BOARD

LEADERSHIP & GOVERNANCE

TRAINING MANUAL

ASAP II

ACCELERATING SUPPORT TO ADVANCED LOCAL PARTNERS II

This publication is made possible by the support of the American people through the **United States Agency for International Development** (USAID) and the **President's Emergency Plan for AIDS Relief** (PEPFAR).

ACKNOWLEDGEMENTS

USAID/Accelerating Support for Advanced Local Partners I & II (ASAP I & II)

WRITTEN BY:

Petronella Mwasandube OBE

Leadership and Governance Capacity Advisor, ASAP I & II

EDITED BY:

Katherine Seaton

Senior Communications Writer/Editor, IntraHealth International

Corinna Fales

Communications Consultant, ASAP I & II

Bashir Ghafarzai

Editor/Communications Consultant, ASAP I & II

DESIGN & LAYOUT:

Susan Melnyk

Strategic Communications Manager, ASAP I & II

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LEADERSHIP AND GOVERNANCE:

Strengthening Local Partner Board Management

ASAP II

ACCELERATING SUPPORT TO ADVANCED LOCAL PARTNERS II

CONTENTS

BACKGROUND

This training manual has been produced as part of the promotion of good collaborative governance by the Accelerating Support to Advanced Local Partners (ASAP) project. ASAP has two strategic objectives:

1. Strengthen local partners as they transition to receive PEPFAR funding as a USAID prime partner to comply with regulations.
2. Prepare local partners to directly manage, implement, and monitor PEPFAR programs, and maintain consistent PEPFAR program achievement and quality.

The project is supported by the United States Agency for International Development (USAID).
In recognition of the crucial importance of the role played by the boards of directors of local implementing partners (LIPs), ASAP developed a leadership and governance (L&G) workshop program designed to develop and support the boards of its local partner organizations. This manual lays out that program.

The manual serves two purposes. First, it is designed to improve the capacity of the board of directors and executive management of LIPs who want to adopt good leadership and governance (L&G) practices. Second, the manual will support ASAP's capacity advisors in training, mentoring, and coaching respective governance board leaders to set the tone at the top and serve their organizations well. The manual will also prepare them for management as prime partner boards because the issues covered will focus on principles and practical ideas for effective governance.

The workshop for which this manual has been developed will be conducted by a facilitator with training experience, knowledge of governance and leadership, and familiarity working with local organizations or local nongovernmental organizations (NGOs). This training is developed in such a way that each organization can conduct the training themselves. Because board members often benefit from getting to know their counterparts on other local partner boards, workshops will occasionally be organized to include board members from various LIPs/NGOs.

The workshop is presented in four sections, with a short description of topic aims and objectives included at the beginning of every chapter to connect the specific topics to a holistic view of governance board systems and processes.

The materials in this manual contain the outline and contents of the various workshops that are offered. The exercises and content are designed to promote active participation by everyone present. Group participation promotes a shared experience and facilitates learning.

We recognize the fact that each LIP board's needs, interests, and available time may differ, and we will therefore ensure that each workshop is tailored to the needs of the organization, adapted to the time provided, and delivered virtually when necessary. We will ensure that each workshop covers the fundamental concepts of governance and leadership, allows for active participation, and helps participating board members and executive directors identify specific steps that their board will take to strengthen its capacity and performance.

ABOUT THIS TRAINING AND RESOURCE MANUAL

This manual is designed to meet five specific learning objectives:

1. Enhance the capacity of the board and management,
2. Refresh knowledge of board governance,
3. Highlight the importance of a board mandate and good governance systems,
4. Share effective leadership and governance (L&G) principles and tools,
5. Improve board capacity for effective board risk oversight, performance management, and strategic leadership.

The manual addresses governance concepts and defines senior management's role with the board, the core skills, and competencies required on governance boards, accountability, delegation of authority, setting the tone at the top, and ensuring effective governance in board proceedings.

This manual is written for trainers who work with local implementing partners (LIPs) to usher in good governance principles.

Target audience: This training is for the board of directors and executive leadership of LIPs and will benefit both the board and its members. Best practice has shown that it is also most effective if participating organizations send at least one staff person in a leadership position and at least one other senior manager who is also familiar with the LIP's operations.

Outline and use of the manual: This manual is divided into four main sections:

Section 1: The meaning of governance and the roles, responsibilities, and accountability of the board of directors

Section 2: Functions of the board and their role in enhancing accountability

Section 3: Management of board risk and the board's role of oversight

Section 4: The framework of governance performance management

Guidelines for the facilitator: The content of this manual has been developed to encourage participants to think critically about what an LIP needs to do to become robust in governing and leading and to think about how it will apply to their own work.

Each section includes a combination of theoretical and practical areas that are organized around an introduction to the overall approach, a deep dive examination of a specific concept, and a practical exercise, followed by time for participant reflection. As a facilitator, you will be responsible for creating a learning space in which participants feel comfortable engaging, questioning, and participating fully in the training process. It is vital to create an environment that is comfortable, trusting, and provides a safe space for the participants to share and learn from each other's ideas and experiences, to keep an open mind, and to form a consensus on the specific L&G topics or issues discussed in each session. This will be achieved by investing time and effort into planning for each session and utilizing participatory facilitation skills that promote mutual respect, reflection, and active participation.

Overview:

- Understanding governance
- Board member roles and responsibilities

- Effective board governance, leadership, and oversight
- Establishing strategic direction
- Critical board activities, policies, and procedures
- Board Constitution or Charter
- Board risk management and internal control systems
- Management of board governance performance

Goal: The training is part of ASAP's efforts to create a shared understanding of the benefits of good governance, and for LIPs to build and strengthen functional governance systems and structures.

Objectives of this Leadership and Governance (L&G) Training:

1. Enhance board and management capacity.
2. Refresh your knowledge of board governance.
3. Highlight the importance of a board mandate and good governance systems.
4. Share effective L&G principles and tools.
5. Improve board capacity for effective oversight of board risk, performance management, and strategic leadership.

Training outcomes:

1. Refreshed knowledge and understanding of key governance principles and concepts.
2. Awareness of the distinct role of board governance.
3. Review of the significance of clear policies, procedures, and operational guidelines for good governance.
4. Understanding of how to build a clear governance and management structure.
5. Identification of areas for board and management capacity strengthening.
6. Sharing practical ways to improve board governance performance.

MODULE 1:
BOARD GOVERNANCE, ROLES, AND RESPONSIBILITIES

SESSION 1:
UNDERSTANDING BOARD GOVERNANCE

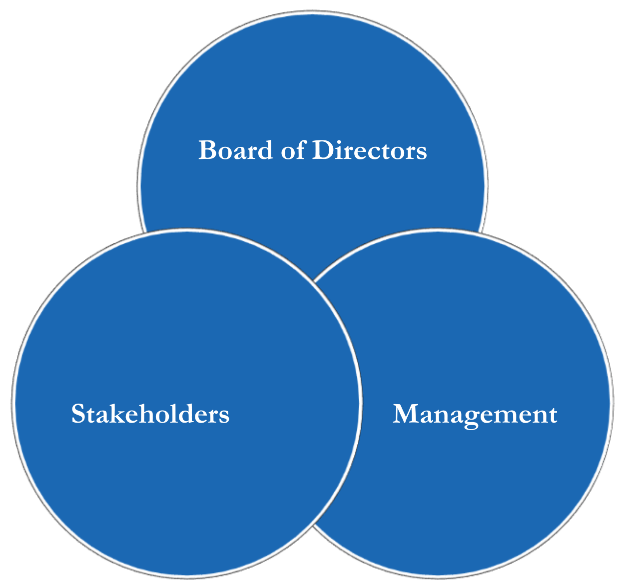
Facilitator Instructions (Time: 20 min):

Training Slides 5-9

1. **Share slide on OBJECTIVES:**
    - To understand board G&L (overview of governance)
    - To explain the role of G&L responsibilities of board members
    - To promote effective board leadership and oversight, critical activities, policies, and procedures.

2. **<u>Exercise</u>:** Break participants into groups of two and ask them to discuss the following: *The board of directors of an organization is responsible for organizational governance. What does "governance" mean to you?*

3. **Present the following information:**
Governance refers to the authority and power bestowed on the board of directors to make decisions on behalf of an organization. "Governance is the systems and processes concerned with ensuring the overall direction, effectiveness, supervision, and accountability of an organization."[1] The board of directors, management, and stakeholders are all key players in governance systems.



The board is responsible for providing confident and strong strategic leadership while assuring the current and future direction of the organization.

Not only does the board have the ultimate authority to act for the organization—it is also accountable for the outcome of any decisions, as well as for the process by which they were made.

Board leadership requires a commitment by its members to work together to ensure robust accountability, oversight, and assurance for excellent organizational and financial performance.

[1] "Defining Governance," NCVO, accessed May 26, 2022, https://beta.ncvo.org.uk/help-and-guidance/governance/what-is-governance/explaining-governance/#defining-governance

4. **Summarize:** Emphasize that the first step in good G&L practice is understanding what governing is and what each participant's organization needs to have in place and why.
   Training in good governance engages participants to get a sense of their experience with governance and encourages them to share their expertise in that area with others.

SESSION 2:
UNDERSTANDING THE ROLE OF GOVERNANCE & LEADERSHIP

Facilitator Instructions (Time: 45 min):

Training Slides 10-17

1. **Exercise:** Have participants pair up and discuss *What key areas of their organization must board members pay attention to?*

   a. Ask them to capture the key issues they identify on a flip chart and report back to the whole group after 15 minutes.

2. **On slides, present the information below on important areas of governance:**
   Working as a strong governance board, members and senior management need to know what areas of board governance are very important, and specifically, that they must pay attention to their legal obligations, including:

   - Ensuring clarity of vision, ethos (i.e., values that distinguish you from other entities), and **strategic direction.** The board should exercise strategic thinking and function at a macro level. It should ask key questions, such as where are we, where are we going, and how are we going to get there?

   - Focusing on the **mission of the organization**, the beneficiaries to be served, and awareness of the environment and any factors of importance.

   - **Holding executive leaders to account** for the organization's performance.

   - **Monitoring organizational performance and management** of staff to ensure successful delivery outcomes.

   - **Overseeing the organization's financial performance** and ensuring that money is well spent.

Governance accountability:

- Accountability is key, especially for the decision-making authority that organizes who is responsible for making key decisions.
- Organizational structures are needed that define and clarify responsibilities for operational, internal controls, and reporting processes.
- Organizational design/strategy that is understood by managers, employees, and external stakeholders.

- Accountability cannot be enforced without transparency and in accordance with the rule of law.

Board oversight and compliance:

- Oversee the performance of senior management.
- Ensure individual accountability for regulatory compliance and risk management.
- Have sufficient visibility into the organization's operations and processes.
- Understand risks and ensure that risk management is taking place.
- Ensure that actions are consistent with the laws of the country.

Board loyalty:

- Avoid conflicts of interest and commit to disclosing and correctly dealing with any that arise.
- Steer the organization toward activities that contribute to its overall objectives.
- Ensure effective use of resources.
- Ensure that the organization is managed in the best interests of its stakeholders.
- Ensure that clear procurement and contracting policies are established and followed.

Board commitment to the role of governance:

- Attend meetings.
- Stay informed by reading minutes and other materials.
- Participate actively and ask questions as needed.

3. **Summarize:** Finally, the board serves as the legal and moral custodian of the organization, so it must pay attention to the organization's financial health and ask itself, 'do we have enough money to deliver our strategic plan?' The board must make sure that financial resources are available to carry out the programs and services in the organization's portfolio and assure its stakeholders that financial management is in good hands.

SESSION 3:
BOARD OF DIRECTORS ROLES & RESPONSIBILITIES

Facilitator Instructions (Time: 45-60 min):

Training Slides 18-24

1. **<u>Exercise</u>:** Have the whole group discuss: *The board of directors of an organization is responsible for organizational governance. What does "governance" mean to you?*

    a. **After the discussion, stress that the key roles of the board of directors are:**

        - Establishing the strategic direction of the organization.
        - Ensuring that the organization has financial resources.

- Providing **oversight and accountability**.

In these three areas, the board ensures that policies are in place to guide staff and processes. The oversight role of the board and key staff involves strategic, future-oriented thinking.

2. **Exercise:** Ask the whole group: *What are examples of policies for which the board is responsible? Identify some G&L policies that should be in place.*

   a. **After discussion, present the following information:**

      - The board delegates responsibility for implementing organizational policies to the executive director.

      - The executive director is accountable to the board. **(*Note: Explain that accountability means that each board member is individually and collectively responsible for the decisions of the organization.)***

      - The executive director will hold other staff accountable for operating within the guidelines established by the board.

      - The executive director and other managers can establish policies for specific areas of the LIP's activities that align with the policies established by the board.

3. **Exercise:** Ask the whole group: C*an you think of examples of policies that the executive director or other senior staff may develop?*

   a. **Then present the following information:**

      - A key priority for the board and executive director is anticipating possible threats to the organization's assets and establishing risk management policies to mitigate them.

      - Other key policies include identifying who can make decisions, who has the authority to act on behalf of the organization and is accountable for how the organization and its people behave and perform, and who is authorized to make large purchases.

      - List of Policies:
        1. Risk Management Policy
        2. Delegation of Authority Policy
        3. Conflict of Interest Policy
        4. Code of Conduct Policy
        5. Succession Policy
        6. Whistleblower Policy

SESSION 4:
PRINCIPLES OF GOOD GOVERNANCE

Facilitator Instructions (Time: 60 min):

Training Slides 25-40

1. **Present the information below**:

"The term good governance may not always be understood in all governance contexts. Good governance enables management and the board to achieve their purpose by running their organizations legally, ethically, sustainably, and successfully for the benefit of key stakeholders, including donors, staff, clients, and/or beneficiaries of its service, and the good of the wider society.

There are two aspects of governance: a practical aspect, consisting of what and how to carry out tasks, and a procedural aspect that informs how decisions are made and who makes them. To make the governance approach work, it is important to follow these principles.

2. **Exercise:** Ask the whole group to discuss the following question and allow a few minutes for their feedback: *What is good governance?*

3. **Sharing a slide for each section below (and one for each of the 6 principles of good governance listed at the end of the section), present the following:**

The board of directors should always:

a. Act in the best interest of their organization.
b. Operate with openness, transparency, and with a good conscience — exercising no ulterior motives.
c. Apply care, due diligence, thoroughness, and good judgment, with a sound understanding of the organization's business and work.
d. Separate from any conflicts of interest.
e. Conform to applicable country legislation and regulations.

The board of directors and executives who follow these basic governance principles will meet their fiduciary and individual duties and responsibilities. This is why the board holds a legal and ethical position of trust.

Why is good governance important?

- It provides stakeholders with the confidence that their interests will be preserved and increases their trust in the organization.

- It provides a strong framework and capacity for a high-performing organization to deliver on its vision, mission, and strategic goals with skilled, capable staff who can plan, monitor, and implement sustainable outcomes.

- It ensures that the board is informed about the external environmental factors that affect the organization. In particular, the board's governance role is to ensure that robust strategies, systems, and processes are in place, including the installation of the right leadership and resources to sustain the delivery of programs.

Principles of good board governance

Principles of good governance are designed to guide the board of directors in their role of oversight, as advisors to the executive management, and in ensuring that the organization runs efficiently. The principles can be used to ensure that the various areas of its L&G systems are robust and in alignment. Principles are also useful for enhancing the knowledge of new directors who may be less experienced in governance.

Principle 1: Understand the board's role.

1. Be clear about what they are there to achieve.
2. Safeguard the assets of the organization.
3. Ensure the existence of governing documents with terms of reference (ToR).
4. Schedule matters reserved for board consideration.
5. Oversee the organization's financial performance.
6. Manage, advise, and support staff and volunteers.

Principle 2: Deliver the roadmap of the organization.

7. Ensure that the strategy remains relevant and valid.
8. Develop and agree upon a long-term strategy.
9. Agree on operational plans and budgets.
10. Monitor progress against plans and budgets.
11. Evaluate results and outcomes.

Principle 3: Be effective.

12. Ensure that the board receives accurate and timely information from management.
13. Ensure that policies, attitudes, and behaviors help the board and staff work effectively.
14. Recruit board members with diverse skills, experience, and expertise.
15. Develop an induction program for new board members.
16. Provide training opportunities for board members.
17. Perform ongoing self-evaluation of the board, individually and collectively.

Principle 4: Exercise control.

18. Ensure compliance with all regulatory and legal requirements.
19. Ensure good internal management and financial control systems.
20. Identify risks and have systems in place to manage them.
21. Present a delegation of authority (DoA) policy and matrix.
22. Escalate the review process of fundamental issues to the board.

Principle 5: Behave with integrity as an emotionally intelligent board.

23. Safeguard and promote the organization's reputation.
24. Act according to high ethical standards.
25. Manage conflicts of interest and loyalty.
26. Maintain independent decision-making.
27. Practice emotional intelligence, individually and as a team.

Principle 6: Be open and accountable.

28. Demonstrate open communication in sharing information about the organization's work.
29. Consult people appropriately.
30. Listen and respond to all stakeholders.
31. Handle complaints constructively, impartially, and effectively.

4. **Summarize:** It is important to stress the meaning of "key stakeholder" in good governance because it is the duty of board members to remain focused on stakeholder needs (e.g., program recipients and funders), whose interest will be to see you deliver good outcomes. Programs often fail because senior management often forgets the importance of the program funders, whose interest is to see you deliver good outcomes.

5. **Exercise:** For approximately 10 mins, have the whole group discuss: *What is bad governance? What are the challenges faced by the board of directors?*

6. **Share a slide** with the following table and speak to it.

CHALLENGE	SOLUTION
Conflict of interest: Erode trust in board members	Ensure that you can verify all transactions for any conflict.
Governance standards: Have rules and policies.	Have an enforcement mechanism in place.
Short-termism: Short terms can rob the board of long-term oversight and critical expertise.	Focus on long-term sustainable plans and outputs.
Board directors: Serving for too long	Ask yourself if they can remain independent.
Composition of the board: Not having a proper mix of members	Ensure that the board includes a mix of skills, age, race, and gender.
Accountability issues: Lack of role clarity about who is responsible for what	Always protect the interests of stakeholders.

7. **Exercise:** Facilitate a whole group discussion for approximately 5 mins on the following question: *Can you think of challenges that are missing from the list above?*

8. **Share a slide** with the following bullet points and briefly discuss each.

- The executive director is dominant and does not reassure the board that all is well in the organization; you are not sure if the board is strengthening its performance over time.
- The board is not active, and meetings are not scheduled regularly.
- Board members are not sure of their roles and responsibilities and are not fully engaged.
- The board is not working in partnership with the executive director and is not overseeing the executive director through the Chair.
- The board does not demonstrate commitment to donors, funders, and community members.
- The board is not assessing its performance and is not prioritizing strategic planning processes.

SESSION 5:
CRITICAL BOARD ACTIVITIES, POLICIES, AND PROCEDURES

Facilitator Instructions (Time: 15 mins):

Training Slides 41-45

1. **Share a slide** with the following table and speak to it.

Board areas of focus should include:

BOARD AREA	WHAT NEEDS TO BE IN PLACE
Strategy environment	Existence of a clear roadmap: vision, mission, goals, and strategic actions Communication of the strategy to staff and stakeholders.
Leadership and decision-making	Clear structures for decision-making, communication, and ownership of decisions A functional governance system compliant with governance structures Evidence of mentoring and nurturing by leadership.
Organizational structures	A structure aligned with the strategy. Adequate structure to fulfill organizational needs. Clarity of roles and responsibilities Effectiveness of the chain of command Interdepartmental relationships.
Organizational culture	Values and behaviors that hold the organization together. Impact of current performance culture and sustainability of good performance.
People, talent, and skills	Staff with the right skills relevant to your organization People who can deal with change.
Performance and results management	Individual and organizational performance management plans Setting of clear targets

	Appraisal of performance system.
Financial management and sustainability	Planning, budgeting, and implementation Internal controls and risk management Financial reporting Knowledge of available financial resources to deliver programs. Resource mobilization strategies.
Processes, policies, and procedures	Applicable policies, processes, and procedures Alignment of each policy/process/procedure to the strategy, mission, and vision Compliance with existing policies.
Information communication technology	Use of technology Infrastructure – software, systems, and hardware IT skills available Knowledge management.

HANDOUT: PRINCIPLES OF GOOD GOVERNANCE

PRINCIPLES OF GOOD GOVERNANCE	
Accountability	• Management is accountable to the board. • The board is accountable to stakeholders. • The organization is accountable for actions and use of resources to donors, legal authorities, and employees
Fairness	• Protection of stakeholders' rights and interests • Equitable treatment of all stakeholders • Redress provided for any violations
Transparency	• Open leadership provided. • Timely and accurate disclosure of the financial situation, performance, stewardship, and governance is ensured
Recognition and awareness	• Stakeholders' rights are recognized. • Cooperation in meeting goals is encouraged. • Leadership is ensured that it is capable, responsible, representative, and conscious of its obligations. • Effectiveness and efficiency are ensured in the use of resources and in getting results.

MODULE 2:
FULLY FUNCTIONING BOARD

SESSION 1:
COMPONENTS OF A BALANCED BOARD

Facilitator Instructions (Time: 60 mins):

Training Slides 47-54

1. **Present the following information:** The board's responsibility is to ensure that the organization has capable and committed leadership, both at the staff level and at the level of board governance. It is essential for the board to be balanced – maintain focus, review regularly, and ensure that its good governance principles always prevail.

2. **Exercise:** Ask the whole group to brainstorm on: *Why do you think the size of the board really matters?*

    a. **Then share a slide** on why the ideal size of a board depends on several factors (including the age, ownership, structure, and financial profile of the organization), including the bullets below:

    - The right mix of backgrounds, skills, and expertise
    - Financial expertise: it is always prudent to have a very experienced board member who can advise the board on fiduciary management issues.
    - Relevant program development experience, particularly for LIP boards.
    - Human resources experience
    - Legal expertise
    - Representatives of key stakeholders
    - Honesty and integrity – the ability to rely on them.
    - Diversity, including gender and age distribution.

3. **Exercise:** Ask the group to brainstorm on: *How many directors should a board have?*

    a. **Then share a slide** with the following bullet points and explain that, although they will vary in size by organization, the average board has seven to ten members, and its size should:

    - Enable productive and beneficial discussions and the ability to make prompt, rational decisions,
    - Allow efficient organization of the work of board committees,
    - Allow effective voting without any conflict-of-interest issues (whereby an arrangement might benefit a board member or an employee on a personal level).

b. **Add:** *Be sure to refer to your board's Articles of Association for further clarity. Stress the link between the Articles of Association to the responsibilities of board members. Explain that this will be covered more in depth in the next session.*

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4. State that this next section covers <u>board member characteristics</u>.

1. **Explain:** To recruit the right members with the right skills to support governance, the board will need to consider the following qualities that each potential board member should have…(**share slides** with bullet points below):

   - **An understanding of the organization's agenda and issues:** an understanding of the economic and professional environment in which the organization operates.
   - **Knowledge that is unique and will help the board:** someone who will ask the right questions, can interpret information, and can accomplish specific tasks.
   - **Skills that will facilitate the board's work, including:**
     - Good communication skills,
     - Ability to chair meetings,
     - Sound planning skills.
   - **A strong network, connections, and/or influence in the community:**
     - Within political, business, professional, or religious networks
     - With potential funding sources.
   - **A personality that will enhance the board as a team, including:**
     - A vision
     - Ability to build consensus among board members
     - Strategizing skills and big-picture thinking
     - Ability to challenge others professionally.

2. **Stress:** A balanced board is mindful of the dysfunctions that can cause problems and works hard to remove them. Failures can include an absence of trust, inattention to results, lack of commitment, avoidance of accountability, and fear of conflict.

Sample Board Skills Matrix *(Handout)*

1. **Distribute the Sample Board Skills Matrix handout (shown below) and explain:** "This is a tool you can use when choosing a diverse board. It brings structure to the process of board selection."

TECHNICAL SKILLS/EXPERIENCE	MEMBER A	MEMBER B	MEMBER C	MEMBER D	MEMBER E	MEMBER F
Accounting skills						
Financial skills						
Legal skills						
Human resources skills						
LIP experience						
Marketing experience						
Governance experience						
BOARD MEMBER CAPABILITIES	**MEMBER A**	**MEMBER B**	**MEMBER C**	**MEMBER D**	**MEMBER E**	**MEMBER F**
Ability to assimilate and synthesize complex information						

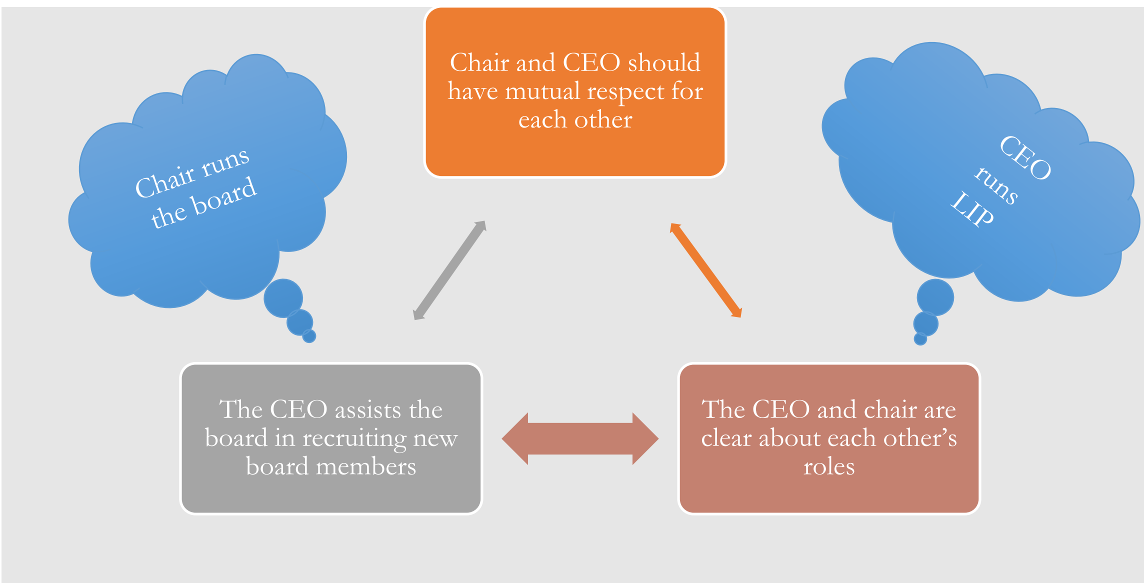
2. **As participants review the tool, ask them what the boards of their organizations are like.**

Facilitator Instructions (Time: 30-45 min):

Training Slides 55-66

1. **Present the following information:** A successful board chair and executive management relationship functions as a partnership where the two parties have different roles but are mutually independent. A successful relationship between the chairperson and executive management depends on the clarity of expectations about how to work together, with the CEO taking direction from the board, not from individual members.

2. **Then share a slide** with the diagram below about the role of the board chair:



3. **Speak to the diagram** for 1-2 minutes, explaining the relationships.

4. **Share a slide** on each area below regarding roles (including table):

***The board chair and management roles are clearly separated:**

- The board governs, and the staff manages,
- The board delegates responsibility to the executive director,
- The board and executive director work in partnership,
- The board regularly evaluates the executive director,
- The board plans for the succession of the executive director.

***The role of the board chair is to:**

- Shape the culture in the boardroom,

- Encourage all board members to engage in board and committee meetings by using their skills, experience, and knowledge,
- Ensure that relationships are based on trust, mutual respect, and open communication, both inside and outside the boardroom,
- Develop a productive working relationship with the executive director,
- Serve as a guide and mentor to new directors,
- Lead annual board evaluations and act on the results,
- Organize regular, externally facilitated board evaluations.

***Responsibilities of the board and executive management:**

BOARD LED BY THE CHAIRPERSON	MANAGEMENT LED BY EXECUTIVE DIRECTOR
Defines expectations for the organization: • Develops strategy (strategic plan) • Grants power • Verifies performance • Ensures compliance with governing documents (e.g., a charter) • Ensures accountability and compliance with laws and regulations • Maintains proper fiscal oversight.	*Takes direction from the board:* • Communicates expectations • Implements strategy and policies (short-term plans) • Manages day-to-day operations • Manages program implementation to fulfill the expectations • Reports results to the board.

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5. **State that this next section covers <u>the characteristics of bad governance relationships</u>. Share a slide** with the bullet points below that list some characteristics of bad governance:

- A non-independent chair
- Most of the board of directors are not independent.
- Presence of considerable conflicts of interest
- Board members are friends or previously affiliated and collude in abuse of power and influencing decision making.
- Key indicators of executive director performance are not in place
- No formal executive director annual review process
- Board meetings focus more on operations than strategic thinking or development
- No agreement between the board and management on the organization's risks.

6. **Share a slide with the bullet points below on <u>looking out for bad governance</u>:**

- Non-ethical decision-making
- Negative media reports of a dysfunctional board

- Informal board reviews conducted by the Chair as one-on-one, friendly side chats
- Regular negative talk about the organization
- Presence of corruption at all levels
- Centralization of power and authority
- Political criminalization
- Poor knowledge of development issues
- Low level of board member education; unable to contribute effectively.

7. **State:** We've talked about the vital importance of separation between the two roles—the board governing and the executive role of running the organization—, but when big decisions need to be made, the board must get involved with management. Ask: W*hen does the board get involved?*

    a. **Share the slide** with the following points:

    - **Big decisions**: When any issue may have a negative impact or strong financial stakes are involved.
    - **On future focus**: The organization's long-term vision
    - **Relevance**: To help the organization focus on what is currently important
    - **High-level policy decisions**: These include big purchases, future direction, executive director evaluation, and legal matters.
    - **Overseeing trends:** Review of negative and positive trends (e.g., low performance, unethical issues, or continual poor performance),
    - **Legal and media issues:** Tax issues, government relations, etc.,
    - **Support of the executive director:** To implement board decisions (such as reduction of organizational costs).

    b. Ask the group to think about these questions:

    - How does the board ensure that you are aware of any serious problems in your organization?
    - Does the board receive and utilize adequate information to support your oversight responsibilities?
    - What documents does your board use to guide the delivery of its role?

8. **<u>Exercise</u>:** Break participants into groups to discuss (15 mins): *What are the signs of a board and management that work well together?* (Have them assign someone from their group to present their findings and see if the other groups agree)

9. **Bring participants back** to present their findings and speak to each of the following points, shared on a slide:

    - The composition of the board works well,
    - There is respect and trust among all board members,
    - A strong team spirit exists,

- Emotional intelligence exists among board members,
- The board spends time building quality relationships with individual members, the board, and senior leadership,
- The board always cheers on the CEO and staff when progress is made,
- The board is an ally, a sounding board, and a trusted advisor for the CEO,
- The board focuses on addressing areas of dysfunction that can impact board performance,
- The chair and CEO continually invest in developing a good relationship to benefit the future of the organization.

SESSION 3:
BOARD CHARTER OR CONSTITUTION

Facilitator Instructions (Time:15 min):

Training Slides 67-70

1. **Ask the whole group to brainstorm (3-4 mins) on:** *What is a Board Charter of Constitution?*

2. **Share slides** with the following information, including the Board Charter Outline below:
    - A charter is a written policy that clearly defines the roles, responsibilities, and authorities of the board of directors, both individually and collectively; board members must be willing to fulfill the responsibilities set by the organization.
    - A charter is important for delivering effective governance; the expectation is that board members will be committed to the mission of the organization.
    - The charter encourages boards to focus on continuous improvement of their governance processes for the benefit of the organization; boards of directors should care about their organization's work and be willing to volunteer to support it.
    - The charter provides a forum for discussing "hard-to-mention" governance issues.
    - The charter creates a foundation for the board of directors and executive management to self-evaluate.
    - The charter assists with checks and balances to prevent fraudulent activities.

Board Charter Outline

DEFINING GOVERNANCE KEY ROLES	KEY BOARD FUNCTIONS	IMPROVING BOARD PROCESSES	BOARD EFFECTIVENESS
• Board composition • Role of the board • Role of the chair • Role of individual directors • Role of the CEO • Role of the company secretary	• Strategic Planning • Monitoring • Risk management • Compliance • Policy framework • Networking • Stakeholder communication • Decision-making	• Board meetings • Board meeting agenda • Board paper • Board calendar • Committees	• Director protection • Board evaluation • Director remuneration • Director selection • Director onboarding • Director development

SESSION 4:
BOARD COMMITTEES

Facilitator Instructions (Time: 45-60 min):

Training Slides 71-80

1. **Explain: This session takes us into the oversight role of the board and its committees.** The board's oversight role is usually implemented through Board committees that address specific organizational issues and report back to the entire Board.

2. **Share slide: "Functions of a Board Committee"** with the following information:

    - Board committees are appointed by the board to focus on specifically designated areas of interest and make informed decisions within the delegated authority of the board.
    - Committees offer a platform for boards to deal with specific issues that require specialized areas of expertise.
    - Each committee has a special responsibility (e.g., human resources, auditing, fundraising) and reports its progress regularly to the main board or makes specific recommendations on relevant matters/areas.
    - Each committee is chaired by a board member and presents decisions and recommendations to the main board at each board meeting for information or approval.
    - Board committees operate at the board level, not at the staff level.
    - It is vital to diversify the board members and make sure that the same board member is not active in several committees, as this can be a conflict of interest.
    - Committee chairs report at each board meeting on the committee's work since the previous board meeting.

- All committees must abide by the requirements of the bylaws.
- Board members must be willing to take on extra duties.
- Each board should set up a clear structure for how the board and management will interact.
- The organization needs to determine a mechanism for board committees to escalate critical issues.

Stress that committees are not there to replace the board!

3. **Share slide: "Examples of Typical Board Committees"** with the information in the table below:

Finance	Oversees the budget; ensures accurate tracking, monitoring, and accountability of funds; and ensures that adequate financial controls are in place
Audit	Plans and supports audit of major functions (e.g., finances, programs, etc.)
Public Relations	Represents the organization in the community and enhances the organization's image, including any communication with the press
Human Resources	Deals with human capital issues, including HR policies and procedures, contracts and recruitment processes; and supports board evaluation of the Executive Director
Fundraising	Oversees the development plan for raising funds for the organization

4. **Share slide: "Board committee considerations":**

- Define the **committee's responsibilities** and address linkages between the committee, the broader executive management team, and the board of directors.
- Define the **types of decisions** committee members can make, including events, risks, and other items that should come to the committee's attention.
- Be clear about the **methods of escalating and reporting** significant matters to the appropriate board or committee.
- "Establish the **independence and authority** of the control functions of compliance, risk, legal, finance, and audit."[2]

5. **Share slide: "The LIP board secretary or equivalent legal role":**

The board secretary is your go-to as a board member and:

- Reports directly to the chairperson,
- Assists you with legal and regulatory know-how,

[2] "Governance Operating Model: A Tool for More Effective Board Oversight," Deloitte, June 11, 2013, https://deloitte.wsj.com/articles/EB-7-155?tesla=y

- Must have both direct and informal access to board members,
- Maintains the complex and occasionally strained, relationships between executive directors, chairs, and their boards,
- Maintains custody of important board corporate documents and minutes,
- Should structure their role to the needs of the organization.

- - - -

6. **Explain: The next segment takes us into a board system of checks and balances**

1. **Exercise:** Discuss the following question with participants (5-10 mins) and ask them for specific examples of real issues that they are likely to come across: *What if an individual board member or executive director exerts their authority and oversteps, assuming powers beyond their limit? How would this be managed?*

2. **Then explain:**

The board needs a system of checks and balances in place to avoid any untoward incidents in the organization. **"Checks and balances**" refer to a system in which departments or divisions of an organization have control over one another; e.g., each cannot proceed with a transaction or payment activity without authorization by a third party. This reduces mistakes and prevents improper behavior in organizations, including situations where one individual, or a group of people, have too much-centralized control. It is especially important to have checks and balances in place in large organizations where individuals such as department heads make decisions that can have a profound effect on the entire organization."[3]

3. **Share slides on the topics below.**

Questions a board should ask itself:

- Who authorizes your checks?
- How do we, as a board, ensure that one department does not exceed its boundaries?
- How do you guard against errors or fraud?
- How much do we know about the organization's donor-funded programs' performance and outcomes?

Areas to always reflect on as a board:

1. Clear separation of board and management roles—a requirement,
2. Clarity of board members about their roles,
3. Adherence to values, especially a commitment to a high level of accountability,
4. Existence of a good governing structure,
5. Promotion of the highest professional and ethical standards in the organization,

[3] "Check and Balances," Legal Dictionary, May 6, 2016, https://legaldictionary.net/checks-and-balances/

6. Board committees that speak *to* the board, not *for* the board,
7. A plan to ensure that board members are selected well and oriented to their new role and the organization,
8. Assurance that the board accepts responsibility for constantly improving itself.

Some takeaways:

- Make board appointments wisely; they are a long-term investment.
- Always plan; new appointments create new opportunities.
- Carefully consider the skills and expertise of board members; what do your board and organization need to transform?
- Build skills and expertise into the development plans for future leaders.
- Provide onboarding support for new board roles; it is important for all appointees.
- Be sure to receive a diverse board candidate list when you recruit.
- Monitor the diversity of your organization's succession planning; this is your talent pipeline, and the more diverse, the more successful you will be.
- Be aware of groupthink, hiring by type (e.g., about advocacy only), and comments about "fit" with the culture.

MODULE 3:
BOARD RISK MANAGEMENT

SESSION 1:
OVERVIEW OF RISKS

Facilitator Instructions (Time: 45 min):

Training Slides 82-84

1. **Share a slide with the bullet points below.**

- What is risk?
- The distinction between risk oversight and risk management
- Identification of risks
- Measurement of risks
- Roles and responsibilities in risk management
- Specific recommendations for implementing risk management.

2. **Exercise:** Break participants into groups of 2-3, have them use flip charts to capture their ideas on the following questions, and present them to the group after about 15 min: *What is risk? Why is it important in board governance? What risks do you face when coming to this workshop?*

3. **Share a slide with the following information:**

   Definition: Board risk creates and suggests a hazard or uncertainty and can include a likelihood or threat of:

   - Damage
   - Injury
   - Liability
   - Loss
   - Any other negative occurrence caused by external or internal weakness or exposures that may be avoided through proactive action.

SESSION 2:
RISK MANAGEMENT

Facilitator Instructions (Time: 60 min):

Training Slides 85-87

1. **Share a slide with the following definition of risk management:** "Risk management is a process of coordinated activities that serves as an effective mechanism to control or reduce risks. It stabilizes the organization by enabling the identification, prioritization, mitigation, and measurement of the implications of each risk that the organization faces."

2. **Emphasize why there is so much focus on risk management:**

Risk management is a top governance priority for anyone investing in an institution. People and entities increasingly push for more meaningful and transparent disclosures on board activities and performance, with respect to risk oversight.

3. **Share the slide with the following information:**

   Risk management helps the board be proactive and understand the risks that may impact them. Such management contributes to improvements in organizational performance through:

   - Risk reduction that enhances service delivery
   - Enhancing and protecting finances
   - Proper management and efficient use of resources
   - Increased performance
   - Minimizing harm to staff and beneficiaries.

4. **Share slide:**

   A good risk management program will:

   - Bring in good governance principles: accountability, transparency, responsibility, disclosure practices, and effective relationships.
   - Contribute to operational efficiency in the organization.
   - Create a culture of compliance with laws and regulations.
   - Improve stakeholders' confidence in your organization's ability to drive and achieve its mandate.
   - Allow for identification of waste and lead to significant organizational savings.
   - Reduce cases of corruption, bribery, and other unethical acts.
   - Support the organization's growth strategy and give it a competitive edge over its peers.

SESSION 3:
TYPES OF RISKS

Facilitator Instructions (Time: 30 min):

Training Slides 88-96

1. **Note that:** All risks can result in reputational risk in the form of negative publicity, public perception, or uncontrollable events, causing an adverse impact. Reputational risk can impact without warning and may well shift your operational landscape.

2. **Share the slide with the following table:**

CONTEXTUAL RISKS	PROGRAMMATIC RISKS	ORGANIZATIONAL RISKS

• Natural disasters • Terrorist activities • Lack of public infrastructure • Political instability	• Diversion • Lack of program delivery capacity • Poor service delivery outcomes • Lack of program efficiency and effectiveness	• Human resources • Fraud • Financial management • Lack of capable human capital • High staff turnover • Negative culture

3. **Share slides with the following examples of types of risks:**

***Human Resources (HR) risks**

- Risks incurred by failure to conduct a thorough security screening of new employees and volunteers on police records, tax clearance, etc. Classic HR concerns are sexual harassment, hiring, disciplinary, and termination procedures.
- Risks introduced by recruiting volunteers—bringing in people who pretend to have good intentions but may cause harm to the reputation of the organization. Be mindful of who they are, how they function, and what role you give them.
- Risk of property theft due to insufficient purchase, storage, and monitoring procedures.
- Risk of losing or damaging the organization's reputation.
- Risks because of management attitudes and policies, which directly impact employee and volunteer behavior and mitigate or increase the potential for peril. .

***Legal risks**

- Non-compliance with applicable state and local rules and regulations.
- Failure to follow proper registration guidelines.
- Delinquent tax payments (or lack of payment).
- Failure to produce annual reports, particularly when donor funds are being utilized.
- Financial impropriety, whether intentional or due to negligence.
- Fraud and embezzlement.

***Financial risks**

- Risks related to revenue, income streams, expenses, allocation of expenses, and monitoring and management of expenses.
- Risk that the organization runs out of money. Negligence is all it takes for this to occur.

***Stakeholder goodwill risks**

- Legal risks can negatively impact stakeholder goodwill toward the organization, as legal problems are rarely good public relations.
- The reputation of executives and directors can be affected by being known as the leaders who failed the organization.

***Operational risks**

- In implementing the organization's day-to-day activities.
- In securing organizational assets (e.g., securing offices and assets after hours and during interactions with third parties, vendors, and suppliers).
- In having inefficient operations (via-a-vis the timeliness, accuracy, authorization, and completeness of activities in question).
- In assessing whether services pose a risk—either in their transport or their operation—to employees, volunteers, or third parties, managers must determine.

***Fundraising risks**

- Impersonation of a nonprofit organization by corrupt parties to host fundraising events and keep the profits.
- Potential loss of donors "if fraud is discovered, the organization risks losing donors' trust and could be held liable for the losses incurred by those who donated to the fake fundraiser."[4]
- Failure to fulfill the obligation of nonprofits to protect their brand and logo.
- Need to monitor for any misuse of funds and prosecute any impersonators to deter future instances of fraud.
- Need to process elements, authorization of per diems, claims, etc.

***Theft risks**

- Theft can be perpetrated by an employee, a third-party vendor, or even a client.
- Any financial loss may impair an organization's ability to deliver services or otherwise fulfill its core functions, especially if the organization has limited resources and liquidity.

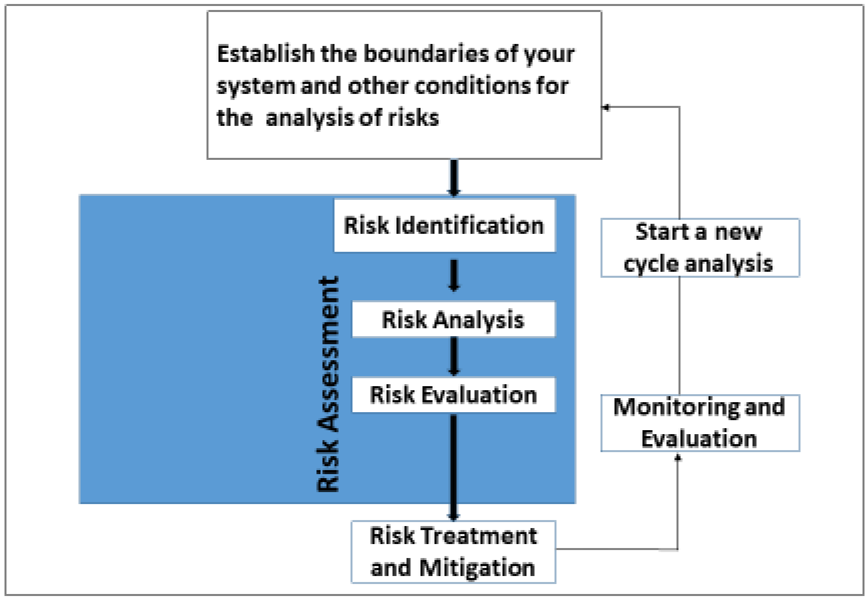
SESSION 4:
RISK MANAGEMENT PROCESS

Facilitator Instructions (3-4 hours):

Training Slides 97-112

1. **Share a slide for each step of the risk management process, beginning with the diagram below:**

[4] Katie Dwyer, "7 Critical Risks Facing Nonprofit Organizations," Risk and Insurance, July 9, 2018, https://riskandinsurance.com/7-critical-risks-facing-nonprofit-organizations/



2. **Hand out the chart and heat map below and begin review of each step in the risk assessment process:**

Step 1: Identify Risks

Identify risks through one-on-one interviews or group work in your organization. Once you have identified them, use your handout copy of the table below to **categorize** them (e.g., insufficient resources, lack of compliance, lack of skills).

RISK CATEGORY	RISK FACTOR/CAUSE	RISK DESCRIPTION
Compliance/statutory	Exposure of the organization to stakeholders/donors	Inadequate compliance systems in place, which may result in loss of donor trust
Financial/funding	• Inadequate revenue collection • Lack of control procedures	• Theft of money • Failure to effectively manage the organization's resources, which may result in financial loss

How vulnerable?

Step 2: Analyze and Evaluate Risks

After identifying the risks, assess, measure, and plot their severity using the heat map below.

Impact on the Organization	Medium	Medium	High	Critical	Critical
	Low	Medium	Medium	High	Critical

	Low	Low	Medium	Medium	High
	Low	Low	Low	Medium	Medium
	Low	Low	Low	Medium	Medium
	Low	Low	Low	Low	Medium
Likelihood of Occurrence					

3. **Share slides with the following information on conducting analysis:**
    a) Assess the likelihood and consequence of each risk by asking what the chances are of this happening.
    b) Determine whether the overall level of risk is low/unimportant, medium/minor, high/moderate, or major/critical.
    c) Discuss the use of "impact" and "likelihood." Develop a risk profile, including the probability (chance) and consequence (importance) of a risk.
    d) Assign a risk owner (i.e., a senior person to be responsible for actions and outcomes needed).

Step 3: Assess the impact on organizational ability.

Use the heat map (rating/scoring matrix) to identify the impact and organizational vulnerability of each identified risk:

- Critical
- High
- Medium
- Low

Step 4: Respond to Risks

Risk strategies and/or measures are there to prevent, deter, or detect risks, and if they are adequately implemented, they ensure that the risks are effectively addressed. Refer to the table below for categories.

Avoid Risk	Stop, prevent, eliminate, or avoid the risk event.
Manage Risk	Reduce the risk impact, the risk vulnerability, or both, in a cost-effective manner that reduces and minimizes the risk exposure.
Transfer Risk	Reduce the likelihood or impact of risk by transferring or sharing part of the risk.
.Accept Risk	Allocate risk mitigation or management resources to cover the risk.

Evaluate your risks:

a. List your risks in order of priority.

b. Determine if you can manage your risks or need to escalate them to the board or key stakeholders (e.g., prime partner, donor).

RISK LEVEL	ESCALATION AND RETENTION GUIDELINES
Extreme	Escalate to board
High	Escalate to ED/Head of Operations; risk level is unacceptable.
Medium	Escalate to relevant senior management; state actions.
Low	Monitor and manage at a low officer level, operational level.

Step 5: Risk Treatment, Monitoring, and Evaluation

a) Identify and implement the most appropriate means to mitigate your risks.
b) Identify risk treatment options (*treatment* refers to what you do about it).
c) Select the most suitable option.
d) Develop treatment plans.
e) Implement plans and review progress.

Monitoring and evaluation:

a) Set up an ongoing review, report, and monitoring mechanism.
b) Include an annual review of your risk management policy, process, and alignment.
c) Prepare a monthly or quarterly report for the board on progress with extreme and high risks.
d) Set up monthly or biweekly management meeting cycles.

4. Share slides on the Board's role in managing the risk process:

a) Sets the tone at the top in establishing transparency and consistency.
b) Communicates its vision and commitment to risk oversight.
c) Defines the board's risk oversight role.
d) Fosters a risk-intelligent culture.
e) Helps management incorporate risk management into overall strategy.
f) Helps define the organization's willingness to accept risk.
g) Executes the risk management process.
h) Benchmarks and evaluates the risk management processes.

Risk Register:

a) A Risk Register or log is a project management tool created to help managers document, track, and address risks through preventative controls and corrective actions.

b) This register is normally created before a project officially begins and is regularly reviewed "and updated throughout the life of a project through deliberate risk monitoring and control."[5]

c) Local partners should treat risk management as an integral component that affects how the organization measures and rewards its success.

Risk management considerations:

a) Customize your risk management approach to suit your organization's particular needs.
b) Designate a senior manager with accountability and authority to manage your risks and open discussion with others in the organization.
c) Develop a Risk Register: Identify your risks, keep a record, and have a plan to manage the risks.
d) Examine some of the core risk-management issues unique to you.
e) Use a "*lessons learned*" approach to address risk management in a non-threatening way.
f) Explore available opportunities to improve how you manage risk.
g) Connect and network with other local partner board members and senior management working on risk management issues; build synergies for improvement action plans that will yield results for all.

Areas for the board to watch:

- If management does not understand their role in risk management and the role of internal auditors.
- If management is not covering the key risks in the strategic plan.
- If management has not employed the right people with the right skills to carry out risk assessments and deploy risk management strategies within the various organizational areas.
- If management and staff are insufficiently trained in risk management and internal audit efforts.
- If the organization fails to keep up with changes in the outside world and the risks posed by those changes.

5. Summarize the session with these key points:

- Help identify risks within your departments and or area of work.
- Help identify risks in other sections.
- Be proactive, and report identified risks to the senior manager or the correct board/management committee.

[5] Lance Hodgson, "Purpose of a risk register: Here's what a risk register is used for," Sitemate, accessed May 26, 2022, https://sitemate.com/resources/articles/safety/purpose-of-a-risk-register/

- Propose mitigation measures to address the risks.
- Follow these instructions according to the organization's policies and procedures.

Example of a risk management structure:

TECHNOLOGY	TECHNOLOGY	
	Risk governance	• Board of Directors • Board Committees
	Risk infrastructure and management	• Executive Management • Heads of Departments • Internal Audit • Risk Management
	Risk ownership	• Departments • Supporting Functions

COMMON CHALLENGES
IN THE RISK
MANAGEMENT PROCESS

1. Lack of a proper risk management program and appropriate organizational structures for risk management.
2. Failure by the persons charged with managing the organizational risk process and understanding their roles and responsibilities in risk management.
3. Failure by other staff members to understand their roles and responsibilities in risk management.
4. Lack of support by the board of directors and senior management for proper risk management programs in the organization.

6. **Give participants all handouts on the following pages (before beginning SESSION 4).**

- - - -

HANDOUT: RISK MANAGEMENT

FROM NVCO KNOWHOW:
https://knowhow.ncvo.org.uk/how-to/how-to-complete-a-risk-assessment

STEPS TO MANAGE RISKS

1. **Identify the risks**

The first step is to identify possible risks in the different areas of your organization's work. Look at your strategy and main objectives and think about the things that might stop you from achieving them.

Review risks under the headings of governance, human, reputational/external, regulatory, financial, and operational. You can use these headings as a framework, thinking about the risks in relation to each of your strategic objectives.

Remember to consider a range of possibilities in each area (what might happen) and explore both positive and negative outcomes. The questions below can help you understand your organizational risks:

Governance risk

- Does your board have the right skills?

- Does your governing document allow you to do what you need to do to make the difference you want to make?

Reputational or external risk

- Do you have the influence and reputation that you need?
- What are the risks to this reputation (e.g., negative publicity caused by poor service or working practices)?
- What changes to government policy might affect your ability to achieve your objectives?

Regulatory and compliance risk

- Is there a risk of failing to comply with legislation or reporting, which might result in both reputational damage and financial damage?

Financial risk

- Are there risks to your finances that might stop you from achieving your objectives (for example, are you dependent on one source of income, or are your reserves low)?
- Is there a risk of fraud when transferring money to a country that has few regulations or financial checks?

Operational risk

- Is the organization set up and run in a way that allows success?
- Do you have the right staff with the right capabilities?
- Are staff in the right roles?
- Do staff have the tools they need to be successful? Do they communicate effectively and use effectual processes?
- Do you have the right organizational culture to help prevent fraud?

2. <u>Analyze and score the risks</u>

Once a risk has been identified, you need to assess:

1. The likelihood of the risk happening.
2. The impact of the risk on the organization if it happens.
    a. To assess the impact of a risk, consider all the possible implications, some of which might not be obvious.

Example: One of the risks may be that you are unable to articulate the impact of your work. An obvious consequence of this could be a reduction in funding. A less obvious consequence may be that your staff become disheartened and lose focus because they can't see the difference they're making.

Thinking about this together as a board, with your senior team, is a valuable exercise.

LIKELIHOOD: Scoring the likelihood and impact of a risk; give each risk a score for likelihood and impact.

Likelihood

SCORE	LIKELIHOOD OF RISK OCCURRING
1	Rare: Not likely to happen or will only happen in exceptional circumstances
2	Unlikely: Not expected to happen, but there is a remote possibility that it will occur.
3	Possible: May occur on some occasions, but not frequently
4	Likely: Is likely to occur or will happen on more occasions than not.
5	Certain: Likely to occur in most cases.

Impact

SCORE	LEVEL OF IMPACT	POSSIBLE CONSEQUENCES IF RISKS OCCUR
1	Insignificant	• No impact on service • No impact on reputation • Complaint unlikely • Litigation risk remote
2	Minor	• Slight impact on service • Slight impact on reputation • Complaint possible • Litigation possible
3	Moderate	• Some service disruption • Potential for adverse publicity – avoidable with careful handling • Complaint probable • Litigation probable
4	**Significant**	• **Service disrupted** • **Adverse publicity, not avoidable (local media)** • **Complaint probable** • **Litigation probable**
5	Major	• Service interrupted for a significant time • Major adverse publicity, not avoidable (national media) • Major litigation expected • Resignation of senior management and board • Widespread loss of beneficiary confidence.

*If one or more of these consequences is possible if the risk occurs, give it the associated score.

Calculating the initial risk score

The initial risk score is calculated by multiplying the likelihood score by the impact score.
For example, a risk with a likelihood of 2 and an impact of 3 would have a score of 6 (2 x 3).

INITIAL RISK SCORE	LEVEL	ACTION
1-8	Low risk	Accept risk; manage at the activity level
9-16	Medium risk	Management action is required to reduce risk levels to low
17-25	High risk	Significant risk that requires board action or awareness

3. **Prioritize the risks**

You can't manage every risk, so use the risk rating score to prioritize what you should focus on.

It's useful to determine a cut-off point, above which you'll manage the risk and below which you won't. For example, you may decide to manage only the top five or ten risks or risks that score six points or more.

The cut-off point will partly depend on the time you have to manage the risks. It is better to manage the most serious risks properly than to manage a complete list weakly.

Determine the appetite for risk

You need to understand how much risk your organization is willing to accept when pursuing its objectives.

Your risk appetite might depend upon the activity. For example, an organization that provides aid in a war zone and uses organization shops to fund this work might have a low-risk appetite for health and safety in its shops but a high-risk appetite for safety in the war zone.

In the next step, look at the top ten risks you're managing and determine your risk appetite for each and your target risk score. Aim to get the residual risk (the risk that remains after you have your controls in place) to a level that is in line with the risk appetite.

4. **Reduce and control risks**

The level of each risk must be controlled to a level that the organization considers acceptable.

The board should work with the people who own the risk to think about all the controls the organization has in place to reduce the likelihood or impact of the risk. For example, if the risk is fraud, one of the controls might be anti-fraud measures.

Once you have listed all the controls that you have in place for a risk, you can re-score its likelihood and impact to get a *residual risk score*.

Think about whether this residual risk is:

- At an acceptable level (i.e., the same level as your target risk score)
- Too high, which means you'll need to identify additional actions to further reduce the risk (e.g., put more controls in place, improve existing controls, stop the activity, or insure against or contract out the risk). This will give you an action plan that can be reviewed.
- Too low, which means that you might consider stopping or reducing some control.

5. **Give assurance**

Once the key risks have been identified, assessed, and subjected to controls, it is important to make sure that these controls are conducted as expected.

You can ask the risk owner, at appropriate intervals, to confirm that they have checked the controls and are working as planned; ask them for evidence to support this.

You can also ask internal auditors (if you have them) for assurance that the controls are working or ask your external auditors or other professionals to do this.

6. Monitor and review risks

Once you have identified your key risks and decided how to deal with them, record your plans in a risk register so you can come back to it later.

Decide how you will monitor and review your risks and plans, taking changing circumstances into account. Risks may come and go, or their likelihood or potential impact could change, so you may need to change the way you deal with them. It is a good idea to tie this monitoring and review process to your strategic and operational planning.

Review your risk register at least once a year (perhaps more often for large or complex projects) and whenever incidents occur that suggest the controls you have in place are not working well.

Some organizations also ask that all papers which go to the board include a summary of the main risks and their suggested mitigation.

It can be useful to pick a risk at each board meeting and review it in depth. This gives the board a detailed understanding of the risks and controls and helps assure them that risk is being managed effectively.

Risk Heat Maps

A simple way to view your organization's risk portfolio is to create a risk map, often called a heat map. This is a two-dimensional representation of impact plotted against likelihood. It can also depict other relationships, such as impact versus vulnerability.

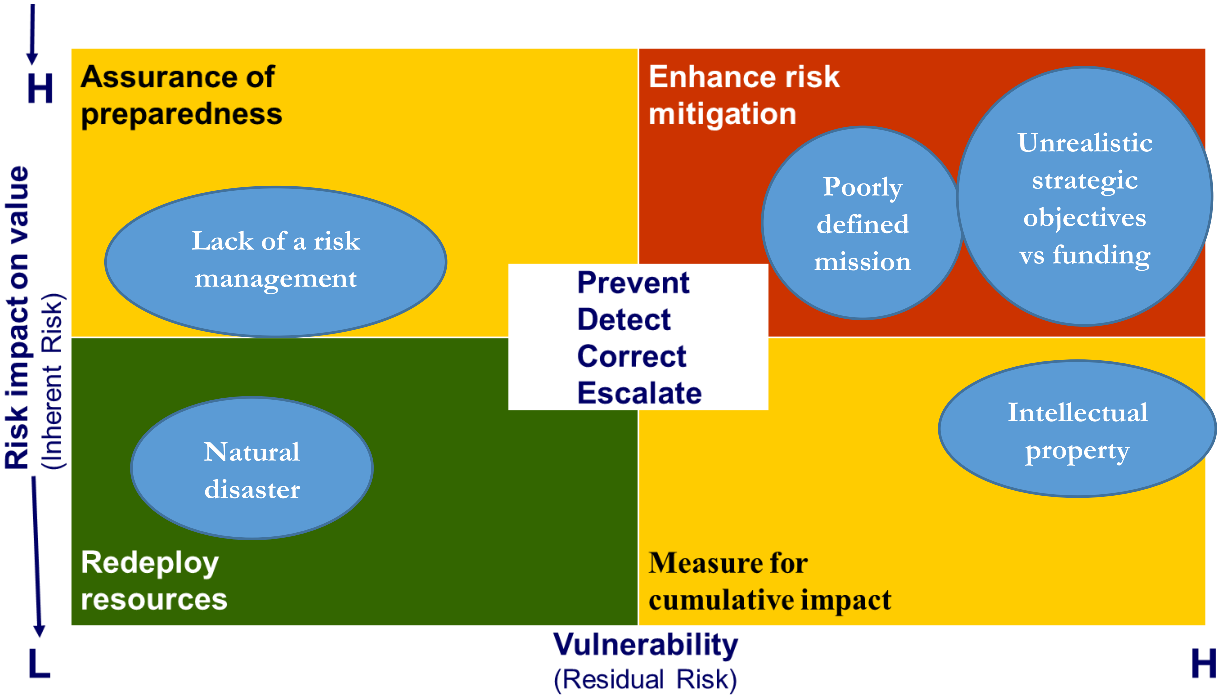
"The most common way to prioritize risks is by designating a risk level for each area of the graph, such as high, medium, or low, where the higher the combined impact and likelihood ratings, the higher the overall risk level.

After plotting the heat map, risks are ranked from highest to lowest in terms of risk level. These rankings may then be adjusted based on other considerations such as vulnerability, speed of onset, or detailed knowledge of the nature of the impact.

Where entities have defined impact scales for both opportunities and risks, they may plot risks on a map like the one in the diagram below. This allows a direct comparison of the highest rated opportunities and risks for consideration and prioritization."[6]

[6] Dr. Patchin Curtis and Mark Carey, "Risk Assessment in Practice," Deloitte & Touche LLP for the Committee of Sponsoring Organizations of the Treadway Commission (COSO), October 2012, https://www2.deloitte.com/global/en/pages/governance-risk-and-compliance/articles/risk-assessment-in-practice.html

Risks plotted in the "very high" risk level are designated as red in the heat map below. These risks were designated "key risks," meaning they will be reported on and monitored by executive leadership and the board of directors.



Summarize with these key points:

To be effective and sustainable, the risk assessment process needs to be simple, practical, and easy to understand. Success depends on top leadership commitment and resources.

1. The process must be performed by people with the right skills supported by the right technology.
2. A senior level risk management function is essential for defining common standards, coordinating assessments across departments, and facilitating analysis of risk interactions.
3. The central risk management function must assign people with good facilitation, project management, and analytical skills, including knowledge of risk management leading practices.
4. "The risk management function must be improved by staff closest to the risks. The risk owners ultimately bear responsibility for the assessed levels of risk and defining and implementing risk response plans to bring risks within tolerance."[7]
5. Use a top-down and bottom-up approach to bring consistency, accountability, and wide coverage while leveraging staff expertise closest to the risks.
6. The risk management function must sit within a structure that uses the information to make decisions about risk responses and monitoring and ensures that the information is included in the strategic planning process. The risk management function should be designated to ensure the monitoring and oversight of response implementation.

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[7] Dr. Patchin Curtis and Mark Carey, "Risk Assessment in Practice," Deloitte & Touche LLP for the Committee of Sponsoring Organizations of the Treadway Commission (COSO), October 2012, https://www2.deloitte.com/global/en/pages/governance-risk-and-compliance/articles/risk-assessment-in-practice.html

7. The board and executives should monitor the progress of the entire risk management framework at the organization.

MODULE 4:
BOARD PERFORMANCE MANAGEMENT

Facilitator Instructions (60-90 min):

Training Slides 113-115

1. **Share a slide on Objectives for this SESSION:**
   - Introduce key areas for the organization to enhance its performance of board governance.
   - Establish clear roles and responsibilities for transforming the organization's governance.
   - Explore how the board will maintain visibility, processes, and reporting mechanisms.
   - Monitor and evaluate the organization's activities to ensure effectiveness.

2. **Exercise:** Split participants into groups of 4-5 to discuss the following question, have them capture their thoughts on a flip chart, and report back to the whole group (30 min): *As a board and executive management, how are you going to improve your organizational processes covered in this training?*

SESSION 1:
BOARD GOVERNANCE FRAMEWORK

Training Slides 116-122

3. **Provide the following introduction:** This session presents the board framework tool that will take you through the key performance and governance areas. This allows the board of directors to look at their organization holistically and examine all areas where they can improve on areas of weakness. The framework facilitates the avoidance of risks in performance, people management, and in all performance management areas and bottlenecks.

4. **Share slides with the following information:**

   ***Board Governance Framework**

   - Enables the board and executive leadership to have a focus,
   - Allows everyone to fulfill their roles,
   - Gives the board an opportunity to test out the effectiveness of its governance structure, and the mechanisms by which governance is implemented,
   - Ensures that board members explore any inconsistencies, overlaps, and gaps that may lead to failure to enact governance policies that the board and management have put in place.

   ***Roles and areas for board focus**

   - Board oversight and responsibilities,

- Determine the skills and knowledge that the board requires and compare to its current composition,
- Engage management in providing the information that the board requires to exercise governance and risk oversight,
- Advise management on policies that ultimately influence how governance is conducted,

***Important questions to consider**

1. What areas should we be spending time on?
2. How do we align the board and management on priorities?
3. How do we make decisions?
4. How do we communicate decisions?
5. How do we ensure that decisions are followed up or escalated to the board?
6. How do we mitigate risk in everything that happens in the organization?
7. How do we position the board as a strategic partner with management?
8. What should we specifically be doing in the critical areas of oversight, such as strategy and risk?
9. How does the work of the committees relate to and differ from the work of the full board?

***Board governance performance areas**

High level focus areas	**These areas are very important to consider regarding governance, performance, strategy, integrity, and any people issues.**
• **Governance** • **Performance** • **Strategy** • **Integrity** • **People**	• How can we improve? • Does everything look as it should? • Who is responsible? • Who needs to be informed and act on it?
Board monitoring of executive management operations and delivery areas	The board should regularly check with executive management about planning, operations, reporting, culture, and risks faced by the organization.
• **Planning** • **Operations** • **Reporting** • **Culture** • **Risk**	• Why are we doing this? • This will help ensure that every tactic leads to improved performance. • Make a list of the key priority improvement areas. • Any other areas?

***Next steps for managing board performance**

1. Avoid a one-time process approach; ongoing processes are more effective.

2. Collaborate with senior leadership to introduce a variety of solutions at each stage of the focus area and consider individual skills and experience.

3. Decide what the board should look like (e.g., composition, diversity, gender mix).

4. Consider whether the board and organization represent and reflect the social and cultural diversity of your community.

5. Determine how well the board currently measures up in terms of diversity.

6. Conduct open, honest, and ongoing discussions about the makeup of the board and the extent to which it meets the organization's defined needs.

7. Finalize a bylaw/charter stating how long each board member should serve.

8. Evaluate each member of the board annually to determine if they have performed to expectations (See Board Evaluation Sample Form in appendices).

9. Identify the skills and capabilities you need on your board. (See the Board Skills Matrix)

5. End the training by stressing these key points:

- **Accountability:** Great board members hold themselves and the organization accountable for advancing the mission.
- **Passion for the mission:** The board's passion is sincere and contagious, helping to promote others' enthusiasm about the mission.
- **Financial commitment:** Great board members demonstrate a financial commitment to the organization and provide access to others who can do the same.
- **Big picture:** Great board members view the mission with a strategic, big picture lens.
- **Inquisitive nature:** Great board members are not afraid to ask hard or frequent questions in striving toward progress.
- **Board Committees:** Great boards set up committees **to deal with specific performance issues that require specialized areas of expertise (e.g., finance and audit, human resources, resource mobilization).**

ADDITIONAL RESOURCES & HANDOUTS

Sample Board Skills Matrix *(Handout)*

TECHNICAL SKILLS/ EXPERIENCE	DIRECTOR A	DIRECTOR B	DIRECTOR C	DIRECTOR D	DIRECTOR E	DIRECTOR F	DIRECTOR G
Accounting skills							
Financial skills							
Legal skills							
Relevant industry experience							
Marketing experience							
Governance experience							
Human Resources							
Technology							
Service Operations							
Risk Management							
DIRECTOR CAPABILITIES	**DIRECTOR A**	**DIRECTOR B**	**DIRECTOR C**	**DIRECTOR D**	**DIRECTOR E**	**DIRECTOR F**	**DIRECTOR G**
Ability to assimilate and synthesize complex information							
Capacity to develop and deliver a logical argument							
Innovative thinking							
Leadership ability							
Interpersonal and relationship management skills							
Time availability							
Gender: Female							

Gender: Male							
PERSONAL ATTRIBUTES	**DIRECTOR A**	**DIRECTOR B**	**DIRECTOR C**	**DIRECTOR D**	**DIRECTOR E**	**DIRECTOR F**	**DIRECTOR G**
Honesty and integrity							
High ethical standards							
Network of relevant contacts							
Emotional Intelligence							

PRINCIPLES OF GOOD GOVERNANCE

PRINCIPLES OF GOOD GOVERNANCE	
Accountability	• Management is accountable to the board. • The board is accountable to stakeholders. • The organization is accountable to donors, legal authorities, and employees for its actions and use of resources.
Fairness	• Stakeholders' rights and interests are protected. • All stakeholders are treated equitably. • Redress is provided for violations.
Transparency	• Open leadership is provided. • Timely and accurate disclosure on financial situation, performance, stewardship, and governance are ensured.
Recognition and awareness	• Stakeholders' rights are recognized. • Cooperation is encouraged in meeting goals. • Leadership is capable, responsible, representative, and conscious of its obligations. • Effectiveness and efficiency are ensured in the use of resources and in obtaining results.

SAMPLE CODE OF CONDUCT FOR DIRECTORS

EACH DIRECTOR RECOGNIZES AND AGREES TO UPHOLD THE FOLLOWING STANDARDS OF BEHAVIOR:	ACTION
Taking personal responsibility for contributing impartially to the decisions of the board, with no thought given to personal gain.	
Seeking adequate knowledge about the business of the organization.	
Providing positive input to develop organizational policy.	
Providing strong support for the long-term strategies of the organization.	
Accepting the need to sufficiently prepare for board meetings and decisions and insisting on sufficient information to enable informed debate and decision-making.	
Performing the assignments delegated by the board.	
Determining and stating personal positions vs. organizational positions on controversial matters to better enable the board to make informed decisions in the interests of the organization.	
Devoting sufficient time to the duties of a director.	
Upholding high ethical standards at the board level.	
Tendering a resignation if unable to uphold any of the above standards of behavior.	

BOARD DELEGATION OF AUTHORITY

1. Rationale

1.1 A limited number of decisions are reserved for the board to ensure that it fulfills its responsibilities, statutory objectives, general functions, and duties and appropriately exercises the legal powers vested in it under the Charities Act and other legislation. All other decisions (apart from those delegated to the chief executive) are made by the board.

1.2 Most operational decisions are delegated to the chief executive, in line with their board-approved responsibilities for managing the organization in accordance with its strategic planning and budgetary parameters and risk management strategy.

1.3 The board activates a "delegation of authority" for the chief executive, the senior management team (SMT), and any other designated staff to make operational decisions.

2. Escalation to the board

a. The board may seek early warning or dialogue on some issues, or the executive team may seek the board's advice, direction, and/or input.

b. An agreed-upon approach to risk assessment and management is used to identify high-risk and/or high-impact issues or cases that require early flagging and possible escalation to the board. These include the high-risk issues identified in the organizational governance framework.

c. Escalation ensures that the board is made aware and kept informed of high-risk issues so that it can explore them with the chief executive and SMT and exercise discretion on the possible need to approve decisions/actions formally, including through the risk management committee.

d. The process of escalating an issue to the board may also help to identify any policy issues arising from new, difficult, or contentious decisions. For example, the outcome of some decision reviews may precipitate a review of organizational policy.

e. The extent to which the executive director/SMT will need to continue to flag/refer issues to board members should be reviewed and may evolve over time.

Table of Delegated Authority

This section outlines:

- Decisions reserved for the board.
- Decisions that are delegated to, or are the responsibility of, the executive director.
- Decisions that need to be escalated to the Board.

The main matters that the board can reserve for itself are:

- Ensuring that the board fulfills its statutory objectives, general functions, and duties and appropriately exercises the legal powers vested in it by the Act and other legislative can we call it "decree"?
- Making decisions on regulations and policy guidance that are considered high-risk, high-profile, or a future standard to be followed,
- Appointing, monitoring the performance of, and approving the remuneration of the executive director,

- Establishing and agreeing on the procedures for the Board,
- Approving the system of delegation that sets out the division of responsibilities between the board and the executive.

SUBJECT	RESERVED FOR THE BOARD	RESERVED FOR MANAGEMENT
Corporate governance	• Consideration and approval of aspects of the corporate governance framework, including principles of good governance, memoranda of understanding, and appointments to committees upon recommendation of the chair.	• All matters of organizational structure that are below the level of the CEO. • Delegation of authority to other staff and preparation and maintenance of a comprehensive system of delegation for the organization.
Strategy	• Establishment of the overall strategic direction of the organization. • Consideration and approval of the commission's strategic plan. • Consideration and approval of formal strategic partnerships with other organizations.	• Preparation of the strategic plan for consideration and approval by the board, ensuring early consultation with the board. • Recommendations to the board for formal strategic partnerships with other organizations.
Functions, powers, and discretions	• Formation of strategic principles governing operational policy to help the organization's functions, powers, and discretions.	• Exercise of the organization's legal and administrative powers and discretions to further statutory functions, subject to escalating any high-risk/high-impact issues in line with the risk management approach.
Corporate plan and budget	• Consideration and approval of the organization's corporate plans and annual budgets.	• Preparation of corporate plans and annual budgets in line with the LIP's strategic plan, ensuring early consultation with the board.
	• Variations to the approved budget where the variation would have a significant impact on the overall approved levels of income and expenditure.	• Variations to the approved budget where the variation would not have a significant impact on the overall approved levels of income and expenditure. (A financial variation shall be treated as significant if it involves incurring a one-off expenditure of $XX+ or recurring expenditure of $XX+.)
Corporate/ operational performance management	• Determination and approval of arrangements for performance management and consideration of regular monitoring reports.	• Reports of progress toward performance objectives and any significant deviation from the approved operating plans and budget should be reported to the board.

		• Any significant issues in the organization's operation should be reported to the board.
Risk management	• Approval of the organization's risk appetite, risk management strategy, and risk framework. • The risk assurance committee, in conjunction with the finance and accounting officer, reviews audit reports.	• As CEO and accounting officer, maintaining the system of internal control and the assurance framework; and providing the board, audit, and risk assurance committee with updates on its ongoing effectiveness. • Advising the board and audit and risk committee on any material changes. • Escalating issues for consideration by the board in accordance with the commission's risk management strategy.
People issues	• Approval of significant changes to overall HR strategy and policy, including staff terms and conditions of employment and structure of the SMT. • The HR committee will make recommendations to the board to determine the remuneration of the chief executive.	• The structure of the SMT is subject to board approval. • All appointments and other HR issues.
Audit issues	• Appointing internal auditors and approving changes to auditors' overall terms of appointment. • Approving the scope of the internal auditor assurance program. • Setting the scale of fees for annual internal audit. • Considering significant issues arising from the work of appointed auditors. • (All of the above are subject to a full report—at least annually—from the audit and risk assurance committee to the board.)	• Management of relationships with internal and external auditors. • Report to the audit and risk assurance committee and the board on matters of significance arising from the work of internal and external auditors.
Communication issues	• Approval of communication strategy and plans in relation to matters of major public, political, or reputational significance.	• Approval of all press releases and other statements, in consultation with the chair (ASAP team leader), when the statement is about a matter of major public, political, or reputational significance.

		• Identification of significant issues to be considered by the board.
Organization administration	• Approval of the cycle of board meetings, the composition of board, agendas, and the minutes of board meetings.	• Ensure adequate resources are available for an effective board secretary to function. • Board secretary appointed subject to chair approval and provided with administrative support.

BOARD EVALUATION TOOL (SAMPLE)

BOARD EVALUATION FOR THE FINANCIAL YEAR ____________________

INSTRUCTIONS FOR ANSWERING THE QUESTIONNAIRE

This questionnaire has three sections (A, B, and C).

- Section A contains questions that board members use to **evaluate themselves.**
- Section B evaluates the **chair of the board**.
- Section C is for board members to **evaluate each other**.

Your responses will remain confidential, so please answer all the following questions candidly.

SECTION A: EVALUATION OF PERFORMANCE OF THE BOARD

To be completed by all board members, including the chair and the chief executive officer (CEO) of **[insert organization name]**.

THE RATING SCALE

Using the scale given below, please record the number that best reflects your level of satisfaction with the statements/questions listed. The rating scale for each statement is:

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

1. MANDATE, STRATEGY, AND PERFORMANCE CONTRACTING

NO.	STATEMENT	SCORE
1.1	The board interpreted the mandate of **[insert name or organization]** appropriately	
1.2	The board has articulated or reviewed the desired future state (vision) of **[insert the organization].**	
1.3	The board has reviewed its mandate to match changes in the environment.	
1.4	The board has articulated the strategic plan of the organization.	

1.5	The board has identified **[insert the name of the organization]** 's key performance indicators for a time specific period	
1.6	The board has a mechanism for monitoring and evaluating performance against the key performance indicators.	
1.7	The level of strategic planning in the organization is of sufficient quality and content.	
1.8	The strategic plan is reflected at an operational level in the business plan.	
1.9	The board has developed a resource mobilization strategy for providing the resources required to implement strategy.	
1.101	The board participated in the identification and articulation of performance targets for the organization's performance contract for the period.	
1.11	The performance contract aided the implementation of the strategic plan.	
1.12	How can the board improve in this area?	

2. FUNCTIONS OF THE BOARD

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO.	STATEMENT	SCORE
2.1	The board understands, agrees, defines, and disseminates its functions on an annual basis	
2.2	The board knows and understands **[insert organization here]**'s beliefs, values, philosophy, mission, and vision; and reflects this understanding on key issues throughout the year	
2.3	The beliefs, values, philosophy, mission, and vision are set and are consistent with **[insert organization here]**'s status.	
2.4	The board devotes significant time and serious thought to **[insert organization here]**'s long-term objectives and to the strategic options available to achieve them.	
2.5	The board has defined and communicated to management the scope and powers and roles, and responsibilities that management should adhere to in order to meet routine and exceptional circumstances.	
2.6	Most of the board's time is not spent on issues of day-to-day management.	
2.7	The board is involved in formulating long-term strategy from the beginning of the planning cycle.	

2.8	The board ensures that **[insert organization here]** has sufficient and appropriate resources to achieve its strategic goals.	
2.9	Proposals from management are analyzed and debated vigorously before being approved by the board. A proposal that is considered inappropriate is declined.	
2.10	The board has an operating plan that specifies its functions, activities, and objectives.	
2.11	The board has reviewed its needs in terms of skills and has these skills.	
2.12	The board annually determines the objectives and measurement criteria for the chief executive officer.	
2.13	A broad range of appropriate performance indicators are used to monitor the performance of management. Reliability is not placed solely on the financial statements provided by management.	
2.14	The performance of the chief executive officer is reviewed formally on an annual basis.	
2.15	The board has identified the groups to which it is accountable and responsible.	
2.16	The board understands and agrees that its first duty is to **[insert organization].**	
2.17	Board activities are conducted in an atmosphere of creative tension.	
2.18	The board allows diversity of opinion in its meetings.	
2.19	The board has procedures to ensure that the organization is in full compliance with its legal obligations.	
2.20	Formal review of the board's performance has become an integral part of the board culture.	
2.21	The board ensures that key members of management are brought into board meetings so they can participate and add value to their deliberations and work on behalf of the board.	
2.22	Board members formally evaluate their individual and overall board performance on an annual basis.	
2.23	The board ensures that all conflicts of interest are declared and resolved.	
2.24	Every board member has been supplied with a letter of appointment. The letter of appointment defines the roles and functions of the board and the specific role of each board member.	
2.25	How can the board improve in the way it functions?	

3. BOARD MEETING MANAGEMENT AND PROCEDURES

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO.	STATEMENT	SCORE
3.1	Every board member has been supplied with a board manual and a copy of the standing orders and regulations that govern the conduct of board meetings.	
3.2	Every board member was supplied with a calendar of meetings showing dates of board meetings, committee meetings, and key or critical events.	
3.3	Board meetings are conducted in a manner that encourages open communication and meaningful participation by all members.	
3.4	Sufficient time is provided during board meetings for thoughtful discussion.	
3.5	Board time is used effectively so that the board adds value to management.	
3.6	Formal meeting and reporting procedures have been adopted by the board.	
3.7	Board members receive timely and accurate minutes, advance written agendas and meeting notices, and clear and concise background material to prepare in advance	
3.8	All board members are fully informed of relevant matters, and there are never any surprises	
3.9	Absenteeism from board meetings is the exception rather than the rule.	
3.10	Board meetings are facilitated but are not overtly influenced by the chairperson.	
3.11	All board members are permitted to add items to the meeting agenda.	
3.12	All proceedings and minutes of the board meeting are recorded accurately, adequately, and on a timely basis.	
3.13	How can the board improve its management and procedures?	

4. BOARD COMPOSITION, INDUCTION, TRAINING, DEVELOPMENT AND SUCCESSION PLANNING

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO.	STATEMENT	SCORE
4.1	The selection process considers any deficiencies in the skills of current board members.	
4.2	The composition of the board fairly represents the diversity of stakeholders.	
4.3	New board members are introduced to their duties with an appropriate induction process.	
4.4	Board members understand the extent of their relationship with management and the separation of stewardship and management.	
4.5	Board members are encouraged to continue their study of corporate governance and improve the skills they need.	
4.6	Directors understand the extent of their personal liability for the affairs of the organization.	
4.7	A succession plan is in place for the chief executive officer, board members, and senior management, and it is reviewed regularly.	
4.8	Directors who have not been contributing to board governance and are unwilling to change are asked to resign.	
4.9	If the ethical or professional conduct of any board member is called into question, the director is asked to resign pending investigations.	
4.10	Board members bind themselves to uphold, honor, and respect [insert organization]'s code of ethics upon their first appointment and will resign if their actions are called into question.	
4.11	How can the board improve in its composition, induction, training, development, and succession planning?	

5. BOARD STRUCTURE

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO.	STATEMENT	SCORE
5.1	The board has a balanced mix of independent non-executive directors.	
5.2	The roles of the chairperson of the board and chief executive officer are separated and held by different people.	
5.3	The board has established and appointed committees with defined and formally recorded terms of reference, composition, and reporting requirements.	
5.4	The committees have been established and appointed considering 1) the need to increase board effectiveness by utilizing the specialized skills of board members, 2) the need to provide support and guidance to management, and 3) the need to ensure effective and independent professional consideration of issues (e.g., audit reports and finance issues).	
5.5	How can the board do better in this area of structure?	

6. INFORMATION AND COMMUNICATION

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO.	STATEMENT	SCORE
6.1	On the first appointment, every board member was supplied with all establishment instruments; all legal documents; the mission statement, vision, and strategy documents of **[insert organization here].**	
6.2	On the first appointment, every board member receives a copy of the board manual together with a letter of appointment.	
6.3	Every board member received copies of all policy documents, including **[insert organization]**'s policy documents, personnel, and financial manuals on first appointment and every time these are reviewed.	
6.4	Board members are encouraged to discuss matters with members of management after gaining the approval of the chairperson or chief executive officer.	
6.5	The board receives sufficient information from management in an appropriate format as determined by the board.	
6.6	The board's information requirements are communicated to management on a regular basis.	
6.7	Information requested by the board is received in a timely manner.	
6.8	The board is proactive in developing an effective communication strategy for the organization.	
6.9	The board secretary advises board members regularly on matters of governance and the applicable law.	
7.0	How can the board improve in the areas of information and communication?	

SECTION B: EVALUATION OF THE BOARD CHAIR

(To be completed by board members and the chief executive officer only)

THE RATING SCALE

Using the scale given below, please record in the box the number that best reflects your level of satisfaction with the statement/question. The rating scale for each statement is:

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

7. Evaluating the Board Chair

NO.	STATEMENT	SCORE
7.1	Provides overall leadership to the board, especially in areas of policy development.	
7.2	Maintains a close but independent working relationship with the chief executive officer.	
7.3	Harnesses the collective skills of the board and its committees with those of the executive team.	
7.4	Ensures the timeliness and relevance of information and material gains to the board.	
7.5	Encourages directors to participate fully in board deliberations.	
7.6	Leads the board's evaluation process and generally demonstrates healthy leadership qualities.	
7.7	Conducts board meetings professionally and efficiently.	
7.8	Is available to the directors and the chief executive officer.	
7.9	Guides the board's decision-making process and chairs meetings of shareholders where applicable.	
7.10	Suggests the best ways that an individual board member can use to evaluate the board chair.	

SECTION C: EVALUATION OF PERFORMANCE OF THE CHIEF EXECUTIVE OFFICER

(To be completed by all board members, including the chair of [insert organization].)

THE RATING SCALE

Using the scale given below, please record in the box the number that best reflects your level of satisfaction with the statement/question. The rating scale for each statement is:

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

1. Evaluating the Chief Executive Officer (CEO)

NO.	STATEMENT	SCORE
1.1	Recommends long-term strategy and annual business plans and budgets to the board	
1.2	Implements the strategic plan effectively and efficiently.	
1.3	Oversees continuous and effective achievement of financial and non-financial key performance indicators.	
1.4	Is effective in leading change and change management.	
1.5	How can the CEO perform better in terms of strategy?	

BOARD ISSUES

NO.	STATEMENT	SCORE
2.1	Ensures that accurate and relevant information is shared with the board in a timely manner.	
2.2	Generates alternatives to inform board decision-making.	
2.3	Implements organizational policies and programs effectively.	
2.4	Ensures compliance with country laws.	
2.5	Effectively oversees increase in customer and shareholder/public value.	
2.6	Effectively oversees the management of risk.	
2.7	Ensures appropriate organizational and management structure.	
2.8	How can the CEO perform better in relation to board issues?	

LEADERSHIP

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO.	STATEMENT	SCORE
3.1	Effectively communicates [**insert organization here**]'s vision, goals, and values.	
3.2	Fosters a culture that promotes ethical practices and good corporate citizenship.	
3.3	Ensures a conducive work environment for attracting, retaining, and motivating employees.	
3.4	Continuously oversees and contributes to the improvement in quality and value of service by **[insert name of the organization]**.	
3.5	Effectively communicates with shareholders and stakeholders.	
3.6	Effectively communicates with the board and employees.	
3.7	Exudes confidence and courage when thinking, speaking, and acting.	
3.8	How can the CEP perform better in the area of leadership?	

HUMAN RESOURCES ISSUES

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO.	STATEMENT	SCORE
4.1	Ensures alignment of human resources with **[insert organizations]**’s corporate strategy.	
4.2	Ensures succession planning, employee growth, and development.	
4.3	Safeguards the human capital necessary for optimal performance of **[the organization].**	
4.4	How can the chief executive officer perform better in the area of human resources?	

SECTION D: PEER EVALUATION OF INDIVIDUAL BOARD MEMBER

(To be completed by all board members)

THE RATING SCALE

Using the scale given below, please record in the box the number that best reflects your level of satisfaction with the statement/question about each board member. The rating scale for each statement is:

(1 = very poor, 2 = poor, 3 = fair, 4 = good, 5 = very good)

NO	STATEMENT	BOARD MEMBER 1	BOARD MEMBER 2	BOARD MEMBER 3	BOARD MEMBER 4	BOARD MEMBER 5	BOARD MEMBER 6
1	Actively involved in the review of [insert organization]'s mission, vision, and values.						
2	Actively involved in the strategic planning process, including setting direction and goals.						
3	Understands the most significant risks and opportunities facing [insert organization].						
4	Understands and ensures compliance with the code of conduct, code of ethics, and any relevant policies required.						
5	Effectively monitors management's compliance with major board-approved policies.						
6	Thinks and acts independently of management and is not unduly influenced by management.						
7	Has received and understands measures of the financial performance of [insert organization].						
8	Ensures an effective two-way communication system with stakeholders and management.						

NO	STATEMENT	BOARD MEMBER 1	BOARD MEMBER 2	BOARD MEMBER 3	BOARD MEMBER 4	BOARD MEMBER 5	BOARD MEMBER 6

9	Promotes and ensures a culture of openness and transparency.						
10	Understands and actively promotes the board's principles and values.						
11	Attends all board meetings.						
12	Functions smoothly and respectfully as a team player.						
13	Ensures that they receive the appropriate information from management for action.						
14	Has an excellent working relationship with management.						
15	Possesses the right skills, experience, and expertise to effectively perform their duties.						
16	Evaluates their own performance on a regular basis.						
17	Was effectively oriented when they were initially. recruited						
18	Clearly understands and discloses potential conflicts of interest.						
19	Performs well overall.						

Thank you very much for your cooperation.

SECTION E: EXAMPLE BOARD SUBCOMMITTEES

The most common board committees are:

- **Finance and Audit Committee** (sometimes called the finance committee)
- The **Board and CEO Appraisal Committee** (sometimes called the governance committee, the succession planning committee, or the remuneration committee)
- The **Audit and Risk Committee** (also known as the compliance or internal audit committee).

They have three distinct roles that are true governance roles.

All other committees are normally **operational committees** (e.g., members of education, conference committees) and should report through the CEO to the board (if required).

1. **Finance and Internal Audit Committee sample terms of reference:** The Finance and Audit Committee (the committee) will have the oversight responsibility, authority, and specific duties as described below.

- **Composition:** The committee will include a chairperson with finance experience who shall chair the committee, another board member as determined by the board, and the executive director as an invited guest with no voting rights.

- **Responsibility:** The committee is a formal committee of the board and is responsible to the board. Its primary function is to help the board fulfill its governance oversight responsibilities:
  1. Conducting a regular comprehensive analysis of the financial reports, including but not limited to the Statement of Financial Performance (profit and loss), Statement of Financial Position (balance sheet), rolling cash flow statement, investment reports, and retained earnings
  2. Recruiting external auditors through a transparent process and making recommendations to the board
  3. Reviewing the audit of the organization's books and records and any subsequent management matters that arise from the auditor's management letter
  4. Reviewing the system of internal controls that the organization has established
  5. "Forming a clear understanding with the outside auditors that they must maintain an open and transparent relationship with the committee and that the ultimate accountability of the outside auditors is to the board and committee; the committee will make regular progress reports to the board."[8]
  6. Recommending the appointment of insurance brokers
  7. Reviewing the adequacy of insurance arrangements

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[8] "Adopt-A-Classroom: Audit Oversight Committee Charter," Adopt-A-Classroom, May 2016, https://www.adoptaclassroom.org/wpcontent/uploads/2016/05/Audit_Oversight_Committee_Charter.pdf

8. Receiving and assessing any complaints regarding auditing or accounting matters, including complaints from those who wish to remain anonymous.
9. Reviewing risk rankings, treatment plans, and compliance breaches of key risks.

2. **Board Governance Committee sample terms of reference:** The Board Governance Committee ("the committee") will have the oversight responsibility, authority, and specific duties as described below.

- **Composition:** The committee will comprise the president, who shall chair the committee, and two board members as determined by the board; the executive director will be an invited guest with no voting rights.
- **Responsibility:** The committee is a formal committee of the board and is responsible to the board. Its primary function is to assist the board in fulfilling its accountability responsibilities with respect to the board and the executive director. The committee is responsible for:
  1. Developing and implementing a board appraisal on an annual basis or as otherwise decided by the board.
  2. Developing and overseeing an induction program for new board members.
  3. Developing and implementing a board succession plan.
  4. Identifying and providing any relevant professional development required by the board to fulfill its responsibilities.
  5. Establishing and monitoring performance measures for the executive director.
  6. Developing a succession plan for the executive director position.

3. **Compliance Committee sample terms of reference:** The compliance committee ("the committee") will have oversight responsibility, authority, and specific duties as described below.

- **Composition**: **The committee will comprise the vice chairperson, who shall chair the committee, and** one b**oard member to be determined by the board.**
- **Responsibility:** The committee is a formal committee of the board and is responsible to the board. Its primary function is to assist the board in fulfilling its legal and operational compliance responsibilities. The committee is responsible for:
  1. Developing processes for and implementing an internal audit plan to review agreed processes (e.g., occupational health & safety, risk management, fraud control, and equal opportunity)
  2. Ensuring that all board policies and relevant operational policies are in place and are being followed.
  3. Developing and monitoring a compliance schedule which ensures that all legal (statutory and regulatory) requirements are fulfilled.
  4. Monitoring and providing recommendations to the board based on the executive director's annual compliance report.

SECTION F: GOVERNANCE MATURITY SUSTAINABILITY MODEL

Governance Maturity Sustainability Framework for Local Implementing Partners

USAID/Accelerating Support to Advanced Local Partners (ASAP) aims to promote board governance leadership through its continuous engagement with local implementing partners (LIPs).

This Governance Maturity Sustainability Framework "Maturity Model" has been developed as a support tool that allows LIP boards and their subcommittees to gauge their performance and effectiveness. The framework lists key attributes associated with five levels of maturity on the continuum to becoming a better-governed LIP. Each LIP identifies where they are within the matrix.

Similarly, the tool is based on the essential areas of performance and compliance of the board, committees, and executive management. It considers good governance best practices, which makes it a robust, practical, and valuable tool fit for this purpose.

Finally, the Maturity Sustainability tool helps LIPs make and carry out their commitment to governance excellence, easily tracking their progress along the way while working within their local context.

Governance and the Maturity Sustainability Model

The tool can assist LIPs to:

- Assess current governance capabilities.
- Assess the effectiveness of the board as a whole and its individual committees.
- Identify the effectiveness of the current LIP governance program.
- Identify potential improvement in opportunities for each governance program.
- "Facilitate more specific conversations with boards, committees, and executives."[9]

Each key success area (KSA) within the Maturity Model is accompanied by a table below that helps you assess your current level of maturity and consider the level you wish to attain for each KSA. The table for the governance key success areas is shown below. Each table shows five possible levels of maturity. As your organization matures, you will routinely pass through each of these development levels, which can be characterized by stages representing:

1. Ad hoc or no practices
2. Informal practices
3. Good practices
4. Strong practices
5. Best practices

[9] "The centre for corporate governance: Board leadership services," Deloitte, 2010, https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/Board%20of%20Directors/in-gc-board-leadership-services-noexp.pdf

Forming - Ad hoc or no practices
Developing - Informal practices
Progressing - Good practices
Established - Strong practices
Innovating - Best practices
Each LIP is encouraged to attain good practices as a minimum for all key success areas.
(See the table below.)

	FORMING: SPORADIC OR NO PRACTICES	DEVELOPING: INFORMAL PRACTICES	PROGRESSING GOOD PRACTICES	ESTABLISHED/ADVANCED STRONG PRACTICES	INNOVATING BEST PRACTICES
Constitution or board charter	No formal constitution or board charter	Informal documentation of governance	Established documentation of governance (such as a constitution, bylaws, policies, and procedures).	Effective and complete governance documentation.	Comprehensive Board Charter, including ongoing analysis and board self-assessment.
Governance and accountability	Awareness of governance and accountability issues, but approaches have not yet been developed to address them	Recognition of the key governance and accountability issues and some areas have been identified to address them.	Steps on part of LIP to address key governance and accountability issues; efforts show signs of practical application.	Well-developed plans by LIP that address the key governance and accountability issues. Apparent evidence of monitoring processes and continuous improvement.	• Evidence of leadership and governance practice;[i] demonstration of commitment to long- term sustainable improvement.
Leadership or governance committees/structure	Board not established; no governance structure/ committees.	Creation of some committees, but some fundamental ones are still absent.	All relevant board committees and implementing processes established	Governance of main systems and committee structures has been reviewed by LIP to ensure that they are fit for the LIP's purpose.	Committee functions have been reviewed and are working effectively; committees are chaired by an appropriately skilled board member.
Board member involvement	No board member involvement	Limited involvement of members beyond voluntary leadership.	Members involved in representation, with formal nomination,	Extensive committee structure has been established, with formal terms of reference.	Performance review structure for board and committees is in place.

			reappointment, and election procedures. Members contribute to strategic development.[10]		
Reporting	No annual reporting	Limited reporting, including financials.	Financial reporting is conducted, including audited financial statements	Detailed financial and non-financial performance reporting.	Formal audit and risk committee structure have been established.
System of internal controls	Only a few policies and procedures are in place, and those that do not clearly define the LIP's business operations. • A significant number of staff do not follow the policies and procedures. • Little enforcement is in place.	Basic system of internal controls exists, with some policies and procedures in place. • Hi-level monitoring of compliance, which does not address reasons for non-compliance.	A fit-for-purpose system of internal control is in place and supported by governance arrangements. • Adherence to the controls is monitored, and non-compliance is acted upon and redressed.	Internal control and governance processes are clearly set out, and their importance is emphasized to staff. • Policies and procedures are regularly reviewed and updated.	A highly effective system of internal control is in place. • The board, management, and staff routinely demonstrate knowledge of and adherence to the controls in place. • Feedback is routinely sought.
Financial governance and leadership	Senior management and the board do not act collectively to engage in financial matters. • The board infrequently receives financial information	Senior management and the board tend not to act collectively, and members represent their own areas of responsibility. • Board members infrequently	Senior management and the board act collectively, discussing performance as a team across all areas of responsibility. • They frequently receive financial	LIP senior management and board act collectively, making strategic decisions about the direction of the council as a team • Board members frequently challenge the board as a whole	Senior management and the board act collectively, as a team, on decisions regarding strategic and complex issues. • Board members actively engage

[10] "The Maturity Model in Action: Governance," Confederation of Asian and Pacific Accountants (CAPA), 2018, http://www.capa.com.my/wp-content/uploads/2018/10/CAPA_MM_Guidance_Governance_2018_FINAL.pdf

	(e.g., every six months) • Communication of financial information to staff is limited.	challenge executive members and tend to only question those within their areas of responsibility • Financial information is received on a quarterly or monthly basis and is unlikely to enable regular financial scrutiny • There is some communication of high-level financial information to staff.	information appropriate for the organization's needs (e.g., monthly, or bimonthly) • Board members actively challenge the executive members • The senior management and board both monitor financial and performance information • Board members and senior managers are slow to act unless there is a crisis • Financial information is communicated to staff with an indication of its relevance in their areas of responsibility.	• The board receives financial information frequently (e.g., monthly) • Board members use integrated financial and performance information to collectively challenge senior staff when required • They act promptly and make strategic decisions about whether to engage in areas of activity • Key financial information with clear relevance is regularly communicated to staff.	in influencing the actions of executive members. • The board receives financial information frequently, so they are continually sighted on financial matters. • The board requests and reviews bespoke pieces of financial analyses as necessary.
Other governance related areas	• Lack of a minimum number of independent directors.	• "Inadequate disclosure practices (e.g., related party transactions).	• Key stakeholders involved. • Leadership continuity and succession	• Separation of governance and management roles and accountabilities. • CEO-chairperson split roles in the process of nominating a formal director	• The board works as a cohesive unit. • Director's evaluation is introduced.

	• Absence of required mandatory committees. • Absence of direction from the board. • Financial statements do not follow standards. • Strong internal controls are lacking. • Regulatory compliance is not introduced. • Lack of value from corporate governance is perceived.	• Inadequate CEO/ CFO certification."[11] • Absence of a board code of conduct. • Information flow to the board is poor.	planning established, and effective secretary. • Director's roles and responsibilities are identified. • Mandatory and special committees are established. • Compliance with local laws is complete. • Code of conduct is available. • Internal controls system is established. • The board periodically reviews legal compliance. • Succession plans are missing. • The board oversees the risk management program.	• Board performance evaluation is introduced • Attendance of lead independent director (ED) at board meetings. • Independent directors contribute positively. • Executive sessions are held frequently. • Audit committee approves related party transactions. • Remuneration policy is disclosed. • Board oversees management's performance.	• Director's appointment letters are disclosed. • Open and transparent culture in the boardroom. • Committees' charters are updated periodically. • Succession plans are in place. • "Risk management is integrated with strategic decision making. • Corporate governance is seen as a key value."[12] • Understanding is clear of the distinction between volunteer and secretary roles. • Effective review,

[11]

[12] "The centre for corporate governance: Board leadership services," Deloitte, 2010, https://www2.deloitte.com/content/dam/Deloitte/in/Documents/risk/Board%20of%20Directors/in-gc-board-leadership-services-noexp.pdf

					performance monitoring, and performance development is in place. • Independent public members are involved in boards and committees.

SECTION G: RISK MANAGEMENT MATURITY MODEL

Illustrative Maturity Model

RISK MANAGEMENT MATURITY MODEL WWW.HSL.GOV.UK				
1. Unaware	**2. Fragmented**	**3. Top-down**	**4. Systematic**	**5. Risk Intelligent**
The board has not established the necessary oversight to influence risk management and establish a culture of risk awareness throughout the organization.	The board has established oversight, but it is not widely adopted or well understood. Management of risks and the culture of risk awareness only exist separately and unevenly within individual departments and not across the organization.	The board has established oversight, and it has been clearly communicated throughout the organization. As a result, management demonstrates a culture of risk awareness, but risk management disciplines have not been embraced broadly or evenly within the organization.	The board has established oversight that is widely understood and adopted, creating a culture of risk awareness and the adoption of risk management disciplines throughout.	The board has established oversight and constantly seeks ways to improve the culture of risk awareness and the management of risk throughout the organization.

RECOMMENDED READING

1. **Developing an effective governance operating model: a guide for financial services boards and management teams** https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Financial-Services/dttl-fsi-US-FSI-Developinganeffectivegovernance-031913.pdf
2. **Risk Intelligence: A Practical Guide for Boards** (Risk Intelligence Series, Issue No. 16) by Deloitte www.deloitte.com
3. **The Complete Non-Profit Board Governance Guide: Everything You Need to Know** by Boardable https://boardable.com/resource/download-nonprofit-board-governance-guide/
4. **Governance Operating Model – A Key Enabler for Business** Transformation https://eapj.org/governance-operating-model-a-key-enabler-for-business-transformation/
5. **Reviewing your Constitution - Food for thought** https://betterboards.net/governance/reviewing-constitution-food-thought