

Governance: a guide for international NGOs

Providing tailored, practical and pertinent advice on the application of charity governance to trustees of international NGOs

Buzzacott





Welcome

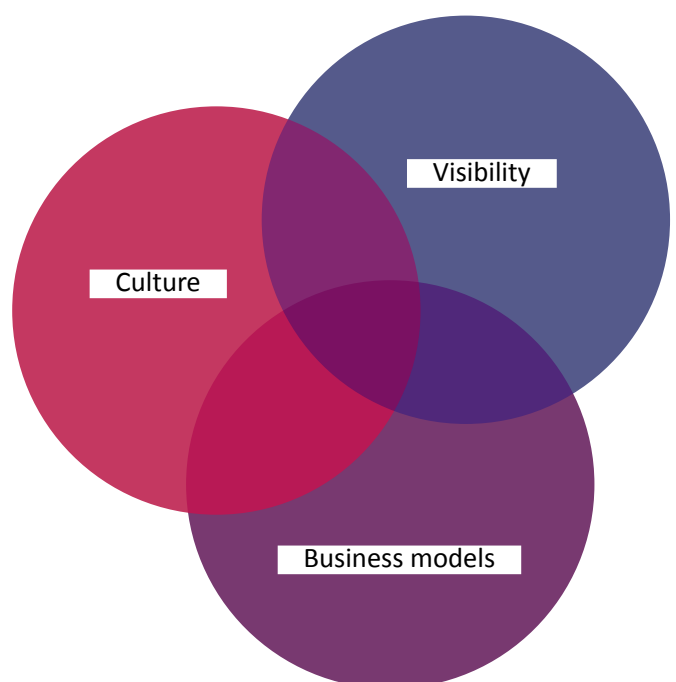
Achieving successful governance is the constant, ever-changing goal for any trustee.

The Charity Governance Code outlines the seven pillars of governance (underpinned by the trustee role and organisational purpose), giving not-for-profits a framework for governance best practice. However, there is less clarity on how to practically apply these principles to the everyday operations of your organisation. After all, running an international NGO brings with it a unique set of challenges, which is why we've created this guide – to support you with just that.

How to use this guide

Each section within our governance guide contains an overview of the topic and a set of key questions you and your board can answer and, depending on how you answer, determine where change is needed in your organisation. Whether you read it cover to cover or dip in and out of sections, we hope the content prompts meaningful discussions among your board.

To make the subject of effective governance easy to approach, we've broken it down into three areas: **culture, business models and visibility**, areas that are simultaneously the most challenging and important for trustees to get right. However, while we've categorised our approach into these three sections, we can't deny the natural overlap that you'll experience when tackling each area.





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Foreword by Buzzacott and Bond

The issue for the international NGO sector has never been a lack of general advice on what good governance looks like, rather it's finding advice specific to organisations working in an international setting. And in the current context, where organisations are increasingly challenged about their legitimacy and their position in the development ecosystem, the trustee role has never been more complex.

So, how does a board support organisational transformation, set appropriate, visible examples, lead on culture, and rethink its business models to ensure that it “does no harm”? This guide is intended to go some way to help you address these issues and assess your approach to governance in an increasingly challenging and complex external environment.

To begin at the beginning

As you'll know by being part of a trustee board, you're a volunteer. And while this is essential to ensure you remain objective and can effectively support the business, are the expectations of your role now out of balance with the burden of responsibility?

In recent years, trust in the sector has been called into question by the public, stimulating an increase in compliance requirements which trustees have to manage and meet. Yet how can we expect a volunteer board who only meet a handful of times

a year to have complete oversight of their charity? And therefore, does the trustee model need to be re-thought given the amount to be dealt with between meetings?

We need to look closely at the responsibilities of a trustee, members of senior management and members of staff, to ensure that duties are correctly allocated and that there are systems and processes to support this. Or in other words, we need to ensure a good governance structure is in place to allow the effective management of the charity.

A culture of trust

Culture is one of those ambiguous terms which is easy to speak about, hard to define and even harder to change, and this is a problem faced by most trustee boards.

So how do you cultivate, maintain and nurture a culture when you are working in multiple international locations? In response, we say that the business model of trustees' complete control



is a myth and that this needs to be combined with something better- trust. With staff working in remote locations, you must trust that you have embedded your organisational culture and processes well enough that staff come to embody them. Regular, open communication is also key, if not by the trustee board, then by members of the senior team who are able to work with staff to combat issues before they arise. A charity's

When less is more

Enforced agility, stimulating much needed change, has been a positive side effect of the COVID-19 pandemic. Moving meetings online has allowed for an increase in their regularity. More effective information processing: smaller amounts, more frequently, and decision-making based on more succinct information, has enabled organisations to work with increased urgency. Re-thinking business models post COVID-19 will be essential to some

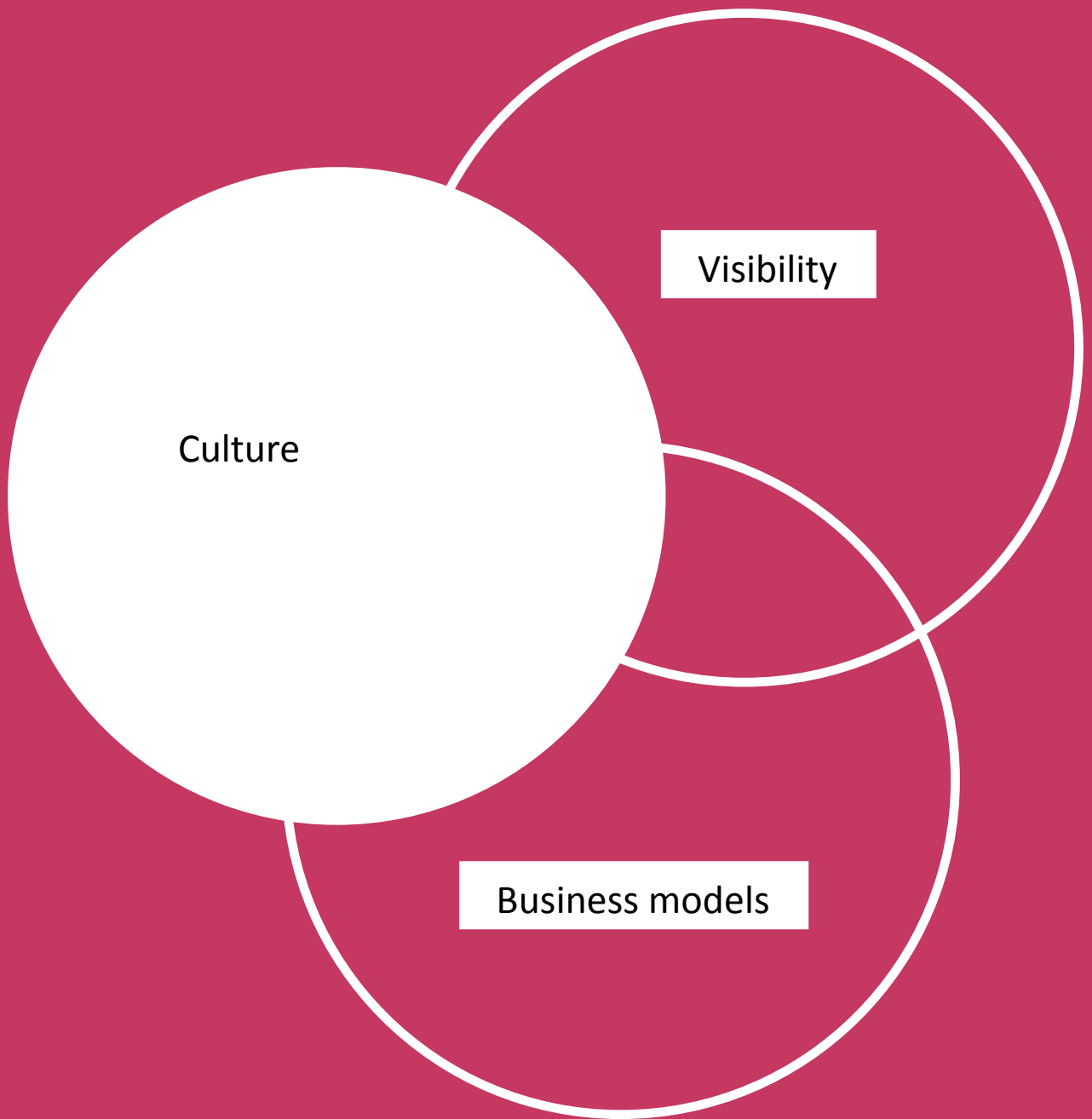
Seeing is believing

For trustees, the issue of visibility is two-fold. There is external visibility; what do funders and members of the public think of your charity and does this impact donations. And, internal visibility, questioning how much you really know about what's going on with each of your projects across the globe. Effective triangulation between board, programmes

senior leadership needs to do more than just know the process but needs to be seen actively championing its benefits among staff. If you can empower your employees to be ambassadors for your brand both internally (with other members of staff) and externally (with beneficiaries and other stakeholders) you can help positively influence the perception of your charity.

organisations' ongoing success as it is becoming increasingly difficult for trustees to process every bit of information about every project their charity is running. The board shouldn't need to know each detail of every project but can mandate other individuals at certain times to assume responsibility, thus ensuring that information is processed and controlled but doesn't become overwhelming.

and participants is a possible resolution for the issue of visibility, but this is easier said than done. International NGOs need to find a way of ensuring boards can have oversight of the workings of the whole charity without getting lost in the detail.



Culture

Visibility

Business models

Culture

Dictionary definition

The ideas, customs, and social behaviours of a particular people or society

While some may say that robust internal control and assurance are essential to the effective running of any organisation, they can only go so far. It is culture, a shared belief in a united purpose woven into each process, ensuring that every act undertaken is done so with an understanding of how it supports the wider purpose, that really drives success.

Culture is about the standards of conduct and behaviour, including fairness and integrity.

It's captured through documents such as the organisational strategy and code of conduct and is implemented through strong leadership, training and processes. Within this section we explore areas where governance and culture must align for success to be achieved. Equality, diversity and inclusion, safeguarding and, partnerships and relationships are all prime examples of where the culture can have a profound impact on the success of a charity.



Equality, diversity and inclusion

The Charity Governance Code is clear that equality, diversity and inclusion (EDI) is not a ‘nice to have’ but a core principle of good charity governance. In business, it’s been established that diverse teams make better decisions and are more successful in the longer term. International NGOs have another reason to fully embed EDI in their governance – your organisation should reflect the communities you serve. International NGOs can only truly maximise their impact when they put the voices of those closest to the issues they’re working to address at the centre of their work in a way that builds trust, authenticity, and accountability.

Reflecting on current EDI practices

When thinking about EDI, a good starting point would be for the board to implement an audit of their organisation’s current governance to identify where there are gaps from an EDI perspective. This can range from developing an understanding of the latest practice and guidance on EDI and comparing the charity’s governance structures and processes against this, to reflecting on the composition of the board and senior team and the backgrounds of those in key decision-making positions.

This can be a sensitive process as it draws on our most personal characteristics – race, gender, disability, sexuality, and socio-economic background, but should be approached in a positive and open-minded way in order to have the most effect. Many international NGOs are just starting their journey to correct the prejudices and systemic oppressions that have influenced so many organisational cultures for many years. It will take time and care to unpick this, so boards must be prepared to commit to this process fully and for the long term.

Transforming recruitment practices

From a governance perspective, the most common factor to address is a lack of diversity on the board. Until recently board recruitment processes were often opaque, informal, and lacking rigour. Boards would often seek to fill vacancies with people from similar professional, socio-economic and cultural backgrounds to their own.

This has changed in recent years. The increasing use of skills audits help boards recruit for specific gaps in knowledge and expertise. In addition, boards are placing increasing emphasis on direct experience which provides a further opportunity to redress the diversity imbalance in a measurable and impactful way.



Increasingly charities are transforming their recruitment practices to make them as inclusive as possible, adopting methods to ensure that those furthest from power have access to these roles and feel confident in applying. These include:

- Preparing application materials that are reviewed through an inclusive language lens to ensure certain words, phrases and requirements that might discourage under-represented applicants are avoided;
- Running an open recruitment process using the many external resources, networks, and organisations available to promote board vacancies as widely as possible; and
- Holding open days/evenings to allow prospective candidates the opportunity to meet with board members and staff and learn more about the charity and role prior to application.

Building an inclusive culture

Embedding EDI in governance does not stop at recruitment. Boards may find it useful to reflect on the findings of research among charity boards that highlighted the four areas where work may be needed – structures, processes, meetings and behaviour.¹ It's worth reflecting on how committees operate, the onboarding process for new trustees, and how meetings are run. Behaviour is the most effective way to make your board more inclusive.

It worth considering whether all trustees feel comfortable sharing their views and challenging assumptions or accepted ways of thinking.

The Chair has a particular responsibility to ensure that individual trustees can voice their views about how the board is working and may need to address any imbalances of power. Trustees and Chairs can feel uncomfortable or uncertain about how to approach EDI but they can find practical advice from various sources and voluntary sector bodies.²

Ensuring a plurality of voices are at the table to thoroughly review, challenge and support the staff team will help to deliver the best outcomes for the organisation.

1 <https://compasspartnership.co.uk/delivering-effective-governance-insights-from-the-boards-of-larger-charities/>

2 For example, a blog at Association of Chairs <https://www.associationofchairs.org.uk/2021/12/20/action-on-edi/>



Key questions

When looking to build or review your strategy to create a culture of equality, diversity and inclusion consider these key questions to make an assessment of your current position and prioritise the actions you should take next.

- 1 How are EDI principles embedded in the terms of reference for the board and committees?
- 2 Does the board undertake a regular skills audit to include EDI principles and direct experience?
- 3 Have the trustees completed relevant training on key topics such as anti-racism, feminist leadership principles and disability awareness?
- 4 Can individual trustees share their knowledge and skills in EDI?
- 5 How inclusive is recruitment to the board and how do you assess its effectiveness and gather feedback on recruitment and onboarding?
- 6 Does the board regularly reflect on meeting formats to ensure meetings are inclusive?
- 7 Does the Chair foster a safe and empowering space within the board that encourages the trustees to share their views openly and constructively?
- 8 Has the board received training on EDI and do trustees want more assistance with this topic?



Safeguarding

Even without media spotlight following well publicised failings, effective safeguarding will be near the top of most trustees' agendas, particularly in the international development sector. Your international NGO has a duty of care to those involved in or affected by its activities and should take reasonable steps to manage the risk of causing harm. As trustees, you play a crucial leadership role in setting the culture, behaviour, and priorities of the organisation.

Setting the right tone

The culture of the organisation should be one of zero tolerance of inaction on sexual exploitation, abuse and harassment (SEAH). Those who raise concerns must be appropriately treated and those responsible held to account. And, while the senior leadership and executive team are responsible for shaping the culture of the organisation through their day-to-day management, there are several key actions that you as a board should take to ensure that the organisation is (so far as reasonably possible) creating a safe environment for staff, volunteers, communities where it works and all who come into contact with it. Bond has produced guidance for boards on the governance of safeguarding which is available on their website.³

This guidance is split into six sections, covering:

1. Setting a culture that makes staff feel comfortable and supported to raise concerns;

2. Reducing risk and ensuring that the organisation has assessed its safeguarding risk profile;
3. Making sure the right policies are in place for raising issues and encouraging speaking up;
4. Ensuring that when issues are raised they are investigated correctly and thoroughly;
5. How to articulate the organisation's policies for supporting survivors ; and
6. Recommendations to ensure openness and accountability in relation to safeguarding.

Boards are responsible for governance oversight of safeguarding, but many of the actions will be for the managers and operational staff. It is not appropriate for trustees to become involved in the details of cases as this can jeopardise confidentiality and the survivor-centred approach. Every international

³ <https://www.bond.org.uk/resources/safeguarding-governance-guide>



NGO board should nominate a trustee to be the Safeguarding Lead. If this trustee is not already appropriately qualified by experience, then specific

training should be provided. It is also recommended that the whole board undertakes safeguarding training that is appropriate to their governance role.

What does good look like?

Any international NGO that adopts appropriate principles and practices in connection with safeguarding and people protection should be able to:

- As far as is reasonably practicable in the circumstances, provide a safe and trusted environment whereby reasonable steps are taken to ensure reasonably foreseeable harm is not caused to beneficiaries, staff, volunteers and those the organisation comes into contact with.
- Secure an organisational culture that prioritises safeguarding and people protection, so that it is safe for those affected to come forward and to disclose concerns, allegations and incidents with the assurance that they will be handled sensitively, confidentially and appropriately.
- Be committed to ongoing learning and reflection to continuously improve policies, procedures and practices and ensure that safeguarding and people protection is integrated into risk management, budgets, the planning and implementation of programming and fundraising.
- Have adequate policies, procedures and measures in place to prevent harm being caused by the organisation, or those acting with or for it, to the people to whom it owes a duty of care, and that these are shared and understood.
- Ensure that concerns, allegations and incidents and complaints are handled appropriately, should they arise, and prioritise the safety and dignity of the victims and survivors.
- Hold those who have been involved in causing harm or pose a risk of harm to account through appropriate disciplinary processes and/or external reporting to relevant authorities (where it is safe and appropriate to do so, following an adequate risk assessment to prevent further harm, disrespect or indignity to the victim/survivor or others affected).
- Ensure appropriate transparency so that the organisation can be held accountable by regulators, donors and the public in respect of its management of safeguarding and people protection.



Key questions

Reviewing the questions below may assist the board to assess the adequacy of governance arrangements in relation to safeguarding.

- 1 Have you ensured that organisational culture is included in the objectives and performance review of the organisation's senior executive?
- 2 Does the organisation's mission, vision and values prioritise safeguarding?
- 3 As a board, do you have opportunities to hear feedback on organisational culture?
- 4 Has a Lead Trustee for Safeguarding been appointed and has that trustee received appropriate training?
- 5 Has the board received training in safeguarding and benchmarked its own practices against the governance guidance available from Bond?



Partnerships and relationships

Working in partnership is fundamental to the operating model for a large proportion of international NGOs. It is now clear that a fundamental shift is needed if international NGOs are to decolonise aid and that supporting locally led development is a key aspect to the changes needed.

For many international NGOs there will be a variety of different relationships to manage with a variety of relative roles and responsibilities among which engaging with local civil society organisations (CSOs) is likely to be central. The direction and extent of accountability and control differs significantly from case to case. Examples include membership of a globally branded federation or affiliate structures, granting and sub-granting, consortia and more context specific joint working arrangements as well as work undertaken under contracting frameworks.

When delivering any development or humanitarian work, there are inevitably risks associated with working with partners, including risks around proper use of funds and the delivery of outcomes. Partnership working is therefore often a highly controlled area at every stage; from forming the relationship right through to monitoring the resulting outcomes. A decolonised approach however, shifts the centre of gravity of power and decision-making toward the people and organisations rooted in the communities where work is taking place. International NGOs need to reframe the role they play as an enabler and convener of people and resources.



Evolving partnership structures

International NGOs commonly have a comprehensive system of due diligence, other internal controls and policies to govern partner work. Typically, contractual arrangements transfer significant risks to the partner organisation but few unrestricted resources to fund the partner's management and governance. Frequently, partners are expected to adopt policies and codes of conduct constructed by the international NGO, as well as providing frequent reporting.

Trustees need to be prepared to challenge the old risk-averse approach of working with partners and ask different questions about the organisation's engagement and support of locally-led development. The goals of empowerment and accountability are not mutually exclusive – there are “and-and” approaches which build on mutual obligation and trust; but these require a different and more complex psychological frame than the simpler certainties of either command and control or unconditional one-way support.



Key questions

When addressed, the questions below should help you outline your approach to partnerships and assess whether change is needed.

Approach to partnership

- 1 Is your organisation's approach to partnerships clearly articulated and does this include clear guidance on the principles of partnership working, including:
 - a when will your organisation seek to utilise partnerships?
 - b how will your organisation approach establishing a partner relationship?
 - c how are power imbalances addressed?
 - d how will your organisation establish respect and trust within a partner relationship?
- 2 Does your approach to partnership enable your code of conduct to be supported through partner activity – in practice, as well as the partner signing up to it?
- 3 How confident are you that someone would whistleblow if there was an issue on a partner programme?

Mutual accountability

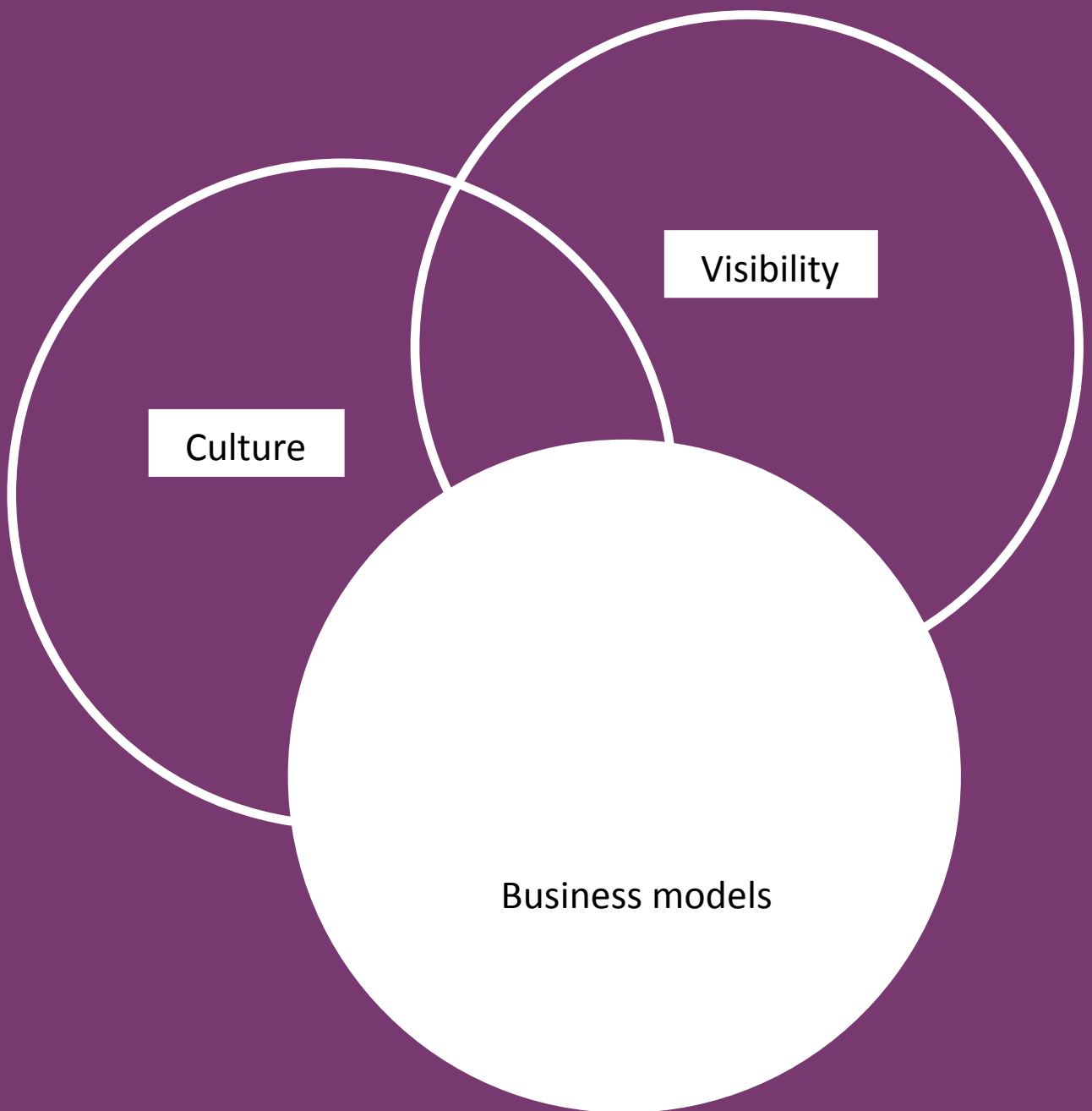
- 4 Is partnership working integrated into your policies including safeguarding, anti-terrorism, data protection, anti-bribery, whistleblowing etc.?
- 5 Is your organisation's approach to partnership working proportionate to the risks involved in each relationship?
- 6 Is the due diligence process proportionate to the nature of the relationship and the type of activities?
- 7 Is there a two-way monitoring framework in place that allows the partner organisation to provide feedback?

Funders and other compliance

- 8 Has your organisation engaged your funders in discussions about mutual accountability, shared decision-making and other ways of working?
- 9 Does your approach to partnership working enable the organisation to comply with Charity Commission requirements including Serious Incident Reporting?
- 10 Have obligations for broader compliance requirements been considered in the context of partnership working including data protection, anti-terrorism, anti-bribery and safeguarding?

Information

- 11 Do you as trustees receive sufficient information to reassure yourselves that the principles you've established for partnership working are being applied?
- 12 Do you as trustees receive adequate induction and ongoing information in order to understand the range of partner relationships that the organisation holds and the nature of these partners, sufficient to understand the related risks and opportunities arising from partner relationships?
- 13 Does the assurance framework in place at your organisation sufficiently cover partner relationships?



Culture

Visibility

Business models

Business models

Dictionary definition

A plan for the successful operation of a business, identifying sources of revenue, the intended customer base, products, and details of financing.

Although the differences between running a for-profit business and not-for-profit charity of a similar size are wide-ranging, acknowledging some similarities can be key to prosperity. Successful operation is defined by the fulfilment of charitable objectives, and the strategy put in place to do this is an essential component of a charitable business model.

As such, it's here that we start, exploring what an effective strategy is, why it's important and addressing potential threats to its fulfilment. From strategy, we move to governance, as this is the transitional oversight that provides you with the reassurance that your charity is being run to the fulfilment of your objectives, and in a compliant way. We conclude our exploration of business models with an insight into the different financial models used by international NGOs, the associated risks and the steps you can take to mitigate them.



Strategy

Organisational purpose is the first principle within the Charity Governance Code. It's also the only principle to sit as an umbrella, providing guidance for the direction and implementation of the additional six founding principles, by ensuring the charity's aims are "delivered effectively and sustainably."⁴ As such, the core role of a board must be a focus on strategy.

What is an effective strategy and why is it important?

An effective strategy balances consideration of the external environment, the organisation's purpose and intended impact, and the evaluation by the communities you serve. A strategy needs to be fundable and needs to be flexible enough to respond to changes in circumstances.

Your organisation's strategy needs to be multi-dimensional, and thus is a prime example of the overlap between culture, business models and

visibility. While the aim of your strategy is to achieve your organisation's purpose and fulfil your mission, you also need to consider how you will do this in a way that aligns to the target culture. Therefore, while one could argue that strategy could sit within any one of our three sections, we've placed it in business models, as to achieve any of this you need adequate resourcing, which should form part of the business plan and strategic direction of the organisation.

Identifying and responding to strategic challenges

International NGOs have multiple stakeholders with potentially differing interests. Funders will be interested in the efficient use of resources and how the activities align with their funding priorities. Individual donors may be more susceptible to react to safeguarding or fraud type failings that impact the charity's reputation. While downstream partners may be focused on the balance of equity in their relationships with the charity, and staff will be

impacted by shifts in culture and values. Balancing accountability to the needs of these different stakeholders with the organisation's purpose can be a significant challenge when operating internationally.

The way in which trustee boards choose to respond to these various stakeholder demands will also impact on strategic choices (e.g. does your

⁴ The Charity Governance Code: <https://www.charitygovernancecode.org/en>



organisation deliver programmes directly or work only through local partners), which in turn will require different operational models, structures, governance and financial models.

Additionally, changes in focus of activities (climate, inequality), sources of funding (social investors, middle income countries, aid cuts by Western governments), politics and technology will have an impact on this mix which may also lead to strategic, operational and structural changes. Some international NGOs have relocated parts of their head office operations to be closer to programme activity, while others are changing the organisational structure to achieve a more equitable balance between partners. Different solutions will work for different organisations, and in each case the

organisational model will have an impact on the local and overarching strategy.

Adhering to the Charity Governance Code's recommendations for boards, by conducting periodic reviews of purpose and external environment, to ensure the organisation's mission remains relevant; evaluating the organisation's impact, and how the strategy is set to deliver this; reacting to external factors, reviewing sustainability of income sources and business models, considering partnership working or mergers, and recognising responsibilities to widening stakeholders regularly are all prime examples of how trustees can stay on top of these issues and ensure the future viability of the organisation.



Key questions

Considering the questions below may help when reviewing your organisations strategic approach.

Mission and strategy

- 1 Do you as a board have a clear understanding of the organisation's mission/purpose?
- 2 Is your organisation's role in development appropriate/sustainable?
- 3 Do the requirements of some stakeholders (e.g., funders) place undue pressure on your organisation and affect the delivery of its mission?
- 4 Do you understand the priorities of your various key stakeholders?
- 5 Are you communicating your strategy and impact effectively, both internally and externally?

Organisational models and strategy

- 6 Is your current organisational model fit to deliver the organisation's strategy?
- 7 Is your organisation's mission and strategy driving the organisational model or the other way around?
- 8 Have you considered whether you can deliver your mission more effectively in a different way e.g., different structure, working more closely with partners, etc.?

Finances and strategy

- 9 Is the financial strategy capable of delivering the organisation's longer-term goals?
- 10 Is the financial strategy aligned with the organisation's mission and has mission drift been considered?
- 11 What level of long-term planning have you done, including scenario planning on changing funder priorities and other external factors?
- 12 Have you considered whether you can better serve the people you work for by merging or partnering with another international NGO?



Governance models

When discussing governance models, it's important to be clear about what we mean by the terms governance, management and operations, in order that responsibilities are correctly allocated and fulfilled.

- Governance encompasses setting the strategic framework for the charity, including mission and values, and establishing monitoring measures to ensure this is achieved.
- Management refers to the establishment of detailed strategy and plans for the organisation together with monitoring and feedback to ensure effective oversight over delivery within the organisation's values.
- Operations denotes the delivery of activities in accordance with policies and procedures, observing agreed controls and risk mitigation measures, together with relevant reporting to management and external stakeholders.

The journey to good governance

It's no secret, achieving good governance is no simple matter for trustees. And with the sector under constant media attention, in recent years all organisations have seen an increase in the requirements to demonstrate effective governance.

For organisations operating internationally the challenges of implementing appropriate structures to ensure effective and accountable governance are multiple. These are further amplified by increasing cultural imperatives to address historic problems related to diversity and inclusion, power relations between donor and implementer and oversight of corporate behaviour standards.⁵

The specific legal frameworks for UK charities establish some of the parameters for governance requirements for international NGOs that are registered in the UK. However, the laws and cultural norms in other jurisdictions may differ considerably – this is as true within continents as between them. Many international NGOs will be signed up to humanitarian standards and throughout this guide we have referred to the Charity Governance Code. All codes and standards can be an aid to boards to help them develop their role and discharge their governance responsibilities.

⁵ For example, CHS and Sphere



Evolving governance structures

To ensure governance processes are fit for purpose, trustees must consider legal and regulatory requirements and bring them into a “best fit” with the mission and values of the organisation. You might find yourself questioning assumptions about what is possible within your existing framework. If this is the case, it’s not something to be feared. Evolution is key to survival. Recent developments, like internationalisation and the transfer of power closer to the communities served, have led to more complex corporate structures and networks of organisations. Yet the delivery and compliance of programmes has steadily improved as international NGOs have developed an understanding of differing cultures within various communities enabling the tailoring of projects to suit community needs. Independent national partner organisations which were once country programmes of a “Northern” NGO create a need for mutuality of obligation and a reduced focus on central control.

The necessary response to shortcomings in oversight of behavioural standards and values has led to censure of those charged with governance in many UK charities. This has reignited the debate around where accountability lies – in the UK model it is solely with non-executive trustees. When things do go wrong, it can reinforce trustee concerns such that they start to involve themselves in the management and operation of the organisation. This can reduce the effectiveness of governance, as trustees are no longer able to step back and hold managers to account. For many international NGOs there has already been a shift of power through internationalisation, creating locally led leadership and governance models decolonising the practices of international NGOs should actually improve governance as it brings in two-way accountability, with organisations answering to the communities they serve too.



Key questions

Consider the questions below to help your board assess whether your current governance is fit for purpose.

- 1 Are your governance processes in line with your constitution and the legal jurisdictions in which you are operating?
- 2 Do you have clearly defined relationships between your component elements (e.g. members of a network, or national organisation and branches)?
- 3 Are there clear expectations of mutual accountability which address historic imbalances of power?
- 4 Within the legal frameworks in which you operate, can trustees obtain the assurances they need from executive management in order to discharge their responsibilities?
- 5 Can trustees track the organisation's performance against the strategy and does this include issues of leadership, culture, living the values and behaviour in accordance with approved codes?



Financial models

Given the volatility of funding environments, finance will always (unfortunately) be on the list of things keeping trustees awake at night.

Financial models can vary significantly between international NGOs, and each has its own risks attached. Funding sources can be unreliable in the sector and a period of poor fundraising performance or unsuccessful grant bidding can quickly put an organisation into significant financial difficulty. It's therefore essential for trustees to understand their financial model, the risks attached to it, and to have a process in place to effectively monitor financial performance.

The funding landscapes

Broadly speaking, the vast majority of funding in the sector comes from a mix of institutional grants and donations (for example, from individuals, trusts, foundations and companies). Many of these funding sources can be short lived and only serve to fund the next project or the immediate costs. Funding flexibility is also often very limited with all types of donors typically having a preference to fund frontline costs rather than overheads and core costs. Chasing restricted funds for projects can also lead to mission drift, as work becomes focused on what a donor is willing to fund rather than the strategic priorities.

People within international NGOs want to think strategically and look to achieve lasting change through sustained programmatic work. However, achieving long term change with short-term funding is a real challenge for the sector. Creating an organisation that can achieve lasting change often requires investing in people and structures, which results in an increasing cost-base. This often leaves international NGOs only a relatively short period of time away from a cliff-edge where costs need to be rationalised.



Steps to mitigate financial risk

Given the funding environment, many trustees may not be comfortable with the inherent risks of their financial model. Financial insecurity can lead to a risk-averse mindset which jeopardises the strategic focus of programmes and underperformance.

Effective financial governance and planning addresses inherent risk to enable senior managers and boards to quantify the risks and timescales involved. For example, a measure of financial security, is the future funding for programme activity measured in weeks or months.

Some of the key principles are:

- Be strategic – take a strategic approach to developing the financial model, rather than just being reactive and chasing the funds.
- Be informed – don't allow finances to become opaque so that they are difficult to understand or challenge. As a trustee, you need to understand the financial risks and receive information to monitor these risks.
- Respond to financial risk – financial risks can't be fully eliminated, but they usually can be controlled in a way that both reduces likelihood of the risk arising and the impact if the risk does materialise.



Key questions

The questions below will help you ascertain the strengths and weaknesses of your current financial model and begin to put a plan together to mitigate identified risks.

Finances and strategy

- 1 Is the financial strategy capable of delivering the organisation's longer-term goals?
- 2 Is the financial strategy aligned with the organisation's mission and has mission drift been considered?

Finances and risk

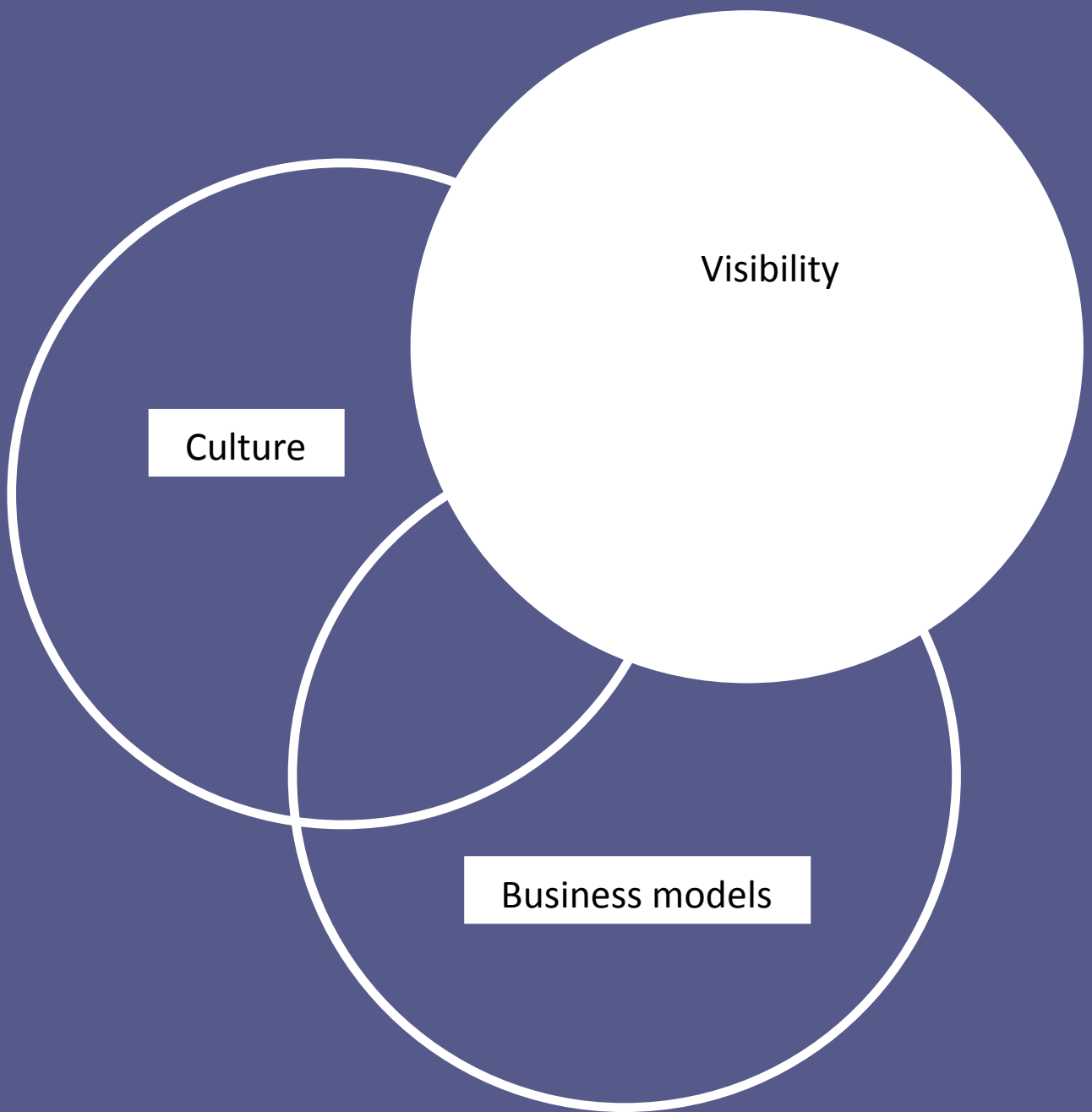
- 3 Has the board articulated its risk appetite in relation to financial risk? For example, the board can set a minimum level of reserves or a minimum number of weeks' future funding which is then a trigger point for actions to reduce costs and commitments.
- 4 Have the trustees discussed the risks within the financial model and considered alternatives and ways to adapt the model?
- 5 Are strategic financial risks articulated on the risk register?

Quality of financial reporting, budgeting and forecasting

- 6 Is financial information such as management accounts and budgets presented in a way that is understandable?
- 7 Does the financial reporting enable you to make decisions?
- 8 Are you provided with information to enable you to understand whether the risks that you have identified are materialising?
- 9 Does forecasting include analysis of cash flow?
- 10 Does forecasting split reserves between restricted, unrestricted and free reserves?
- 11 Does the financial reporting allow you to understand the organisation's fixed costs and overheads and how they are funded?
- 12 Do financial forecasts include key assumptions, risks and sensitivity analysis? In particular, is there information on the level of income uncertainty provided and is there sufficient flexibility in the forecasting model to take account of the level of income uncertainty?
- 13 Is there challenge and discussion around the financial information reported?
- 14 Is there sufficient information provided for the trustees to understand the basis for the budgets that they approve and the risks within the budget, as well as information throughout the year to understand how the actuals varied from the budget that they approved?

Reserves policy

- 15 Has the board had a full discussion on its policy on reserves?
- 16 Has the board set out a formal reserves policy?
- 17 Does the reserves policy take into account the financial risks identified?



Visibility

Culture

Business models

Visibility

Dictionary definition

The degree to which something has attracted general attention; prominence.

Seeing is believing. And there is always someone watching, whether it's a funder, one of the people you work for, an employee or volunteer. Perception is power, and one that shouldn't be overlooked.

The visibility of your charity can be vital or detrimental to its ongoing existence, so we begin this section by exploring risks and controls, as often the level of risk associated to an area of operation is inherently linked to how accessible oversight is to those in charge. From examining overarching risks associated with a lack of oversight, we turn to internal and external accountability, looking in detail at the importance of each and how small changes can have a big impact.



Risk and control

Effective risk management isn't about having a nicely coloured and well-presented risk register. Risk management is about taking appropriate risks to achieve your mission while minimising the probability of risk events that are within your control and developing response plans to mitigate the risks outside your control.

The operating environment for international NGOs is one that has many inherent risks, but boards can ensure that policies and processes are in place to ensure that events such as fraud or safeguarding incidents are managed appropriately. It is not possible to eliminate all risks or all incidents, but you can make sure that the response is prompt and appropriate.

The international context

By their very nature, international NGOs take on a significant amount of risk in their operations, and so trustees of international NGOs may find that their risk registers are considerably longer than those of counterparts based in one country.

Charitable organisations that operate overseas are often more exposed to risk due to the lack of direct oversight of the operations in individual countries. This risk can be exacerbated when working in politically or otherwise unstable areas.

The nature and level of risks will be distinctive in each locality and therefore local knowledge and the engagement of local partners, staff and managers in the risk identification process is valuable and international NGOs need to be prepared to adapt their policies and processes to fit the local context.



Identification, management and control

It is not feasible for trustees to have detailed knowledge of all operational risks and so it is important that there are clear roles and responsibilities for the identification and management of risks at the operations and management level.

Analysing the risks and developing controls to mitigate them is an investment in the future of your organisation and, although this can often be seen as time consuming (due to the continual monitoring process which needs to be consistently adapted to reflect the ever-changing environment in which the organisation operates), it is critical to ensuring the charitable objectives can be met.

If you can't see it with your own eyes, it's important to ensure there are monitoring procedures in place to protect the organisation, its staff and the people you work for. If something does go wrong, you must also have a satisfactory escalation policy for reporting incidents in remote locations to head office and the Charity Commission.

A clear approach to risk management with accountability at its heart is essential for trustees to gain assurance that risks are being managed. Trustees can only realistically directly engage in the oversight of a smaller number of strategic risks and must assure themselves that organisational processes are in place to manage the rest. Trustees will therefore seek to reassure themselves that risk policies are in place and that staff throughout the organisation are responsible for identifying and managing risks as well as escalating them where appropriate.

Risk management is not just a paper exercise, it is about taking action in response to risk. Where there are risks, there need to be internal controls. Boards may find it helpful to adopt the Three Lines Model as this clarifies the roles between the operational frontline, management oversight and independent verification such as internal audit. Together the three lines provide boards and committees with assurance on the identification of risks and opportunities, together with their management.



Key questions

Use the questions below to assess your organisation's appetite for risk and assess the control frameworks you have in place to mitigate it.

Risk framework

- 1 Has your organisation articulated its risk appetite, e.g. when are you prepared to take risks and how much?
- 2 Is there a link between the risk appetite of the organisation and the organisational culture that you seek to establish?
- 3 Has a risk policy been established which sets out the processes, roles and responsibilities for risk management?
- 4 Does the risk policy consider the layers of assurance between strategic risk, operational risk and programme risk?
- 5 Does the risk framework take account of the fact that risk and control environments may differ in different locations, as well as the assurance risk?

Embedding risk

- 6 Are staff aware of their responsibilities for risk identification and management and has there been appropriate training in this area?
- 7 Is risk embedded in operational meetings as a regular agenda item?
- 8 Are there lines of communication between programmes, central management and the board to ensure that identified risks are reported internally?
- 9 Are you confident that an emerging programme risk will be identified and communicated internally?
- 10 Is risk embedded into other processes such as project appraisal and due diligence?

Risk mitigation

- 11 Does the risk documentation identify the key controls in place to mitigate the risks?
- 12 Does the reporting to the trustees cover information that enables trustees to oversee these risks and ensure accountability?
- 13 Have the trustees considered whether they have adequate assurance over the key risks?
- 14 Is your risk assessment and assurance dynamic and responsive to reported issues?

Internal control

- 15 Does your organisation have approved policies and procedures in place covering both financial and non-financial controls?
- 16 Have you considered control risk outside your organisation, for example with partners, grant recipients and suppliers?
- 17 Is a risk based due diligence process carried out on downstream partners and are effective monitoring procedures in place?
- 18 Is there clarity regarding the delineation of responsibilities for internal control including head office responsibility and local controls?
- 19 Are policies communicated effectively to staff, have they had appropriate training and are there checks in place to ensure staff comply with policies?
- 20 Is there a method of checking compliance with policies and procedures through a combination of management checks and external scrutiny where appropriate?

21 Is the financial reporting environment strong enough to ensure that internal stakeholders receive up to date and accurate information in order to enable transparency and accountability?

Fraud, theft and misappropriation

22 Are there sufficiently robust controls in place to prevent fraud and theft as far as possible, for example, ensuring there are two people required to open the safe?

23 Do you periodically consider fraud risk, including new risks arising from changes in operations or emerging sector frauds?

24 Do you have a detailed register of all assets held and do you periodically check that assets still exist?

25 Is there a process for reporting any actual or suspected fraud or theft?

26 Is there a robust process for responding to incidents including near misses when they do occur?

27 Are finance teams well trained and are they adhering to the controls in place?

Compliance with laws and regulations

28 How does the organisation ensure compliance with laws and regulations at a country level?

29 Is a central database needed which details the relevant laws and regulations of each country, and is this regularly updated?

30 Have you considered the tax and payroll laws and requirements of each country and how do you ensure compliance with these?

31 How are changes in laws and regulations monitored and how do you update your process to make sure you are still compliant?



Internal accountability

A good first step to greater external accountability and transparency is to focus on internal accountability.

Maintaining adequate internal accountability can be challenging when programmes are remote and varied, particularly where there is a difficult local operational environment. Developing effective structures of internal accountability is even more important in these circumstances.

Accountability identification and mitigation

It is necessary to distil these complex accountability requirements into something manageable. Through identifying the different stakeholders, risks and accountability requirements, an accountability framework can be established that provides the

trustees with greater confidence that the right people are being held to account for the right things.

This accountability framework needs to be kept up to date as the organisation evolves and its risks change.

Reporting and monitoring

Given that international NGOs operate in a range of different countries, a one-size fits all approach is unlikely to be effective. Policies and procedures will need to be tailored to each of the different countries you operate in and provided to local staff in an accessible format e.g., translated into other languages. Considerations must also be made to incorporate the different organisational structure that may be present in each country's office, while ensuring that there is clarity on how these feed into the overall reporting and accountability framework.

No matter how robust the accountability framework is, it is inevitable that incidents will occur within an organisation and appropriate mechanisms are required to ensure these are reported and investigated. The investigation of reports not only helps identify potential liabilities for the organisation but also serves to identify potential flaws in current policies and mitigate the risk of any further incidents.



Within trustee meetings, you may have experienced a lack of emphasis on internal accountability if external targets are met but, it's important to remember that internally accountability starts with

Mutual accountability

A key change in thinking in the international NGO sector has been the introduction of two-way accountability to address an imbalance in power, colonial ways of working and structural racism. Boards may find it helpful to raise their awareness of some of the issues that have negatively impacted the sector and its credibility, for example by accessing reports and blogs on Bond's website.⁶

Boards can access existing sources of feedback and information, such as staff surveys, exit interviews and any work being led by management on people and culture. Boards can show their commitment to responding to issues raised by ensuring that the organisation has a people strategy, is addressing EDI issues in the strategy and that an action plan emerges from discussions and staff feedback.

you and your peers, and regularly assessing and improving internal performance has a direct impact on external achievements.

Boards might also consider how they can be more visible to staff and volunteers. Social events, conferences or other gatherings can provide opportunities for informal contact. Boards may also want to add some structured communication, such as attendance by the Chair at a staff meeting from time to time, or staff representatives attending board or committee meetings.

Many organisations now provide an update to staff after each board meeting in a newsletter format; others share the minutes of board and committee meetings on an intranet. The right approach will be achieved through discussion with your internal stakeholders and needs to be something everyone is comfortable with.

⁶ For example, Bond's report 'Racism, Power and Truth': <https://www.bond.org.uk/resources/racism-power-and-truth>



Key questions

To help you understand your current levels of internal accountability and ascertain where improvements may be needed, assess the answers to the following questions and ensure any necessary actions are taken.

Accountability identification

- 1 What accountability do you require in order to know whether you are meeting your strategic aims?
- 2 What accountability do you need to manage the risks included on your risk register?

People, systems, and policies

- 3 Is there a clear delegation of authority within the organisation that sets out the accountability framework?
- 4 Are there systems in place to support each of the key areas of accountability (e.g. financial, safeguarding, impact etc.)?
- 5 Does the organisation have a suite of financial and other policies in place that clearly set out the organisation's internal controls?
- 6 Is there a structure for periodic review of these policies, ensuring current best practice and responsiveness to organisational change?

Accountability to the board

- 7 Does the board receive regular reporting in the areas they have identified as requiring accountability?
- 8 Where reporting is not sufficient to satisfy trustees that accountability requirements are being met, is additional assurance obtained, with independent assurance where necessary?
- 9 Is there sufficient evidence of trustees challenging management within meetings in order to establish a culture of accountability?
- 10 Are the risks around potential conflicts of interest considered and potential conflicts managed?

When things go wrong

- 11 Are there processes in place to inform senior management and trustees of any serious incidents which have occurred?
- 12 Is it within the terms of reference of the Audit Committee (or equivalent) to oversee investigations into incidents when they do occur?
- 13 Does the organisation take all incidents and near misses seriously and seek to learn the lessons arising from them?
- 14 Does the organisation adequately demonstrate that it does not tolerate incidents and consider whether there are any issues with the organisational culture when incidents arise?

Mutual accountability

- 15 Does the board receive information and feedback from staff?
- 16 Does the board or trustees have opportunities to hear from staff without senior managers present?
- 17 Are trustees visible to staff?
- 18 Are staff surveys followed through and action plans created?
- 19 Is information provided to staff and volunteers on the workings of the board?
- 20 Does the organisation ask trustees to sign up to a code of conduct and declare any interests?
- 21 Does the organisation have a vice-chair and does this role have responsibility for appraising the Chair?
- 22 Does the board undertake regular appraisals of its own performance?



External accountability

International NGOs have many different stakeholders to which they are accountable. The expectations from each stakeholder (in terms of how the organisation should act or operate) may not always be achievable in practice. This expectation gap is likely to vary based on the stakeholder, their pre-existing knowledge of the organisation, the sector, and the cultural and regulatory norms of the countries of operation.

Historically, discussions around accountability have focussed on the providers of funding, typically donors, governments, and the public in Northern highly developed countries. However, practitioners now recognise that the primary accountability should be to those for whom the organisation works – i.e., the communities and individuals that an international NGO exists to support.

Although it's tricky to eliminate the expectation gap, understanding who the organisation is accountable to and the mechanisms through which it is accountable is key to reducing and managing this gap. Ultimately, this is an exercise in risk management, but with the viewpoint being that of an onlooker. And the continued scrutiny placed upon the sector epitomises the importance of international charities building trust, operating with openness, and showing accountability at all levels.

Levels of accountability

As well as understanding who you are accountable to, the level of that accountability is also key. When making these assessments you need to think about your organisation as a whole, as well as from the viewpoint of isolated projects.

Your organisation's pool of stakeholders is likely to remain the same for most areas, consisting primarily of the people you work for, donors, regulators, partner organisations and the general public. However, their priority as a stakeholder, your relationship with each group and the level

of accountability they require or desire, will vary depending on their specific area of focus.

The level of accountability each stakeholder demands will depend on a number of factors, most notably their power to influence outcomes and their proximity or vested interest in the issue. Stakeholders identified as having higher levels of power are likely to demand a greater level of accountability in areas which they also have a vested interest.



Transparency = trust

Many organisations manifest accountability by being outwardly transparent, such as by making information and policies publicly available. There are many areas where this approach satisfies a stakeholder group, but in certain areas self-proclamation is unlikely to give the reassurances needed. Opening your charity up to further scrutiny, such as via voluntary accreditation schemes or undergoing donor due diligence assessments, can provide the additional confidence that these stakeholders wish for. Most charities will also have an area of their website dedicated to their approach or commitment to external accountability, outlining how they are a responsible and trustworthy organisation. This serves as a useful starting point and source of information on key topics, such as safeguarding, whistleblowing and fundraising.

However, this is only a small example of the ways in which audiences can be communicated with. Information needs can also be met through multiple routes including the publishing of organisation policies, statutory financial statements, social media, promotional content, and face to face interactions by stakeholders with the organisation's employees or volunteers. While some of these may be easy to control and monitor, it must be acknowledged that not all information can be regulated, with externally generated content having the potential to misinform rather than inform stakeholders.

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Key questions

When looking at external accountability we've identified five main areas. The questions below should prompt a review of your external accountability and should help inform whether your organisation can demonstrate that it's being accountable.

Key stakeholder identification

- 1 Who is your organisation accountable to?
- 2 Who are your priority stakeholders?

Level of accountability

- 3 What is the accountability relationship and expectations of these stakeholders?
 - a Is the relationship passive, being fulfilled by information made publicly available?
 - b Is the relationship active, with the stakeholder holding the organisation to account by requesting specific courses of action?

Information needs

- 4 What are the information needs of these stakeholders so that they can fulfil this relationship role?
- 5 Are their information needs being met and how?

Consequences

- 6 What are the consequences if these information needs are not met?
- 7 How likely are the consequences to arise?

Social impact

- 8 Has the organisation clearly articulated its mission, theory of change and the key changes that it is seeking to make for beneficiaries?
- 9 Has the organisation considered its methodology for tracking outputs and outcomes?
- 10 Do trustees obtain assurance that its systems for tracking outputs and outcomes are operating effectively?
- 11 Does the organisation involve stakeholders – including, crucially, beneficiaries - in its process for setting impact priorities and for tracking outcomes?

What does your future look like?

The opening sentence of the Charity Governance Code is, “good governance in charities is fundamental to their success” and while always pertinent, is perhaps more important now than ever. With aid cuts and international development budgets declining, there is a need to do more with less, and many international NGOs have been forced to restructure as a result. In addition, the coronavirus pandemic put further pressure on some of the challenges posed by traditional international NGO strategies and structures, with many sector experts calling for change: to decentralise, work more closely with, and invest in local communities. Looking to the future, there are likely to be further changes in operations and a more collaborative approach required within and between organisations in order for them to survive.

This guide is intended to provide an overview of some of the key issues that trustees of international NGOs need to consider in their governance role. It’s meant as a starting point for discussion and a means of helping to embed best practice in the ways that work best for your organisation.

Do look out for further information and support for trustees on both of our websites at:

www.bond.org.uk

www.buzzacott.co.uk/international-non-governmental-organisations-ingos



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