Best Practices in Governance and Oversight for Civil Society Organizations in Lebanon

Community of Practice Workshop

Report
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I. Introduction

Under the Building Alliances for Local Advancement, Development and Investment – Capacity Building (BALADI CAP) program, a community of practice titled "Governance and Oversight", led by Chief of Party, Dr. Fares El Zein, was held on December 9, 2016. Fourteen participants from twelve different Civil Society Organizations (CSOs) attended the training.

The present report relates the process and results of the workshop.

II. Objectives

The workshop aimed at identifying best practices in governance and oversight for non-profit organizations in Lebanon through a participatory approach in view of forming a community of practice at a later stage where partner organizations of BALADI CAP and others can cooperate and exchange experiences for optimized results. The community of practice will help these organizations move towards best practices in governance and accountability, which will strengthen internal controls, create transparency and allow each organization to work towards the fulfillment of its mandate. Working on improving internal Governance systems, along improving internal management systems will allow major Lebanese CSOs to move from family oriented nature into more institutionalized organizations with wide base of constituents and better prospects for sustainability.

III. Workshop Methodology

The workshop consisted of 4 sessions around the following topics:
- Structure of Accountability
- Financial Accountability
- Role of Board/ Administrative Committee
- Functioning of Board Committees

Discussion rounds were held on each of the topics, where CSO participants shared their experiences, current practices, and voiced their concerns. BALADI CAP gave clear recommendations on each of the topics based on best practices in good governance. The following section summarizes results of discussions:

IV. Results/ Key takeaways

Session 1: Structure of Accountability

Purpose: The session aimed at providing CSO participants with the knowledge on the role and authority of each of the board/administrative committee, president, and management to allow for sound governance and accountability mechanisms.

Key takeaways:

CSOs are accountable to their community and the broader society. Accountability can be reflected in three main areas:

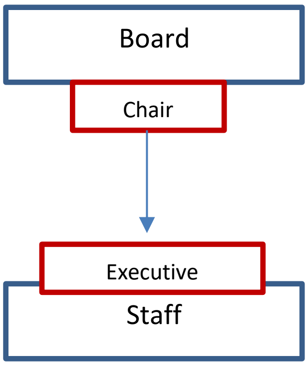
1. Transparency
2. Internal system of checks and balances
3. Clear separation between governance and management

An accountable organization has a functioning system of internal governance. Governance is enhanced when an organization puts in place an internal system of checks and balances that ensures that public interest is served. CSOs who practice good governance clearly distinguish between the decision-making and accountability levels within their organizations, i.e. there is a clear separation between the role of management and board. This ensures that the organization's resources are well-managed, and safe-guards the CSO's public service orientation.

Good governance can be operationalized into an organizational structure where the board is the main governing body. The board practices oversight and is the main decision making authority in the organization. The board represents the interests of the NGO's multiple stakeholders and collectively helps the organization stay focused on its mission.

A separate body executes the decisions of the governing body (the board) and is responsible for the daily management of the CSO's daily activities. This is often the role of the executive director.

Board members should not by any means conduct any executive tasks, because of conflict of interest considerations. The executive director need not always be present in board meetings. His/her presence is based on the request of the chair of the board. The relationship can be illustrated as follows:



The board discharges its duties by delegating authority to the director of the organization, which the board appoints. In doing so, the board does not give up any of its own responsibility for setting policy, providing strategic direction, or exercising oversight.

Session 2: Financial accountability

Purpose: CSOs will learn the foundations for sound and transparent financial accountability, and how to apply them in their organizations.

Key takeaways:

The board has the responsibility of overseeing the financial affairs of the organization. On one hand, it must ensure that the CSO has sufficient resources to fulfil its mission. This entails that management prepares a yearly budget and raises to the board. On the other hand, the board must verify that all expenditures are appropriate and are spent according to approved procedures. It has the responsibility of practicing financial oversight. It has to ensure that internal controls are established.

As part of its role in practicing financial oversight, the treasurer on the board must sign and authorize all the checks issued on behalf of the CSO. The board should make sure that all financial operations are conducted in line with the policies and procedures and are transparent. Thus, it practices both a preventive and corrective role when it comes to the financial health of the organization.

At the end of the day, and according to the text of law, the Treasurer will be held personally accountable in case of proven mismanagement of the organizations financial resources.

Auditors cannot take the role of the treasurer, as they cannot guarantee process flaws. They just confirm amounts and validity of reports vis a vis financial reality.

Internal financial controls guard NGO's assets by regulating the handling of funds. Internal controls promote both integrity and efficiency. When they are in place as explicit board policy, internal controls reassure donors and confirms that the NGO's resources are used wisely and well. It is the duty of the board to ensure that internal controls are both established and implemented. Among the most important internal controls the board can introduce are professional accounting standards, the separation of transactional responsibilities (for example, invoice approval and bank transfers), and annual audits.
The board should review internal controls periodically to verify that they are observed by employees throughout the organization.

Session 3: Role of the board

Purpose: Identify the role of the board vs. actual practices, understand main responsibilities, and purpose of existence.

Key takeaways:

The Board is the principal governing body of the CSO. It has constant oversight and ultimate decision-making authority. No matter what the size, mission, age, or budget of an NGO, its board's basic duties are to set policy, exercise oversight, and provide strategic direction in the following areas:

- **Mission:** The board safeguards the NGO's mission by making sure there is a clear sense of mission shared throughout the organization, a good mission statement, and appropriately planned and evaluated programs and services. In watching over the mission, the board ensures that the NGO is meeting the needs it was established to satisfy.
- **Values:** The board defines organizational values and sets the standard for professional conduct through its own behavior as well as in the policies it establishes for others to follow.
- **Resources:** The board ensures the NGO has adequate resources—human, material, and financial—by hiring the chief executive (director), monitoring the financial health of the organization, ensuring the acquisition of sufficient resources, and assisting in resource mobilization.
- **Outreach:** The board promotes the NGO in the community and serves as a link with members, donors, beneficiaries, and other stakeholders.

Session 4: Board Committees

Purpose: CSO participants will be able to identify the various committees that can be formed at the board level, who sits on these committees and how they can be formed.

Key takeaways:

Committees are useful improve efficiency within a CSO. Committees do not need to be composed only of board members. Staff, outsiders and experts in the field the committee is working on can also be invited to take part. Standing committees are usually specified in the CSO's bylaws, while temporary committees or task forces are appointed ad hoc by the board chair. Each committee needs clear instructions about what to accomplish and how to function. Usually this takes the form of a written mandate, which includes meeting and membership guidelines and reporting timeframes. Above all, committees need to remember that their job is to work on behalf of the board rather than to make decisions on their own.
Typical board committees are:

- **Governance/Board Development Committee:**
  The governance committee is responsible for enhancing the quality and viability of the board concerning:
  - Review board's roles and responsibilities
  - Look at board composition needs (skills, etc.) and recruit new members
  - Conduct periodic assessment of the board's performance and effectiveness
  - Identify and nominate candidates for board leadership positions and facilitate elections process
  - Make sure the board identifies annual goals

- **Program Committee:**
  The most common responsibilities of the programs committee is to:
  - Oversee new program development, and to monitor and assess existing programs
  - Initiate and guide program evaluations, and
  - Facilitate discussions about program priorities for the CSO

- **Fundraising committee:**
  - Develop fundraising plan and set-fundraising targets
  - Tap respective networks for potential donors

- Analyze relationships with current and prospective major donors and funders, and develop individualized strategies to cultivate or strengthen those relationships Determine Board fundraising expectations and goals; provide guidance for Board members on meeting fundraising goals; track progress toward fundraising goals both for individual Board members and for the Board as a whole.

- **<u>Financial Audit Committee:</u>**

  The main responsibilities of the financial audit committee are:

  - Study and review the organization's accounts and financial reports and provide notes in quarterly or semi-annual reports and submit to the board.
  - Prepare annual financial report and submit to the board in its regular yearly meeting to allow it in depth knowledge of the financial situation of the organization during the budget discussion, accounts and financial reports submitted by the board.
  - Submit proposals relating to all financial matters (as budget drafts, and financial reports related to risk management and mitigation policies).
  - Propose the appointment of external auditors and follow up with all financial matters related to the organization with them.
  - Propose the adoption of internal financial system for the disbursement of funds and movement of the organization's accounts.
  - Establish a mechanism permitting any member of the board to go back to the committee regarding any financial matter related to the organization.
  - The President, the cashier and the accountant are obliged to provide any information, data, or clarifications requested by the committee from them.
  - Has the right to call the treasurer or accountant to attend meetings of the committee when the chair of the committee or the majority of its members deem it necessary, without participating in the vote.

- **<u>Strategic Planning Committee</u>**

  The Strategic Planning Committee assists the board with its responsibilities for the organization's mission, vision and strategic direction. Its main responsibilities include:

  - Periodically reviewing the mission, vision and strategic plan, and recommending changes to the board.
  - Annually reviewing the strategic plan and recommending updates as needed based on changes in the market, community needs, and other factors.

- Monitoring the organization’s performance against measurable or progress points.
- Helping management identify critical strategic issues facing the organization. Assisting in analysis of alternative strategic options.