



GAUTENG PROVINCE

SOCIAL DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

GAUTENG SOCIAL DEVELOPMENT GUIDELINES FOR THE SELECTION OF BOARD MEMBERS FOR NPO'S

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1. INTRODUCTION

The choice of Board members often determines the successful operation of most NPOs in project management. It has been noted that, where Board members have the requisite skills and knowledge, are committed and are representative of the community, the greater is the success of the organisation.

The purpose of this document is to provide the guidelines:

- on how to select Boards of management;
- to outline the duties and responsibilities of the Boards and the Managing Director/Center Manager/CEO and
- to promote good governance within the NPO sector.

2. BACKGROUND

The Department of Social Development is committed to providing leadership in social empowerment, social integration and social protection of poor and vulnerable individuals, families and communities of Gauteng. Whilst the Department is the custodian for social services delivery in the Province, there is recognition that participation of other role players is critical in the execution of its mandate. Key amongst its partners is, Not for Profit Organisations (NPOs) which are involved in both the delivery of social welfare services and social development.

One of the prescripts for these NPOs to be recognized as credible entities is their compliance with the Not for Profit Organisations (NPO) Act 71 of 1997, which stipulates amongst others that these entities should be registered and must establish a Board to be fully functional.

Both social welfare and developmental services are jointly implemented by the Department and NPOs have to adhere to clearly defined criteria, roles and responsibilities. Whereas the Department provides funding, the development of norms and standards, monitoring and evaluation, the NPOs are involved with the day-to-day running of the various interventions.

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According to United Nations Economic and Social Commission for Asia and the Pacific governance is a **process of decision-making and the process by which decisions are implemented (or not implemented)**. Bad governance is being regarded as one of the root causes of all evil within our societies. Major donors and funders, including government, are increasingly basing their aid on the condition that reforms that ensure “good governance” are undertaken.

Good governance has 8 major characteristics:

- 2.1. Participation:** can be either direct or through legitimate intermediate institutions or representatives. Participation need to be informed and organized. This means freedom of association and expression on the one hand and organized civil society on the other hand.
- 2.2. Rule of law:** good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities.
- 2.3. Transparency:** this means that decisions taken and their enforcement are done in a manner that follows rules and regulations.
- 2.4. Responsiveness:** good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe.
- 2.5. Census oriented:** good governance requires mediation of the different interests in society to reach a broad census in society on what is in the best interest of the whole community and how can this be achieved.
- 2.6. Equity and inclusiveness:** a society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from the mainstream of society.

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- 2.7. Effectiveness and efficiency:** good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal.
- 2.8. Accountability:** this is the key requirement for good governance. Organisations must be accountable to the public and to their institutional stakeholders. Accountability cannot be enforced without transparency and the rule of law.

King Commission Report III describes a link between governance principles and law. It indicates that there is always a link between good governance and compliance with law. Good governance is not something that exists separately from the law and it is entirely inappropriate to unhinge governance from the law.

Corporate governance mainly involves the establishment of structures and processes, with appropriate checks and balances that enable directors to discharge their legal responsibilities, and oversee compliance with legislation. In addition to compliance with legislation, the criteria of good governance, governance codes and guidelines will be relevant to determine what is regarded as an appropriate standard of conduct for directors. The more established certain governance practices become, the more likely a court would regard conduct that conforms with these practices as meeting the required standard of care. Corporate governance practices, codes and guidelines therefore lift the bar of what are regarded as appropriate standards of conduct. Consequently, any failure to meet a recognised standard of governance, albeit not legislated, may render a board or individual director liable at law. All NPOs must prepare annual financial statements, but there are limited exceptions from the statutory requirement for an external audit of these annual financial statements.

3. GUIDING PRINCIPLES ON HOW BOARDS SHOULD BE SELECTED

- should reflect the needs of the community;
- should be community driven and
- the management of the NPO should consist of a board that represents the broader community.

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4. NOMINATION PROCESS OF BOARD MEMBERS

The selection and screening of Boards for NPOs should be as follows:

- 4.1. The Head of the Department of Social Development or his /her delegate shall establish a Screening Committee on ad hoc basis for a specific task. Members shall be issued with appointment letters.
- 4.2. The Screening Committee shall comprise of representatives of the Department of Social Development, local municipality officials, and representatives from other organisations or stakeholders relevant to the sector as agreed by the Department (the religious sector, education, community forums, health sector, welfare organisations, the private sector, the public sector, business sector, development sector), the Member of Parliament/ Member of Provincial Legislature and or Ward Councillor will have an observer status when available.
- 4.3. Call for nominations of board members through local newspapers, pamphlets, stakeholders' meetings, community imbizos etc. Announcements should be made through local churches, and/or any other means of communication in a specific community.
- 4.4. Nominations shall be opened for fourteen (14) days.
- 4.5. Nominations will be accepted from members of the community. In cases where the constitution of the organization concerned dictates that only members can nominate then only eligible members can nominate.
- 4.6. During this process the strategic plan of the Department should be shared with potential board members by Department of Social Development officials.
- 4.7. Fourteen days after the closure of nominations, the screening committee should finalise the list of shortlisted nominees. The screening committee should establish whether the potential board member is suited or skilled

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for the board membership. It should also establish whether there is any conflict of interest with the activities of the NPO.

- 4.8. The names of nominees who accept and who qualify shall be put on ballot papers by the screening committee.

5. SELECTION CRITERIA BY THE SCREENING COMMITTEE

During the screening process the following should be considered by the committee:

- that the nominee has the knowledge/ skills that could add value to the organization such as, but not limited to:
 - Legal knowledge
 - Fundraising skills
 - Financial management skills
 - Project management skills
 - Development skills
 - Managerial skills
 - Human Resource management
 - Knowledge of the community / Community activism
 - Previous experience in managing a funded community structure
 - should not hold or be a public representative officer(eg Ward Councillor, Member of Parliament, Member of Provincial Legislature).
 - Must at least have matric/ grade 12 certificate and or five (5) years' experience in the relevant sector(eg older persons, children, poverty alleviation etc).
 - Must be positively vetted in the widest sense, i.e. no criminal record, good credit record and of sound mind etc.
 - Must emanate from the Region where the centre/organization is situated, not necessarily from the same location.
 - Must ensure that the gender equity is observed.

Ideally all the above skills, knowledge and attributes should be represented on the board.

Board members should represent community structures that deal with social development related issues and should be persons with a good reputation within communities.

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6. ELECTION PROCESS

- 6.1. The names of nominees who accept and qualify shall be put to the vote through a ballot at the Annual General Meeting.
- 6.2. Elections shall be through a secret ballot.
- 6.3. The nomination committee shall be responsible for counting the votes.
- 6.4. Seven persons shall be elected to serve on the board.
- 6.5. The office bearers shall be appointed by the board at its first meeting within seven days after the Annual General Meeting.
- 6.6. In the event of any vacancies, the board will fill such vacancies by co-opting members from the list of the shortlisted nominees.
- 6.7. In instances where it is not possible to announce the Board, an administrator or mentor shall be announced to act on behalf of the organization until a board is announced.
- 6.8. The Department shall ensure that the newly elected Board is capacitated in terms of their roles, responsibilities and functions.

7. COMPOSITION OF THE BOARD:

- 7.1. The size of the board should not exceed seven (7) members.
- 7.2. The board should consist of the following: -
 - 7.2.1. Chairperson;
 - 7.2.2. Vice chairperson;
 - 7.2.3. Treasurer;
 - 7.2.4. Secretary;
 - 7.2.5. Vice Secretary and
 - 7.2.6. Two(2) additional members.

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8. POWERS OF THE ORGANISATION AND BOARD OF MANAGEMENT

- 8.1. The powers of the organisation shall be vested in and exercised by the Board and shall include:
- Providing guidance and strategic leadership on governance and approve policy related matters of the organisation.
 - Matters relating to the purchase and sale of immovable property and
 - The approval of the annual budget and business plan.
- 8.2. Monitor and evaluate organizational programmes and services.
- 8.3. The board should work in close collaboration with the Department of Social Development and advance its vision and mission.
- 8.4. Develop and maintain a risk management plan to reduce any risk that might result in the NPO not reaching its objectives as stated in the strategic plan of the Department.
- 8.5. The Board shall have the power to institute and defend actions and proceedings at law, which actions and proceedings shall be instituted and proceeded in, by or against the Board.
- 8.6. The Board shall decide about any loans that have to be raised and about the provision of security, if required, and shall act in good faith.
- 8.7. The Board shall further have the power to establish or secure the establishment of the necessary institution, or organisations or buildings for the carrying out of the work of the organisation and if necessary to acquire by purchase, loan or otherwise movable and immovable property and to sell, let, burden or otherwise deal with or dispose of same, provide buildings or to improve any property, or to further the interest of any locality or the inhabitants thereof, in which the organisation may be interested.
- 8.8. Only the Chairperson, Deputy Chairperson of the Board, the Chairperson of the Finance Committee, Managing Director/Centre Manager, or a representative as authorised in writing by the Board, may sign contracts on behalf of the Board.

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- 8.9. The Board shall have the power to collect and receive funds with the power to delegate this function.
- 8.10. The Board shall have the power to make investments, to realise any investments, to change the same and to reinvest any money.
- 8.11. The Board shall not have the power to approve expenditure outside the framework of the budget.
- 8.12. The Board should ensure that expenditure is effectively and efficiently managed in accordance with Public Finance Management Act of 1999 and Treasury Regulations.
- 8.13. The Board shall have the power to appoint the Managing Director/Centre Manager and, where necessary, terminate his/her services and determine his/her conditions of service, in accordance with labour legislation.
- 8.14. The Board shall keep members informed of operations and activities through an Annual Report.
- 8.15. Office Bearers and board members shall not be personally liable for any loss suffered by any person as a result of an act or omission which occurred in good faith while the office-bearer performed functions for or on behalf of the organisation.
- 8.16. No member of the Board shall have any direct interest or derive any gain from contracts the Board shall conclude with any company.
- 8.17. Vacancies on the Board shall be filled by the Board. The person to be appointed by the Board should be a person of good standing.
- 8.18. Establish and maintain disciplinary and grievance procedures to be followed which relate to all employees, members and volunteers in line with the Labour Relations Act
- 8.19. Have a clear staff development policies that seeks to empower all staff and volunteers to increase their skills in order to enable them to move to greater levels of responsibility.

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- 8.20. The Board shall ensure that minutes of all general and board meetings are prepared and recorded in a minute book of the organisation and minutes signed by the Chairperson as being correct, shall be conclusive evidence of the happenings at any meeting of members.
- 8.21. The Board shall ensure that financial accounting records are kept in accordance with generally accepted accounting and statutory requirements.
- 8.22. Financial statements shall be approved by the Board.
- 8.23. Annual Financial Statements shall be submitted for adoption at the Annual General Meeting.
- 8.24. The accounting records of the organisation shall be examined at least once a year and the correctness of the relevant income and expenditure account and the balance sheets, confirmed by external auditors.
- 8.25. The remuneration of the auditors shall be approved by the Board.
- 8.26. The auditors shall at all times have access to the financial statements and records of the organisation.
- 8.27. The organisation shall open such accounts with such banks as may be determined by the Board.
- 8.28. All funds received by the organisation shall be deposited into, and all payments made by the organisation shall be drawn against the relevant bank account(s).
- 8.29. Cheques and electronic transfers shall be valid if signed by any two of the four signatories approved by the Board.

9. MANAGEMENT

9.1. BOARD OF MANAGEMENT

- 9.1.1. The Board shall meet at least six times per year.
- 9.1.2. Notice of a meeting of the Board shall be sent to each member of the Board, or handed to that member at least seven days prior to the meeting, provided that

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the non-intentional omission to send such notice to any member of the Board shall not invalidate such meeting.

- 9.1.3. The Board may invite any person to attend any of its meetings as an observer or advisor but such persons are not entitled to vote.
- 9.1.4. The Chairperson of the organisation or in his/her absence, the Vice-Chairperson or in their absence, an acting chairperson as the case may be; shall preside at meetings of the Board.
- 9.1.5. Special meetings of the Board shall be called by the Chairperson at his/her discretion or upon the written request of any (3) members of the Board.
- 9.1.6. Board members are expected to be active in all activities of the organisation.

The board should:

- Adhere to its fiduciary duties(meaning “trust”, a person who has the power and obligation to act for another(often called the beneficiary) under circumstances which require total trust, good faith and honesty). The fiduciary duties of members of the governing body of an organisation require them to act in good faith, for a proper purpose and in the best interests of the organisation.
- Be effective as individuals and as a team.
- Exercise proper control over the governance of the organisation.
- Behave with integrity.
- Be transparent and accountable.

9.2. MANAGING DIRECTOR/CENTER MANAGER/CEO

DELEGATION OF AUTHORITY

- 9.2.1 The Managing Director/Centre Manager/CEO shall be responsible for the day to day running of the organisation.

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- 9.2.2 The Managing Director/Centre Manager/CEO shall appoint members of staff in accordance with the policies approved by the Board.
- 9.2.3 The Managing Director/Centre Manager/CEO shall have the power to delegate as approved by the Board.
- 9.2.4 The Managing Director/Centre Manager/CEO shall not have the power to approve expenditure outside the framework of the budget.