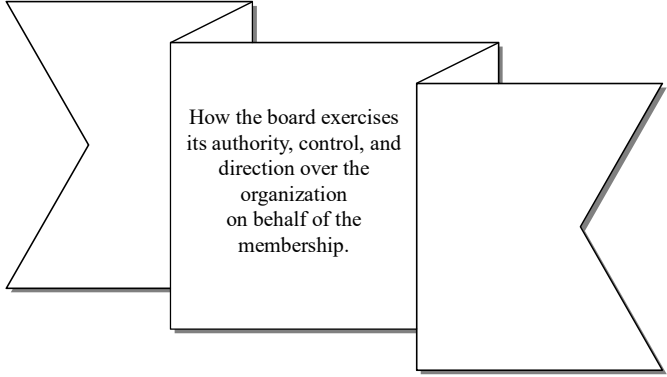


Board
Governance
Basics

HO # 1

Governance



How the board exercises its authority, control, and direction over the organization on behalf of the membership.

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BOARD DEVELOPMENT

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Board
Governance
Basics

HO # 2

Types of Boards

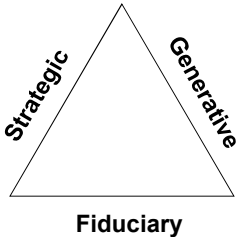
- Advisory Boards
- Governing Boards
 - Policy Boards
 - Administrative Boards

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Governance as Leadership



Fiduciary Governance – the board exercises its legal responsibilities of oversight and stewardship

Strategic Governance – the board makes major decisions about resources, programs and services

Generative Governance – the board engages in deeper inquiry, exploring root causes, values, optional courses and new ideas

Adapted from *Governance as Leadership: Reframing the Work of Nonprofit Boards* by Richard P. Chait, William P. Ryan and Barbara E. Taylor. Hoboken NJ: John Wiley & Sons, Inc. 2005.



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Responsibilities of Governance

The Board:

- Articulates and communicates the vision
- Focuses on strategic planning and direction
- Focuses on the whole organization
- Works to create a culture that is aligned with the values of the organization
- Is a corporate body, works together as a whole



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Responsibilities of Governance (Cont'd)

The Board:

- Ensures that board members are motivated and inspired
- Speaks with one voice
- Directs the organization's work
- Is responsible for its own management
- Hires, supervises and releases only the senior staff
- Avoids making management and operational decisions when these can be delegated

Roles of a Governing Board

- To be responsible for the organization's highest level of decision making and legal authority
- To be accountable for the organization's resources and activities
- To articulate and communicate the vision
- To define, through policy, the parameters of the organization

ETHICAL AND LEGAL RESPONSIBILITIES FOR BOARD MEMBERS

Case Study:

You are a board member of a society incorporated to resurrect lost and/or forgotten musical or literary manuscripts. A number of years ago, one of your members died and left a considerable sum of money to the society. The society has always been small and run very informally with one paid staff member.

Suddenly the society cannot meet its obligations and the paid staff member cannot be found. It appears that the staff person has spent the society's money on various expensive and exotic trips to investigate potential lost manuscripts. No regular financial reports or budgets were requested by the Board.

The manuscript collection is destroyed in a fire and it is discovered no fire insurance was ever purchased.

The board is composed of an accountant, a lawyer, a secretary, a teacher and a store clerk.

Is the board or any member of the board liable for the loss of the money or the manuscripts? Why?

Ethical Responsibilities of Board Members

- Want to serve on a board
- Believe in the value of the organization
- Endorse the mission

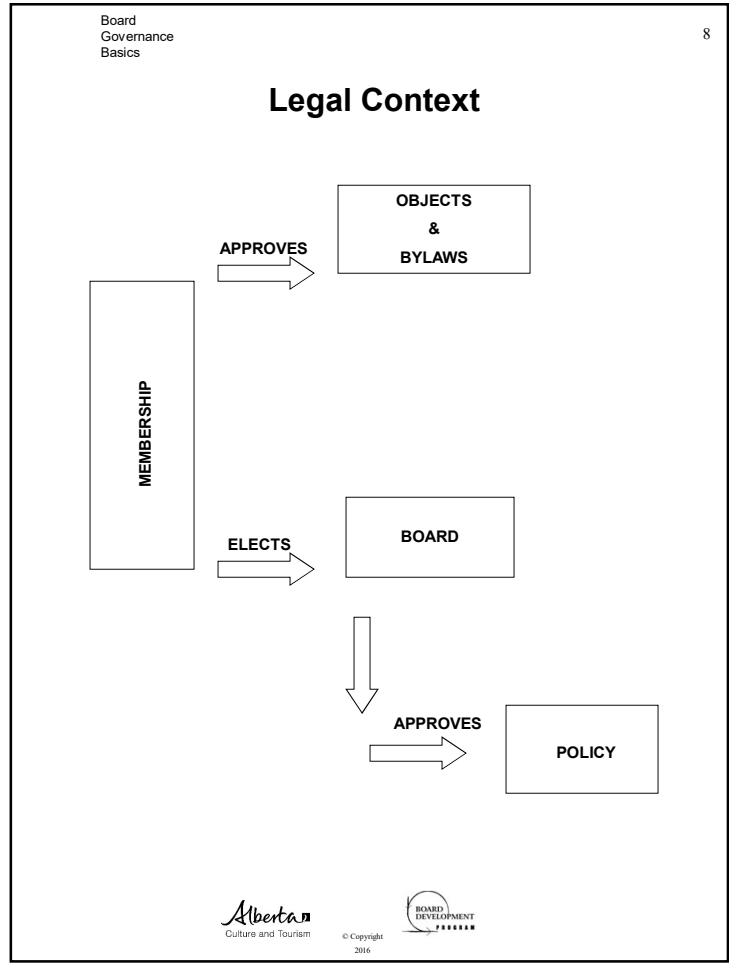
Board Governance Basics **Sample Code of Conduct** 6

Board Members need to demonstrate ethical and professional conduct to maintain the confidence of the membership of the Society and the public. This commitment includes proper use of authority and appropriate actions in group and individual behaviour when serving as Board Members.

- Board Members must be loyal to the interests of the organization over and above any:
 - Loyalty to advocacy or interest groups;
 - Membership on other boards or staffs, and
 - Personal interest of any Board Member acting as an individual consumer of this organization's services.
- Board Members are trustees of public confidence and securities. They must avoid any conflict of interest.
 - There must be no self-dealing or any conduct of private business or personal services between any Board Member and the Society. Exceptions can occur only when there is openness, competitive opportunity, and equal access to information.
 - Board Members must not use their positions to obtain employment within the Society for themselves or their family members.
 - If a Board Member is considered for employment, he or she must temporarily withdraw from deliberation, voting and access to applicable Society information.
- Board Members must not exert any individual authority over the Society except as stated in the Societies' policies.
 - Individual Board Members do not have any authority to speak for the Society when they interact with staff, the public, the media and other entities unless granted this authority by the whole board.
 - Board Members must not make any judgments of staff performance except as stated in policy.
- Board Members must protect the confidentiality of any information received by the Board. They must make sure all confidential information is only used as authorized. Board Members must not use Board information for his/her personal advantage or benefit.
- Board Members deal with outside entities or individuals, with clients and staff, and with each other using fair play, ethics and straightforward communication.

Signature of Board Member _____ Date _____
 Date of Review: _____
 Date Approved: _____

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Legal Implications of Board Membership

Personal liability is minimized when board members act prudently, within their authority, and are not negligent.
Incorporation as a society provides a way to limit the individual board member's liability - it does not eliminate liability entirely.

Areas of Individual Liability

- Non-Management

- Negligence or Willful Mismanagement

- Conflict of Interest and Self-Dealing

Legal Duties & Responsibilities

- Trustee or Fiduciary

- Duty of Care

- Skills and Diligence

- No Conflict of Interest

- No Contract Voting

Areas of Risk

- **People** (health and safety, wrongful dismissal, conflict of interest, service quality, etc.)
- **Financial** (property loss, asset loss, damage or theft, misappropriation of funds, event mishaps, etc.)
- **Reputation and goodwill**
- **Technology and intellectual property matters** (loss of data due to loss of computer, theft of sensitive data)
- **Regulatory matters** (unmet commitments to the government – financial and submission of documents; change in government policy)

Different Risks for Different Modes of Governance

- **Fiduciary:** risks that prevent regulatory requirements from being met; that threaten human, financial, and physical assets
- **Strategic:** risks that prevent organization from reaching strategic goals
- **Generative:** risks that prevent organizations from making a significant difference in the community, from helping to achieve the vision



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Risk Management Process

- Identify potential risks that could face your organization.
- Assess the level of impact and likelihood of occurrence of each risk (see chart below). Different organizations have different exposure to risk and different capacities to tolerate or absorb risk. Consider the costs and benefits associated with the risks.
- Generate strategies to address risks, considering the costs and benefits of these strategies.
- Choose the most appropriate strategies.
- Develop a risk management plan, which includes developing related policy and communicating your plan and policies to all involved.
- Monitor and review regularly. Risks change and evolve – review every year or two.

Assessing Risks

Level of Impact	High				
	Low				
		Low		High	
		Likelihood of Occurrence			



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Strategies for Managing Risk

- **Avoid** the risk (stop doing that activity; fix the problem)
- **Reduce** or mitigate the risk (change the activity to reduce risk, establish procedures for keeping losses to a minimum)
- **Transfer** the responsibility for the risk to someone else (insurance, outsourcing), remembering that not all risk can be transferred
- **Accept** the risk (inherent risk that cannot be avoided, usually low impact and/or unlikely to happen)

Checklist for Minimizing Your Liability as a Board Volunteer

Personal Liability Checklist	Yes	No	Notes
Do I know and support the organization's beliefs, vision, mission, target, and aims statements?			
Do I attend all board meetings and assigned committee meetings?			
Do I read pre-meeting material before each meeting?			
Am I familiar with the board's policies?			
Am I familiar with the minutes of the board and committees that I am appointed to?			
Do I know the responsibilities and functions of the board and its committees?			
Do I know who is authorized to sign cheques, and for what amounts?			
Have I monitored the community's response to the organization's programs and services?			
Have I participated in approving the annual budget, audit, annual financial report, and periodic financial statements?			
Have I received copies of the objects and bylaws?			

Checklist for Minimizing Your Liability as a Board

Organizational Liability Checklist	Yes	No	Notes
Has the board given the required notification for the annual general meeting?			
Has the board notified the membership of proposed bylaw changes?			
Have the annual incorporation filing requirements been completed? (Federal and Provincial)			
Have human resource policies been approved, and are they reviewed annually?			
Are the executive director and staff contracts up-to-date and in order?			
Are receipts and disbursements maintained, according to the board's financial and business policies?			
Is there an evaluation process for the executive director?			
Has the membership approved the annual audited financial statements?			
Has the board purchased adequate insurance?			
Are committee reports submitted in writing?			
Do board members have written job descriptions?			
Does the board have risk management strategies?			
Does the board regularly review the objects and bylaws?			

Performance Expectations for Board Volunteers

- Loyalty
- No Conflict of Interest
- No Individual Authority
- Conduct
- Board and Staff /Volunteer Relations

Performance Expectations for Board Volunteers (cont'd)

- Meeting Preparation
- Active Participation
- Confidentiality
- Image

Boards and board volunteers are encouraged to develop written statements of both performance expectations and ethics for a board volunteer.