A Journey
to Success

The Governance Code

A GUIDE

The Governance Code

Your Guide to
The Governance Code
for Community, Voluntary and Charitable
Organisations in Ireland

Version 2.0 2017

Get the full version of the Code together with all other information at www.governancecode.ie
Contact us at; info@governancecode.ie

The Governance Code is administered by;

This Code of practice is comprised of Not-For-Profit governance best-practices shared and developed by the sector for the sector

The Governance Code is a Journey to Success

This Governance Code's recommended practices chart a journey to the realisation of your organisation's purpose and vision - A JOURNEY TO SUCCESS

The Code provides your Board with the tools to oversee the achievement of your strategic objectives within a self-nurtured ethical culture. It is not about rules and regulatory compliance. It is about principles guiding you to do the right thing and, in the right way

It is a principles-based Code which means that users adopt its recommended practices to bring its principles to life. It also means that boards can choose not to apply particular practices for whatever reason they see fit. It might be because they are not suitable to their particular organisation or they've identified better practices to secure their objectives. All decisions made by the board must be transparent and clearly explained to the public in the Board's Declaration of Compliance.

A registered Board Declaration is a public statement of compliance with the Governance Code. The 'comply or explain' process requires very careful consideration by directors. Stakeholder and public opinion of the board's integrity will be formed by the quality of its Declaration.

If the explanations for divergences are fully explained and transparent, it will generate great confidence. When a board has made such a Declaration, it is considered fully compliant with the spirit of this principles-based Code.

For principles-based governance to work at its best, it needs informed stewardship by key stakeholders. These are the people who have an interest in assessing a board's effectiveness in achieving its strategic goals by complying with the Code's practices. They should particularly examine and rate the quality of explanations for any divergences. These ratings will hold boards to account for the quality and spirit of their compliance with the Code.

So this Governance Code is a collection of recommended practices to enable you undertake your journey to successfully achieve your organisation's purpose within an ethical culture to the benefit of those you serve.

You need the Code

Community, voluntary and charitable organisations are only as strong as their reputations, relying on public support and trust in the causes they represent. Clearly stating on your communications materials (newsletters, website, fundraising appeals, etc.) that you adhere to the Governance Code will substantially boost your brand, status and credibility as a high-performing, ethical and financially sound organisation.

Adopting the Code will:

- reassure funders that donations are being managed by a well-run organisation
- increase transparency
- help avoid serious risks
- help your organisation achieve its goals faster
- reduce costs
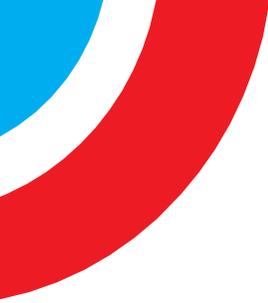
The Code needs you, too

The Governance Code will become stronger and more valuable with widespread adoption across the charity, community and voluntary sector.

Since its original launch in 2012, the Code has

1. Become the standard definition of good practice in governance for the sector in Ireland
2. Informed the standards now required by funders and other key stakeholders

As of early 2017, over 1,500 organisations in the sector have adopted it and share the value of their compliance with other organisations and the public at large, simultaneously enhancing their own credibility and that of the Code itself.

The Governance Code's Principles

The Governance Code is based on these five main principles:

1. Leading the organisation
2. Exercising control over the organisation
3. Being transparent and accountable
4. Working effectively
5. Behaving with integrity

Each of these has three 'sub-principles' indicating how the main principle will be achieved.

Principle 1: Leading the organisation

1. Agreeing vision, purpose and values and making sure that they remain relevant
2. Developing, resourcing, monitoring and evaluating a plan to make sure the organisation achieves its stated purpose
3. Managing, supporting and holding to account staff, volunteers and all who act on behalf of the organisation

Principle 2: Exercising control over the organisation

1. Identifying and complying with all relevant legal and regulatory requirements

2. Making sure that there are appropriate internal financial and management controls

3. Identifying major risks for the organisation and deciding ways of managing the risks

Principle 3: Being transparent and accountable

1. Identifying those who have a legitimate interest in the work of the organisation (stakeholders), and making sure that there is regular and effective communication with them about the organisation

2. Responding to stakeholders' questions or views about the work of the organisation and how it is run

3. Encouraging and enabling the engagement of those who benefit from the organisation in planning and decision-making

Principle 4: Working effectively

1. Making sure that the governing body, individual board members, committees, staff and volunteers understand their roles, legal duties, and delegated responsibilities for decision-making

2. Making sure that the board exercises its collective responsibility through board meetings that are efficient and effective

3. Making sure that there are suitable board recruitment, development and retirement processes in place

Principle 5: Behaving with integrity

1. Being honest, fair and independent

2. Understanding, declaring and managing conflicts of interest and conflicts of loyalties

3. Protecting and promoting the organisation's reputation
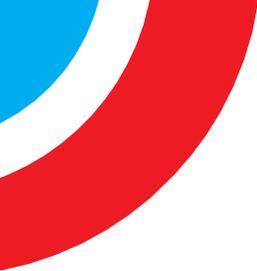
A Proportionate Approach

Of course, achieving these five principles is easier said than done, so the Code includes recommended guidelines and actions to help organisations fully adopt the Code.

In order to be relevant and proportionately applicable to all organisations regardless of size, structure or stage of development, the Code defines three categories of organisation (Type A, B or C) based on how governance is conducted. The five main principles and 15 sub-principles are the same for all categories - only the specific recommended practices for achieving them varies between categories.

The website *www.governancecode.ie* makes it easy to track your progress by offering downloads of a version of the Code for each organisation type, as well as a very helpful checklist of all the required practices, again in three versions for Type A, B or C organisations.

Having applied the recommended practices, you will then know that you are adopting that particular principle. Apply them all or explain any divergence and you may declare that you are in compliance with the Code.

Determining your organisation's type

The three categories may broadly be thought of as 'small, medium and large,' although size is not as much a factor as the role of the board and staffing structure. There will inevitably be some organisations that do not fit perfectly into any of these categories.

In that case you should choose the category that best describes your organisation. It may be helpful to go to *www.governancecode.ie* to look at the specific actions recommended for a particular type to determine if they are most relevant to your organisation.

(Please note: To make it easier to read the implementation actions, we have used the words 'board' and 'board member' instead of 'governing body' and 'member of the governing board'. If your organisation is not a company limited by guarantee, it will not have board members. In this case, the words will refer to the governing body, committee, core group or relevant structure. The practices stay the same.)

These are the general features of the three types of organisations:

Type A

Board members' role:
Comprehensive, including governance, management and operations.

Staffing:
- Run by one or more volunteers, who may or may not be board members

- Does not employ staff

(If your organisation seems to be a Type A, but is registered as a limited company, you should be complying with the actions and recommendations of Type B).
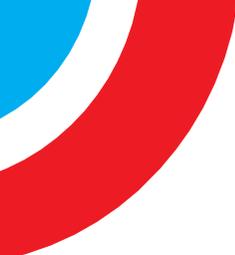
Type B

Board members' role:
Primarily governance, but with some management and operational responsibilities as well.

Staffing:
Employs one or more full-time / part-time staff member(s)

(If your organisation appears to be Type B, but enters into service level agreements with Government departments or statutory agencies, you should be complying with the actions and recommendations of Type C).

Type C

Board members' role:
Solely governance, with a clear division between the governance role of the board and the operations role of management and staff.

Staffing:
Any number of full-time / part-time staff, all reporting to a Chief Executive / Manager / Director

Stakeholder Stewardship

If stewards are required to conduct assessments of Type A's or B's, we recommend they would be supportive in nature and primarily focussed on advising organisations on areas with potential for improvement to enable them develop further. As for Type C organisations, we encourage stewards to be challenging in their engagement with boards as the stakeholders they represent will, in turn, primarily rely on their objective assurances to justify their trust and confidence in the organisation.

Next Steps

It is expected that groups and organisations will compare themselves to the standards outlined in the Code on a 'comply or explain' basis. This means that you measure your organisation against the principle in question, specifically against each of the recommended practices for that principle. (There is a checklist available on the website to make it easy for you to do this). After this, you make any changes needed to take the required actions to bring your organisation into line.

Having done that, you are now entitled to say that your organisation complies with the Governance Code. If, however, there are reasons why you can't make changes to meet all the recommended practices, you can still adopt the Code. This is only possible if you communicate which practices you do not follow and why, at the same time as you communicate that you adopt the Governance Code. Publishing the explanation means that you are complying with the spirit of the Code.

In summary, 'comply or explain' means that organisations should make it publicly known how they have complied with the Code and explain where they have not.

Visit *www.governancecode.ie* to follow these 7 Steps

STEP 1 - READ THE CODE
The Code is in three main parts:
1. The **five principles** underpinning the standard and their sub-principles.
2. The definitions of the different **organisational types** (see step 2 below).
3. The list of **recommended practices** for each of the principles and sub-principles for a particular organisational type.
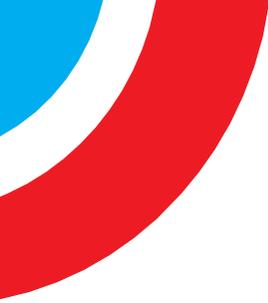
STEP 2 - IDENTIFY YOUR ORGANISATION TYPE

Identify your Organisational Type from the three categories outlined further down this page and assess what parts of the Code are applicable to your particular organisation.

STEP 3 - INFORM US OF YOUR JOURNEY

Download **Form 1** and complete / return it in order to let us know that you are now embarking 'on the journey' towards adoption of, and compliance with, the Code. We will then add this information to the publicly available list of "On the Journey" register on the Code website. Being 'On the Journey' means that your Board has made a formal commitment to undertake a process to comply with the Code. It does not mean that it has complied with the Code.

STEP 4 - FILL IN THE APPROPRIATE CHECKLIST

Fill in the appropriate checklist for your Organisational Type by:

1. Identifying the recommended practices you think you need to introduce to comply with each principle.

2. Ranking the recommended practices and introduce them in a time-frame that is reasonable for your organisation.

3. Work to achieve these practices.

If your board believes that the organisation complies with the Governance Code, and has made a decision about this that is minuted at a board meeting, then go to Step 5.

STEP 5 - COMPLETE THE FORMS

Complete the **Public Statement of Compliance** If relevant, please also complete **Form 3 (**Explanations Form). Email the forms to the Code on **info@governancecode.ie.** When the Code Working Group tells you that your organisation has been entered on our website's 'Compliance List', move to Step 6.

At this point, your organisation is considered compliant for **three years** from the date of the board meeting at which you declared yourself compliant. This is the date that you put on your '**Public Statement of Compliance'**.

STEP 6 - PUBLIC STATEMENT OF COMPLIANCE

When your organisation's details have been included on the Code's 'Compliance Register', you may display the **Public Statement of Compliance** (together with the Explanations Form, if relevant) publicly, for example on your office wall, in your newsletter or annual report, and/or on your website.

State in your public materials:
"We confirm that our organisation complies with The Governance Code for the Community, Voluntary and Charitable Sector in Ireland".

STEP 7 - ONGOING SELF-ASSESSMENT

Each year you should self-assess your practices against those recommended in the Code to ensure that you are still compliant. This review should be done by, or approved by, the Board. Every third year, you need to let us know that your Board has reviewed your practices and still considers that your organisation is compliant with the Code. The new date to which you are now considered compliant, will be uploaded to the 'Compliance Register' on the Code's website.
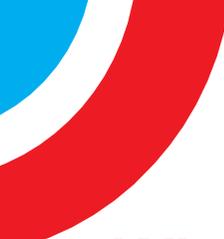
Who Administers the Code?

The following organisations all came together in a Working Group to develop and administer this Governance Code as a result of their shared aim of improving governance practice across the community, voluntary and charity sector in Ireland. The result of improved governance practice will be better outcomes for the people that organisations in the sector serve. The following organisations collaborate on the administration and promotion of high standards of governance in the sector.

- Boardmatch Ireland
- Business in the Community Ireland
- Carmichael Centre for Voluntary Groups
- Corporate Governance Association of Ireland
- Charities Institute Ireland
- Clann Credo – the Social Investment Fund
- Disability Federation of Ireland
- Good Governance Solutions
- Volunteer Ireland
- The Wheel

In developing the Code, this Working Group sought extensive feedback from community, voluntary and charitable groups of all sizes, private funders, regulators, statutory authorities and funders and other stakeholders. The group also conducted information and consultation events around the country, webinars, surveys and written feedback.

EMAIL: info@governancecode.ie

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A Code of Practice for Good Governance of
Community, Voluntary and Charitable Organisations in Ireland

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