

## FOCUS

## Strengthening Governance in Crisis

### Interview with Mr Tai Keen-man, Vice-Chairman & Acting Executive Director of Neighbourhood Advice-Action Council



Mr Tai (right) and then Chairman Dr David Tsang explaining the special committee's report to the media



As Acting Executive Director, Mr Tai (fourth left) receiving visitors at service unit.

Media veteran Mr Tai Keen-man joined the Neighbourhood Advice-Action Council (NAAC) in 1995 as a member of the Mainland Service Sub-committee, and later the Executive Committee (ExCo), overseeing the organization's operations and development.

NAAC is one of the five agencies receiving the most Lump Sum Grant (LSG) subvention in 2016/17, of over HK\$400 million, accounting for 2/3 of its income. In 2014, to utilize its high level of LSG reserve, NAAC implemented schemes on employee benefits and developed extra short-term projects. However, these initiatives soon became financial burdens that the agency decided in September 2017 to cut the short-term projects launched and the temporary positions earlier than scheduled. This decision led to great concern within and outside of NAAC. The ExCo then set up a special committee of 11 people with two independent members, where Mr Tai led as Chair, to investigate on the finances and remediate the situation.

A report was published on NAAC's website last October that the ExCo retrieved the decision to mitigate the damage. "Looking back, we learned that 'short-term projects are never short, temporary staff are never temporary'. Whenever there is a need, we will try to address. The agency must ensure there is long-term support for new services," said Mr Tai.

He was most impressed by the support from ExCo Members and the staff. He said, "Despite the trauma, I am thankful that they rallied and did not point fingers at each other. We used to meet every quarter, but

now, every three to four days. While the incident put the organization in huge pressure, the special committee helped us focus. We believe that if ExCo Members commit, so will the staff. I was also touched by our staff's action to raise fund for the agency." In hindsight, he felt that ExCo Members could have been more proactive in taking the lead and considering alternative solutions.

Apart from liaising with the Social Welfare Department, communication with staff is very important. He emphasized, "the staff is crucial to an organization. We had clear minutes for our staff meeting about the incident. We also met with staff concern groups and set up dedicated email to collect their views. All staff was notified before releasing any information to the public."

Mr Tai now has a better understanding of the staff after the incident. To avoid affecting the operation, Mr Tai took up the role as Acting Executive Director on a pro bono basis in January 2018. "The incident reflected that governors had overly relied on the long-serving Executive Director without enough communication—we only knew about the incident on the day of media's report and without full grasp of all information. With the huge reserve in previous years, we became unguarded. Though finance and other committees were in place, there was no precise analysis of the finances, which made the incident inevitable. It is important that ExCo and management should keep at arm's length with respective roles - ExCo should govern while management should take care of daily operations, implement policies, and report back." As Acting Executive Director, Mr Tai is now focusing on reviewing internal policies for providing effective services.

View video for Mr Tai's experience sharing on crisis management: <https://governance.hkcss.org.hk/node/239>

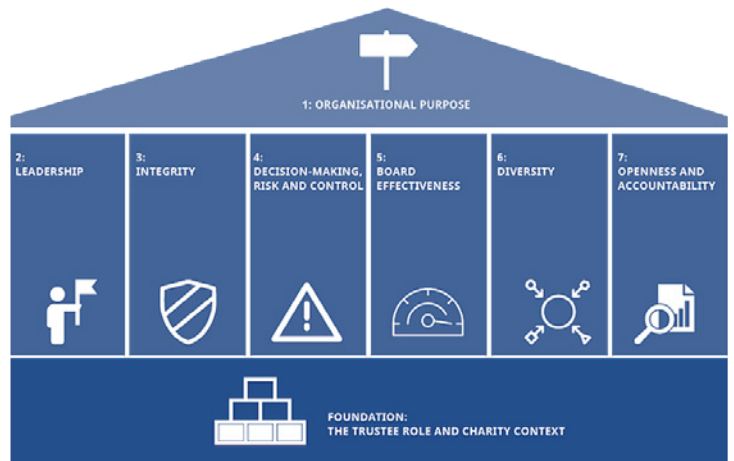
# GOVERNANCE IN ACTION

## A SECTORAL APPROACH TO BETTER GOVERNANCE: THE UK CHARITY GOVERNANCE CODE

In the UK, the Charity Commission is the regulator for charities in England and Wales. One of its main responsibilities is to ensure charities meet their legal requirements and take enforcement action when necessary.<sup>1</sup> While the Charity Commission serves as a regulatory body for compliance, the nonprofit sector in the UK is aiming at reaching even higher governance standards than minimal legal requirements. With the help of over two hundred charities, individuals and related organizations, various stakeholders from across sectors have come together to form a steering group with an independent chair to collaborate in the development, promotion and maintenance of the *Charity Governance Code* (the Code).

The Code was initially launched 12 years ago in 2005 and was revamped to its third edition in July 2017.<sup>2</sup> This latest version of the Code sets out seven principles in good governance: (1) organizational purpose, (2) leadership, (3) integrity, (4) decision making, risk and control, (5) board effectiveness, (6) diversity, (7) openness and accountability.<sup>3</sup> Each of these principles has the rationale and target outcomes clearly spelled out in the Code. Most practically, the guide recommends practices to aid charities abide by the principles.

In order for organizations to proceed in applying the seven principles, there is an underlying assumption that trustees or governors have a thorough understanding of their roles and responsibilities and the context where the organization is operating in, as well as meeting all the NGO's legal and regulatory responsibilities. This highlights the key difference of the Code from the previous editions, which were traditionally more focused on just processes and procedures, whereas in this edition, it is a basic principle for all board members to follow.<sup>4</sup>



Seven principles in good governance set out in the Code

Revamping the Code is a self-evolving process within the sector for each edition. As NGOs grow and develop, good governance is no longer merely about compliances or procedures. Rather, stakeholders are now looking for an all-rounded approach of improving governance to achieve organizational purposes.

At the "Governance Symposium: Stewardship for Better Future" held by The Council on 1 November 2017, two representatives of the Code's Steering Group, Ms Lizzie Adams, Services & Programmes Manager of the Small Charities Coalition and Mr Dan Francis, Senior Governance Consultant of National Council for Voluntary Organisations (NCVO), shared with Hong Kong's practitioners their experience on the recent Code review exercise.

In this sector-driven exercise of promoting better governance, it was important to develop a standard that is applicable to all NGOs across a spectrum of different sizes and backgrounds. This is why the Small Charities Coalition became one of the key stakeholders in the Steering Group during the Code's development. Lizzie firmly believed that a collaborative approach should be a joint-effort of all sector stakeholders where they may not traditionally work together.

<sup>1</sup> Gov.uk. (2017). About us - The Charity Commission - GOV.UK. Retrieved from: <https://www.gov.uk/government/organisations/charity-commission/about#responsibilities>

<sup>2</sup> Atkinson, S. (2017). The new Charity Governance Code – Essential reading for all trustees - Charity Commission. *Charitycommission.blog.gov.uk*. Retrieved from: <https://charitycommission.blog.gov.uk/2017/07/13/the-new-charity-governance-code-essential-reading-for-all-trustees/>

<sup>3</sup> Charity Governance Code. (2017). *Charity Governance Code*. Retrieved from: <https://www.charitygovernancecode.org/en>

<sup>4</sup> Thomson, L. (2017). Magnificent seven: Principles of charity governance. *Governance & Compliance Magazine*. Retrieved from: <https://www.icsa.org.uk/knowledge/governance-and-compliance/features/magnificent-seven-principles-of-charity-governance>

# GOVERNANCE IN ACTION

“Our key reasons to be involved with the Code's development was that, we were really keen to be able to get the small charities voice out, for it to be heard, in guidance [and] in information that is being provided [in] a sector-wide approach,” said Lizzie.

With Small Charities Coalition's and various charities' contributions, the Steering Group created two versions of the Code for larger and smaller charities. When applying the Code to different NGOs, board members can decide which version of the recommended practices to follow, depending on their NGO's size, be it judged based on income, the number of staff, activities, etc—it is all subject to the board's decision and agreement.

Having two versions of the Code available acknowledges the fact that, in the nonprofit sector, there is never a one-size-fits-all solution to every NGO. What board members should do is to go back to the foundation of the Code, which is to first understand the context of the charity and its environment, then decide, how they can apply the seven principles.

Many of the target outcomes set for the seven principles are deliberately aspirational and may be hard to achieve, since the Code is positioned as a tool for continuous improvement towards the highest standards of governance. The key to its practice is that board members need to pick and choose what is most suited to the NGO's current situation in order to improve its governance.

“This isn't a compliance document. It is good practice; it is aspirational standards. What your board should do, is to engage with the criteria, make decisions around where your priority areas are, and focus...” Dan emphasized in his presentation at the Symposium.

With this in mind, the boards of charities in the UK are highly encouraged to utilize the Code and get familiarized with the key principles of good governance. Along with the Code, the Governance Wheel developed by NCVO helps NGO boards assess their current practices of the seven key principles listed out in the Code.<sup>5</sup> The simple assessment helps board members prioritize which areas to focus on and consequently what actions to take in improving governance.

The spirit of the Code is its continuous development in seeking better governance that is driven by the sector but not regulators. The willingness and collaborative effort of the sector in achieving higher standards of governance go beyond the requirements of regulatory bodies. The Code promotes a culture of good governance and brings NGOs one step closer to their success in fulfilling their missions and gaining public trust.



*Our special thanks to Ms Lizzie Adams and Mr Dan Francis for their insightful presentation and generous sharing at the “Governance Symposium: Stewardship for Better Future” held on 1 November 2017.*

*From left:*

- *Dr Allen Fung, President, Hong Kong Society for the Protection of Children (moderator)*
- *Ms Christine Fang, Founding Director & Consultant, GAME (Governance and Management for Excellence) for Public Benefit (respondent)*
- *Ms Lizzie Adams, Services & Programmes Manager, Small Charities Coalition (UK) (presenter)*
- *Mr Dan Francis, Senior Governance Consultant, National Council for Voluntary Organisations (UK) (presenter)*

The complete Charity Governance Code can be found online: [www.charitygovernancecode.org/](http://www.charitygovernancecode.org/).

<sup>5</sup> *The Governance Wheel - a tool to measure and develop your governance and leadership. (2017). NCVO, P.2.*



## UPCOMING ACTIVITIES

### Workshops on NGO Boards' Roles in Human Resource Management

The level of NGO staff's remuneration package has recently aroused much public attention and become a controversy. How should agencies set salary standards? What roles should their board members play in human resources management (HRM)?

These two interactive workshops will acquaint NGO directors with key concepts, knowledge and practices of HRM in the social service sector, particularly focusing on the roles and functions that board members play in such aspects. Key issues in HRM process such as staff recruitment, selection, development, training, performance management, remuneration and reward as well as succession planning of senior management will be examined. Details as follows:

<b>Date &amp; Time:</b>	2 Jun and 7 Jul 2018 (Saturdays) / 9:30am – 12:15pm		
<b>Trainer:</b>	Mr Ng Shui Lai, part-time lecturer at the Department of Social Work of the Chinese University of Hong Kong, former Chief Executive of the Hong Kong Christian Service		
<b>Targets:</b>	Board and committee members of HKCSS Agency Members only, with priority to those without HRM training background		
<b>Quota:</b>	30 persons	<b>Language:</b>	Cantonese (materials in English)
<b>Fees:</b>	\$150 for two sessions		

For event details and enrollment, please click [here](#).

### Governance Workshop Series for Directors of Small & Medium NGOs

With limited resources available for small and medium NGOs, it requires extra skills and efforts for board members to govern and develop the organization that they serve. This workshop series aims to provide knowledge and practical skills to equip concerned directors in grooming and scaling up their NGOs. The program will also offer participants with a mutually-supportive platform for experience sharing and learning in nonprofit governance. Topics to be covered include: capacity building, branding and fundraising, and risks oversight. Details as below:

<b>Date &amp; Time:</b>	9 Jun, 14 Jul and 1 Sep 2018 (Saturdays) / 10:00am-12:30pm		
<b>Trainer:</b>	Dr Chan Yu, Registered Social Worker (Associate Director, HKU-HKJC ExCEL3 Project)		
<b>Targets:</b>	Board and committee members of HKCSS Agency Members with annual expenditure between \$5 million to \$30 million only		
<b>Quota:</b>	30 persons	<b>Language:</b>	Cantonese
<b>Fees:</b>	\$200 for three sessions * Participants attending 2 or more sessions will receive a certificate of attendance		

For event details and enrollment, please click [here](#).

## SNAPSHOTS



The Seminar on "New Requirements of the Companies (Amendment) Ordinance 2018" was held on 27 February, 2018. Representatives of the Companies Registry talked about how responsible persons of NGOs incorporated as companies in Hong Kong should comply with the new requirements and obligations of the Companies (Amendment) Ordinance 2018.



Information Technology Governance Advisory Service (Advisory Service) is co-organized by the Project and Information Technology Resource Centre (ITRC), to provide tailored consultation and support for HKCSS agency members for a period of 12 months. Our IT Governance Advisors, "VITAL - Volunteer IT Advisors League", are all experienced IT professionals. The kickoff meeting was held on 12 April 2018 where matched NGOs and advisors met for the first time.