



The Code of Good Governance

Revised 2016

Foreword

As Northern Ireland's charity regulator, the Charity Commission sees at first hand just how important good governance and leadership is to charities, their beneficiaries, staff and supporters.

Good governance demonstrates a willingness and ability to act in the best interests of the organisation, ensuring the operation of effective, open and ethical processes which adhere to the law and stand up to scrutiny.

This, in turn, can help reaffirm public trust and confidence in individual organisations, and the voluntary and community sector as a whole, with decisions and policies made in a manner which is accountable, open and transparent.

Given just how vital good governance and leadership is, I welcome the publication of this, the latest edition of the Code of Good Governance.

The Code provides a valuable, practical resource for the sector, guiding organisations on the key principles behind good governance and supporting

them in complying with best practice and their statutory obligations.

Furthermore, this revised version ensures the Code remains relevant and up-to-date, in keeping with progress within the sector itself as well as new developments in charity regulation.

Northern Ireland has a rich and diverse voluntary and community sector, one which is making a vital contribution to local communities and the wider society. However, one common thread running through each and every organisation is the need for good governance.

I would encourage all voluntary and community organisations to use this Code as a guide when reviewing or updating their governance arrangements, and to adhere to the five principles contained in it.

Tom McGrath
Chief Commissioner
Charity Commission for Northern Ireland

Introducing the Code

The Code of Good Governance sets out the principles and key elements of good governance for the boards of voluntary and community organisations.

The Code was first launched in 2008 by the Developing Governance Group, following consultation with the voluntary and community sector which recognised the need to have its own principles of governance. While it is not mandatory, it has been widely accepted as the set of standards for governance practice in the sector.

This second edition of the Code of Good Governance has been revised into five overarching principles following a review and consultation with the sector. The principles of leadership and effectiveness from the original Code have now been included as integral elements of each principle rather than as separate principles.

The Code was originally adapted from the Good Governance Code in England and Wales and this revised edition also takes note of the revisions to its second edition. The Developing Governance Group would like to acknowledge the work carried out by the Governance Hub and The Code Steering Group in England and Wales and for permitting the Developing Governance Group to use its Code as a framework for the Northern Ireland edition.

The second edition of the Code of Good Governance in Northern Ireland has been produced by the Developing Governance Group which includes infrastructure support organisations as well as those that provide support across the sector: ranging from early years and youth through to age, community development, sport, rural and the arts who each have a remit for improving governance practice in the organisations they work with.

Using the Code

This revised Code sets out the five key principles that form the basis of the Code together with the most important supporting characteristics. The principles are broad and generic so that organisations of any size or type can use the Code. The principles are not laid out in order of importance or priority, each of the five principles are equally important.

Terminology

There are many different names used to describe the governing body of a voluntary or community organisation such as the committee, management committee, the board, the trustees, the directors, council or the governors. In the Code we have used the term ‘the board’ to mean the organisation’s governing body.

Equality and diversity

This Code recognises that all organisations should follow principles and practices that fully recognise diversity in all its forms including age, gender, faith,

race, sexual orientation, disability, experience and thinking. Such principles do not feature separately as they are an integral part of good practice within voluntary and community organisations.

Complimentary practical resources

The Developing Governance Group has also created the ‘governance health check’ and remapped the practical resources on the ‘diycommitteeguide’ website in line with the revised principles of the Code to assist organisations with implementing the Code. Both resources have been devised to provide practical information and a self-assessment framework for voluntary boards to assess their own governance practices, identify areas for improvement and demonstrate accountability. Visit www.diycommitteeguide.org for further information.

Tell others about it

Organisations that work to adhere to the Code of Good Governance are invited to state this in their annual report and other relevant material.

Principle 1

An effective board will provide good governance and leadership by **understanding its role and responsibilities.**

The members of the board are equally responsible in law for board actions and decisions. They are collectively responsible and accountable for ensuring that the organisation is performing well, is solvent and complies with all its obligations in terms of:

- Setting and safeguarding the vision, values and reputation of the organisation.
- The rules set out in the governing document.

- Their legal duties.
- Their stewardship of assets.
- The organisation's operating environment.
- The structure of the organisation.
- Overseeing the work of the organisation.

Principle 2

An effective board will provide good governance and leadership by **working well both as individuals and as a team.**

The board will have a range of appropriate policies and procedures, knowledge, attitudes and behaviours to enable both individuals and the board to work effectively. The board will plan for its own development and renewal by:

- Finding and recruiting new board members to meet the organisation's changing needs in relation to skills, experience and diversity.
- Providing suitable induction for new board members.

- Providing all board members with opportunities for training and development according to their needs.
- Periodically reviewing their performance both as individuals and as a team.

Principle 3

An effective board will provide good governance and leadership by **ensuring delivery of organisational purpose.**

The board has ultimate responsibility for directing the activity of the organisation and delivering its stated purposes. It will do this by:

- Ensuring organisational purposes remain relevant and valid.
- Providing public benefit.
- Developing and agreeing a long term strategy.
- Developing operational plans and budgets.

- Monitoring progress and spending against agreed plans and budgets.
- Amending plans and budgets as appropriate.
- Evaluating results, assessing outcomes and impact.
- Maintaining a positive working relationship with volunteers and staff including the most senior member of staff.

Principle 4

An effective board will provide good governance and leadership by **exercising appropriate control.**

As the accountable body, the board will maintain and regularly review the organisation's system of internal controls, performance, and policies and procedures, to ensure that:

- The organisation understands and complies with all legal and regulatory requirements that apply to it.
- The organisation has appropriate up to date internal financial and management controls.
- It regularly identifies and reviews the major risks to which the organisation is exposed and has systems to manage those risks.

- Delegation to committees, staff and volunteers (as applicable) works effectively and the use of delegated authority is properly supervised.
- Proper arrangements are in place for the recruitment, supervision, support, appraisal and remuneration of all staff including the most senior member of staff.
- Volunteers are managed and supported.

Principle 5

An effective board will provide good governance and leadership by **behaving with integrity and by being open and accountable.**

The board will be open, responsive and accountable, acting at all times with integrity, in the interest of the organisation and its beneficiaries. The board will:

- Act according to high ethical standards.
- Identify, understand and manage conflicts of interest and loyalty.
- Maintain independence of decision making.

- Ensure open communication by informing and consulting people about the organisation and its work.
- Listen and respond to the views of beneficiaries, service users, funders and supporters with an interest in the organisation's work.
- Handle complaints constructively, impartially and efficiently.
- Consider organisational responsibilities to the wider community, society and the environment.
- Consider organisational responsibility in promoting equality and good relations.

Glossary of Terms

Accountability is being liable for one's responsibilities and answerable for one's actions in relation to these.

Autonomous is a self-governing, independent body which is free from external control and constraint.

Compliance is the act of conforming to official requirements.

Diversity is used to describe the quality of being different.

Effectiveness is being able to bring about the intended or expected result.

Equity is used to mean fairness and impartiality.

Governance is about leadership and ensuring that an organisation is effectively and properly run. It has been defined as "the systems and processes concerned with ensuring the overall direction, effectiveness, supervision and accountability of an organisation"

Governing document is the written set of rules governing an organisation eg a constitution, trust deed or articles of association.

Integrity is used to describe soundness of moral character, this is demonstrated through adherence to moral and ethical principles.

Not-for-profit organisations may be better described as not-for-*personal*-profit as these organisations may make a profit in line with their objects but they don't distribute the profits among the members but rather use the profits to further the purposes of the organisation.

Public benefit is one of the key components of what makes a purpose charitable. A benefit must flow from the charity's purpose; be capable of being demonstrated and be beneficial, not harmful to the public, or to a section of the public and; it must not provide a private benefit to individuals unless the benefit is incidental.

Probity is to behave with integrity, being open, transparent and honest.

Prudence is care, caution and good judgement as well as wisdom in looking ahead.

Voluntary and community sector is made up of organisations which are governed by voluntary boards. These non-statutory, autonomous, not-for-profit organisations are usually constituted formally and may be charitable.

Volunteering is defined as the commitment of time and energy, for the benefit of society and the community, the environment or individuals outside (or in addition to) one's immediate family. It is undertaken freely and by choice, without concern for financial gain.

The Developing Governance Group

The Developing Governance Group is made up of the following sector support organisations:

Age NI, Arts & Business NI, Early Years, NICVA, NI Sports Forum, Rural Community Network, Sport NI, Supporting Communities, Volunteer Now and Youthnet.

Many of the member organisations of the Developing Governance Group will be able to provide practical assistance with subscribing to the Code through their governance work.

Online Governance Resource - www.diycommitteeguide.org

- a useful resource of practical help and support mapped to the principles of the Code of Good Governance.
- a signposting directory which includes links to all Developing Governance Group members including the training and support they offer.
- download the Governance Health Check - a self-assessment tool to assist boards to demonstrate their good governance practices and highlight areas where improvement may be needed.

The redevelopment of the [diycommitteeguide](http://diycommitteeguide.org) website has been co-funded by the Halifax Foundation for Northern Ireland and Awards for All.

Pocket sized Codes of Good Governance

Copies of the Code of Good Governance booklets can be collected from any of the Developing Governance Group members or by contacting the Secretariat which is provided by NICVA on 028 9087 7777 or Volunteer Now on 028 9023 2020

Reasonable precautions have been taken to ensure information in this publication is accurate. However it is not intended to be legally comprehensive; it is designed to provide guidance in good faith without accepting liability. If relevant, we therefore recommend you take appropriate professional advice before taking any action on the matters covered herein.