), any vacancy to the Board shall be that such nomination is supported in writing by at least two members of the Board, one of whom may be an International Representative,

acting on behalf of the International Board. The Board shall decide whom to appoint to fill each vacancy from amongst those nominated.

In the event of the Board being unable to decide which nominee should fill any vacancy occurring, the appointment shall be made from amongst persons nominated as aforesaid by the Chairman of the Board whose decision will be final

- k) If the total membership of the Board falls below five as a result of the expiry of the said 2 year term of office of any appointed member, the term or terms of office of any or all of such appointed members whose individual collective retirement would have that effect shall be extended until the appointment to fill any vacancy or vacancies, including those of their prospective vacancies, have been made.
- l) The Board shall take no decision unless there is a quorum of at least two thirds of the members of the Board present and voting including the or Director of Programmes or the Country Director. Decisions of the Board are made by majority vote. In the event of a tie, the vote of the Chairman is decisive.
- m) The members of the Board shall select and appoint a Chairman and Vice Chairman from amongst their own number to hold office for a period of one year. A new Chair and Vice Chair should be appointed by a vote each year No individual should hold the position of Chair or Vice Chair for more than two years in a row and for more than once (each) during his or her tenure on the Board.
- n) The Board shall meet as and when it is deemed appropriate and at least three times a year so that no period of four months shall elapse without the Board having met. Furthermore, if two or more members of the Board call for an additional meeting by written request to the Secretary of the Association, the Secretary shall convene a meeting of the Board within twenty-one days of such a request.
- o) Any member of the Board who fails to attend three successive meetings of the Board shall cease to be a member of the Board unless the Board decides otherwise after due consideration of the circumstances.

- p) All meetings of the Board shall be minuted by the Secretary and signed by the Chairman and Vice Chairman. The Secretary shall keep full and proper minutes of the proceedings of each meeting of the members and copies shall be circulated as soon as reasonably convenient after each meeting of the members and shall be confirmed and/or amended at the next meeting of the members.
- q) The Board shall be required to hold an Annual General Meeting and so many ordinary meetings during the course of the year as may be considered necessary to transact the business of the organization. The Chairperson or any other two members shall call meetings of the Board on 14 days written notice to all members.
- r) Not less than half of the total number of members shall form a quorum at a meeting properly called. If half an hour after the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned until such a time as a quorum can be formed.
- s) The Annual General meeting of the Board shall be held during the month of September each year to consider the balance sheet and financial statements of the affairs of the organization and to elect auditors.
- t) All matters shall be decided by way of a resolution passed by a simple majority and, in the event of equality of votes, the Chairperson shall have the casting vote.

CHARTER FRAMEWORK (ANNEX D2)

A Board Charter Outline Sets Out

- a. Board Responsibilities
- b. Board Composition
- c. Board Membership
- d. Board Leadership
- e. Board Member Compensation
- f. Board Meeting Procedures
- g. Board Performance
- h. Committees
- i. Board Relationships

4.1 Board Responsibilities

- Full Board
- Board Committees
- Management/Secretariat

4.2 Board Composition

- Size of Board
- Proportion of independent Board Members to other Board Members
- Definition of independence applied
- Terms limits

- Retirement age
- Limits on number of Board Memberships

4.3 Board Member Selection

- Selection criteria
- Skills sets, qualities
- Diversity & experience
- Recruitment process
- Orientation (induction)

4.4 Board Leadership

- Selection of Board Chair
- Separation of Chair from Executive Director
- Roles & appointment of “lead” independent (outside) Board Member
- Selection of committee chairperson
- Emergency operations mode

4.5 Board Member’s Compensation (if any)

- Composition of compensation (e.g. cash)
- Basis for determining compensation
- Expense reimbursement

4.6 Board Meeting Procedures

- Frequency and length of meetings
- Board Member attendance expectations
- Setting agenda
- Advanced distribution of board materials
- Executive sessions of independent Board Members
- Attendance by non-Board Members

4.7 Board Performance

- Assessment of Board's & committees' performance
- Assessment of individual Board Member performance
- Limitations on continuing Board memberships (retirement etc)
- Conflicts of interest

4.8. Committees

- Specific committees formed
- Committee membership requirements
- Terms of reference
- Selection and rotation of members and chairs
- Meetings
- Agenda

4.9 Board Relationships

- Identification of key stakeholders
- Relationships and contact with stakeholders
- Interaction with Executive Director
- Contact with media
- Access to management and employees

GUIDELINES FOR BOARD SELECTION (ANNEX D3)

Board membership changes regularly, as some individuals resign or retire and new appointments have to be made. There are however no regulations on what the size of the Board should be, such provisions may however be made in the constitution of the organization. The size of the Board is largely dependent on the size of the organization and the functions expected of the Board members. The appointment of Board members should take into cognizance the following:

The power over Board appointments should rest with the whole board;

- There are no restrictions on making new appointments;
- With the exceptions of the positions of Chairperson and, Secretary Treasurer, there is no requirement to replace individuals stepping down from the Board;
- When the Board is sufficiently large, a nomination committee should be created to consider Board appointments;
- The existence of a majority of Board directors on the nomination committee should ensure that the Chairman and Executive Director of the organization do not dominate the appointments process;
- The nomination committee of the organization may decide to carry out its responsibilities by engaging headhunters, vetting candidates recommended by the headhunters, and making a selection and recommendations to the full Board;
- Decisions about new appointments to the Board should take into consideration:
 - (i) The desirable personal qualities of a Board member, including his or her experience;
 - (ii) The need to maintain sufficient representation on the Board;

- (iii) Compliance with any applicable codes of best practice in corporate governance;
- (iv) the independence of the individual appointed; and
- A small number of people can wield a large number of influence from the various positions they hold elsewhere:
 - (i) individuals holding so many positions cannot possibly perform all their duties properly;
 - (ii) Remuneration should never be the reason why individuals accept to be on the board, intrinsic motivation and commitment to the cause have to come first.

CHAIRMAN'S JOB DESCRIPTION (ANNEX D4)

Job Description of Chairperson:

The Chairperson is pivotal in creating the conditions of the overall Board and individual director effectiveness. The specific responsibility of the chairperson is:

- Providing leadership for the Board in its role of setting the strategy and policy of the organization;
- Planning the annual cycle of the Board meetings;
- Run the Board and set its agenda;
- Ensure the members of the Board receive accurate, timely information, in particular about the organization's performance, to enable the Board to take sound decisions, monitor effectively and provide advice to promote the success of the organization;
- Ensure effective communication with stakeholders and ensure that members of the Board develop an understanding of the views of the major investors;
- Manage the Board to ensure that sufficient time is allowed for discussion of complex contentious issues, where appropriate arranging for informal meetings beforehand to enable thorough preparation of the Board discussions. It is particularly important that Board members have sufficient time to consider critical issues and are not faced with unrealistic deadlines for decision making;
- Take a leading role in identifying and meeting the development needs of individual directors, with the secretariat playing a key role in facilitating the process. It is the responsibility of the Chairperson to address the developmental needs of the Board as a whole with a view to enhancing its overall effectiveness as a team.
- Ensure the performance of individuals and of the Board as a whole and its committees is evaluated at least once a month;
- Encourage active participation and engagement by all members of the Board monitoring decisions taken at meetings are implemented;

- Liaising with the CEO to keep an overview of the organization's affairs and providing support as appropriate; and
- Leading the process of appraising the performance of the CEO.

Person Specification of Chairperson

- Excellent leadership;
- Experience of committee work;
- Ability to forge a consensus among the Board;
- Tact and diplomacy;
- Good "people" skills;
- Impartially, fairness and the ability to respect confidentiality, and
- Have knowledge of the work undertaken by the organization and have a wide involvement with the sector and other networks.

SECRETARY'S JOB DESCRIPTION (ANNEX D5)

Job Description for a Secretary

The role of the secretary is to support the Chairperson by ensuring the smooth functioning of the Board. The core responsibilities of the secretary will include the following areas of concern, either doing the following tasks or delegating them to a member of staff and ensuring that they have been carried out:

General Duties

He/she is the secretary of the Board, particularly with regard to the holding of general, Board and committee meetings, and keeping the minutes of such meetings.

He/she is the right hand of the Board members, acting as the advisor of the board and chief source of internal information.

The secretary must guide the Board, collectively and each Board member, individually, as to their duties and responsibilities and make them aware of all

compliance and conformance issues relevant to the organization on which the board members serve.

The secretary must ensure that the procedure for appointment of Board members is properly carried out and he/she should assist in the proper induction and orientation of Board members, including assessing the specific training needs of board members and executive management in regard to their fiduciary and other responsibilities.

The secretary needs also to be available to provide comprehensive practical support and guidance to Board members, with particular emphasis on supporting the non-executive Board members and chairperson.

The secretary should also ensure unhindered access to information by all Board and committee members so that they can contribute to Board meetings and other discussions.

The Secretary is responsible for the compilation of board papers and for filtering them to ensure compliance with the required standards of good governance.

The secretary's role should also be to raise matters that may warrant the attention of the Board.

The Organization

The secretary should ensure compliance with all relevant statutory and regulatory requirements, and conformance with codes of best practice, having due regard for the specific interests of the organization.

The secretary should also help to carry out organizational strategies on matters of ethics and good governance.

The Members

The secretary needs to communicate with members as appropriate and to ensure that due regard is paid to their interests. It is of particular importance to ensure that all members are treated in a fair and equal manner.

Specific Duties with regard to Meetings

Making all arrangements for meetings (booking the room, arranging the equipment, and refreshments, organizing facilities for those special needs).

- Preparing agenda in consultation with Chairperson and the Chief Executive Officer and circulation them any support documents in good time.
- Receiving agenda items from other Directors/staff.
- Checking that a quorum is present.
- Taking minutes of the meetings and circulating the draft minutes to all trustees/board members.
- Ensuring that the minutes are signed by the chair once they have been approved.
- Checking that Directors/trustees and staff have carried out action agreed at a previous meeting.
- Circulating the agenda and minutes of the annual general meeting and any special or extraordinary general meetings.
- Sitting on appraisal, recruitment and disciplinary panels as required.

Person Specification of a Secretary

- Organizational development and management ability
- High appreciation of good corporate governance
- Knowledge or experience of business and committee procedures
- Knowledge of meeting dynamics and procedures of meetings
- Minute taking experience

EXAMPLE OF BOARD COMMITTEE TERMS OF REFERENCE (ANNEX D6)

Terms of Reference for a Finance and Audit Committee

1. Be appointed by the Board.
2. Meet at least four times a year.
3. Shall evaluate the financial report, risk management and other issues related to the business ethics and business environment of the organization.
4. Review the scope and approach of annual audit prior to annual audit being conducted.
5. Review performance and fees of external auditors.
6. Review the annual financial statements and audit management letter and make recommendations to the Board.
7. Review and follow up internal reports to ensure that management takes corrective action.
8. Evaluate the adequacy of internal controls of the organization.
9. Review quarterly management accounts.
10. Appraise the performance of the organization based on variance analysis, cash flow statements and the narrative on the operating environment of the organization.
11. Review annual operating budgets and make recommendations to the Board.
12. Review capital expenditure budgets.
13. Advise on all finance and accounting matters.

EXAMPLE OF A BOARD TOOLKIT CHECKLIST (ANNEX D8)

Progress financial reporting

Name of partner	Period of funding	Remaining period	Budget amount for the year US\$	Disbursed to date	Utilized to date	Reports due	Report submitted
HIVOS	6 years	2 years	100 000	45 000	57 000	- Narrative report - Financial report	Reports ready, to be submitted after the board meeting
Xxxxx	6 years	1 year	100 000	25 000	5 000	None	N/A
Xycz	2 years	1 year	200 000	200 000	37 000	Narrative report	Narrative report

Funding partner requirements

Name of partner	Period of funding	Financial reporting periods	Narrative reporting periods	Separate bank account	Variance analysis	Own contribution required	Staff times for overh
HIVOS	6 years	quarterly	Quarterly	No	yes	No	No
Xxxxx	6 years	Bi-annually	quarterly	Yes	yes	Yes	No
Xycz	2 years	Every 2 months	Bi-annually	Yes	yes	No	yes

Board toolkit checklist

Work plan analysis

Name of partner	Quarter 1	Quarter 2	Quarter 3	Quarter 4
HIVOS	Institutional	Institutional	Institutional	Institutional
Xxxxx	- Visit 3 districts - Cover 100 families	- Visit 3 districts - Cover 100 families	- Visit 3 districts - Cover 100 families	- Visit 1 district - Perform impact assessment in the other 3 districts
Xycz	1 workshop	4 workshops	1 workshop - Impact survey	Target beneficiaries based on impact survey

**In each board meeting an analysis of actual performance should be presented to the board and reasons for significant variances discussed.

BOARD EVALUATION FORM (ANNEX D7)

Please rate whole Board as a collective entity.

Issue	Ratings	Explanations: Illustration or Example for each rating; Suggestions to improve welcome
1. Are the Board issues being followed?	0 1 2 3 4 5	
2. Does the induction procedure adequately explain everything new Board members need to know?	0 1 2 3 4 5	
3. Can all Board members input to the agenda?	0 1 2 3 4 5	
4. Are Board members papers received in time to thoroughly prepare prior to meetings?	0 1 2 3 4 5	
5. Are Board papers adequate and appropriate?	0 1 2 3 4 5	
6. Does the Board follow good decision-making processes?	0 1 2 3 4 5	
7. Is sufficient time scheduled for Board meetings?	0 1 2 3 4 5	
8. Do Board meetings focus on strategic issues?	0 1 2 3 4 5	
9. Has the Board explicitly agreed annual goals and developed a work plan?	0 1 2 3 4 5	
10. Did the Board achieve its last annual work plan?	0 1 2 3 4 5	
11. Has the Board invested time in its development? If yes, how many hours?	0 1 2 3 4 5	
12. Are Board members whose performance is inadequate being addressed?	0 1 2 3 4 5	
13. Have there been any breaches of the Code of Conduct by Board members? How have they been dealt with?	0 1 2 3 4 5	
14. Are all Board members encouraged to participate in meetings?	0 1 2 3 4 5	
15. Do Board members support Board decisions outside the Board outside the Board meeting?	0 1 2 3 4 5	
16. Are Board members aware of each other's knowledge and expertise relevant to the NGO?	0 1 2 3 4 5	
17. Do board members challenge each other's assumptions during Board discussions?	0 1 2 3 4 5	
18. Does the Board create a 'safe environment' for Board members to challenge, be challenged?	0 1 2 3 4 5	
19. Do Board members comment candidly on contentious and sensitive issues?	0 1 2 3 4 5	
20. What are the 'undiscussables' for the board?	0 1 2 3 4 5	
21. What does the Board do especially well?	0 1 2 3 4 5	
22. What does the Board need to improve on?	0 1 2 3 4 5	
23. What are the qualities and competencies needed in the future on the Board? What are we doing to ensure they happen?	0 1 2 3 4 5	

24. Is there sufficient Board input into monitoring and evaluation of CEO?	0 1 2 3 4 5	
25. Does the Board effectively inquire upon major performance deficiencies?	0 1 2 3 4 5	
26. Does the Board get sufficient information prior to doing CEO evaluation?	0 1 2 3 4 5	
27. Does the Board make changes in organizational direction when appropriate?	0 1 2 3 4 5	
Overall effectiveness of the Board?	0 1 2 3 4 5	

Ratings:

- 0 = do not know**
- 1 = no**
- 2 = little/small extent**
- 3 = somewhat/some-times/needs improve**
- 4 = Large extent**
- 5 = yes, excellent**

BOARD MEMBER EVALUATION FORM (ANNEX D8)

Name of Board Member being evaluated :.....

Question	Ratings or comments a specific example that	Explanation/example Give Illustrates why you have given the board member this rating
1. understand and support the goals of the NGO?	0 1 2 3 4 5	
2. prepare for Board and committee meetings?	0 1 2 3 4 5	
3.....participate and contribute to Board discussions?	0 1 2 3 4 5	
4. encourage diverse views and debates on issues”	0 1 2 3 4 5	
5. add constructively to the discussions?	0 1 2 3 4 5	
6.....demonstrate commitment by attendance from beginning to end of meetings and full attention?	0 1 2 3 4 5	
7. give constructive feedback to others?	0 1 2 3 4 5	
8. present an articulate and persuasive?	0 1 2 3 4 5	
9. give effective leadership when needed?	0 1 2 3 4 5	
10. understand and remind others of the NGO’s strategy and policies strategy and policies during discussions	0 1 2 3 4 5	
11. actively encourage obtaining external expertise or additional information when appropriate?	0 1 2 3 4 5	
12. Describe your working relationships with this Board member/committee meetings and outside the organization.	0 1 2 3 4 5	
13....How well does this Board member evaluate information and identify key issues?	0 1 2 3 4 5	
14..... How well does this board member understand the industry the NGO Operates within?	0 1 2 3 4 5	
15.....Does this Board member respect the ideas, views contributions of others even when they are in conflict with his/her own?	0 1 2 3 4 5	
16.....Does this Board member use his/her own networks to the NGO’s advantage?	0 1 2 3 4 5	
17.....Does this Board member insist on objective, measurable standards For monitoring the organization, CEO and board?	0 1 2 3 4 5	
18. Other questions unique to your Board	0 1 2 3 4 5	

Ratings:

- 0 = do not know
- 1 = no
- 2 = little/small extent
- 3 = somewhat/some-times/needs improve
- 4 = Large extent
- 5 = yes, excellent

CHAIRPERSON EVALUATION (ANNEX D9)

Chair's influence on the board's process:	A = Acceptable N = Needs improvement	Comments and/or examples:
Sufficient time for discussion of issues/items		
Agenda focus on strategically important issues?		
Sufficient material sent in advance?		
Encourages all Board members to participate in meetings?		
Induction of new board members?		
Sufficiently challenging of CEO?		
Sufficiently supportive of CEO?		
Gain agreement and check on commitment to plans?		
Keep discussion to the point, lead discussions through good decisions making steps within time framework?		
Paraphrase and clarify interests and positions during discussions		
Specify resource implications and assistance required		
Summarize actions to be taken and deadlines at end of each discussion?	Circle one: Vague/Incomplete Summary/clear, complete summary	

Reference: CACG Guidelines

Twenty Questions to ask when Reviewing Financial Information (ANNEX D10)

Auditors Report on the Annual Financial Statements

1. How long ago was the last audit conducted?
2. What does the Auditor's Opinion say – qualified or unqualified?

Balance Sheet

3. Does the organisation have enough ready cash (see 'Cash at Bank' listed under Current Assets) to pay off its immediate debts (see Creditors)?
4. How long could the organisation survive if all of its funding dried up? (Calculate the 'survival ratio') How does this compare to last year?

Income & Expenditure (or Profit and Loss) Account

5. Is income and expenditure broadly in balance? (Look for net income/expenditure)
6. Is there a significant increase or decrease in activity levels from the previous year?
7. What is the balance of direct project costs vs. admin costs? Is it reasonable for the size and nature of the organisation?
8. How 'donor dependent' is the organisation? (Calculate the 'donor dependency ratio')

Budget Monitoring Report

9. Is expenditure broadly in line with the budget? ($\pm 10\%$)
10. Is income broadly in line with the budget?
11. Are there any significant variances? If so, have they been satisfactorily explained?
12. What action is being taken to correct significant variances – e.g. under-spending as a result of delayed activity plans?
13. Are there any large bills outstanding which could substantially affect the figures shown?
14. Is the organisation owed any large sums of money and if so, what is being done to retrieve them?
15. Are there any un-budgeted expenses which may occur in the rest of the year?
16. What is the projected end-year outcome? Is this outcome satisfactory? If not, what steps can be taken to change the result?

Cashflow forecast

17. Is there enough cash in the bank to fulfil the activity plan in the next six months?
18. What grants are due in the rest of the year and are they still expected to come through on time?
19. Are cash balances invested to produce the best return?

General

20. What non-financial figures are being produced to show how the programme of activities is progressing?

APPENDIX "E"

CODE OF CONDUCT

This Code of Ethics governs all employees. An employee under this code is any person employed by or working for and is receiving or entitled to receive any remuneration in respect of such employment of work.

PREMABLE/GENERAL

Rules, regulations, procedures and discipline are necessary in every Organization to ensure stability. The Employment Code of Conduct and Grievance Procedure are administered under the provisions of the Labour Relations Act and as amended from time to time.

THE DISCIPLINARY PROCEDURE

On all disciplinary cases, the immediate superior shall provide the employee with a written statement of the charges against her/him. The employee shall be given the opportunity to defend himself/herself.

1. The Role of the Supervisor/Immediate Superior

When an offence is committed or alleged to have been committed:

- a) The Supervisor/Immediate Superior shall advise the employee accordingly and if the offence is of a minor nature, give an oral warning; or
- b) Upon receipt of a complaint/the commission of an offence, the Coordinator/Administering Official shall investigate and obtain written statements from the accused and witnesses to the incident.

2. The Hearing

Disciplinary hearings shall be conducted as soon as possible after the alleged offence, if possible within three working days.

3. The procedure at the hearing be as follows:-

- a) The Coordinator/Administering Official will inform the accused of

the charges against her/him and shall ensure that the charges are understood.

- b) The accused will be asked to answer the charges and make any further comments she/he may wish. Witnesses should also give their accounts of the incident.

4. When the offender is found guilty, the Coordinator/Administering Official will take into account:-

- a) The offender's record of service in the past.
- b) Disciplinary record.

5. Appeals

- a) The employee must not his/her appeal in writing with the Coordinating/Administering Official within the stated period.
- b) Upon receipt of an appeal, the Coordinator/Administering Official shall attach all documents on the case and forward them to the Chairperson immediately.
- c) The disciplinary process shall be completed within 14 days and any unresolved case will be referred to the Labour Relations Tribunal.

6. Suspensions

Any employee who is suspended from duty and is eventually found not guilty shall be re-instated without loss of pay or benefits.

7. Termination of Employment

- a) Where a decision to dismiss is made, the date of the decision shall be the date of termination if there was no suspension, but where the employee was suspended, the date of suspension shall apply.
- b) All terminal benefits payable by the organization shall be paid within three (3) working days.

8. Records

- a) The administrative Officer shall keep a record of all disciplinary cases of individual employees in their files.
- b) The Coordinator shall keep a summary of all cases.

THE GRIEVANCE PROCEDURE

Where an employee feels or believes that she/he has been unfairly treated or her/his conditions of employment have been violated, re-dress should be sought through the grievance procedure.

1. The Role of the Employee:-

- a) The employee raises the grievance with the Supervisor/Immediate Superior and makes it clear that it is the first step.
- b) The Supervisor/Immediate Superior must resolve the case within two (2) working days.

2 The Role of the Coordinator/Chairperson

The Coordinator/Chairperson shall convene a meeting to resolve the grievance within three (3) working days.

WARNINGS

There are four levels of warnings:-

- a) **Verbal:** an oral warning confined to the incident given by the Superior/Immediate superior.
- b) **Written:** Issued in the prescribed form for first level offences and lasts for three months.
- c) **Severe Written:** Issued for second and third level offences and lasts for six months.
- d) **Final warning:** Issued for third and final level offence with mitigatory features and lasts for twelve months.

DEFINITION OF OFFENCES

- a) **Timekeeping and Related Offence:** Reporting for work late.
- b) **Unsatisfactory Work:** Carelessness: performance of task or duty without exercise of due care.
- c) **Minor Loss or Damage or Misuse of the Centre Property through Negligence:** Negligent loss of property: any act whereby an employee through carelessness or negligence loses organizational property or is unable to account for it satisfactorily e.g. loss of policy document and checks.
- d) **Verbal Abuse and Related Offences:** Abusive language: the uttering of any words or publication of any writing expressing or showing hatred, ridicule or contempt for any person or group of persons. The offence is more serious when it is mainly because of their race, sex, sexual orientation, tribe, and religion, place of origin or colour, and political belief.
- e) **Offences relating to Disobedience/Disorderly Behavior: Refusing to obey an instruction:** deliberate refusal to carry out a lawful instruction given by a person in authority without good cause.
- f) **Alcohol or Drug Offences:** Incapable of working properly whilst under the influence of alcohol or non-medical drugs e.g. hemp, mandrax and cocaine. NB. Qualified medical practitioners must prescribe all medical drugs.
- g) **Desertion:** Where an offender absents herself/himself from work without official leave or explanation for a period of less than five (5) working days, she/he is recorded simply as absent without leave.
- h) **Offences Relating to Theft or Fraud or Dishonesty**
 - i) **Bribery or corruption:** Giving or receiving or attempting to give or receive a bribe or attempting to induce any person to perform any corrupt act.
 - j) **Unlawful job action:** Means an unlawful industrial action calculated to persuade or cause the organization to accede to a demand related to

employment and includes a strike, boycott, lock out, sit in or other concerted action that infringe on the provisions of the Labour Relations Act or any other enactment or labour legislation.

CONDUCT TOWARDS CLIENTS AND OTHER STAKEHOLDERS

All members of staff have the duty to treat all clients i.e. program beneficiaries and other stakeholders with respect. In the event that any member of staff engages inappropriate behavior with or toward a client or other stakeholders the following measures shall apply.

Dismissal based on inappropriate behavior and taking advantage of a person confiding in you.

APPENDIX "F"

SAMPLE CODE OF ETHICS

Values

Although we engage in diverse activities, we have one constituency and that is the public. Our aim is to improve the welfare of the people we serve. We therefore commit ourselves to the following:

- To carry out our work for the public. Our aim is to improve the welfare of the people we serve and ensure that our projects are not donor driven;
- To adhere to principles of good governance;
- To maintain confidentiality in all our work;
- To promote organization integrity;
- To be accountable to the public we serve, the government and donors in the use of resources; and
- To be non-partisan and non-discriminatory.

Governance

To be able to function effectively, we need to put in place sound governance structures run by experienced, committed and responsible individuals. To this end we will:

- Ensure that organizations have a clear vision, mission, objectives and policies and that these are adhered to;
- Democratically elect people who will serve as office bearers;
- Specify the governance structures, frequency of meetings, quorums, remuneration and the office bearers' role in the organization;
- Avoid conflict of interest between leadership staff;
- Ensure that the governance structures guide the organization policies and that the leadership understands these structures and assumes overall responsibility for ensuring adherence to the organizational policies;

- The Board must guide the organization in its activities, financial management and the appointment of auditors to audit the accounts; and
- Give adequate space to staff and project beneficiaries to determine their roles and responsibilities in society and development in general.

3. Accountability

Accountability involves a culture of promoting democracy and transparency in our work. To This end we will:

- Be accountable to the government, donors and the public in our actions and decisions;
- Account fully for the financial resources received from donors, government, members, and partner organizations and fund from self-generated activities.
- Ensure stakeholders participation in the planning and implementation and evolution of programmes;
- Undergo regular evaluations of the programmes;
- Hold strategic planning meetings annually which will act as a tool for self-evaluation.

Organisational integrity

As organizations, we value the principles of integrity and to this end we affirm our commitment to:

- Comply fully with the laws and regulations that govern our work.
- Comply fully with all the provisions of anti-discrimination laws.
- Clearly define management and staff roles and responsibilities to avoid conflicts within organizations.

Such roles must be properly documented and communicated to all.

- Evolve and implement participatory democracy in management to ensure ownership of the programs and activities and quality of decision making.

Management of human resources

As human beings working in the Civil Society sector, we are individuals coming from different and diverse backgrounds. It is this diversity that binds us together. To this end we will:

- Adhere to Labour Relations legislation.
- Develop clear and defined guidelines and written policies and procedures which must be followed by all employees.
- Develop and implement a clear grievance handling procedure with clear lines of authority and accountability.
- Employ, promote train or send for training staff members under clear and transparent procedures.
- Have clear staff development policies.
 - Recognise and appreciate different skills and expertise that staff have and tap these.
 - Respect and protect staff's constitutional rights of freedom of expression, movement, conscience and association.
 - If possible, put in place incentives to motivate and retain professionally qualified staff.
 - Have a clear and transparent salary, benefits and allowances policy.

Capacity Building

We operate in a constantly changing environment. We realize that we need to equip and re-equip ourselves in order to meet the new challenges, responsibilities as well as an increased demand for our services. To this end, we re-affirm our commitment to:

- Empower staff members in decision making by decentralizing the decision making process;
- Keep staff abreast of technological changes and advances;
- Train project beneficiaries in project management and implementation so that even if the organization discontinues its work with those beneficiaries, the project will be managed and sustained by the beneficiaries; and

- Establish a network of similar or likeminded organizations so that they can tap into each other's skills and expertise.

Networking

We have shared a vision and values, and cannot operate in a vacuum without the support of others. We therefore commit ourselves to:

- Create networks so as to share ideas and objectives. This will avoid duplicating activities and reduce competition for scarce resources.
- Through networks, we disseminate information, share experiences and best practices without comprising institutional confidentiality.
- Referring members of the public to appropriate organizations because we will have the right information on project activities.
- Better co-ordination when dealing with issues of mutual concern. This will ensure that our efforts are not fragmented. That way, we will have greater impact.

Financial Management

Our finances must be managed to ensure appropriate use of funds and accountability to the donors, government and the public. To this end we will:

- Comply with accepted business accounting and auditing practices, including voucher and authorization processes;
- Ensure that audits are carried out by duly registered, independent auditors.
- Put in place a transparent tender system and encourage participation by women and indigenous owned businesses in the tender process.
- Set up appropriate in house financial systems and employ qualified personnel to administer and manage the system.
- Have clear policies on staff salaries, consultancies, honoraria and per diems to avoid double payments.
- Ensure that the staff and the leadership have no vested interest in companies, firms and individuals where goods are purchased from.
- Have a clear policy of staff loans and use of our vehicles.
- Ensure that we adhere to the project budget and that, before making changes to the budget, we will consult relevant interested parties.
- Ensure that funds are only used for their intended purpose.

- Publicly announce any charges against a member of fraud, theft, misappropriation of funds or any attempt to commit these crimes.

Fundraising and Financial Sustainability

Resource mobilization and financial sustainability pose great challenges, and especially in the environment of a shrinking donor base. To this end we commit ourselves to:

- Engage in transparent fundraising practices.
- Disclose to all donors actual or potential, the sources and use of funds in the event that we intend to raise funds from more than one donor.
- If raising funds on behalf of communities, to inform the communities of the fundraising efforts and involve the communities in the process.
- Avoid diverting funds for purposes other than those for which they were intended and obtain donor authority to alter the purpose of which donated funds can be used.
- Move away from the culture for being donor dependent.
- Be innovative in raising funds within the confines of the law.

Resources

Organizational assets need to be used in a transparent and cost effective manner. To this end we will:

- Develop in-house mechanisms to control and monitor the use of assets.
- Ensure that staff members are accountable for the time spent at work.
- Develop and implement policies on private and organizational use of assets.

Management Code

For this Code to be effective, it needs to be managed by a body, which is made up of people of high moral values. The Board will oversee the implementation of the Code, and will have the following responsibilities.

- Creating awareness of the Code among stakeholders.
- Ensuring the mainstreaming of the Code in all functions and operations.
- Monitoring and evaluating the implementation of the Code.
- Recording all views on amendments to the Code.

- Recommending any changes to the Code and such amendments will only be effected after the approval of the Board at a meeting specifically constituted to review the Code. To take all necessary steps to rehabilitate, re-align, correct or otherwise assist the organization to rectify or stop any alleged violation of law.

Monitoring and evaluation

Adherence to the code will be monitored as follows:

- By the Board through an external evaluation carried out once every year.
- Guidelines shall be developed to give effect to the code from time to time.