



INSTITUTE OF DIRECTORS
IN IRELAND

Governance in the Charity and Not-For-Profit Sector in Ireland

Views of Board Members in the Not-For-Profit Sector

The Research

The Institute of Directors in Ireland (IoD) is the representative body for almost 2,000 directors and senior executives within the private, public and not-for-profit sectors. As the leading voice in the debate on improving corporate governance standards, the Institute of Directors is dedicated to developing and improving the effectiveness and performance of directors and boards throughout Ireland.

For this report on the charity and not-for-profit sector in Ireland, the Institute of Directors in Ireland conducted in-depth research with 229 of its members with boardroom experience in the charity and not-for-profit sector in Ireland.

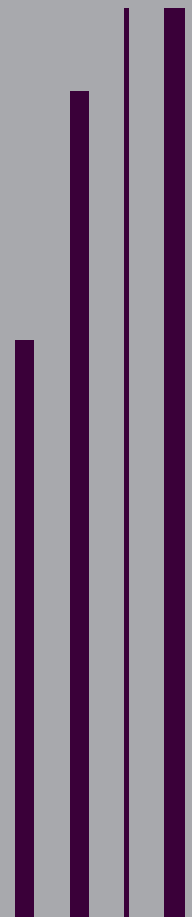
Research was conducted online between 13th - 17th January 2014.

Organisation type:

- 62% - Registered charity
- 22% - Not-for-profit organisation
- 16% - Other

Respondents:

- 49% - Board member
- 22% - Chief executive
- 16% - Chairperson
- 3% - Company secretary
- 11% - Other



Executive Summary



This research was undertaken exclusively with members of the Institute of Directors in Ireland (IoD) who are involved in the charity and not-for-profit sector in Ireland.

The sector has come under the microscope in recent weeks in light of controversies regarding the governance of certain organisations. The governance failures that have emerged, while limited to certain organisations, have seriously damaged the integrity of the sector as a whole.

The aim of this report is to gauge the views of those involved in the sector, the board members and chief executives themselves, and to measure their opinions on both how the sector is governed generally, and the operation of their board specifically.

It is clear from the results that there is a real appetite among board members for greater oversight and accountability in the sector, particularly for those organisations in receipt of State funding. The commencement of the Charities Act 2009 and the establishment of the Charities Regulatory Authority will also be key in helping to restore public confidence in the sector.

It is extremely concerning that three-quarters of respondents rate governance levels in the charity and not-for-profit sector in Ireland generally as average or poor, and a further two-thirds believe that organisations in receipt of State funding are not adequately monitored or held to account for the appropriation of these funds. This is especially worrying given that a majority of the survey respondents indicated that their organisations are in receipt of State funding.

An overwhelmingly majority of board members are calling for a more formal process of appointment to boards in the charity and not-for-profit sector and for a mandatory code of governance.

While the weaknesses identified in the sector are concerning, it is encouraging to see an appetite amongst those surveyed for a more formal framework to operate within and for a level playing field to be created for the countless organisations that are currently operating effectively within the sector.

While nearly half of those surveyed publish audited accounts as they are required to do so, a further twenty eight per cent of respondents indicate that they do so voluntarily - a very positive indication of the level of commitment to transparency that exists. It is encouraging too to see that respondents recognise the importance of specific training for board members in corporate governance, with training cited by many of those surveyed as a factor in improving governance standards in the sector generally.

It is vital that any governance failings in the sector are addressed and that the sector as a whole emerges more accountable, through greater oversight, transparency and accountability.

Maura Quinn
Chief Executive
Institute of Directors in Ireland

Section One

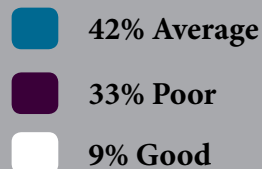
Addressing Inadequacies in the Governance of the Charity and Not-For-Profit Sector in Ireland

In this section, we asked board members a series of questions in relation to the governance of the charity and not-for-profit sector in Ireland - how they would rate standards of governance in the sector generally, whether a mandatory code of governance is required for the sector, if the establishment of the Charities Regulatory Authority would help to restore public confidence and whether a more formal and transparent process of appointment to boards in the sector is needed.

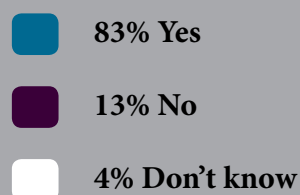
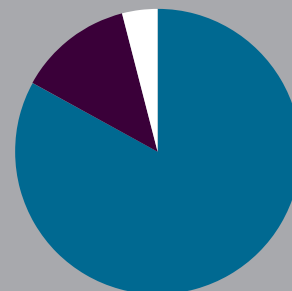
Respondents were also asked what, in their opinion, would contribute to improving governance standards in the charity and not-for-profit sector in Ireland and whether external benchmarking should be used to determine the appropriate salary levels of chief executives.

Finally, the respondents, the majority of whose organisations are in receipt of State funding, were asked whether, in their opinion, there is adequate monitoring by the State for the appropriation of these funds.

Q How would you rate the governance of the charity / not-for-profit sector in Ireland generally?



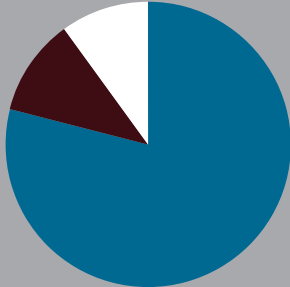
Q In your opinion, should there be a mandatory code of governance for organisations in the charity / not-for-profit sector in Ireland?



“The charity sector is extremely broad, and the quality and style of governance varies markedly”

Q

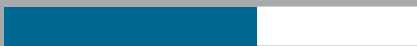
In your opinion, should there be a more formal and transparent process of appointment to boards in the charity / not-for-profit sector?



- 79% Yes
- 11% No
- 10% Don't know

Q

Will the establishment of the Charities Regulatory Authority help to restore public confidence in the governance of the charity / not-for-profit sector in Ireland?



- 56% Yes

“Until this authority is established, there will continue to be a cloud of suspicion affecting the charity sector”

“We have to encourage the charitable sector to act in a professional, transparent manner”

Q

Is your organisation in receipt of State funding?



- 54% Yes
- 43% No

Q

In your opinion, are organisations in receipt of State funding adequately monitored and held to account for the appropriation of these funds?



- 64% No

“Clearly we are not adequately monitored”

“It varies depending on the size of the charity, it would appear from recent disclosures that there is room for improvement in the oversight by the State”

Q

What would contribute to improving governance standards in the charity / not-for-profit sector in Ireland?

82%

Commencement of the Charities Act and establishment of the Charities Regulatory Authority

74%

Public disclosure of accounts

71%

Board training

61%

Greater transparency in board appointments

58%

More frequent rotation of board members

57%

More focus on ethics / integrity

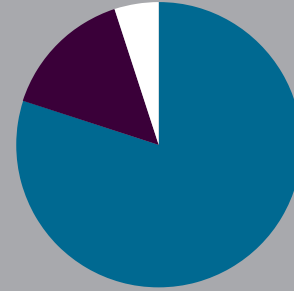
42%

Publishing the salaries of CEOs

“Greater awareness of roles and responsibilities of executive and board members of voluntary organisations needs to be created in Ireland”

Q

Should independent external benchmarking be used to determine the appropriate salary levels of chief executives in the charity / not-for-profit sector in Ireland?



- 80% Yes
- 15% No
- 5% Don't know

When asked about current practices used to determine salaries of the chief executive:

31%

Thirty one per cent of those surveyed indicated that their organisation currently uses the assistance of external benchmarking.

It is clear from the results that not-for-profit board members themselves see a real need for change in how the sector is governed.

Further commentary offered in addition to survey questions show that there is serious concern amongst board members in the sector in the wake of recent controversies and that they would welcome a more formal framework to operate within following the establishment of the Charities Regulatory Authority and the commencement of the Charities Act 2009.

Greater oversight and transparency will be key to restoring public confidence in the sector and will level the playing field for the many charities and not-for-profit organisations that are operating effectively and have been unduly affected by recent controversies.

Section Two

Insider Views - Knowledge, Commitment Compliance

In this second section, we asked respondents a series of questions in relation to the operation of their own board within the sector, specifically in relation to the effect, if any, of the delay of the commencement of the Charities Act 2009, their organisation's compliance, if applicable, with The Governance Code for Community and Voluntary Organisations in Ireland, whether they publish audited accounts and what actions, if any, their board has taken to improve corporate governance standards in light of recent controversies.

Respondents were also asked whether, in their opinion, board members give the same level of commitment and preparation to their role in the charity and not-for-profit sector in Ireland as in commercially driven organisations and, whether the members of the board on which they sit have adequate knowledge and training to perform their duties effectively.

Q

Does your organisation publish its audited accounts?

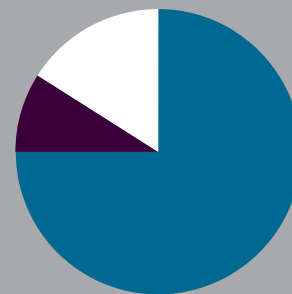


- 46% Yes, it is required to do so
- 28% Yes, it does so voluntarily
- 26% No, it is not required to do so

Q

If applicable, does your organisation comply with The Governance Code for Community and Voluntary Organisations in Ireland?

Where applicable:

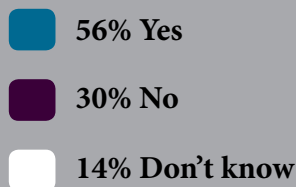


- 75% Yes
- 9% No
- 16% Don't know

Q

Is the delay in the commencement of the Charities Act 2009 a concern for your organisation?

Where applicable:



“It delays the need for all charities to adhere to best practice governance standards and to ensure maximum transparency of all financial and operational matters”

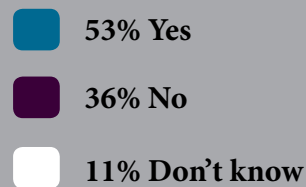
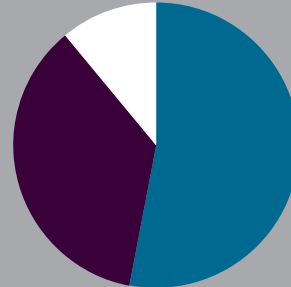
“Regulation of our charities is outdated”

“The Charities Act will help ensure that every charity has to adhere to the appropriate requirements”

“Like every sector, there needs to be strong and fair regulation”

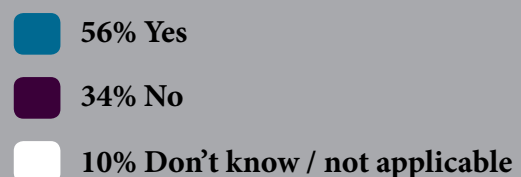
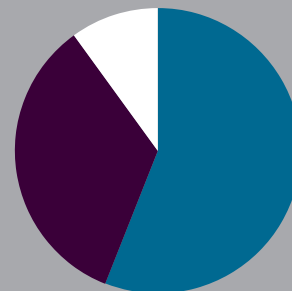
Q

In your opinion, do board members give the same level of commitment and preparation to their role in the charity / not-for-profit sector as in commercially driven organisations?



Q

In your opinion, do the members on the charity / not-for-profit board on which you sit have adequate knowledge and training to perform their duties effectively?



Q

Has your board taken any specific actions in order to improve governance following recent controversies?

- Full review of operations
- Training for board members
- Adoption of the Governance Code for Community and Voluntary Organisations in Ireland
- Publishing of accounts / CEO salary
- Sought external advice

“We already have worked to ensure good governance regardless of recent scandals”

“I have succeeded in getting more transparency and disclosure in spite of resistance”

“The board had training in good corporate governance practices before the recent controversies”

It is encouraging that a relatively high number of organisations are voluntarily publishing their audited accounts and that there is a high level of compliance, where it is applicable, with The Governance Code for Community and Voluntary Organisations in Ireland.

It is also positive that the majority of those surveyed believe that the same level of commitment and preparation is given by board members in the charity and not-for-profit sector as in commercially driven organisations.

However, board members do have concerns regarding the knowledge and training of those serving on charity and not-for-profit boards in Ireland, with a third of respondents indicating that they do not believe their fellow board members have adequate knowledge and training to perform their duties effectively.

The delay in the commencement of the Charities Act 2009 is clearly a concern for the sector and in the supplementary commentary provided, respondents indicated that it is critical for the integrity of the sector that it is implemented as soon as possible.

In other commentary provided by respondents, many acknowledged the diversity of organisations operating within the charity and not-for-profit sector and were keen to outline that, while they would welcome increased governance requirements, proportionality would need to be applied depending on the nature and scale of the charity or not-for-profit organisation.

Many also commented that, while board members in the sector are well intentioned, the lack of understanding of their roles and responsibilities as directors is contributing to governance failures.

This is echoed in the number of respondents who indicated that they and / or their board have undergone, or intend to undergo, governance training in light of the recent controversies.



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