



## Enhancing the Role of the CEO and Senior Managers in Supporting Board Governance in Not-for-Profit Organisations (NPOs)

The success of Not-for-Profit Organisations (NPOs) depends on the effectiveness of their Board of Directors in conducting their governance role of which compliance and risk management are key. While the Board of Directors retains ultimate responsibility for the oversight of NPOs, Board members are volunteers and depend on the NPOs' chief executive officers (CEOs) and other senior officers to provide support services including relevant information and sound advice to enable them to make the right decisions and to help them stick to governing the NPO as opposed to engaging in the day-to-day operations.

Nevertheless, CEOs and senior managers of NPOs do not always have the relevant information and knowledge required to effectively render support to their Board of Directors. As a result, NPOs face challenges such as improperly convened and run meetings, poor documentation of minutes and non-compliance with NGOs' constitutive documents and statutory requirements. Additional

challenges include ineffectiveness in internal controls, enterprise risk management and financial reporting. The above challenges expose NPOs to strategic, reputational, compliance and sustainability /going concern risks with the potential to derail them from fulfilling their purpose.

### **Target and Aim of Our Solution**

This course is targeted at CEOs and senior managers of NPOs. It aims to invest them with the necessary skills and knowledge to seamlessly navigate the governance, legal and compliance environment for NPOs thus enabling them to render effective support to their boards.

Depending on logistical conveniences for the NPO, these sessions are covered either in a one-day or two-day course and include the following modules. Organisations have the option to have their staff participate in-person, virtually or through a hybrid model.

## Role of the CEO/Senior Management in Supporting Board Governance



The Board and the CEO have different but related roles. While the Board's role is to govern, the CEO provides leadership to the management and implements the decision of the Board. Nevertheless, the board is dependent on the executive director for its success. A positive working relationship between the board and its executive director is vital to the organisation's successful operation. CEOs have a specific role in supporting the board to govern the organisation including ensuring compliance and risk management. Nonetheless, many CEOs of NPOs tend to define their role narrowly in terms of implementing the direction established and approved by the board thus failing to see their role in supporting Board governance.

This module facilitates the CEO and key management staff who need to interact with the Board of directors to:

- Understand the roles of the Board and the CEO and the interphase between them.
- Understand the statutory roles of the Board of directors, its constitution, and terms of service
- Appreciate the duties and responsibilities of the CEO and senior management in enabling and enhancing Board governance
- Follow organisational policy and procedures in implementing Board decisions
- Discuss the appropriate communication channels between the board and management and vice versa

## The NPO Constitutive Document(s)



The NPOs constitution is an important document since it gives existence to the organisation, defines its governance structure, and is used in the regulation of the NPO by the government regulator. Often, the Board seeks the support of the CEO and senior management in ensuring that the organisation operates as per its constitution and the Board within its powers. Nonetheless, CEOs are not often familiar with the contents of the constitution of the NPO and further face difficulties in interpreting its provisions meaning that organisational decisions are not guided by the NPOs constitutive document.

The module shall enable participants to appreciate the role of the constitutive document in the governance and regulation of the organisation and further provide skills in navigating the document thus ensuring that CEOs can give quality support and advice to their Board of Directors.

## Board Meetings and Minutes



The Board exercises its governance role through meetings. Board meetings are key for collective decision-making, planning, monitoring and accountability, which lead to strong and effective organisations. While organising and running effective board meetings is the responsibility of the Board, successful Board meetings require a robust, well informed, and timely support process from the senior management of an NPO. The CEO has a specific role in the development of the Board work plan and calendar and in assisting the Board chair in developing the agenda and ensuring that meetings are convened and run procedurally. In addition, the CEO plays a key role in ensuring that Board deliberations and decisions are recorded accurately since they serve as the official and legal record of the meeting of the board of directors.

The module seeks to develop skills and knowledge by CEOs and senior managers in assisting the Board in planning and running effective meetings and in ensuring that Board minutes are a clear, accurate, and complete report of business transacted. Given, the increased number of meetings held via virtual platforms, the module shall also provide practical tips on managing effective online meetings.

## Board Work Plan



Boards of NPOs often struggle to distinguish between what requires their attention and which they must focus on and issues that they should delegate or pay less attention to. Board members increasingly find themselves with an ever-growing meeting agenda, which leaves them with little time to focus on the things that matter in their governance role. While the Board is, responsible for delivering on its responsibilities, the CEO and senior management are required to support the Board to develop a work plan and to ensure that the plan is implemented and monitored.

The module seeks to help CEOs and Senior Management to provide superior support to the Board in developing and implementing work plans that not only maintain the focus of the Board on governance but further ensure that the Board utilises the scarce time available to efficiently and effectively address the most important and pressing issues.

## The CEO Report



The CEO's report is a feature of board meetings. The CEO's report is important in keeping the Board abreast of what is going on in the organisation and the significant issues facing the organisation. However, quite often the CEO's report does not meet the expectation of the board, is concerned with what has already happened, mainly administrative issues and fails to keep the board focused on its strategic and "big picture" role. Such reports do not bring the best out of the board and will focus them on operational issues rather than their strategic role. In addition, they do not enable the Board to enjoin the CEO as a key partner in pursuing important issues.

This module seeks to enable CEOs to develop reports that are not only informative but most importantly, assist the Board to appreciate and critically consider the strategic issues facing the organisation thereby making the best use of their time.

## Public Benefit Organisations (PBO) Accounting



While CEOs may not be accountants or finance professionals, they manage the resources of the organisation on behalf of the Board and need to have an appreciable understanding of accounting and financial reporting and should be able to detect unethical and illegal accounting practices. CEOs need to appreciate that NPO accounting is different from commercial accounting and that the format in which NGO accounts are presented could determine whether the organisation is considered charitable and therefore eligible for tax-exempt status.

Not for Profit Organisations depend on donors to support their activities. Accountability to multiple stakeholders including donors, the government and the public is, therefore, a key component of NPO accounting. In addition, NPOs are required to demonstrate that their resources have been applied solely for public benefit meaning they must meet the none- distribution principle.

This module aims at discussing and reinforcing the CEOs' and senior management capacity to effectively discharge their accountability role transparently and will specifically address the following:

- Improve their understanding of the framework for PBO accounting
- Discuss the standards and principles of PBO accounting
- Discuss the financial information presented in NGO financial statements
- Appreciate the emerging principles of integrated financial reporting
- Review the form and content of the Board of Directors annual report

## Labour Laws



Human resource management is a key duty that the Board delegates to management through the CEO. Failure to understand labour laws poses a significant risk to NPOs. Often, senior managers make decisions that are unlawful either procedurally or substantively and which expose NPOs to liability, unnecessary litigation and high legal expenses and pose a reputational risk for the organisation.

The module seeks to help CEOs to understand labour law to facilitate sound decision making and maintain good labour relations in the organisation thus enabling the organisation to focus on fulfilling its mission.

Specifically, this module trains CEOs and senior managers to:

- Embed the key labour laws and principles in their management practices
- Evaluate staffing and human resource decisions following the relevant laws
- Inform and discuss the underlying labour law policy with the Board as they affect the NPO operations
- Identify and manage emerging HR/labour law challenges

## Audit and Risk Management



Boards need to institutionalise an appropriate system of risk oversight, audit, and internal controls to help increase the opportunities of the organisation delivering on its mission.

Regarding audit and internal controls, NPOs are expected to design and implement efficient, effective, and economical internal controls procedures that provide proactive and reactive mitigation measures against risks, wastage, and unethical practices. While it is the responsibility of the management to implement the internal controls, the Board needs to get periodic assurance on the effectiveness of the controls. This, therefore, calls for Internal and external audit functions to play the third role of defence (assurance).

On the other hand, the CEO and senior management play a key role in implementing the organisation's risk management strategy and policies as provided by the Board of Directors. Identifying, measuring, and managing organisational risks and opportunities on a day-to-day basis is, therefore, an important responsibility of senior management to ensure that the organisation can meet its strategic objectives. Nonetheless, for many CEOs and senior management, risk management is perceived negatively as a complex compliance issue that must be addressed to 'tick the boxes.' As a result, the opportunities that come with risk are rarely identified and taken advantage of.

In this module, we invest CEOs and senior management with tools and strategies for a more through-going approach to risk to facilitate not only effective management of hazardous risks but also the identification and leveraging of opportunities afforded by risks. The module will also enable CEOs and senior management of NPOs to appreciate their roles and responsibilities in Internal Controls and further assist them to identify mechanisms of instituting cost-effective Internal audit & risk assurance services.

## Reputation Management



With the advent of the internet and social media where information travels fast and reaches more people than ever before, the Boards oversight responsibility for reputation management has become even more challenging. Increasingly, public perception about not-for-profit organisations is being swayed by persons cloaked in anonymity and many times unknown to the organisation. Yet, for NPOs, being a value-driven sector, the risk of reputational damage has far much deeper ramifications and quite often NPOs are less likely to rebound from a damaging event than in other sectors. While the Board of Directors has responsibility for promoting and safeguarding the reputation of the organisation, it depends on a day-to-day basis on the CEO and senior management to implement organisational reputation management strategies, including monitoring public perceptions and escalating identified concerns for action.

This module offers practical skills and tools to enable the CEO and senior management to take a proactive approach to reputation management by, implementing board policies, monitoring, engaging pre-emptively and protecting the public perception of the NPOs brand.