**GOVERNANCE STRUCTURE**

**Context**

A Governance Structure and Charter forms part of an organisation’s constitution, which is a set of rules for operating the organisation determined by its legal structure. The Charter serves as a key guide for the management of Community Service Organisations and outlines obligations in relation to Board and committee responsibilities, compliance, financial stewardship and conflicts of interest.

The Charter also assists an organisation to conduct business in a legal and transparent manner. Adherence to the Charter is crucial for a community service organisation, as non-compliance with legislation may impact on all aspects of the organisation’s activities, including performance, management of risk and reputation.

Under the *Disability Act 2006,* the Board of a community service organisation is responsible for ensuring that their organisation is effective, sustainable, responsive and capable of delivering high quality services. The Board is also responsible for ensuring compliance with relevant legislation and funding requirements.

Diverse legal structures are available to Community Service Organisations, including incorporated bodies which are established as Companies Limited by Guarantee or Incorporated Associations. The legal structure will determine the titles for those with governance responsibilities.

Further information about the legal obligations of Board members is available at:

<http://www.asic.gov.au/asic/asic.nsf/byheadline/Your+company+and+the+law?openDocument#what>

Members of Boards are ultimately accountable for all organisational matters and must carry out their fiduciary duty, that is, “trusteeship on behalf of others (members and the community) to achieve appropriate organisational outcomes, ensure the organisation’s financial security, and articulate the organisation’s moral and social responsibility”.[[1]](#footnote-1)

While the constitution specifies some governance processes, Boards can adopt a range of processes to assist in meeting their responsibilities. A Governance Structure and Charter is one example of this.

For a comprehensive discussion of effective Board processes and practices (including useful links and other resources) refer to the ‘Good Governance’ resource: *Disability Act 2006* ‘A Guide for Boards of Management of Disability Service Providers’ produced by National Disability Services (2008):

<http://www.nds.org.au/asset/view_document/979316194> (PDF 526KB)

<http://www.nds.org.au/asset/view_document/979317954> (RTF 413KB)

**Purpose**

The Governance Structure and Charter assists in the direction and control of an organisation by ensuring that activities are undertaken with due diligence and accountability. They specify governance responsibilities, outline the criteria for decision making and processes for monitoring organisational performance.

* Chairperson
* Secretary
* Members

The Governance Structure and Charter relates to the “Leadership” element of the *Disability Services Risk and Controls Model:*

*Element:* Leadership

*Sub element:* Governance Framework

Skills of Board

Audit & Compliance

These guidelines lead the organisation and inform the Strategic Plan, particularly the development of the organisation’s Vision and Mission.

**Developing a Governance Structure and Charter**

Step 1: Governance Structure

Step 2: Board Charter

Step 3: Delegations of Authority

Step 4: Conflict of Interest

Step 5: Compliance

**Step 1: Governance Structure**

The governance structure will generally comprise the Board, Board sub-committees (e.g. Risk and Audit Committee, Investment Committee), management and employees. The voice of people with a disability and their families/carers should be considered when determining the governance structure, for example:

Board → Risk & Audit Committee (or equivalent) → Management → Employees

Management → Risk & Audit Committee (or equivalent) → Board

Ensuring that the voice of people with a disability and their families/carers informs decision making is important. People with a disability may be represented through Board membership, sub-committee membership or an advisory group which informs the Board. Decisions about the nature of representation should take into consideration the organisation’s legal structure.

An example of a possible board structure is as follows:

Chair

Treasurer Secretary Members

**Board Composition**

The Board should ensure a range of relevant expertise that will enable the organisation to reorient to a model of service delivery that is directed by and paid for by the person with a disability. Some organisations may seek to develop more sophisticated business, financial and workforce management practices to respond to this approach.

The following competencies may be considered to enhance the Board’s governance expertise:

* Management
* Finance/accounting
* Administration
* Information technology
* Law
* Client perspective
* Risk management including occupational health and safety
* Disability services
* Resource management
* Community interest or perspective
* Public relations/marketing

**Risk and Audit Committee**

The Risk and Audit Committee is responsible for the development of a risk management framework and provides the Board with reports on risk, related issues and an annual review of performance. It also monitors performance management systems and the impact of changes to the risk profile of the organisation.

Small organisations without a Risk and Audit Committee will require Board members to take on this responsibility, providing quarterly risk and audit reports to the Internal Auditor for review. Specific risk management training may be required to assist Board members to fulfill this responsibility.

**Step 2: Board Charter**

The Board Charter defines the roles, responsibilities and authorities of the Board and sub-committees. Examples of a Board Charter, Roles & Responsibilities and a Risk & Audit Committee Charter are on the following pages.

**Sample Board Charter**

While the Board has no operational involvement in the organisation’s business and service delivery activities, it does have a role in developing and reviewing policy.

A Board Charter could include the following:

1. Provide effective leadership and collaborate with the executive management team to:

* articulate the organisation’s Mission, Vision, Values and Strategies
* develop strategic plans and order strategic priorities
* maintain open lines of communication and raise awareness of Mission, Vision, Values and Strategies throughout the organisation
* develop and maintain an organisational structure that supports the achievement of strategic objectives.

1. Appoint the CEO and monitor his/her performance against agreed performance Indicators
2. Review and authorise business (operational) plans and the annual budget proposed by the executive management team.
3. Monitor the implementation and achievement of strategic and business plans and annual budget outcomes
4. Establish committees, policies and procedures to assist the Board to meet its obligations
5. Ensure Board obligations and functions are met
6. Initiate a program for self-evaluation, with follow up actions to respond to findings (including development of Board members)
7. Ensure that systems and procedures are in place for the organisation to run effectively, efficiently and meet all legal and contractual requirements
8. Ensure that all significant risks are adequately assessed and managed by the executive management team
9. Ensure the organisation has appropriate corporate governance structures in place, and that it demonstrates ethical behaviour and encourages corporate and social responsibility in the organisation’s culture
10. Act as steward on behalf of the organisation’s members and ensure that the organisation remains focussed on its mission.

**Procedure**

**Roles & Responsibilities**

**Chairperson**

The Chairperson chairs Board meetings and ensures that Board performance is consistent with the organisation’s rules and external obligations.

The authority of the Chairperson is derived from the Board’s governance policies. The Chair is authorised to use any reasonable interpretation of the provisions in these policies.

The Chairperson has no authority to supervise or direct the executive officer without the sanction of the Board. The Chairperson may delegate any authority but remains accountable for its use.

**Functions of the Chairperson include:**

* Representing the Board to external stakeholders and the media
* Representing the Board to staff, clients and carers
* Managing Board operations, including Board processes and performance.

**Skills required of the Chairperson include:**

* Capacity to gain the respect of the Board, all internal and external stakeholders, and members
* Effective interpersonal skills at all levels: government, commercial, volunteer, employees, families/carers, people with a disability and others
* Meeting management skills (agenda setting, time management, dispute resolution, consensus building, closure and documentation)
* Familiarity with Board performance issues and solutions.

**Vice Chairperson**

The Vice Chairperson assumes the role of the Chairperson, should the Chairperson be absent from a meeting or formal duty.

**Treasurer** (if applicable to the organisation’s constitution)

Functions of the Treasurer include overseeing and keeping the Board informed of the organisation’s financial position.

Skills required of the Treasurer include:

* Excellent management accounting skills
* Strong treasury skills
* Strong working relationship with the Finance Manager.

**Risk & Audit Committee Charter**

The Risk and Audit Committee is responsible for the development of a risk management framework and provides the Board with reports on risk, related issues and an annual review of performance. It also monitors performance management systems and the impact of changes to the risk profile of the organisation.

The Risk and Audit Committee supports the oversight of financial management responsibilities by ensuring cost-effective internal audit and evaluation coverage of operations. The Committee provides a quality assurance review of the efficiency and effectiveness of the organisation’s financial management and the operations of its business. This is undertaken by reviewing internal audit / evaluation reports and audited financial statements, promoting proper coordination with other internal and external review activities, and reviewing the scope and quality of work performed by audit and evaluation services.

The Committee oversees:

* Operation and implementation of the risk management framework
* Financial policies, performance and the financial reporting processes
* Internal Auditor performance
* External Auditor (Victorian Auditor-General’s Office or his appointed agent) performance
* Matters of accountability and internal control affecting the operations of the organisation
* Effectiveness of management information systems (information technology) and other systems of internal control
* Monitoring of compliance with laws and regulations, its own Code of Conduct and Code of Financial Practice.

**Step 3: Delegations of Authority**

Delegations of Authority outline authority for expenditure, as demonstrated in the example below.

**Sample Delegations of Authority**

The Board is responsible for the stewardship and proper accounting of the organisation’s income and expenditure, assets and liabilities. The financial guidelines for purchases by disability service organisations follow.

For purchases up to $100,000: The Board should prepare a document outlining its requirements before seeking quotes. In general Boards require the following for purchases:

* Purchases of up to $5000 require three verbal quotes.
* Purchases $5,000 - $15,000 require at least three verbal or written quotes.
* Purchases $15,000 - $100,000 require three written quotes.

Purchases should be approved by officers with appropriate financial delegation, by the Board or a delegated Committee of the Board.

For purchases over $100,000: Public tenders should be called by means of advertisement in the local press. If tenders are called, the Board must provide a procedure, facilities and safeguards to ensure secrecy and security of tenders received until the date and time when they are to be officially opened in accordance with the Board’s requirements.

If the Board wishes to seek further information on appropriate purchasing procedures guidelines can be found at VGPB (Victorian Government Purchasing Board, <http://www.vgpb.vic.gov.au/>).

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| **ACTIVITY** | **Authorising Person** |

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| Refunds/cancellations up to $1,000 | Finance Manager & CEO approval. |
| Refunds/cancellations over $1,000 | CEO approval. |
| Petty cash | CEO.  Manager with delegated authority. |
| Invoice/credit notes | CEO & Finance Manager.  2 signatures required on all cheques up to $20k.  Over $20k – CEO & Finance Manager. |
| Cheque signing | Opening & closing of bank accounts & transfer between bank accounts – **CEO only.** |
| Bank accounts | Opening & closing of bank accounts and transfer between bank accounts – **CEO only.** |
| EFT processing | Finance Manager and CEO or another authorised signatory.  All EFT payments **must** pre-approved by two authorised signatories.  **CEO to review payments on a regular basis.** |
| Investments | Board only. |
| Payroll transactions | HR Officer after approval from HR Manager.  For any single transaction, (e.g. additional payment), approval is needed from the Finance Manager.  This includes payments such as terminations and superannuation payments. |

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| **The Board delegates the following Board Officers to approve purchases and store external requisitions to the value of:** | |
| Board | All over $100,000 (cheque signing over $20,000) |
| Manager - IT | Up to $5,000 |
| CEO | Up to $100,000 |
| Finance Manager | Up to $20,000 |
| Senior Accountant | Up to $5,000 |
| Human Resources Manager | Up to $5,000 |
| Maintenance Supervisor | Up to $2,000 |

Please note that nominated amounts listed for Delegations of Authority are **examples only**. An organisation’s Delegations of Authority policy will be determined by the Board.

**Step 4: Conflict of Interest**

The Board is committed to high standards of ethical conduct and accordingly places great importance on making clear any existing or potential conflict of interest. Below is an outline of action to avoid conflicts of interest.

All conflicts of interest in relation to the conduct of Board members should be declared by the member concerned and officially documented in the Board’s Conflict of Interest Register.

Accordingly, any business or personal matter which is, or could be, a conflict of interest involving the individual and his/her role and relationship with the organisation should be declared and officially registered. Entries in the Register are presented to the Board and minuted at Board meetings.

Where a conflict of interest is identified, the Board member concerned is excluded from voting on that issue. Only with the unanimous agreement of all other members present may the member concerned participate in any Board discussion on that topic. Failing such agreement, the individual shall either refrain from participation or leave the room.

When the Chairperson is aware of a real or potential conflict of interest involving one or more members, he/she should take the necessary steps to ensure the conflict is managed appropriately. Members who become aware of a real or potential conflict of interest of another member are responsible for notifying the Board.

Examples of conflicts of interest are as follows:

* When a member, or his/her immediate family or business interests, stands to gain financially from any business dealings, programs or services of the organisation
* When a member offers a professional service to the organisation
* When a member stands to gain personally or professionally from any insider knowledge if that knowledge is used to his/her personal or professional advantage.

**Step 5: Compliance**

The Board is responsible for ensuring good governance by determining the strategic direction; ensuring legal compliance, sound financial governance, effective risk management and monitoring; and by evaluating outcomes and achievements.

The compliance checklist assists in cross-checking relevant legislation and informs an annual compliance calendar which specifies the reports required by legislation.

**Compliance Checklist**

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| **KEY ELEMENT** | **RELATED ITEMS** | **ITEM REVIEW DATE** |
| Disability Act 2006 | **LEADERSHIP**  Board Charter  Code of Conduct  Governance Framework  Delegations Policy  Board meeting procedures  Skills of Board  Financial Audit (internal and external)  Policy framework  Annual Business Plan  **INNOVATION, QUALITY AND IMPROVEMENT**  Information provision  Support plans  Residential statements  Behaviour support plans  Building partnerships and relationships with local communities  Quality management system  OHS management system  Environmental management system  Incident management system  Service delivery  **PEOPLE**  Client feedback mechanisms and processes  Complaints process is fair, equitable and transparent |  |
| The DHS Funding and Service Agreement | **LEADERSHIP**  Financial Audit (internal and external)  Annual Budget  **INNOVATION, QUALITY AND IMPROVEMENT**  Service delivery  **PEOPLE**  Client feedback mechanisms and processes  Complaints process is fair, equitable and transparent |  |
| The Victorian State Disability Plan 2002 – 2012 | **LEADERSHIP**  Performance indicators and targets (organisational and individual)  **INNOVATION, QUALITY AND IMPROVEMENT**  Service delivery  **PEOPLE**  Client feedback mechanisms and processes  Complaints process is fair, equitable and transparent |  |
| The Standards for Disability Services in Victoria 2007 | **STRATEGY AND PLANNING**  Risk Management  **INNOVATION, QUALITY AND IMPROVEMENT**  Evidence collected to measure how clients are impacted by service – trend analysis on client outcomes  Service delivery  Quality management plan  **PEOPLE**  Recruitment/retention strategy and process  Position descriptions  Remuneration  Learning and development strategy  Client feedback mechanisms and process  Complaints process is fair, equitable and transparent  **CLIENT AND MARKET FOCUS**  Customer service charter/policy  Individualised and flexible product offerings  Pricing process is clear and transparent |  |
| The Human Rights and Responsibilities Act 2006 | **PEOPLE**  Client feedback mechanisms and process  Complaints process is fair, equitable and transparent  OHS management system |  |
| The Disability Discrimination Act 1992 | **PEOPLE**  Client feedback mechanisms and process  Complaints process is fair, equitable and transparent |  |
| Financial Management Act 1994 | **FINANCIAL MANAGEMENT**  Annual budget  Financial Audit (internal and external)  Chart of Accounts  Accurate costing  Financial strategy  Financial policies and processes documented  Financial management framework  Reconciliation of funding budgets  Procurement policies and systems  Financial delegations  Investment policy  Fundraising  Cash handling  Billing and collection  Bad debts policy  Fraud control plan  Cash flow statement  **CLIENT AND MARKET FOCUS**  Individualised and flexible product offerings  Pricing process is clear and transparent |  |
| Fundraising Appeals Act 1998 | **FINANCIAL MANAGEMENT**  Fundraising  **PEOPLE**  Register of volunteers  Volunteer induction, training and support |  |
| Audit Act 1994 | **FINANCIAL MANAGEMENT**  Annual Budget  Chart of Accounts  Investment policy  Fundraising  Cash handling  Billing and collection |  |
| Financial Management Regulations 2004 | **FINANCIAL MANAGEMENT**  Procurement policies  Annual budget |  |
| Pricing regulations | **FINANCIAL MANAGEMENT**  Accurate costing  Financial strategy  Financial management framework  Reconciliation of funding budgets  **CLIENT AND MARKET FOCUS**  Pricing processes are clear and transparent |  |
| Freedom of Information Act 1982 | **INNOVATION, QUALITY AND IMPROVEMENT**  Information security policy  **PEOPLE**  Client feedback mechanisms and processes  Complaints process is fair, equitable and transparent |  |
| Health Act 1958 | **STRATEGY AND PLANNING**  Risk Management  **INNOVATION, QUALITY AND IMPROVEMENT**  Evidence collected to measure how clients are impacted by service – trend analysis on client outcomes  Service delivery  Quality management plan  **PEOPLE**  OHS management system |  |
| Information Privacy Act 2000 | **INNOVATION, QUALITY AND IMPROVEMENT**  Records maintained  Information security policy  Records management system |  |
| Public Records Act 1973 | **FINANCIAL MANAGEMENT**  Asset register  Capital works plans  **INNOVATION, QUALITY AND IMPROVEMENT**  Record maintenance  Information security policy  Privacy and access policy and procedures  Records management system |  |
| Water Act 1989 | **STRATEGY AND PLANNING**  Risk Management  **INNOVATION, QUALITY AND IMPROVEMENT**  Service delivery  Quality management plan |  |
| Record management policy, procedures and system as per PROS 07/01 Standard. | **INNOVATION, QUALITY AND IMPROVEMENT**  Complaints/feedback documented  Records maintained  Information security policy  Privacy and access policy and procedures  Records management system |  |
| Human Rights and Equal Opportunity Act 1996  Equal Opportunity for Women in the Workplace Act 1999  Racial Discrimination Act 1975  Sex Discrimination Act 1984 | **INNOVATION, QUALITY AND IMPROVEMENT**  Service delivery  Quality management plan  **PEOPLE**  OHS management system |  |
| OHS Act 2004 | **STRATEGY AND PLANNING**  Risk Management  Emergency response plan  Business continuity plans  **INNOVATION, QUALITY AND IMPROVEMENT**  Incident reporting policy and management system  **PEOPLE**  OHS management system  OHS training for all personnel  Incident reporting system, including near misses  OHS inspections  Contractor management |  |
| OHS Regulations 2004 | **STRATEGY AND PLANNING**  Risk Management  **PEOPLE**  OHS management system  OHS training for all personnel  Incident reporting system, including near misses  OHS inspections  Contractor management |  |
| Public Sector Management and Employment Act 1998 | **INNOVATION, QUALITY AND IMPROVEMENT**  Records maintained  Transparent information and reporting systems  Asset register/management system  **PEOPLE**  Recruitment process for qualified/skilled/competent people  Clear position descriptions for each role  HR policies/systems  Pre-employment screening  Workforce planning  Exit interviews |  |
| Workers Compensation Act 1996 | **INNOVATION, QUALITY AND IMPROVEMENT**  Records maintained  Transparent information and reporting systems  **PEOPLE**  OHS management system  HR policies/systems |  |
| Workplace Relations Act 1996 | **PEOPLE**  Expectations on performance levels articulated to staff and documented  Performance appraisal system  360 degree feedback  OHS management system  Communication structure in place  Process for staff complaints/feedback  Contractor management |  |
| Whistleblowers Protection Act 2001 | **PEOPLE**  Process for staff complaints/feedback |  |

**Annual Compliance Calendar**

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| **REPORT** | **RELATED LEGISLATION** | **RESPONSIBILITY** | **DUE DATE** |
| **Annual complaints report** | In accordance with of the *Disability Act* *2006* (Section 105):  "A disability service provider must report annually to the Disability Services Commissioner in the form required by the Disability Services Commissioner specifying the number of complaints and how those complaints were resolved”. | Program Officer | **Mid-July each year**  **(Note: timeline determined by Disability Services Commissioner)** |
| **Restrictive Intervention Data System** | Disability Act 2006 | Program Officer | Monthly (seventh day of each month) to the Office of the Senior Practitioner |

1. NDS *Disability Act 2006* ‘A Guide for Boards of Management of Disability Service Providers’ 2008. Pg 6. [↑](#footnote-ref-1)