

Communities in Control

Australian Community Sector Draft Code of Governance

Development of this Code is being led by
 www.ourcommunity.com.au
with input from community sector organisations

**DRAFT:
November 2007**



Communities in Control

Dear colleagues,

At Our Community we get a steady stream of enquiries from puzzled board and committee members who are getting themselves tangled in questions of governance. Some of the questions are technical and can be quickly fixed using the help sheets from the Boards, Committees & Governance Centre at www.ourcommunity.com.au/boards.

But many questions about governance arise out of confusion about what governance is for, what it encompasses and the values that governance is trying to achieve. In these cases it is always necessary to be very upfront about the principles of governance. When these principles are not clearly set down there can be confusion, conflict and avoidable crossed purpose.

I have come to the realisation that it is a lot easier to build community organisations when there is a sense of shared values. Community organisations have in common a commitment to the public good, a preference for fair dealing and open conduct, and a consciousness of embracing diversity – but all of this must be confirmed by and driven by the Board.

In the Draft Code of Governance that follows I have tried to sketch out the rules that seem to flow from those principles as they apply to the Board of the organisation. At this stage it is a draft to get the debate moving, and I want it to be completely transformed by your feedback.

Please take this offering and mould it with the wisdom of many. At the end of it we'll have a code that can light us through the morass of politics, finance and marketing that faces all organisations in this shifting and surprising society of ours.



A handwritten signature in black ink that reads "Rhonda Galbally".

Dr Rhonda Galbally AO
Chief Executive Officer
November 2007



Draft Australian Community Sector Code of Governance

A governance code for the community sector must be

- **Enabling**
The basic requirement of a governance code is that it ensures that power in an organisation is properly sourced from the organisations' community, that it is not able to be hijacked or hidden away, and that it is able to be contested fairly within the rules.
- **Responsive**
The value of civil society is that it provides a counterweight to power, that it allows dissident views to be heard, and it gives power to the powerless. These strong points also have to be applied within the organisation. The power of the Board has to be limited by the rights of all stakeholders, and by the organisation's responsibility to society.
- **Flexible**
The Australian community sector is diverse in size, purpose, and legal form. Almost no statement can be applied to every community organisation, and any rule that applies to every group will be inappropriate for many. Such a governance code therefore needs to be flexible both in its interpretation and its application, dealing with principles rather than regulations.
- **Positive**
The code should stress what boards should actually do. A long list of things boards shouldn't do leads to caution, inertia, bureaucracy, and many other undesirable organisational traits.

This draft code should be judged against these criteria.

A governance code sets out the values that the organisation considers central to its operations, describes the boundaries of acceptable behaviour for the organisation based on these values, and identifies the areas in which procedures are required to police these boundaries.

It should also be understood that a code of governance is not a statement of the applicable law, nor is it a treatise on management. These aspects of community group board practice are addressed in more detail at the Boards, Committees and Governance Centre on the Our Community website at www.ourcommunity.com.au/boards.

This code is of course necessarily general in nature, and every community organisation will have to produce its own principles and the policies to follow, adapting the code to its particular situation (there's a Policy Bank at the Our Community website at www.ourcommunity.com.au/policybank that your community group can use as models).

Once the organisation has developed the policies, it will have to make sure that people know what they are by publishing a specific procedures manual and putting the code and the ensuing policies into the induction and training packages for board members, staff, and volunteers.



Australian Community Sector Code of Governance

Board Membership

1. The Board may not place barriers on the free choice of its members, but in elections to the Board, it should institute procedures and policies that recruit as candidates persons whose skills or experience would benefit the operations of the Board.
2. The Board should seek advance commitment from Board members to any specific policies concerning the expectations of the Board regarding such matters as attendance requirements, investment of time, support for the organisation, conflict of interest policy and practice, collective decision making and acceptance of responsibility.
3. The Board should establish policies dealing with the number of consecutive terms a Board member or officeholder may serve.

For more detail on this issue see [here](#)

Collective Commitment

4. The Board should be independent – not susceptible to outside direction or outside interests.
5. The Board should develop a culture that enables collective decision making.
6. The Board should ensure that while each member has the right to argue for their own point of view and vote as their conscience dictates, they should, once a decision has been taken, not speak or work against the decision outside the Board.
7. The Board should take ultimate responsibility for ensuring that effective mechanisms are in place for dealing with and managing conflicts.
8. The Board should ensure that policies are in place to ensure that Board members treat each other frankly and honestly but with respect.
9. Any members of the Board who are elected by or appointed from particular sections of the community (users, for example, or staff) cannot be bound to follow the instructions of those sectional interests but must be free to govern in the best interests of the organisation.

For more detail on this issue see [here](#)

Democratic Governance

10. The Board should ensure that its procedures allow for all Board members to bring issues before the Board, to be informed on these issues, to discuss these issues productively, and to take informed decisions.



11. The Board should develop standing orders that are flexible, efficient, simple, and allow motions of dissent to be put before the Board without obstruction.
12. The Board should meet at least six times a year.
13. The Board should support the Chair to fulfil its functions.
14. The Board should develop a culture that enables members to dissent from the Chair's rulings or assessment of collective decisions.

For more detail on this issue see [here](#)

Management of the Board

15. The Board should provide induction, instruction, and continuing support to provide all Board members with the skills needed to carry out their functions.
16. The Board should ensure that clear policies and procedures are in place to remove from the Board members who are, in the opinion of the Board, unable to properly fulfil their legal, ethical or social responsibilities.
17. The Board should have in place clear policies to ensure that all potential conflicts of interest are dealt with in accordance with ethical codes and applicable legislation through appropriate disclosure or recusal.

For more detail on this issue see [here](#)

Direction

18. The Board has the ultimate responsibility and therefore control of the organisation. No major policy should be put into effect without analysis and approval by the Board.
19. The Board is responsible for approving the organisation's mission and strategic direction, its budget and major financial affairs, and its policies on governance, management, and program implementation.
20. The Board should in practice concern itself primarily with the strategic direction of the organisation, and should delegate operational (day-to-day management) issues to its staff (paid or unpaid).
21. The nature and extent of any delegation by the Board should be clearly documented in every case.
22. The Board remains legally responsible for the performance of delegated duties, and should institute effective monitoring and evaluation procedures.
23. Where the organisation employs staff, the chief executive officer (CEO) should be responsible for the operational management of the organisation. The CEO may delegate tasks to other staff, but the CEO remains accountable to the Board for their performance.
24. Liaison between Board members and the organisation's staff should normally go through the CEO.

For more detail on this issue see [here](#)



Risk Management

25. The Board should ensure that robust risk management policy and procedures are in effect to minimise any risk to its mission, its assets, its programs, its reputation, its staff, and its users.
26. The Board should continuously test, review and refresh risk management policy and procedures.
27. The Board should ensure that the health and safety of its employees is of equal priority with the performance of the mission of the organisation.

For more detail on this issue see [here](#)

Accountability

28. The Board is ultimately accountable for the entire operations and the impacts of the organisation.
29. While the Board may be directly accountable either to its members or to the Minister or governmental agency that appointed it, it is also accountable to those served by its mission.
30. In order to make this accountability meaningful, the Board should ensure that clear procedures are developed to provide a transparent framework for conducting its meetings, recording its decisions, communicating those decisions, and receiving feedback from its users.

For more detail on this issue see [here](#)

Transparency

31. The Board should withhold from public scrutiny as little information on its operations as is possible. All board deliberations should be open to the stakeholders and the broader community except where the board passes a motion to make any specific portion confidential.
32. The Board should establish and implement “whistleblower” policies and procedures that enable individuals to come forward with information on illegal practices (or violations of Board-approved policies) without fear of retaliation.

For more detail on this issue see [here](#)

Community Responsibility

33. The Board should do its part to reduce systemic social disadvantage in Australia.
34. The Board should work to encourage social diversity, access and inclusion, community participation, and consumer participation (where this is applicable).
35. The Board should take into account in its decision making not only the mission and maintenance of the organisation but also
 - The rights and interests of the organisation’s users
 - The rights and interests of the organisation’s members
 - The rights, interests, health, safety and wellbeing of the organisation’s workforce



- The interests of the community sector as a whole
- The interests of the general public, and
- Human rights locally and globally

and should be prepared to justify its actions to all these constituencies.

For more detail on this issue see [here](#)

Environmental Responsibility

36. The Board should ensure that the organisation actively works to preserve the environmental sustainability of the planet in its own practice, as a participant in a community of practice, and as a participant in the Australian social discourse.

For more detail on this issue see [here](#)

Diversity and Empowerment

37. The Board should ensure that its membership profile largely reflects the composition of the Australian community. There should be tangible efforts to increase the representation of women, minority ethnic groups, underrepresented age groups, people with disabilities, and indigenous Australians.

38. Where services are provided by the community organisation, the Board should ensure that these should respond to and reflect the reality of Australia's diverse community.

39. Where an organisation is responsible for the delivery of services or provides opportunities to participate, the Board should respond to the needs of its own users for representation on the organisation's Board. Where it is desirable to avoid conflicts of interest this representation should be by proxy through consumer or rights-oriented groups.

40. The Board should ensure that all members brought on to the Board from disadvantaged groups are given adequate support, mentoring, expenses, and respect. In order to avoid intense pressure and isolation the Board should seek to include more than one member is from a disadvantaged group.

41. The Board should ensure that the whole organisation in all of its systems, operations and activities upholds and promotes the imperatives of empowerment. The Board should ensure that the principles of equal opportunity and diversity are practically applied to all areas of the organisation's work, including its planning, its marketing, its employment practices, and its management.

For more detail on this issue see [here](#)

Ethical Fundraising

42. The Board should ensure that all materials used in fundraising are accurate and truthful.

43. The Board should respect the privacy of its donors and should not make their names available to any other person for any other purpose except where mandated by law.



44. The Board should adopt policies and procedures for dealing with the circumstances in which the organisation should refuse a donation that might compromise its ethics, its finances, or its mission.

For more detail on this issue see [here](#)

Effectiveness

45. The Board should periodically review its own effectiveness, and take any necessary steps to ensure it works well.
46. The Board should regularly review and evaluate the performance of the organisation's CEO.
47. The Board should ensure that the organisation as a whole and its programs are regularly reviewed in line with principles, outputs and outcomes.

For more detail on this see [here](#)



A note on nomenclature

In the community sector the same thing may have many different names, and some names may apply to many different things. To simplify matters a little in some places we've settled on using one name throughout.

Board	means the governing body of a not-for-profit or community organisation – and covers bodies named	<ul style="list-style-type: none"> ▪ Councils ▪ Boards of Directors ▪ Committees of Management
Board member	means a member of a governing body – and covers members named	<ul style="list-style-type: none"> ▪ Members ▪ Directors ▪ Trustees
Chief Executive Officer (CEO)	means the (paid) head manager of the organisation – and covers staff named	<ul style="list-style-type: none"> ▪ CEOs ▪ Managing Directors ▪ Administrative Officers ▪ Executive Officers ▪ Principals
Not-for-profit (NFP)	means any not-for-profit organisation – and covers organisations that are	<ul style="list-style-type: none"> ▪ Incorporated associations ▪ NFP Companies ▪ Nonprofits ▪ Community organisations ▪ Quasi-non-governmental organisations (quangos)
User	means any of the persons for whose benefit the not-for-profit organisation was established – and covers	<ul style="list-style-type: none"> ▪ Users ▪ Consumers ▪ Clients ▪ Service recipients

We are seeking wide community comment on this draft governance code, particularly:

- the underlying principles of the code, whether you agree with them, and whether you think they cover everything that needs to be covered;
- the specific detail of this draft, whether you think it's clear enough to implement, and whether you think it's too detailed (or not detailed enough);
- any practical difficulties your own organisation would run into if it adopted and implemented this code.

All comments will be taken into account in the development of a final version, to be released at the 2008 Communities in Control Conference.

Please send your comments by Tuesday, April 15, 2008

Send your feedback to:

Email service@ourcommunity.com.au

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