# Compass Bearings

Advisory Note - 30th June, 2016

# Ten ways to address the risk of confidence ebbing away from your charity Board.

An old Dutch proverb is apt for the coverage of yet another charity governance investigation – **'Trust arrives on foot and leaves on horseback'**.

This is appropriate not only for the particular charity directly in the spotlight but, sadly, for the sector as a whole which is bemoaning another dent to public confidence. As that confidence has galloped away, it is replaced by scepticism and more reticence to donate. Behind many of these cases are questionable approaches to governance.

Such investigative programmes normally have a common postscript, letting you know what you should do If you are affected by the any of the issues covered. Unfortunately, those estimated 60,000 Directors who are legally responsible for approximately 8,000 charitable companies in Ireland, as members of Boards of Directors, don't have anything as explicitly helpful as that. As the legal and public expectations quite rightly continue to rise, and a new (albeit lightly staffed) regulator is put in place, not all charities have been quick to keep pace.

Part of the issue is that the operation of charity boards often reflects a slimmed down version of practice in corporate Ireland which has been improving the practice of governance in recent years but is not consistently at a high level. We make a number of obvious suggestions:

1. **Know your governance responsibilities** and what it means to be a Director. There is much commendable work that has been done by representative bodies like the Wheel and others to distil and tailor how governance should work in a proportionate manner in your charity. This can be accessed at www.governancecode.ie.

2. Ask just how much **transparency** and scrutiny your Board can take? In a digital age, the public will steer clear of charities who do not name and profile their Board members on the web. Get Directors to overcome their shyness or modesty as an investment in building trust with the public.

3. Ask whether **the right mix of people** is around the Board table. This takes, for starters, honesty and collective self-awareness to assess where the Board is strong and where gaps need to be filled. Just because your charity is small and you do not see the need for structures like an Audit committee or a Risk committee does not mean that the Board itself is absolved from having responsibility for these important areas. If you don't have anybody on your board who can honestly say that they understand these disciplines, then go out and recruit people who do. Boardmatch.ie is a resource that matches charities to volunteers with skills.

4. Realise that **the public, through charitable structures, rely on effective governance structures** to, amongst other things, provide a sensible counterpoint to a driving, dominant and persuasive founder.

Navigo Consulting

**Dublin Office**
Block 4, Harcourt Centre
Harcourt Road, Dublin 2
D02 HW77
Telephone + 353 1 477 3404

**Cork Office**
Cúil Gréine Business Centre
Ballincollig Commercial Park
Ballincollig. Co. Cork P31 DW66
Telephone + 353 21 421 4643

5. Promoting **'speaking up' policies** amongst staff and volunteers is a good avenue to ensure that the Board can learn about issues and isn't simply a prisoner of the top management in terms of access to information about what's going on. With so many bodies being publicly funded or grant aided in some way, make sure that you become familiar with recent **whistleblowing legislation and the whole portfolio of regulations and legislation with which your charity and individual directors need to comply.** A compliance and governance roadmap is a tool all charity boards should have in place. When an issue arises, it is not the best time to learn about such areas.

6. Understand the important areas of **internal controls and the financial audit.** Ultimately charities get money to apply to charitable purposes and the Directors need to be able to say with confidence that they know that this trust is fulfilled.

7. Fundamentally look at where the **Board gets its information** and the format in which it is delivered. We know that two-thirds of charities have indicators in place to measure their progress. Charities are often more complicated in terms of objectives and outcomes than businesses of a similar size. Many boards get good levels of summarised reporting on a "Traffic Light" basis (indicating whether important measures are rated as Red/Amber/Green). Ask yourself on a regular basis – before it is too late – whether some of these are really "watermelons" i.e. green on the outside but red once you start to dig into it.

8. Insist on periodic **training and education of all Directors** in terms of knowing their legal responsibilities. Many boards gather at this time of year for 'off-site' or 'strategy' meetings. While the rallying call is often towards "Blue Sky" thinking on these occasions, don't forget that it is often the ideal time to understand the "black and white" of your legal responsibilities and also to get a refresher and discuss developments on aspects of corporate governance that are relevant to what you do.

9. A big issue currently across the corporate and not-for-profit sector is the right level of **remuneration** for the leadership. The practical problem faced by Directors is putting a practical price on a role that often can be summarised as 'changing the world'. It has been surprising how even big organisations, like the IFA, lack basic structures such as Remuneration Committees so that the Directors can stand over a transparent and structured process and set of tools for remunerating staff. More often than not, this is the rock on which charities will perish. Put in place a clear policy structure for pay and rewards down through the organisation.

10. Your board should take the time as a group to **review and self-assess its effectiveness** every year. Despite it becoming common that public funders ask for confirmation that these reviews take place, our experience is that surprisingly few Boards take the time to do this self-assessment and fewer still give it the required level of soul searching. Without taking away the self-assessment approach, it is generally recommended that once every 3 years this review should be externally facilitated, so that somebody who is not on the Board can so that somebody who is not



**Dublin Office**
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on the Board can bring knowledge and experience of best practice to allow the Board to put in place a continuous improvement and effectiveness plan.

While representative organisations, the government, the regulator and others have roles to play, **ultimately the Directors have the responsibility for running charitable companies** correctly to gain and maintain the trust of fundraisers, donors, supporters, and for ensuring that charities are resourced to deliver the invaluable services that they provide. Given that Directors of charities are, and ought to be, unpaid for their work, our concern is that recent focus on negative stories will deter the cadre of volunteers necessary to provide governance to these bodies. The landscape is changing and the process of navigating this change is exceedingly difficult. It is important that trust is re-established in charity governance structures.

If you find this content relevant, Navigo can assist with all aspect of dealing with the governance challenge at your charity. Contact our Managing Director, Brendan Lenihan on (01) 477 3404 or at www.navigo.ie

*Brendan Lenihan is Managing Director of Navigo Consulting which specialises in governance, strategy and change. (www.navigo.ie) He is a Chartered Accountant and former President of the Institute of Chartered Accountants in Ireland. He is, and has been, a Director of a number of charitable bodies in Ireland.*

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If we can help your organisation to succeed with a business objective that is important to you, contact our Managing Director, Brendan Lenihan on (01) 477 3404 or contact us through www.navigo.ie