



**The Maturity Model in Action**

# GOVERNANCE

**Guidance Series**  
for the development of  
Professional Accountancy Organisations

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## About CAPA

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The Confederation of Asian and Pacific Accountants (CAPA) is recognised by the global accountancy profession, represented by the International Federation of Accountants (IFAC), as a regional organisation representing national professional accountancy organisations (PAOs) in Asia Pacific.

The mission of CAPA is to develop, coordinate and advance the accountancy profession in the region by:

- Contributing to the formation and development of strong and sustainable professional accountancy organisations
- Fostering a cohesive accountancy profession within the region
- Promoting the benefits of high-quality financial and performance management and reporting in the public, non-for-profit and private sectors, including international standards in accounting, audit, ethics and accounting education
- Advocating the value of professional accountants in the region and speaking out on public interest issues

## About the Guidance Series

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The Guidance Series is produced to support the *Maturity Model for the Development of Professional Accountancy Organisations* publication. The series is supported by the Professional Accountancy Organisation Development Committee (PAODC) of CAPA, which is focused on the development of strong and sustainable professional accountancy organisations through the identification, development and sharing of relevant knowledge, tools and guidance.

The Guidance Series and other development materials may be accessed and downloaded from the CAPA website at: [www.capa.com.my](http://www.capa.com.my). Any comments on these publications or related materials should be directed to the CAPA Secretariat: [admin@capa.com.my](mailto:admin@capa.com.my)

## Endorsement

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The International Federation of Accountants (IFAC) is the global organisation for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies.

A key focus area for IFAC is supporting the development of PAOs. IFAC endorses this publication, which it recommends to existing and aspiring PAOs around the world seeking to develop and strengthen their governance arrangements.



## Related IFAC Publications

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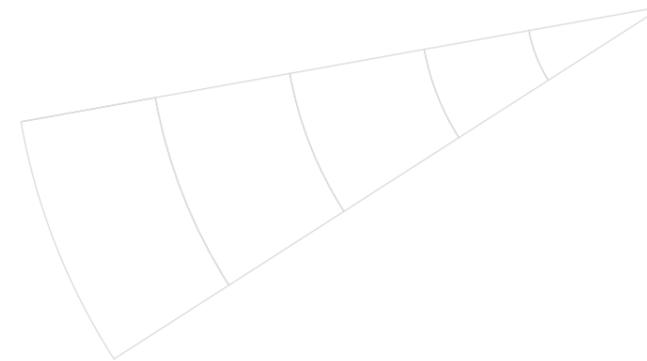
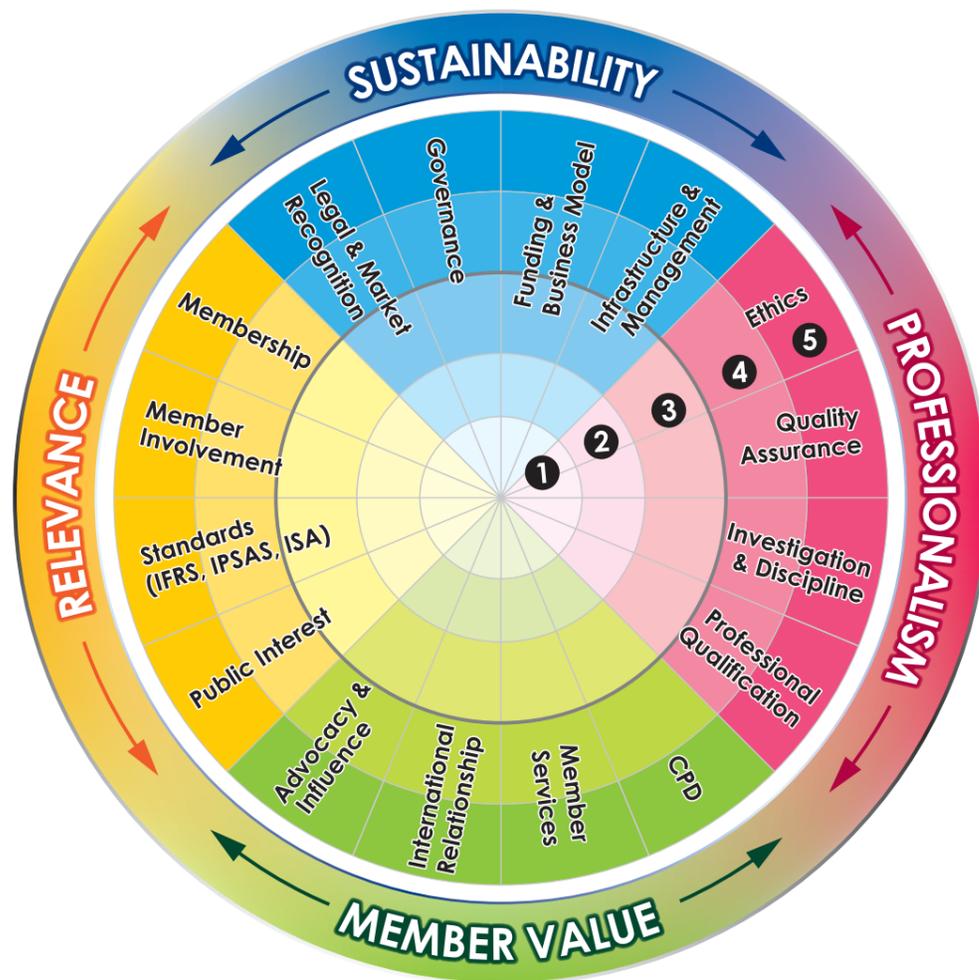
The following publications are also recommended to users of this guide:

- Evaluating and Improving Governance in Organisations (2009)
- Model Guide for Professional Accountancy Bodies (2011) and accompanying self-assessment tool, based on the NCVO UK Good Governance Code for the Voluntary and Community Sector
- Establishing Governance – A Guide for PAOs (2013)
- Focusing on Performance – Principles for Effective PAO Governance (2018)

These publications are referenced in appropriate sections of this guide.

## THE MATURITY MODEL

The Maturity Model<sup>1</sup> is a support tool that allows professional accountancy organisations (PAOs) to take a systematic approach to their organisational development. The Maturity Model's open approach and user-friendly interface present a clear value proposition that is unique on the international PAO development stage. Additionally, the Maturity Model helps PAOs make and carry out their commitment to excellence, easily tracking their progress along the way. It provides a holistic, proven and easy-to-scale framework that PAOs can interpret within their own context. This flexibility allows PAOs to decide on their own purpose and pace of improvement efforts.



“ A useful approach may well be to ... use the ‘PAO maturity model’ ... to ensure a comprehensive assessment is completed and that a properly tailored approach is taken to capacity development based on each PAO’s local context. ”

– Current status of the accounting and auditing profession in ASEAN countries (September 2014)  
The World Bank

The Maturity Model comprises sixteen key success areas (KSAs) across four broad characteristics. The characteristics—*sustainability*, *relevance*, *professionalism* and *member value*—are presented around the outside of the model, which takes the shape of a wheel, and the KSAs are listed on the inside. Each of the KSAs is considered important; however, the required emphasis may vary based on the organisation concerned. Governance is included as a key success area.

Characteristic	Key Success Areas	Description
SUSTAINABILITY	Legal & Market Recognition	An acknowledged reason to exist
	Governance	Oversight, direction and control arrangements
	Funding & Business Model	A strategy and plans for long-term viability
	Infrastructure & Management	Appropriate systems, processes and people
RELEVANCE	Membership	Criteria for admission and levels of membership
	Member Involvement	Member needs and views understood
	Standards* (IFRS, IPSAS, ISA)	International technical standards adopted and implemented
	Public Interest	Generates benefits for all society
PROFESSIONALISM	Ethics*	Established standards of conduct for professionals
	Quality Assurance*	Standards for delivering services to the public
	Investigation & Discipline*	Maintains standards of membership
	Professional Qualification*	Established required-competency benchmark
MEMBER VALUE	Continuing Professional Development*	Supports member competency
	Member Services	Responds to member needs; provides value
	International Relationships	Internationally connected and continually improving
	Advocacy & Influence	Recognised voice on topics of relevance

\* These KSAs link to IFAC's Statements of Membership Obligations (SMOs)

<sup>1</sup> The 'Maturity Model for the Development of Professional Accountancy Organisations' publication can be downloaded at [www.capa.com.my](http://www.capa.com.my)

## GOVERNANCE AND THE MATURITY MODEL

Each KSA within the Maturity Model is accompanied by an attribute table<sup>2</sup> that assists PAOs in assessing their current level of maturity and considering the desired level they wish to attain for each KSA. The attribute table for the governance KSA is shown below.

In each attribute table, five possible levels of maturity are distinguished. As accountancy organisations mature, they typically pass through each of these development levels, which can be characterised by attributes representing:

1. Ad hoc or no practices
2. Informal practices
3. Good practices
4. Strong practices
5. Best practices

Organisations are encouraged to attain good practices as a minimum for all KSAs.

“ Achieving best practice for all KSAs may not always be an appropriate goal, given differing contextual or regulatory environments. ”  
– CAPA

### THE ATTRIBUTE TABLES

**Governance** - Adhering to principles of good governance, including, where applicable, oversight mechanisms by which the PAO is directed, monitored and controlled.

Aspect	1	2	3	4	5
Constitution or charter	No formal constitution or charter	Informal governance documentation	Established governance documentation, example, constitution, by-laws, policies and procedures	Effective and complete governance documentation	Comprehensive framework, including ongoing review and self-assessment
Leadership or corporate governance	No established leadership or governance structure	Voluntary leadership with limited corporate governance administration	Established council or board  Key stakeholders involved  Leadership continuity and succession planning considered  Established and effective secretariat	Separation of governance and management roles and accountabilities	Clear understanding of the distinction between volunteer and secretariat roles  Effective review, performance monitoring and performance development in place  Independent, public members involved in boards and committees
Member involvement	No membership structure or involvement	Limited member involvement beyond voluntary leadership	Members involved in representation, with formal nomination, reappointment and election procedures  Members contribute to strategic development	Extensive committee structure with formal Terms of Reference	Board and committee performance review structure in place
Reporting	No annual reporting	Limited reporting, including financials	Formal reporting, including audited financial statements	Detailed financial and non-financial performance reporting	Formal audit and risk committee structure

## THE GOVERNANCE GUIDE

**This guide is intended to provide the why, what and how of governance for PAOs.** It explains why a strong commitment to good governance is important; what the key components of a robust governance system should be, based on recognised international good-practice frameworks; and how to use the relevant tools, templates and examples to assist with implementation.

It is designed for any PAO looking to implement a system of governance that, at a minimum, demonstrates the attributes of good practice. Many leading PAOs have a long history, having evolved and developed over decades, and developing PAOs can take the lead from these more experienced organisations, following in their footsteps. Even with a role model in place, however, it can still take a number of years to design and implement sound governance arrangements. The exact timeframe will depend on the starting point, which should include a basic recognition and acceptance of good governance as a fundamental requirement for any professional membership organisation. It will also depend on the level of available resources and any legal or regulatory considerations which affect the allocation of responsibilities for governance-related matters.

This governance guide is primarily aimed at PAOs without established or mature governance systems, and focuses on practical guidance for achieving the minimum requirements of a working system. However, a section on considerations for more advanced systems is included, to provide aspirational content and to recognise that any governance system will involve ongoing challenges and complexities.

As not-for-profit organisations with a focus on membership, PAOs will find differences in comparison to for-profit companies, including accounting firms, and their governance systems need to be cognisant of this. In a similar vein, this guide is not intended to address specific governance matters that may pertain to any associated business or commercial activities undertaken by the PAO.

The terminology used throughout this guide reflects common usage by the global accountancy profession. The use of other terminology may be appropriate in differing contexts and cultures.

<sup>2</sup> The attributes included in the attribute tables are not necessarily exhaustive and should be viewed as examples.

# WHY: THE CASE FOR GOOD GOVERNANCE

## TO CREATE A HIGH-PERFORMING ORGANISATION...

The growth and sustainability of any organisation depends on the application of good governance principles. In this respect, a PAO is no different to any other organisation: its ability to serve its constituencies over the long term depends largely on the quality of its governance.

Good governance creates a high-performing organisation by:

- Improving the ability of the board and management to support the organisation's long-term success
- Ensuring that established strategic objectives are followed
- Establishing clear and proper oversight for the organisation to support good decision-making
- Managing risk to avoid problems and take advantage of emerging opportunities
- Creating a culture that delivers social value and attracts members, employees and suppliers through the instilling of appropriate values and behaviours
- Providing accountability to all stakeholders

Whilst PAOs exist in differing country and cultural contexts, each usually shares a key commonality: accountancy is regarded as a profession and, as such, is expected to embrace high levels of integrity and competence in everything it does – including its own operations. Good governance lies at the heart of the PAO's ability to do so.

Dependent upon its legal and constitutional arrangements, a PAO may be accountable solely to its members, or the accountability may extend to governments and other stakeholders. Notwithstanding to whom it reports, this accountability translates to the ability of the PAO to demonstrate that it uses its resources wisely, serves its membership, and is committed to the public interest.

Smaller and newer PAOs, often with volunteer staff, fairly informal governing bodies, and limited budgets, may be tempted to dismiss the idea of focusing on governance principles. However, early commitment to good governance sets a PAO on a course to successful development and, eventually, positive recognition by stakeholders, peers and the public.

### LEADERSHIP PRESPECTIVE

“ Trust in the profession was one of the leading themes of my presidency. The profession today suffers from an unprecedented regulatory burden. But an antidote to overregulation is not simply ‘no regulation’. Rather, it is professionalism. And professionalism is what the accountancy profession is all about. When Lord Benson, also a former ICAEW president, was defining what a profession is, he identified maintaining public trust as the central tenet of that definition. The trust begins with being a trusted advisor to clients. Therefore, it is crucial that we are managed by a professional organisation that sets itself apart from our individual interests and the interest of individual firms.

– Past President, ICAEW (Institute of Chartered Accountants in England and Wales) ”



“ ...efforts that focus on supporting PAOs in developing a sound system of governance, appropriately structuring operations, and utilizing strategic planning techniques will aid in positioning PAOs to take a greater role in furthering financial sector and economic growth. ”

– PAO Global Development Report MOSAIC<sup>3</sup>, 2013

<sup>3</sup> Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration (MOSAIC) is a collaboration between IFAC and the international development community. <https://www.ifac.org/mosaic>

## ...AND REAP THE BENEFITS OF STAKEHOLDER CONFIDENCE

In its 2014 working paper, *Governance and Development Outcomes in Asia*, the Asian Development Bank argues that “improvements in governance along with the strengthening of the mechanisms by which governance affects social development can deliver clear gains in development outcomes in developing Asia.”<sup>4</sup>

By adopting good governance principles, PAOs gain two key attributes: credibility in the eyes of external stakeholders and the consequent trust of those stakeholders. These attributes are vital to working in the public policy arena. They provide a platform from which to influence and to advocate.

Governance demonstrates to stakeholders that the PAO can serve as a reliable partner and will act in the public interest. PAOs exercising good governance therefore have a stronger starting position in any dialogue with regulators, government agencies, development partners or the general public.



## IFAC REQUIREMENTS

IFAC's membership criteria require PAOs to maintain good governance<sup>5</sup>. In effect, to achieve general and international recognition, aspiring and established PAOs have to demonstrate that they are well-governed.

## THE LAST WORD

A well-governed organisation generates internal advantages from operating efficiently and effectively, and derives external advantages from the inherent trust and confidence of stakeholders. In contrast, when there is an organisational failure, poor governance is often the cited culprit.

The case for good governance can, in fact, be reinforced by observing outcomes from bad governance, which is frequently characterised by one or more of the following:

- A lack of, or change in, strategic direction due to poor staff continuity or insufficient knowledge sharing
- Poor use of resources due to inadequate internal controls
- Inappropriate decision-making arising from control in the hands of a few
- Flawed decisions resulting from deficient information
- Insufficient checks and balances due to inadequate demarcation between governance and management

“ A strong and well-governed professional accountancy organization (PAO) produces and sustains a strong accountancy profession that is able to serve the public interest and contribute to economic stability and growth. ”

– Establishing Governance: A Guide for Professional Accountancy Organizations IFAC, 2013

<sup>4</sup> Sen, Kunal. *Governance and Development Outcomes in Asia*, ADB Economic Working Paper Series, Asian Development Bank, January 2013.

<sup>5</sup> See IFAC Bylaws, Article 1.1.e. <https://www.ifac.org/about-ifac/structure-governance/constitution>

# WHAT: THE KEY COMPONENTS

Governance is a vital part of the way PAOs operate. While some form of governance has always existed, the attention paid to governance issues has greatly evolved, particularly following various corporate collapses and the related regulatory responses since the turn of the 21st century<sup>6</sup>. This renewed focus on governance has led to the regular review and update of documents typically considered to represent best practice in the governance area, including the G20/OECD Corporate Governance Principles, last updated in late 2015; the South African Code on Corporate Governance, issued by that country's King Committee, of which King IV was issued in November 2016; and the UK Corporate Governance Code, for which proposed revisions were issued for consultation in December 2017.

## Consider Individual Circumstances

In its individual journey toward good governance, each PAO needs to consider its own environment, including legal and regulatory requirements, local culture and traditions. That which works for one organisation may not work for another. What constitutes fit-for-purpose good governance will also depend on the size, available resources and age of the PAO, and whether it was established as an independent organisation or within a government structure.

- When a PAO is small and volunteer-run, governance might be about getting the basics in place and making sure that who is doing what is clear and that all involved work together to achieve the agreed objectives.
- When new and growing, but with limited resources and few if any staff, the focus may be on a few key considerations rather than all the detail presented in this guide.
- When larger, governance might be about the need to demonstrate to members, the government, regulators, development partners, IFAC and other stakeholders how the organisation realises its stated mission through the quality of its member services; how it regulates, investigates and disciplines members; and how it ensures that the governance structure and policies are fit for purpose.
- Separately, when a PAO is independent, more options may be available for the form and composition of the governing bodies, while those PAOs that are closely linked to government or regulatory systems may be more restricted in this regard.

Adhering to the primary concepts of good governance is essential, even if a comprehensive governance structure is not practicable. While different legal and regulatory frameworks give rise to a variety of mandates and operating circumstances, the fundamental underpinnings of good governance are universal. To ensure those underpinnings are in place, we suggest considering the topic of governance from four perspectives:

- Understanding stakeholder and member expectations
- Establishing a legal and constitutional framework
- Determining an operating structure
- Implementing governance

Successful organisations not only establish and adhere to good governance practices but also periodically evaluate results to ensure the continuing effectiveness of their governance systems. To find help with performing an initial scan of the state of governance arrangements in a PAO, please refer to **How 1: High-Level Scan (page 23)**.

### LEADERSHIP PERSPECTIVE

“ Good governance is not a position or a place. It is a journey. When you appreciate that you have to be comfortable with this journey, good governance will become a live issue. This attitude is key to continuous improvement of a PAO's governance. ”  
**– Chief Executive Officer, CPA Ireland**

<sup>6</sup> “Evaluating and Improving Governance in Organizations”, International Good Practice Guidance, IFAC PAIB Committee, International Federation of Accountants, 2009.

## 1. UNDERSTANDING STAKEHOLDER AND MEMBER EXPECTATIONS

Regardless of the size of the PAO, the governance system should be set up to balance two fundamental orientations: conformance and performance.

CONFORMANCE	PERFORMANCE
The governance arrangements and practices that direct and oversee the PAO's compliance with legal and policy requirements and accountability to the membership and other stakeholders, including the public interest.	The governance arrangements and practices that direct and oversee the PAO's overall results, including the successful delivery of member services and other programs.

The conformance orientation is of particular importance for young PAOs, as it can provide assurances to all stakeholders that the PAO:

- Has established governing documents and governance structures
- Complies with all relevant rules and regulations
- Has systems in place to generate financial and non-financial information in accordance with written policies and procedure
- Ensures that its fiduciary responsibilities are met
- Has developed a robust decision-making process

The performance orientation focuses on strategy and value creation. It includes the following actions:

- Working effectively and efficiently to manage risk and achieve strategic and operational goals
- Evaluating the ongoing relevance and success of the current strategy
- Overseeing strategy implementation
- Aligning the PAO's operations and resources with its strategic goals
- Evaluating the PAO environment and making decisions in response to changing conditions

A conformance orientation helps maintain the PAO's good reputation by ensuring that it demonstrates compliant and appropriate behaviour and maintains established, sound policies and internal controls to reassure members, stakeholders and development partners that resources are used wisely and well. A performance orientation, in turn, helps the PAO create value for its members and other stakeholders by supporting strategy formulation, planning and decision making. When balanced, the two orientations allow the PAO to focus effectively on both value creation and accountability.

### LAWS & REGULATIONS

Laws and regulations that PAOs typically need to comply with include, but are not limited to:

- Company laws (or specific laws for the PAO, including both non-governmental and not-for-profit organisations)
- Commercial code
- Accounting and auditing laws
- Financial supervision, banking and investment laws
- Employment laws
- Data protection and intellectual property legislation
- Health and safety regulations
- Laws relating to human rights and the prevention of discrimination
- IFAC Statements of Membership Obligations

# WHAT: THE KEY COMPONENTS

## 2. ESTABLISHING A LEGAL AND CONSTITUTIONAL FRAMEWORK

A PAO's legal and constitutional framework is made up of all the documents that formally establish its governance systems and processes. Due to varied national regulatory environments, these frameworks differ between PAOs. However, they typically consist of the following elements:

- Legal acts and regulatory requirements
- Governing documents
- Policies and procedures

### Legal Acts and Regulatory Requirements

The basis for a PAO's existence and its governance arrangements is usually found in the respective country's legal and regulatory systems. Many PAOs are established by a specific legal act or ruling that guides the PAO's governance arrangements and on which ongoing requirements are based. If this is the case, the PAO needs to make sure that in drafting and revising its governance documents, it is in compliance with the relevant local laws and regulations. Where no specific legal act exists, PAOs should follow the laws that regulate the legal forms available for non-government organisations such as associations and charities.

### Governing Documents

As with all organisations, PAOs need a body of internal documents that outline how they are governed. Although dependent on the legal and regulatory systems in the given country, these documents are likely to include a high-level governing document, such as the articles of association or incorporation (sometimes called the constitution), and supporting bylaws, policies or resolutions.

**Articles of association or incorporation** should be filed with the appropriate government agency or authority to register the organisation as a PAO. Incorporating the PAO according to regulatory requirements establishes basic recognition and may provide the PAO with some advantages available to non-profit organisations, such as tax exemption. The form and content of the articles of association is often prescribed either by general law on associations or by the specific law or ruling establishing the PAO.

**Bylaws are internal governing documents** prescribing detailed rules for governing the PAO. They are initially developed by the PAO's constituents and then approved by the ultimate governing body. Bylaws should be written in clear language that is easily understood by all of the PAO's stakeholders. Once drafted, they should also be subject to legal review to ensure they are consistent with local legal requirements. Best practice is to avoid too much detail in the bylaws, giving the PAO some flexibility and avoiding the necessity of making frequent amendments.

Governing documents are not static; they should be reviewed on a regular basis. The section on implementation that follows provides more information about actions that a PAO can take to ensure the ongoing relevance of its governing documents. Examples of essential governing documents are included in **How 2: Typical Outline of PAO Articles of Association and Bylaws (page 25)**.

### Policies and Procedures

To ensure that good governance arrangements lead to effective conformance and performance, PAOs should create fit-for-purpose policies and procedures and document them in a PAO policy handbook or similar publication. As support for the governing documents, these policies and procedures will give the principle governing body more flexibility in addressing specific matters. They should be reviewed and updated regularly (at least every three years). For examples of matters covered by detailed policies, please refer to **How 3: Example Content of a PAO Governance & Policy Manual (page 26)**.

### CODE OF CONDUCT

Writing a code of conduct is a good way to establish the values that a PAO stands for and the way these values can be realised in everyday action. In establishing the code's content, members of governance bodies and key staff members should come together to identify the values and ethical standards they wish to endorse. For greatest effect, the code should then be distributed to PAO leadership and staff and be available on the website for all to reference. The existence of the code will show that the PAO has the courage to set standards of behaviour and stake its reputation on them.

### LEADERSHIP PRESPECTIVE

“ If I were to summarise in one word the importance of a PAO constitution, that word would be ‘stability’. A PAO with a clear, principle-based constitution and well-organised governance structure is a PAO strongly respected by all stakeholders. ”  
– **Chief Executive Officer, Pan African Federation of Accountants**

## 3. DETERMINING AN OPERATING STRUCTURE<sup>7</sup>

Despite being an organisation comprised of many individual members, a PAO would be ineffectual without its appointed governing bodies. Through these governing bodies, including the ultimate and principle governing bodies and board committees, the objectives of the PAO are set, the strategies for achieving these objectives are determined and conformance and performance are monitored. These bodies also have the fiduciary duty to act in the interests of the organisation, its members and other stakeholders.

There are many potential governance operating structures, and the choice of structure will be guided by a number of internal and external factors. PAOs must determine the form that is most fit-for-purpose in the specific national PAO's environment. In addition, the PAO's governing documents must be clear about the lines of delegation and authority. Typically, consideration should be given to the following:

- The ultimate governing body
- The principle governing body – the board
- The board committees
- Management's role in PAO governance
- The separation of governance and management roles

<sup>7</sup> This section builds on the IFAC guide: Establishing Governance: A Guide for PAOs.

# WHAT: THE KEY COMPONENTS

## The Ultimate Governing Body

As PAOs are member-based organisations, the **assembly of members** – which gives a voice to all the members – usually makes the most important of the PAO’s decisions. Known as the **assembly**, **general assembly**, or the **council**, this **ultimate governing body** makes decisions that are crucial to the life of the PAO, including amending any constitutional document. The responsibility for such decisions cannot be delegated.

## The Principle Governing Body – the Board

Since the **assembly** of members meets for only a few hours a year, and sometimes every few years, it must delegate governance authority to a body or bodies that will lead the organisation between assembly meetings. This **principle governing body** gives the PAO added flexibility and efficiency and may be known as the **executive board**, **council**, **management committee**, or simply the **board**.

Although the **board** is accountable to the **general assembly**, it is authorised to make many decisions on behalf of the PAO. It usually approves the PAO’s general policies and strategy and monitors the implementation of that strategy – which it generally delegates to the management, or professional staff – to ensure that the PAO achieves its objectives and operates effectively. In the early years, or when resources are limited, the board may take a more direct role in operational and technical issues that would be delegated to a standing committee or executive staff in a more established organisation.

Board members should generally be members of the PAO, with the exception of a limited number of external stakeholders, such as public members and those who may be nominated to the board by the government, regulatory body or other key stakeholders. The latter help the PAO act in the public interest and in the interests of the membership. Some organisations also appoint a student to represent the interests of student members, or a representative of the Ministry of Finance or other oversight body when the PAO’s relationship with the government is of particular importance.

It’s beneficial to set a limit on the term of board members, in that new members often bring novel ideas and perspectives. This limit should be balanced with an effort to maintain continuity, along with an appropriate succession plan. Entire boards should not be changed at once, however, as such a substantial transition may impede the organisation’s development and the implementation of medium- and long-term initiatives.

Refer to **How 5: Example Guidelines for Board/Committee Member Selection (page 28)** for illustration of attributes to be sought in board or committee nominees.

### PAO BOARD CHAIRPERSON OR PRESIDENT

For the purposes of this guide, we refer to the chairperson as someone in a non-executive position who:

- Is elected by either the board or the general assembly
- Serves as a spokesperson for the PAO and performs many representational duties
- Should be aware of current issues and developments affecting the accountancy profession nationally, regionally and internationally, and advance strategies to address such matters
- Should stay clear of undue influence when representing the profession
- Serves as the main conduit between the board and the chief executive officer or equivalent

## The Board Committees

Committees are an important element in the governance structure of a PAO. They increase the board’s effectiveness and optimise the use of board members’ individual talents. A well-organised committee structure also helps the PAO stay attuned to the environment in which professional accountants operate.

The responsibilities delegated to the committees will depend on the needs of the individual PAOs. Committees may be formed, for example, to ensure that the board adequately considers the views of the appropriate member and non-member constituencies. In a less-established PAO, committees supported by volunteers may perform tasks that would be delegated to staff in a larger organisation.

Maintaining committees can be challenging in terms of both time and money. Members must schedule and hold meetings, may be required to travel, will need to prepare materials before and after the meetings, and must take time to air their views thoroughly, building a consensus. In addition, they will need to participate both actively and constructively, often between as well as during meetings. Lastly, the committees and the board must communicate effectively with each other.

The **Advanced Considerations** section (page 19) provides ideas on how to decide on a committee structure most appropriate to the PAO’s specific situation.

## Management’s Role in PAO Governance

In discharging its duties, management is expected to follow strong governance principles. While the board establishes the PAO’s policies and strategies, management focuses on the day-to-day operation of the PAO within these policies and strategies.

## The Separation of Governance and Management Roles

Well-established PAOs, those with enough resources to have a separate board that focuses on the governance oversight role, delegate management and operational duties to the PAO staff. As they do, they must strive to ensure there is adequate separation between the principle governing body and the management, and that there are safeguards in place to address any conflicts of interest. In respect to certain matters, such as rulings directly affecting members, further arrangements may also be needed to avoid conflicts of interest. The publication titled “Investigation and Discipline” in this PAO development Guidance Series provides direction in this regard.

Refer to **How 6: Responsibilities: Board vs. Management (page 29)** for an illustrative example of the division of responsibilities between the governance role of the board and the management role of the staff.

### LEADERSHIP PERSPECTIVE

“ A PAO is a higher level member organisation than a trade union since it embodies the public interest service. Board members literally hold the fate of the profession in their hands. Therefore, they need to be very member-aware and well-versed in professional conduct. But it is just as important to include board members who represent the public and bring the outside perspective to the debates in the boardroom. ”  
– Past President, ICAEW

# WHAT: THE KEY COMPONENTS

## 4. IMPLEMENTING GOVERNANCE<sup>8</sup>

Once the PAO has considered governance from the perspectives of stakeholder and member expectations, governing documents, and the operating structure, it will have a solid foundation for implementation.

The design of any **governance system** is important. Effective implementation, however, is crucial, if often difficult, being affected by culture, ethics and personal behaviours. As a result, in addition to the discipline imposed by governing documents and the operating structure, individual participation and interactions between management, employees, the board and other stakeholders must occur in – and contribute towards – effective working relationships and an open and transparent culture.

Specific actions taken towards the implementation of good governance always develop and mature over time, and organisations tend to learn from their own and others' experiences (often mistakes).

### The Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland (revised 2016)

The Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland, or the Code, was created by a group of individuals drawn from a range of national organisations. It establishes five principles and a series of recommended practices for implementing good governance. This Code and its associated materials are considered highly relevant to PAOs, in part because there are three versions of the Code reflecting three different types of organisations, and PAOs can take the form of any of these three types.

- **Type A – Organisations run by volunteers** which do not employ staff. Many of these groups operate on little or no income. The members of the board are therefore responsible for overseeing the work of the organisation (governance), organising the daily work (management) and carrying out the work (operations).
- **Type B – Organisations that employ a small number of staff** or may have just a single staff member. While the most senior, or only, member of staff may have a title such as manager, coordinator or administrator, the people who sit on the board will still have some management and operations responsibilities as well as their governance, or oversight, role. Annual income may vary considerably.
- **Type C – Organisations whose board members focus solely on their governance, or oversight, role**, delegating management and operational duties to a number of staff. There is a clear division between the governance role of the board and the management role of staff.

The Code consists of five principles and sub-principles as follows<sup>9</sup>:

#### i. Leading the PAO

- Agreeing on the PAO vision, mission and values and ensuring they remain relevant
- Developing, resourcing, monitoring and evaluating the plan to ensure the PAO achieves its mission
- Managing, supporting and holding to account staff (if applicable), volunteers and all who act on behalf of the PAO

#### ii. Exercising control over the PAO

- Identifying and complying with all relevant legal and regulatory requirements
- Making sure there are appropriate internal financial and management controls
- Identifying major risks for the PAO and deciding ways of managing the risks

#### iii. Being transparent and accountable

- Identifying those who have a legitimate interest in the work of the PAO (the stakeholders) and making sure there is regular and effective communication with them about the PAO
- Encouraging and enabling the engagement of the PAO's members and students in the planning and decision-making of the PAO
- Responding to stakeholders' questions or views about the work of the PAO and how it is run

Refer to **How 4: Transparent Reporting (page 27)** for ideas to consider regarding the minimum information to be provided to members

#### iv. Performing effectively

- Making sure that the PAO's board, individual board members, committees, staff and volunteers understand their roles, legal duties and delegated decision-making responsibilities
- Ensuring that the PAO's board exercises its collective responsibilities through board meetings that are efficient and effective
- Ensuring that there are suitable board recruitment, development and succession-planning processes in place

#### v. Behaving with integrity

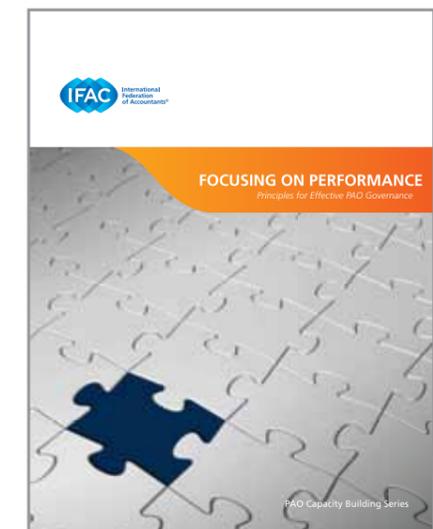
- Acting in an honest, fair and independent way
- Understanding, declaring and managing any conflicts of interest
- Protecting and promoting the PAO's reputation

Refer to **How 7: Board Member Checklist for Implementing Good Governance (page 31)** for a list of recommended practices based on the Code for implementing these principles in PAOs. The Code itself, and recommended practices for the three types of organisations, are available at <http://www.governancecode.ie/>.

All PAOs referring to this implementation guidance should reflect on whether the proposed actions are applicable in their unique legal and regulatory environment and, if not, the alternatives that may exist to achieve comparable objectives.

### Focusing on Performance: Principles for Effective PAO Governance (2018)

This publication is a part of IFAC's PAO Capacity Building Series. It is based on twelve key principles outlined in *Evaluating and Improving Governance in Organisations (2009)* and intended to apply to any organisation. It provides detail on the principles, along with a self-assessment tool for PAOs to use in determining if their organisation is addressing the key principles.



The above publication is available on the IFAC website (<https://www.ifac.org>).

<sup>8</sup> The 2011 IFAC Model Guide for Professional Accountancy Bodies, based on the NCVO UK Good Governance Code for the Voluntary and Community Sector, also provides useful information and guidance.

<sup>9</sup> The wordings have been slightly modified to the extent that they refer to PAOs.

# ADVANCED CONSIDERATIONS

As noted earlier, **this guide is primarily aimed at PAOs without established or mature governance systems. It focuses on practical guidance to help PAOs achieve the minimum requirements for a working system.** Once a base system is in place, it will need to be subject to a regular effectiveness review and continuous improvement. The governance system should grow with the PAO, addressing more complex needs and challenges over time.

**To provide some aspirational material, the following section includes some examples of matters to consider in moving towards a more advanced governance system.** These matters, while included as “advanced considerations”, may be addressed early on in the process of establishing a governance system, depending on the specific needs and circumstances of a given PAO.

## BOARD AND COMMITTEE RECRUITMENT: DIVERSITY, REPRESENTATION AND SELECTION

Attracting new members to governance bodies can be difficult, especially for new and growing PAOs. It is therefore not surprising to find some PAO boards retaining the same members for a long time. But there are many advantages in rotating board members. A regular rotation can introduce new skills, perspectives and resources; keep boards from stagnating; and help PAOs involve a wider membership.

Board diversity is also important, and not only in terms of age, gender and ethnicity. The pressures on PAOs are increasing and conflicts of interest are a growing concern; as a result, top organisations are seeking board members from all levels of the profession, from academia, from many different sectors and even from outside the profession. Board members from outside of traditional board-recruitment circles can also help prevent “groupthink,” in which group peer pressure discourages creativity or individual responsibility in decision-making. They represent new networking opportunities and often introduce more ambitious expectations and innovative ideas than a static or less diverse board.

Well-resourced PAOs often have a separate nominations committee that comprises a small number of independent persons, usually board directors. Its role is to ensure balanced representation and diversity on the board and committees. Such a committee typically follows an open and transparent process to select the best person for the job within the context of required personal abilities, representation needs and gender balance.

### MEMBER INDUCTION

Induction processes for new members have many benefits, and the PAO will find it worthwhile investing the time to create a high-quality induction, or orientation, programme. New board members can get to know their colleagues while learning the issues facing the PAO, and they can get a sense of the PAO’s culture and values. Induction materials typically include the governing documents, excerpts from relevant legislation, recent board minutes, the PAO’s strategy, the current work plan, the budget, the most recent audited financial statements and the annual report.

## TYPES OF COMMITTEES

There are many ways to structure the board and its committees. Ultimately, each PAO has to decide the structure that will work best in its unique circumstances. A well-established structure enables the board to work effectively and maximises the individual talents of the board members by creating committees that help organise the board’s work and prepare board members for making informed decisions. Such committees can also help to fully utilise board members’ skills and expertise, and can provide other members with opportunities to become involved and serve the PAO.

### Standing Committees

Standing committees are normally described in the bylaws and may include the following:

- i. Executive Committee: This committee is made up of the board chairperson, or president; the deputy chairperson; the secretary; and the treasurer. The executive committee has the authority to make certain decisions between board meetings. Its primary focus is on monitoring PAO performance.
- ii. Finance Committee: The treasurer usually chairs this committee, which provides financial oversight of the PAO and advises the board on financial strategies and budget preparation.
- iii. Audit Committee: This committee advises the board on matters of governance, risk, internal control, internal and external audit. It maintains a focus on monitoring the organisation’s compliance with laws and internal policies.
- iv. Nominating Committee: Often led by the deputy chairperson, this committee oversees the identification and nomination of board or committee members and recommends preferred candidates to the principle governing body.
- v. Remuneration Committee: This committee is typically responsible for the recruitment, remuneration and performance management of the CEO and management team (if any).

Whilst the executive and finance committees may be more suited to an operations focus and, in the early stages of a PAO, some governance-related roles, it is the audit, nominating and remuneration committees that one would expect to play key governance roles as the PAO matures. These committees are specifically referred to, and recommended under, the UK Corporate Governance Code.

### Ongoing Committees

Normally not prescribed in the bylaws, ongoing committees can be tailored as the board sees fit for achieving the mission of the organisation. They might include a membership committee, a research committee, an education committee, a professional standards committee and technical committees.

### Ad Hoc Committees or Task Forces

Ad hoc committees or task forces are created to complete defined tasks in a specified timeframe, such as fundraising or a special event, often making them very productive. They are usually disbanded after their task is complete.

### Advisory Committees

Individuals with specific expertise can be selected to serve on advisory committees, as they are for some special purpose committees, if a board or committee seeks information or advice in understanding difficult or complex issues. These issues may include regulatory reform, public policy, student or membership demographics, or international developments and trends. These committees can often provide additional resources and fresh perspectives to the board, as well as a potential source of new governance leaders and members.

# ADVANCED CONSIDERATIONS

## BOARD REMUNERATION

Some larger PAOs remunerate their presidents, chairpersons or members. This can be a sensitive matter within membership-based organisations, however, particularly when others may be willing to volunteer their time. Nonetheless, some PAOs may see remuneration as a means to improving performance and ensuring accountability. In these circumstances, remuneration levels should be based on appropriate benchmarks and the basis should be communicated clearly to members who have the authority to approve the approach and/or remuneration level at a meeting of the ultimate governing body.

## CEO ARRANGEMENTS

In developed PAOs, the board is responsible for the employment of the chief executive officer (CEO). The board makes proper arrangements for the supervision, support, appraisal and remuneration of the CEO.

The board must establish appropriate employment arrangements for this top executive that are consistent with local market conditions and other appropriate benchmarks. These CEO arrangements often form the basis for all other executive arrangements. Remuneration and any incentive schemes for the CEO (and other executives) should be included in reports to members and should align with clear performance metrics aimed at providing long-term value to the members.

The board's chairperson typically takes the lead in monitoring the CEO's performance and communicating any relevant board and personal feedback. The chairperson and CEO should devote time to building a good working relationship, be responsive to each other and establish clarity about respective areas of responsibility. A good partnership will provide a solid base for directed and cohesive PAO leadership.

In some jurisdictions, the roles of president, or chair, and CEO reside with the same person. This arrangement is often a subject of much debate, with advantages and disadvantages identified in respect to combined or separate arrangements. A publication issued by the Institute of Internal Auditors<sup>10</sup> discusses the arguments; however, it is the conclusion that resonates: "Despite the differences in opinion on which arrangement is ideal, there is at least one area of consensus: Boards matter."

Another quote<sup>11</sup> from within the publication also stands out: "Our view is that the key is not the structure; it's having independence and objectivity on the board, no matter where those elements reside."

## PERIODIC REVIEW & CONTINUOUS IMPROVEMENT

As a matter of good practice, PAOs should periodically review their governance systems and processes and commit to continuous improvement. A periodic review may include benchmarking against practices and procedures used by leading PAOs or against internationally recognised good-governance principles. Good practice would also involve explaining why any expected principles are not complied with. The review may also include an analysis of potential opportunities and threats in the changing business or accounting environment. For PAOs with regulatory responsibilities, it should also include consideration of whether the regulation is being delivered effectively, fairly, without prejudice and bias, and in conformity with the law.

A commitment to continuous improvement, in turn, means that board and committee members take part in performance reviews, as well as in induction processes for new members and in leadership training activities (often led by external consultants). In addition, this commitment means that the PAO should use deliberate and creative approaches to succession planning and to attracting new people into governance roles.

### LEADERSHIP PERSPECTIVE

“ It may come as a surprise, but the culture of open dissent is one of the key characteristics of a great board. It is not enough to have all the appropriate structures in place. The social system that makes up the board membership is essential. Board members need to trust each other and be open to challenge each other in the atmosphere of constructive conflict. When discussions with the CEO and senior management are held in the same climate, solving critical policy and strategy issues becomes much easier and is more efficient. ”

– Chief Executive Officer, CPA Ireland



## GOVERNANCE RED FLAGS

Questions for uncovering governance red flags

### Q: Is the PAO under the control of any dominant person(s)?

Symptoms may include:

- Apparent conflicts of interest
- Those charged with governance using the PAO to pursue personal agendas outside of the agreed strategy
- Undue restrictions on those involved in governance, on access to senior management, or on the activities of the PAO
- Insufficient turnover of persons charged with governance

### Q: Do governance activities seem inadequate?

Symptoms may include:

- Irregular meetings among those charged with governance
- Limited and/or tightly controlled meeting agendas
- Delays in publishing annual reports
- Regular changes of auditor

### Q: Are any PAO resources being used by those in governance in a manner that a member would not expect?

Symptoms may include:

- PAO funds used for personal expenses or ambitions
- Excessive spending on travel, accommodation, entertainment, etc.

### Q: Where management resources are established, is the board overly involved in day-to-day management of the PAO?

Symptoms may include:

- Micromanagement of chief executive officer's day-to-day decision making
- Insistence on signing off on regular, non-strategic external communications
- Influencing of procurement and hiring decisions

<sup>10</sup> CEO and Chairman: Are Two Heads Better than One, Tone at the Top, Issue 78, August 2016

<sup>11</sup> Weighing the Benefits of a Combined Chair and CEO Role, Peter Gleason, president of the National Association of Corporate Directors, 2015

# HOW: TOOLS, TEMPLATES AND EXAMPLES

This section provides practical tools, templates and examples to assist in the application of good governance. They are based on relevant governance documents used by mature PAOs and other non-governmental organisations. Not all of these documents in their entirety may be applicable to every PAO. In addition, in applying them to a specific national environment, PAOs should take care to consider local laws, regulations and any relevant national governance guidelines that may be regarded as appropriate benchmarks.

## How 1: High-Level Scan

The following is a continuous improvement scan designed to assist PAOs in making initial notes about the state of health of their governance system, the priorities to address and timelines for action. Note that this scan is not exhaustive. PAOs operate within different legal environments and may serve different parts of the accountancy profession.

GUIDING QUESTIONS	ASSESSMENT Yes (Y) Partly (P) No (N)	PRIORITY High (H) Low (L) N/A	ACTION TIMELINE Short-term (S) Medium-term (M) Long-term (L)
<b>The Legal and Constitutional Framework:</b>			
Our governing documents reflect local legal and regulatory requirements			
Our governance arrangements are explicitly documented			
A sufficiently comprehensive set of written operating policies is in place and has been communicated to all relevant stakeholders			
<b>The Operating Structure:</b>			
We have a formally established governance structure			
Our ultimate governing body has clearly defined roles			
Our board has clearly defined roles			
Our board has a designated chair or leader			
Appropriate committees have been established			
Our management roles are separate from our board roles (separation of oversight and executive powers)			
Our CEO participates in board meetings but is not a voting member of the board			
Our CEO has a written job description			

GUIDING QUESTIONS	ASSESSMENT Yes (Y) Partly (P) No (N)	PRIORITY High (H) Low (L) N/A	ACTION TIMELINE Short-term (S) Medium-term (M) Long-term (L)
<b>Implementing Governance:</b>			
Our board focuses on strategic leadership and big-picture thinking and does not micromanage the PAO			
Our board approved a fit-for-purpose funding and business model and strategy			
Our board continuously ensures that risks are identified and documented			
We have an explicit board-member recruitment and succession-planning policy			
Board members and staff are required to sign conflict-of-interest declarations annually			
Our board sets high ethical standards and has a written code of conduct for board and staff members			
Our board has a clear set of policies and procedures for its own operation			
Our board meets regularly, with dates set in advance			
Our chair knows how to lead discussions and maintain meeting discipline, and includes all members in necessary work			
Our board sets itself annual goals			
New board members are given an orientation session to prepare them for effective and efficient service on the board			
Our board and its members are subject to annual self-assessment			
The issues emerging from the annual self-assessment are followed up and addressed			
Our board understands the PAO's finances and monitors the financial condition regularly			
Our board ensures that internal controls are in place and effective			
Our board ensures that the PAO's financial statements are prepared and audited			
Our PAO has a communications policy to ensure that members, students and other stakeholders are aware of our priorities and activities			

# HOW: TOOLS, TEMPLATES AND EXAMPLES

## How 2: Typical Outline of PAO Articles of Association and Bylaws

### Articles of Association or Constitution

Although requirements vary from country to country, typical items addressed in a PAO's constitution or articles of association include:

- i. The purpose for which the PAO is formed (which should address serving the public interest and be broad enough to enable the PAO to evolve as necessary to serve its constituency)
- ii. Provisions for conducting the internal affairs of the organisation, including elections (establishes highlevel positions, with details provided in bylaws)
- iii. The address of the initial registered office and the name of the initial registered agent of the PAO (sometimes along with the names and addresses of the founding members)
- iv. The duration of the PAO (usually perpetual)
- v. A provision for distribution of the PAO's assets on dissolution

### Bylaws

Bylaws typically address the following issues:

- i. PAO membership categories, rights and responsibilities
- ii. General meeting guidelines
  - The frequency, notice and quorum requirements for meetings
  - Voting qualifications, proxies and procedures for approval of meeting items
- iii. Board structure
  - The number and term for members of the board, their scope of authority, the method of nomination and election to the board, and provisions for filling vacancies
  - A list of board officers, the method of nomination and election, the terms of office, their powers and duties, and succession arrangements
  - Membership and authority of standing committees
- iv. The title and scope of authority of the chief executive officer (CEO) or equivalent
- v. Record-keeping and financial reporting responsibilities
- vi. Amendment procedures for the bylaws
- vii. Provisions for dissolution of the PAO

## How 3: The PAO Governance & Policy Manual

A Governance & Policy Manual (or similar) typically covers all arrangements, policies and procedures as provided under the PAO's governance documents. All significant policies should be approved by the board. In addition, the PAO should require all board and committee members and persons involved with the PAO, including employees, to be familiar, and comply, with the contents of the manual.

The manual supports the PAO's governing documents and provides detailed policy and procedural guidance where required. Should there be any conflict or doubt, however, the PAO's articles of association (or constitution and bylaws) represent the overarching constitutional document and override any policy.

### Example Content

#### General

- Articles of Association (or Constitution and Bylaws)
- Vision, Mission and Values
- Confidential Information and Privacy
- Code of Conduct
- Conflicts of Interest

#### Membership:

- Categories and Definitions
- Application and Admission
- Member Rights and Responsibilities
- Fees
- Investigation and Discipline
- Termination and Expulsion

#### Board:

- Board Election
- Board Charter and Directors' Responsibilities
- Chairperson and Deputy Chairperson Election
- Chairperson and Deputy Chairperson Roles and Responsibilities

#### Meetings

- General Meeting
- Board Meeting
- Committee Meeting
- Voting Procedures
- Agendas, Papers & Minutes
- President's Report
- Chief Executive's Report

#### Accounting, Audit and Reporting

- Financial Reporting
- Audit of the Annual Financial Statements
- General Accounting Policies
- Banking
- Expenditure
- Reimbursements
- Foreign Exchange
- Equity Reserves
- Compliance Requirements

#### Operational

- Strategic Planning, Annual Work Plan & Budget
- Communications
- Website
- Travel
- Gifts
- Insurance
- Human Resources
- Appointment of the Chief Executive
- Chief Executive Performance-Incentive Scheme
- Update Procedures for the Governance & Policy Manual

### HIERARCHY OF POWERS

Taken together, the constitution and bylaws should be clear about the hierarchy of powers provided to the ultimate governing body, board and committees. An example of such hierarchy might include, but not be limited to, the following powers:

Ultimate governing body (membership assembly)	Board	Committees
<ul style="list-style-type: none"> <li>• Elect board members</li> <li>• Receive and approve the annual report (including financial statements) from the board</li> <li>• Appoint an external auditor</li> <li>• Approve changes to the PAO's constitution, or articles of association, and its bylaws</li> </ul>	<ul style="list-style-type: none"> <li>• Appoint chief executive officer</li> <li>• Oversee the affairs of the PAO and advise the management</li> <li>• Approve strategic plans and monitor implementation</li> <li>• Set membership fees</li> <li>• Oversee expenditures and key performance indicators (KPIs)</li> <li>• Approve policies in major areas</li> <li>• Establish committees and approve their Terms of Reference</li> <li>• Represent and advocate for the PAO's priorities to the government and other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Support the board in effectively discharging its governance duties</li> <li>• Act on the powers and functions delegated by the board</li> <li>• Advise the board on matters within the mandate of the given committee</li> </ul>

## How 4: Transparent Reporting

Transparent reporting demonstrates good governance in action. The scope of the minimum information to be provided to members includes:

- i. The articles of association (or constitution and bylaws) published on the website
- ii. The composition of the board and committees
- iii. Contact mechanisms, including organisation and individual contact details
- iv. The annual report, which is sometimes the only vehicle that new and growing PAOs use to communicate essential information about the state of the PAO and its activities, and to show:
  - The nature and sources of revenues and monies received and how expended
  - Details of any large, unusual or non-recurring expenditure
  - Attendance at oversees meetings or events
  - Audited financial statements
  - Information about the PAO's programs, activities and aspirations
  - Opportunities to volunteer, including at the board or committee level
- v. Other information that can be used to demonstrate to the members that the PAO is working for their benefit, such as:
  - Monthly or quarterly summaries of PAO activities (for example, by way of a website article, email briefings or social media)
  - Newsletters and brochures
  - Information meetings, for example, quarterly open meetings with board and staff members
  - Infographics highlighting significant achievements and impact of the PAO

## How 5: Example Guidelines for Board and Committee Member Selection

### Experience and Interest

- Vitally interested in the PAO and its general mission
- A deep understanding of the accounting profession
- A willingness and commitment to get to know the PAO and the environment in which it operates

### Commitment

- Regularly attends meetings and important related activities
- Makes serious commitment to participate actively
- Volunteers for, and willingly accepts, assignments and completes them thoroughly and on time
- Stays informed about matters, prepares well for meetings, and reviews and comments on minutes and reports
- Acts in the interest of the PAO

### Working Relationships

- A commitment to teamwork with fellow Members and management
- Collective awareness and willingness to support group decisions
- Openness to "constructive dissent" culture
- Gets to know other Members and builds a collegial working relationship that contributes to consensus
- A commitment towards the board or committee speaking with one voice, being coherent and giving clear direction
- Contributes to a collective commitment to improvement

### Skills, Attributes and Competencies

- Understanding of legal, fiduciary and stewardship responsibilities
- Ability to see the big picture, strategically perceptive, capacity for imagination and conceptualisation
- Honesty, integrity and respect for others
- Good judgement and decision-making ability
- Communication skills



# HOW: TOOLS, TEMPLATES AND EXAMPLES

## How 6: Responsibilities: Board vs. Management

FUNCTION	MAJOR RESPONSIBILITY	
	Board	Management
<b>Planning</b>		
Directs the planning process		✓
Provides input to long-range goals and strategy		✓
Approves long-range goals and strategy	✓	
Formulates annual objectives and plans		✓
Approves annual objectives and plans	✓	
Prepares performance reports on achievement of goals and strategy		✓
Monitors achievement of goals and strategy	✓	✓
<b>Financial Management</b>		
Prepares preliminary budget		✓
Finalises and approves budget	✓	
Monitors expenditures against budget during the year		✓
Approves expenditures outside authorised budget	✓	
Prepares financial statements		✓
Approves financial statements	✓	
Drafts financial management policies and procedures		✓
Approves financial management policies and procedures	✓	
Signs off on funding arrangements with the government		✓
Ensures annual audit of PAO accounts	✓	
<b>Operational Programming</b>		
Assesses stakeholders' needs		✓
Oversees evaluation of products, services and programs	✓	
Prepares and maintains program reports		✓
Solicits contributions in fundraising campaigns	✓	✓
Organises fundraising campaigns		✓
Manages the delivery of programs and services		✓

FUNCTION	MAJOR RESPONSIBILITY	
	Board	Management
<b>Staffing</b>		
Employs the chief executive officer	✓	
Hires and discharges staff		✓
Directs work of staff		✓
Makes staff hiring decisions if outside approved budget	✓	
Manages discord among staff and between staff and management		✓
<b>Board Management</b>		
Appoints board members	✓	
Promotes attendance at board or committee meetings	✓	
Plans agenda for board meetings	✓	✓
Takes minutes at board meetings		✓
Determines committee structure	✓	
Signs legal documents and contracts	✓	✓
Follows up to ensure implementation of board and committee meetings		✓
Appoints committee members	✓	
Settles conflicts between members	✓	
<b>Community Relations</b>		
Interprets PAO to community	✓	✓
Prepares marketing materials and news stories		✓
Establishes and maintains links to other organisations	✓	✓

# HOW: TOOLS, TEMPLATES AND EXAMPLES

## How 7: Board Member Checklist for Implementing Good Governance\*

\* Based on *The Code of Practice for Good Governance of Community, Voluntary and Charitable Organisations in Ireland (revised 2016)*

Leading the PAO		
Agreeing on the PAO vision, mission and values and ensuring they remain relevant	Developing, resourcing, monitoring and evaluating the plan to ensure the PAO achieves its mission	Managing, supporting and holding to account staff (if applicable), volunteers and all who act on behalf of the PAO
<ul style="list-style-type: none"> <li>• Agree a strategic plan for the PAO. The plan should include clear statements of the vision, purpose, mission, values, aims and objectives.</li> <li>• Make sure the plan is in line with the governing documents of the PAO.</li> <li>• Develop and agree written policies where necessary.</li> <li>• Review the strategy and policies at least every three to four years to ensure relevance.</li> </ul>	<ul style="list-style-type: none"> <li>• Agree a strategic plan for the PAO that includes operational plans, budget, key performance indicators and timelines. In developing the plan, consider the CAPA Maturity Model as a guide for identifying strategic objectives.</li> <li>• Agree on who will take responsibility for carrying out the plan.</li> <li>• Review the plan once a year. Have a discussion about what went well and what could be improved before agreeing on a new work plan. For a more resourced PAO, make sure there is a monitoring and evaluation system in place.</li> <li>• Receive a report from the CEO (if applicable) on progress compared with agreed key performance indicators.</li> <li>• Ensure that the discussion of strategic issues is a regular item on the board agenda.</li> </ul>	<p><b>For smaller, all-volunteer run PAOs:</b></p> <ul style="list-style-type: none"> <li>• Set realistic goals, divide up the work and review progress of agreed actions at each meeting.</li> <li>• Where non-board volunteers are involved, make sure their roles and reporting lines are clear.</li> <li>• Chair makes sure that individual board members report to the board on work that they carry out for the PAO.</li> </ul> <p><b>For larger PAOs:</b></p> <ul style="list-style-type: none"> <li>• Agree job description of CEO and set yearly performance expectations; agree on ways for CEO to report to the board.</li> <li>• Give responsibility for the implementation of board-approved human-resource policies and employment contracts to the CEO.</li> <li>• Make sure formal arrangements are set up for the ongoing supervision and development of staff, and staff appraisals are carried out at least once a year.</li> <li>• Ensure staff have up-to-date job descriptions.</li> <li>• When involving volunteers, put a volunteer policy in place. This policy should cover recruitment, induction, support, supervision and appropriate procedures if problems arise.</li> </ul>

# HOW: TOOLS, TEMPLATES AND EXAMPLES

Exercising control over the PAO		
Identifying and complying with all relevant legal and regulatory requirements	Making sure there are appropriate internal financial and management controls	Identifying major risks for the PAO and deciding ways of managing the risks
<ul style="list-style-type: none"> <li>• Agree policies, procedures and reporting mechanisms to make sure there is compliance with all relevant legal and regulatory requirements.</li> <li>• If the PAO is a member or associate of IFAC, review whether the IFAC Compliance Program obligations are fulfilled on a timely basis.</li> <li>• Ensure that the PAO complies with the terms and conditions of any government or donor grants received.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitor income and expenditures against budget and cash flow each quarter, or more frequently.</li> <li>• Produce annual financial statements, have them audited by an independent auditor, and sign off on them.</li> <li>• Agree and put in place appropriate financial management procedures, systems and controls.</li> <li>• Agree level of financial authority given to CEO and, if appropriate, senior staff. (For smaller PAOs agree on office manager's spending limits.)</li> <li>• For larger PAOs, appoint an audit committee or finance committee with similar functions.</li> </ul>	<ul style="list-style-type: none"> <li>• Think about potential problems and necessary risks to achieve the PAO's goals.</li> <li>• Develop a risk-management policy and risk-management plan for the year. The plan should identify the approach for dealing with each identified risk. Review and update the plan each year.</li> <li>• Take out appropriate insurance, such as public liability insurance or building insurance.</li> </ul>

Being transparent and accountable		
Identifying those who have a legitimate interest in the work of the PAO (the stakeholders) and making sure there is regular and effective communication with them about the PAO	Encouraging and enabling the engagement of the PAO's members and students in the planning and decision-making of the PAO	Responding to stakeholders' questions or views about the work of the PAO and how it is run
<ul style="list-style-type: none"> <li>• Identify your key stakeholders and decide how the PAO will communicate with them.</li> <li>• Appoint an agreed spokesperson for the PAO.</li> <li>• Produce a yearly activity report (refer to <b>How 4: Transparent Reporting</b> – annual report section) and make it widely available, for example, on the PAO website.</li> <li>• Meet the reporting requirements of relevant regulators.</li> <li>• Ensure that the general meeting of members is held in accordance with the governing documents.</li> <li>• Consider other ways in which members, students and stakeholders can be kept informed, such as a newsletter or through the PAO's website.</li> </ul>	<ul style="list-style-type: none"> <li>• Actively seek feedback from the PAO's members, for example, in preparing responses to consultations of draft national or international standards.</li> <li>• Ensure the PAO's members are consulted during the strategic planning process.</li> <li>• Consult with PAO members if significant changes to the PAO are being planned.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure the general meeting of members is run so that it allows members to express their views about the work of the PAO.</li> <li>• Put a clear system in place for dealing with correspondence, feedback and complaints from the PAO's members and stakeholders.</li> </ul>
<p>Refer to <b>How 4: Transparent Reporting (page 27)</b> for ideas to consider regarding the minimum information to be provided to members.</p>		

# HOW: TOOLS, TEMPLATES AND EXAMPLES

Performing effectively		
Making sure that the PAO's board, individual board members, committees, staff and volunteers understand their roles, legal duties and delegated decision-making responsibilities	Ensuring that the PAO's board exercises its collective responsibilities through board meetings that are efficient and effective	Ensuring that there are suitable board recruitment, development and succession-planning processes in place
<ul style="list-style-type: none"> <li>• Make sure that all board members and committee members (if any) understand and are familiar with the PAO's governing documents.</li> <li>• Make sure that board members understand that they have a duty to act independently to promote the aims of the PAO in accordance with its governing document.</li> <li>• Agree and document the roles of the officers and ordinary board members and the terms of reference for any committees. Larger PAOs may appoint a governance committee to undertake an annual review of board roles and committees' Terms of Reference.</li> <li>• Decide and record how decisions will be taken at meetings, and between meetings if necessary. It is good practice to develop a schedule of matters reserved for the board and to include it in the board handbook.</li> <li>• Establish a written statement regarding the division of responsibilities between the chair and CEO, including the CEO's delegated authority.</li> <li>• Monitor board members to ensure they do not interfere in duties properly delegated to staff, and that staff are held to account through the CEO.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that the board meets regularly and in accordance with the PAO's governing document.</li> <li>• Make sure the chair and CEO (if applicable) agree the agenda of board meetings.</li> <li>• Send the agenda, minutes of the last meeting and reports or papers outlining proposals before meetings, in an accurate, timely and clear manner.</li> <li>• Chair keeps order at meetings, encourages participation and ensures that decisions are made and implemented.</li> <li>• Take minutes and agree on them at the following meeting.</li> </ul>	<ul style="list-style-type: none"> <li>• Agree a periodic – perhaps yearly – board and committee performance-review process.</li> <li>• Review the skills, attributes and experience that are needed on the board each year.</li> <li>• Decide how to develop existing board members, or recruit new members to meet these needs.</li> <li>• Select new board members according to the rules laid out in the PAO's governing documents and in accordance with the need to promote equal opportunities and diversity at the board level. Larger PAOs may consider establishing a separate nominating committee.</li> <li>• Consider the extent to which the board is made up of the PAO's member representatives or external representatives, and the optimal mix.</li> <li>• Welcome new board members, explain the work of the board and its committees and help them to get involved.</li> <li>• Give new board members a copy of the PAO's governing documents, strategy, work plan, policy positions and recent board minutes.</li> <li>• Provide appropriate training for board members.</li> <li>• Consider holding annual board retreats with external experts.</li> </ul>

Behaving with integrity		
Acting in an honest, fair and independent way	Understanding, declaring and managing any conflicts of interest	Protecting and promoting the PAO's reputation
<ul style="list-style-type: none"> <li>• Develop and agree a code of conduct for board members that outlines the expected standards of behaviour and the consequences if they are not met.</li> <li>• Ensure the code of conduct gives clear guidelines on the receipt of gifts or hospitality by board members.</li> <li>• Ensure that all board members sign a commitment to follow the code of conduct on appointment.</li> <li>• Review the code of conduct at least every three years.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and agree on a conflict of interest policy.</li> <li>• Each board member and anyone else present should inform the board if they believe they have a conflict of interest on a matter to be decided at a meeting.</li> <li>• Unless the board decides otherwise, the conflicted person must leave when the board is discussing or deciding on that matter; the person concerned should be told the decision that was subsequently reached.</li> <li>• Conflicts of interest should be recorded in the minutes.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure all board members understand their responsibility to act as champions for the PAO by promoting its work and reputation.</li> <li>• Ensure the code of conduct makes clear that each board member has a duty not to do anything that may damage the reputation of the group.</li> <li>• Ensure the code of conduct clarifies that board members have a duty to maintain the confidentiality of board meetings (as applicable).</li> <li>• For larger PAOs, ensure that the safeguarding and promoting of the PAO's reputation is dealt with in the communications and risk-management policies.</li> </ul>





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