

FOCUS

Keeping Up with Times, Taking the Organization to a New Height

Interview with Mrs Patricia Chu, BBS, Chairman of The Hong Kong Anti-Cancer Society

Mrs Patricia Chu, BBS, who had served as the Deputy Director of Social Welfare, Chairperson of Social Workers Registration Board, and Chairperson of The Equal Opportunities Commission, etc, has a wealth of experience in governing non-profit organizations. Although retired for 15 years, she has continued to be actively involved in governing various organizations, including The Hong Kong Anti-Cancer Society (HKACS), first as an Executive Committee (Ex Co) member since 2003, then the Chairman since 2012.



Mrs Chu (second right) actively participated in the HKACS' activities.

In the development of any organizations, there are always ups and downs. The HKACS is no exception in its 55 years of history. "I can still remember in my first year joining the Society, the Ex Co received notice from the Hospital Authority that the Nam Long Hospital would have to be closed by the end of that year. We were shocked as it meant the organization would lose its recurrent funding in a few months' time. In face of the crisis, the Ex Co invited a consultancy to conduct a feasibility study for the use of the premises. As a result, it was renovated to become the Hong Kong Jockey Club Cancer Rehabilitation Centre, with well designed facilities and patient-centered services. However, the negative image of the hospital being 'a place for dying' was so deeply rooted that its operations was very challenging in the initial years. In recent years, we strived to strengthen brand building, promoting the holistic services of the 'home away from home'. Although the HKACS is self-financed with no government subvention, we are grateful to have continuous support from charitable foundations and the public, allowing us to render high quality cancer care," said Mrs Chu.

With rising public expectations, the HKACS has been expanding its service. In 2013, the Ex Co started reviewing its governance structure. Mrs Chu firmly believed that the organization must catch up with societal demand. She said, "The stakeholders expect us to achieve our mission and provide quality services. We are pleased to have overwhelming support and a good reputation. I am particularly touched by the donations from estates given by past patients, giving us the impetus to charge forward in response to social needs."

Recently the Society has been focusing on improving its governance capacity. The Ex Co conducted an organizational review in 2015 to streamline its structure and clarify the line of accountability among the Ex Co, committees and staff. "The HKACS may not be big, but all the Ex Co members have committed their time, knowledge and network wholeheartedly to achieve our mission. We all agreed that there was a need for a clearer governance structure at that time for its advancement," she added. "Last year, we held a 'Strategic Planning Day' to revisit our vision, set out strategic goals and focus of work. We must not be complacent, and be better prepared to meet the ever changing needs in society in order to serve more patients," Mrs Chu opined.



Group photo of Mrs Chu (front row, third right) and guests at the Symposium on Cancer Challenge in Hong Kong.

Besides the HKACS, Mrs Chu is also the Founding Chairman of the Consortium of Institutes on Family in the Asian Region and the Asian Academy of Family Therapy. She shared that, "the Chair is an NGO's leader. He/she should believe in its mission, to make his/her best effort in promoting the organization's work. Integrity and fairness are also vital. Communication skill is essential to convey accurate messages and facilitate collaborative efforts for policy change. Lastly, the Chair needs to keep up with the latest service development." Founded for over half a century, Mrs Chu emphasized that the Society is facing very different needs today, and the NGO must keep moving forward in order to face crises and continue to thrive.

Video of Mrs Chu's sharing on the qualities to be a Chairperson. (Cantonese only): <https://governance.hkcss.org.hk/node/301>

GOVERNANCE IN ACTION

Knowing the Essentials: Board Roles and Responsibilities

Being a board member of an NGO is a meaningful and impactful way of giving back to society. However, the effort it takes to fulfill its responsibilities is no less than the one of a board member from a listed company. Moreover, the job is completely voluntary and unpaid! The board of directors of an NGO is the ultimate decision maker of the organization. Needless to say, the board takes on the role of leading and governing the NGO. Hence, it is crucial that board members understand what these roles and responsibilities entail in order to properly discharge their duties.

What are the functional roles of a board member?

Various local and foreign sources of guidelines and reference materials have generalized the roles of a board as follows:

- **Strategic leadership:** The board is responsible for guiding the strategic direction of the organization. This includes developing a strategic framework for its growth, and periodically reviewing the vision, mission and values.¹ More specifically, the board should endorse a strategic plan in both long term and short term (i.e. an annual plan) for the operation of the NGO.²
- **Ensuring resources and executive leadership:** Whether it is fundraising or spending program funds, board members need to ensure funds are solicited through proper channels and that there is efficient usage of the resources.³ This is not restricted to a monetary level. Succession of the board, hiring and guiding the Chief Executive are also part of the board's job.⁴
- **Oversight and monitoring:** Besides financial monitoring, the board has the responsibilities to oversee and assess the performance of the NGO and its operations. They need to develop clear policies for internal control and review risk management plans for monitoring the development of the organization in long term and ensure compliance to any legal requirements.^{1,5}
- **Accountability and transparency assurance:** Board members should hold the organization accountable to its stakeholders and general public. Ensuring transparent and timely disclosure of organizational information through channels like annual reports, audit reports, websites, etc. can foster a positive public image of the NGO.^{2,5}

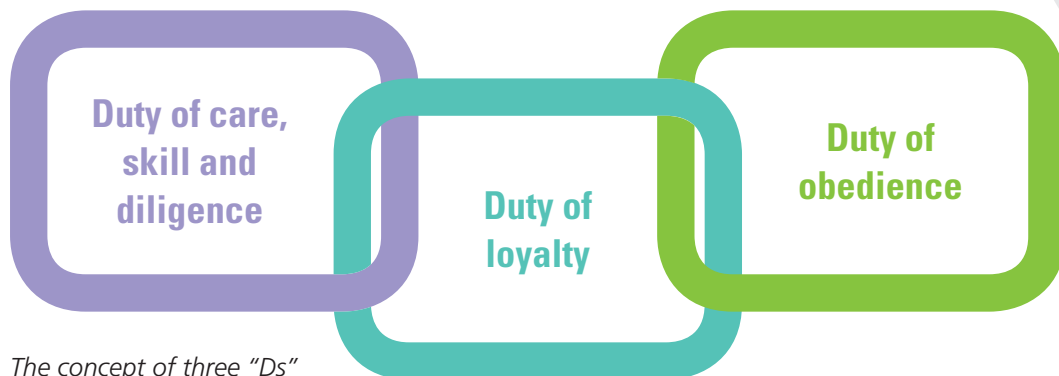
The few points above are obviously non-exhaustive roles of a board member. The exact tasks and responsibilities of each board member may differ, based on the NGO's background, size, culture, as well as the board members' role on the board (e.g. Chairperson vs. Treasurer).

What are the legal responsibilities of a board member?

Board members owe the organization fiduciary duties as its official representatives. At the Seminar on "Fiduciary Duties and Legal Liabilities of NGO Directors" held on 20 April, 2018, Ms Michelle Chow, member of the Pro Bono Committee of The Law Society of Hong Kong, talked about the concept of three "Ds" in Common Law that all board members should abide by:

- **Duty of care, skill and diligence:** board members have the duty to attend meetings, be prepared to make informed decisions, request additional information if required, and to carry out duties in a reasonable and responsible manner.
- **Duty of loyalty:** board members must make decisions in the best interests of the NGO solely but not for any group or other NGO he/she represents, and never for personal gain.
- **Duty of obedience:** board members must be faithful to the NGO's mission, are not permitted to act in ways that are inconsistent with the mission and objectives of the NGO, and must examine all documents about NGO's mission and operation.⁶

GOVERNANCE IN ACTION



Generally speaking, all board members should comply with the 3Ds regardless of the legal form of the organization and whether it is for profit or not. Failing to fulfill these requirements may lead to civil liabilities. To ensure compliance to these principles, board members can develop policies (e.g. protocols on declaration of interests) and create governance manual that they may make reference to in cases of ambiguity or potential risks.

On top of the fiduciary duties, board members have the responsibilities to ensure compliance to any regulatory requirements related to the charity. For example, the Inland Revenue Ordinance prohibits any NGO with section 88 tax exemption status from "distribution of its incomes and properties amongst its members" and prohibits "members of its governing body (e.g. directors, trustees, etc) from receiving remuneration".⁷ An organization may lose its tax exemption status if it fails to comply to these obligations.

In Hong Kong, tax-exempted charities can be established under various ordinances of different legal forms, with most registered under the Companies Ordinance (CO). There are different obligations under each ordinance that board members need to comply with. For example, a guarantee company is required to deliver an annual return to the Registrar for registration at a prescribed time each year. Late delivery of such materials is subject to a higher registration fee and other penalties.⁸ The assurance and oversight of compliance to these legislative requirements is a basic but important part of a board member's duties.

It is especially important for board members to understand these responsibilities for the best interest of the NGO, and to protect themselves from liabilities. Prospective board members may conduct due diligence with the NGO to better understand the organization's governance practice and in what roles that he/she could play so as to maximize his/her contributions and fulfill the basic responsibilities. Proper induction for new board members on their roles and responsibilities can also set clear expectations and help a new member settle into the role more efficiently and smoothly.

¹ Lakey, B. (2010). *Board fundamentals*. 2nd ed. Washington, DC: BoardSource, pp.14, 34-37.

² Social Welfare Department (2002). *Leading Your NGO - Corporate Governance (A Reference Guide for NGO Boards)*. pp.13, 22.

³ Charity Commission for England and Wales (2018). *The essential trustee: what you need to know, what you need to do*. pp.20-24.

⁴ Ingram, R. (2015). *Ten Basic Responsibilities Of Nonprofit Boards*. 3rd ed. Washington, DC: BoardSource, pp.23-33.

⁵ Efficiency Unit (2015). *Guide to Corporate Governance for Subvented Organization*. pp.63, 68.

⁶ Chow, M. (2018). *Fiduciary Duties and Legal Liabilities of NGO Directors*

⁷ Inland Revenue Department (2018). *A Tax Guide for Charitable Institutions and Trusts of a Public Character*. Available at: https://www.ird.gov.hk/eng/tax/ach_tgc.htm

⁸ Companies Registry (2018). *Basic Filing Obligations of a Guarantee Company under the Companies Ordinance (Cap.622)(CO)*. p.1.

UPCOMING ACTIVITIES

NGO GOVERNANCE FORUM 2018

The Council will organize an NGO Governance Forum immediately after the business session of our 71st Annual General Meeting. Details as follows:

Theme:	Building Financial Resilience for Mission Accomplishment
Date & Time:	9 November 2018 (Friday) 2:45 - 6:25pm
Targets:	Board and committee members, advisors and senior management of HKCSS agency members
Venue:	Auditorium, Duke of Windsor Social Service Building
Language:	Cantonese (except breakout session 2) with English materials

Keynote Speech (2:45 pm - 3:05 pm)

Dr Law Chi Kwong, GBS, JP, Secretary for Labour and Welfare

Plenary Session I: Linking Money to Mission & Impact (3:05 pm - 4 pm)

Nonprofit Governance: Striving for a Balance between Financial Sustainability and Social Impact

Breakout Sessions (4:15 pm - 5 pm)

1. Using the Essential Financial and KPI Dashboards in Overseeing the Actualization of Corporate Plans
2. The Sun Tool: The Six Elements of a Financially Sustainable NGO (Conducted in English)
3. Ten Financial-related Questions NGO Directors Should Ask

Plenary Session II: Reserve for Stability & Sustainability (5:10 pm - 6:25 pm)

Insights from the Survey on Financial Reserves of Social Service Agencies
Case Sharing on Setting Reserve & Investment Policies

The enrollment deadline is 2 November 2018 (Friday). For event details and enrollment, please click [here](#).

SNAPSHOTS



At the Seminar on "Employment Related Responsibilities of NGO Boards" held on 31 August 2018, Mr Walter Lee, Chairman of Employment Law Committee, The Law Society of Hong Kong, talked about the common employer-employee relationships in the NGO sector. He reminded the participants to pay attention to the related ordinances that protect employees and the roles and responsibilities that board should play.



The series of NGO Directors' Luncheon cum Sharing Session with Assistant Directors of Social Welfare Department consisted of four events focusing on elderly, youth and corrections, rehabilitation and medical social services, as well as family and child welfare services. The first event was held on 5 October 2018. Mr Tan Tick Yee, Assistant Director (Elderly), Social Welfare Department, (third right) exchanged with over 50 NGO board and senior management representatives. Three governors also shared their insights from attending a Nonprofit Governance Conference in Australia.

The luncheon series is sponsored by the Hong Kong Institute of Certified Public Accountants Charitable Fund.