The Governance Code

THE
CODE'S
PRACTICES
CHART A JOURNEY
FROM THE BOARDROOM
TO THE REALISATION OF VISIONS

A Journey to Success

Appendix 3:

Plain English glossary of terms

The following explanation of terms is how they are understood and used in the Governance Code for Community, Voluntary and Charitable Organisations in Ireland.

Accountable: Answerable to.

Annual Report: This is a document setting out the yearly operational and financial activities of an organisation.

Annual General Meeting (AGM): The yearly meeting of the members of an organisation. Its purpose is to:

- approve the previous year's financial statements;
- confirm appointments to the governing body;
- make decisions in which the members must be involved; and
- confirm the appointment of a person to review the annual accounts (in the case of a company, the auditor).

By law companies limited by guarantee must have an AGM.

Annual work plan: This is a schedule of tasks for the coming year. It gives details of the resources to accomplish these tasks.

Articles of association: In a company limited by guarantee, the articles of association set out the members' rights, directors' power and how the organisation makes decisions. (This is one of the two formal governing documents which are used to set up a company limited by guarantee. The second is the Memorandum of Association.)

Assets: Money or other valuables (for example, premises) belonging to an individual or a business.

Board: See governing body.

Board handbook: This is an information guide for board members on how a board works.

Board induction process: This is a process that aims to familiarise a new board member with the organisation.

Board Review Process: This is a process that the board should conduct on a regular basis to evaluate its own performance and assess how it is adapting to the challenges of the changing business and regulatory environment. The review should evaluate the individual and collective performance of board members, its skills, competencies, structures, policies and procedures to ensure that they are fit-for-purpose.

Board Succession Plan: Succession planning is a way for an organisation to ensure its continued effective performance. The main goal of a succession plan is to smooth the transition as board members leave and are replaced. It is important to think not just in terms of board membership, but also committee membership, board and committee chairs, and officer positions. The board needs to search constantly for potential members and find new ways to uncover suitable candidates for board positions.

The succession plan should set out clear **key selection criteria**, for example, the skills, knowledge, experience required, the rules about board member appointment in the organisation’s governing document and the procedures to be used to help identify, filter and screen potential candidates to fill vacancies as they arise.

A useful tool to help boards stay on top of succession planning is to develop a **chart** that can include the board members, their length of service, expiration of their current term, as well as committee and officer positions held. This will help give a clear picture of upcoming vacancies that will need to be filled. The succession plan should also cover the process to be followed if there is an unplanned departure from the board and for the departure – planned or unplanned – of the chief executive and other key managers.

Business continuity plans: This is a plan to determine how the company will be maintained in the future.

CEO (chief executive officer): The person responsible for managing the activities of an organisation. This person reports to the governing body. The post of CEO is usually a paid position. This person may be known by other names such as:

- Managing director;
- Manager;
- Coordinator; and
- Director (not to be confused with those people who are members of the board of directors of the organisation).

Chair: The person who leads the governing body.

Charities Regulatory Authority: The Charities Regulatory Authority (CRA) is Ireland's national statutory regulatory agency for charitable organisations. The CRA is an independent agency of the Department of Justice and

Equality.

Code of conduct: A document setting out expected standards of behaviour of members of an organisation and the procedures in place if these standards are not met.

Communications strategy: The way information about an organisation is communicated both internally and externally.

Company limited by guarantee (also called a company limited by guarantee without a share capital): This is a type of legal entity normally chosen by voluntary organisations, charities and community groups because:

- it is a distinct legal entity and in law is considered to be separate to its members or board members;
- it is a democratic structure – the company is controlled by the members who elect the Management Committee, usually known as the Board of Directors;
- members cannot benefit from any profits made; and
- each board member's liability is limited to a nominal sum which they guarantee to pay if the company has debts on winding up.

Company secretary: This is a person appointed by the directors of a company who is responsible for making sure that the company complies with company law. This person is not necessarily the same person who carries out the secretarial duties (for example takes the minutes) or has the title of Honorary Secretary within a particular organisation. It is a role that may be held by a corporate entity such as an accounting or law firm.

Comply: To act in line with the Code of Governance.

'Comply or explain': This is an approach used in corporate governance. Rather than setting out strict rules, organisations are expected to use a principles-based code where boards have to follow the recommended practices in the Code or explain the veracity (truthfulness) of their explanations for divergence from these practices. The explanations are open to public scrutiny – and stewardship (see page 8).

Conflict of interest: A conflict of interest arises when your private interests compete with your professional duties. A conflict of interest may arise, for example, if a board member influences the awarding of a contract to a company owned by a family member. It is legal to award a contract to the best qualified company, even if that company is owned by a relative of a board member, but the board member must not be part of the decision making process. This would be a conflict of interest, because the family would benefit financially from their position. A conflict of interest can also happen in relation to a business connection of the board member (non-family related).

Conflict of Loyalty: A conflict of loyalty arises where a board member may be involved in board decisions and may be (or perceived to be) potentially influenced by considerations other than the best interests of the organisation. This might happen when the board member has come onto the board as a nominee of a particular group for example members in a particular county, a funding body, stakeholders or staff. This situation may possibly cause the board member to think that they should act in the interests of the grouping that nominated them.

However, regardless of how they got onto the board of directors, **board members should act in the interests solely of the organisation on whose board that they sit**, rather than acting in the interests of the grouping that nominated them.

Conflicts of loyalty may be sufficiently serious to amount to conflicts of interest.

Constitution: This is a document that sets out the purpose of your organisation and the basic rules for governance (see also governing document). For organisations that are structured as companies, the Companies Act 2014 (commenced in June 2015) requires a constitution which must include certain information specified in the Act. The constitution is a combination of the old Memorandum and Articles of Association into one document.

Cooperative: This is an enterprise owned and controlled by its members for the benefit of members.

Corporate governance: See governance.

Data protection policy: A policy that reflects data protection rules and applies them to the systems of the organisation so that they comply with the relevant Data Protection law.

Delegate: To give another person the authority to do work and/or to take decisions on your behalf.

Delegated authority: This happens when the governing body authorises the CEO or manager to take a decision on their behalf to facilitate efficient management or administration. It can also happen between a CEO or Manager and other staff.

Director: A member of the board of directors of a company limited by guarantee.

Employment policy: This policy sets out an organisation's guidelines on the employment of individuals. The guidelines on recruitment, induction, supervision and appraisals and the grievance and disciplinary procedures may be in one or more documents.

Equality policy: A document setting out the steps an organisation is taking to make sure that it is following the principle of equality. When developing policy, organisations need to take the nine grounds of discrimination and equality legislation into account.

Financial management procedure or **system:** The procedure or system in place for managing and controlling the financial resources of an organisation.

Friendly society: This is an association of people who join together for a common financial or social purpose, mostly to provide small assurance benefits, sick benefits, savings and death benefits to members.

Governance (good governance): This is where the board sets and oversees the achievement of its organisation's objectives. This helps to lead the organisation on **a journey to success** – a journey led from the boardroom*.* This Governance Code is a collection of recommended practices to enable you to set and achieve your organisation's objectives. It is not about rules. It is about **principles** guiding you to do the right thing in the right way.

Governing body: The appointed representatives responsible for making sure that the organisation is run in line with the governing document.

- In the case of a company – the board of directors;
- In the case of a trust – the trustees;
- In the case of a club – the committee.

Depending on the nature of the organisation, the governing body may be called other names such as:

- the board of directors;
- the council;
- the governors;
- the management committee; or
- the national council.

Employees are not normally members of the governing body.

Governance code: A set of guidelines setting out the systems and processes involved in steering an organisation.

Governing document: The founding document of an organisation that sets out its basic rules.

- In the case of a company – the constitution which combines the old memorandum and articles of association into one document as set out in the Companies Act 2014 (which was commenced in June 2015);
- In the case of a trust – the trust deed;
- In the case of a club – the constitution, the charter, the regulations, the rules or the statutes;

- In the case of a friendly society – the rules.

Health and safety policy: A document setting out the health and safety procedures in an organisation.

Incorporated: means that a group is established as a separate legal entity, usually as a company limited by guarantee, but also can be as a cooperative or friendly society.

Internal audit function: An internal audit is an organisation's self-examination. It analyses the activities, processes and procedures of a business. This audit identifies weak links in an organisation's systems as well as opportunities for improvement. It also acts as a feedback mechanism for the management and board. It is an independent process within an organisation.

The audit committee report to the board. It is important to make sure that there is clarity about the:

- purpose,
- authority;
- activities; and
- responsibility and performance

of the internal audit function between board, audit committee, CEO and senior management.

Key performance indicator: This is a measurement of the degree of progress towards an organisation's aims and objectives.

Legal entity: An individual or organisation which is permitted by law to enter into a contract, and be sued if it fails to meet its contractual obligations.

Manager: The person with direct responsibility for managing the various resources of an organisation.

Material breach: Failure to carry out a duty under a contract.

Memorandum: The memorandum gives details of:

- a company’s name;
- its Objects; and
- the limits of the members’ liability if the company has to be wound up.

(This is one of the two formal governing documents which are used to set up a company limited by guarantee. The second is the Articles of Association.)

Mission: The main aim of a group, an organisation or a person. Also called ‘purpose’.

Mission statement: a written statement of the mission.

Nine grounds of discrimination: Under the Employment Equality Act 1998 and the Equality Act 2004 there are nine legal grounds of discrimination. They are:

1. Gender;
2. Marital status;
3. Family status;
4. Sexual orientation;

5. Religion;
6. Age;
7. Race;
8. Disability; and
9. Membership of the Travelling community.

Objects: the objects of an organisation describe the reason for the organisation’s existence.

Performance review: This is a process where the effectiveness of the board, the chair and individual board members is formally considered. Staff should also have performance reviews. These should be done every year.

Property: That which is legally owned by an individual or entity.

Protected Disclosure: A protected disclosure is a disclosure of information that in the reasonable belief of the person disclosing the information tends to show a ‘relevant wrongdoing’ (whistleblowing). The definition of ‘relevant wrongdoing’ is widely drafted and includes: criminal offences; failure to comply with legal obligations; miscarriages of justice; health and safety matters; environmental damage; unlawful or improper use of funds or resources of a public body; and, an act or omission by or on behalf of a public body which is oppressive, discriminatory, grossly negligent or constitutes gross mismanagement.

If information relating to these matters is likely to be concealed or destroyed, this is also a ‘relevant wrongdoing’.

The Protected Disclosures Act 2014 aims to protect people who raise concerns about possible wrongdoing in the workplace. The Act, which came into effect on 15 July 2014, is often called the whistleblower legislation. It provides for redress for employees who are dismissed or otherwise penalised for having reported possible wrongdoing in the workplace.

The Act's definition of the term worker includes employees or former employees, trainees, people working under a contract for services, independent contractors, agency workers, people on work experience and the Gardaí. The legislation does not specifically name volunteers as being covered but guidelines to be developed for public bodies will include how to treat disclosures by volunteers.

Policy: A course of action proposed or adopted by an organisation or person.

Purpose: The main aim of a group, an organisation or a person. What the organisation seeks to do. Also called 'mission'.

Register of directors' interests: A list of the interests and loyalties of the directors which may conflict with the interests of the organisation.

Risk: A risk is the potential that a chosen course of action or activity (including no action) will lead to an undesirable outcome.

Risk appetite: The level of risk that an organisation is willing to accept.

Risk assessment: The overall process of evaluating the likelihood and consequence of risk to the organisation.

Risk management policy: A policy setting out how the risks which have been identified by the risk assessment procedure will be managed and controlled.

Risk Register: The risk register details all identified risks for the group or organisation, including description, category, cause, probability of occurring, impact on objectives, proposed responses, owners, and current status.

Safety Statement: A Safety Statement is a written plan that specifically identifies the organisation's hazards, assesses the risks, and identifies the controls to be put in place, the people responsible and resources necessary to ensure the safety of people at work. It is required by Section 20 of the Safety, Health and Welfare at Work Act 2005.

Schedule of matters reserved for the board: This is a list of the decisions that only a board can make and which cannot be delegated.

Shadow director: This is a person who, although not officially a member of the board, instructs other directors on what to do and those directors follow their instructions. Individuals who act as shadow directors have the same liability as properly appointed directors. A shadow director could be the paid CEO, if it can be shown that they are effectively in control of the board.

Another example of a shadow director might be the founder of the organisation, who is no longer on the board, but who still exerts significant influence over the board and the direction of the organisation.

Stakeholder: A person or group with an interest (a stake) in the actions or policies of an organisation, which means they may affect the actions or policies and/or be affected by them. Key stakeholders might include:

- Members;
- Funders;
- Staff;
- Volunteers;
- The general public, and
- Regulators.

Statement of the division of responsibilities: This is a statement which sets out the responsibilities of the chair and the CEO. This document should include the CEO's delegated authority.

Strategic issues: These are matters concerned with the delivery of the overall mission, values and objectives of an organisation's strategy.

Strategic plan: This is a document setting out an organisation's mission, vision, values, aims and objectives for the medium to long term and plan for how these will be achieved.

Strategic objectives: Strategic objectives are what your organisation was formed to achieve. They set out what you intend to achieve over a set period of time, usually 3 to 5 years. Strategic objectives should describe a change or outcome (result) that you want to achieve, not an activity or output. Ideally, they include a clearly measurable target that is realistic and time-specific. Strategic objectives are important because they define organisational priorities and focus your work as they form the basis for annual work or business plans.

Stewardship: Stewardship is the process of safeguarding the interests of others by examining the quality of a Board's compliance with the Code's principles and their explanations for any divergence from its practices.

Stewardship can involve monitoring and engaging with boards of organisations on matters such as strategy, performance, risk, financials, corporate governance and explanations for any non-compliance with the Code. Engagement on such matters is conducted on behalf of those either supporting or depending on the organisation to effectively achieve its promised objectives.

Terms of reference: A set of guidelines setting out the function of a grouping such as the board, a committee or a sub-committee. The terms provide information on purpose, goals, main activities and calendar. Terms of reference are often agreed at the start of an activity, for example, a project or the work of a third party committee.

Trust: A Trust is a legal entity which charities sometimes use to structure their organisation. Its governing document is called the 'Deed of Trust' and the members of its governance body are called Trustees.

Trustee: In the sense of the Charities Act 2009, a trustee is a person who sits on the governing board of any charitable organisation, regardless of how it is legally made up so it includes, for example, members of the board of a company limited by guarantee, members of the management committee of an unincorporated association.

Unincorporated Association: This is a legal form used by a large number of community, voluntary, charity organisations, clubs and associations. Most of these organisations start up as an unincorporated association with a constitution and rules. Some organisations then decide to change to the more structured form of being a company limited by guarantee.

Veracity: The conformity with fact (truth).

Vision: The ideal view of a particular group or organisation of how the future should be.

Volunteer policy: A policy dealing with the recruitment, induction, support and supervision of volunteers and setting out the procedures for implementing the policy and dealing with problems, if they arise.

Whistleblower: see Protected disclosure.

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