

# The 20 Critical Questions Series

## What Directors should ask of Not-For-Profit Governance

### NFP governance foundations

1. Does the not-for-profit (NFP) organisation have a formal constitution, and is it an incorporated association to protect office bearers, members and assets? If required, is the NFP organisation registered with the Australian Charities and Not-for-Profits Commission?
2. Does the NFP organisation have a member elected board? Is there a vision, mission, values and objectives, which are defined and approved by the board?
3. Does the NFP organisation have a fit-for-purpose approach to governance that encapsulates the definition from the Institute of Internal Auditors?  
*Corporate governance: 'The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward achievement of its objectives.'*
4. Is the NFP organisation's governance framework contained in a formal document that adopts a holistic multi-dimensional approach to capture all structures and processes across the organisation:
  - › Code of conduct and conflict of interest policy covering members, paid employees, non-paid volunteers and suppliers.
  - › Strategic management, based upon risk and with strategically-based budget-setting.
  - › Cash reserves policy.
  - › Risk management, insurance, fraud risks.
  - › Resource management.
  - › Information management.
  - › Compliance and reporting.
  - › Audit and review, covering all assurance activities.
5. Does the board comprise a blend of skills and experience, rather than limited to members aligned to the organisation's ethos? Does the board have independent members who bring experience such as business acumen, strategic management, accounting, financial statements, external audit, internal audit, risk management, compliance, fraud control, legal, marketing, etc?
6. Are all board positions open to members to nominate, and are board positions time-limited with staggered completion dates?
7. Is governance taken seriously, with sufficient support from the board and management? Is there an audit committee as a sub-committee of the board?
8. Have governance activities, responsibilities and delegations been clearly defined specifically for the NFP organisation, and detailed in a fit-for-purpose governance document that is regularly reviewed and updated?
9. Is accountability clearly defined and assigned to paid employees and non-paid volunteers for areas for which they are responsible? Is there adequate insurance in place, for example for directors and officers of the NFP organisation?

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10. Have NFP organisation and fraud risks been identified? Are there appropriate risk management actions in place, monitored and regularly reported to the board?
11. Does the board ensure it receives adequate financial and non-financial risk information, including early indicators of emerging risks, to support constructive debate and challenge? Does the board continuously monitor the ongoing financial sustainability of the organisation, and its cash reserves from a 'going concern' basis.
12. Are financial statements prepared every year in a timely way, independently audited, distributed to members, and presented and discussed at an annual general meeting, which all members are formally invited to attend?
13. How does the board gain assurance that all government and regulatory requirements have been identified and assigned, and the NFP organisation is in conformance with these requirements?

## Governance and assurance planning

14. Does the NFP organisation have a strategic plan designed to help achieve its objectives, which includes performance measures? Are results reported each year to an annual general meeting?
15. Is there a holistic governance plan prepared each year that embeds quality assurance and continuous improvement into operations, includes an improvement work plan to achieve recognised good practice, and is monitored by the board?
16. Is there a comprehensive and cost-effective plan of assurance activities for the year that is designed to suit the size and complexity of the NFP organisation?

## Governance reporting and performance

17. Are there robust performance measures for the various governance activities across the organisation to prove effectiveness, and are they achieved?
18. Are periodic integrated governance reports prepared for the board so they have visibility of all governance and assurance activities, including their effectiveness? Is a governance annual report prepared showing governance activities and their results for the year?
19. Is the board kept apprised of all breaches and breach reporting, and the results of government and regulatory reviews relevant to the NFP organisation's purpose or industry sector?
20. Are recommendations from assurance activities, audits, government and regulatory reviews implemented in a timely manner, and do the board and audit committee have visibility of this?

## The killer question

**How does the NFP board know that its governance and assurance is operating effectively to ensure the organisation's long-term sustainability?**