Environment for Board Functioning

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Current Status of NGOs

- More than <u>31 lakh</u> NGOs in India (as per an affidavit by CBI in the court, without considering Karnataka & Odisha & Telengana)

- Low credibility both in press & general perception among public

- Fund Crunch situation being faced by large majority of NGOs

- Little initiative from Sector towards NGOs' predicament, particularly frequent criticism

Causes of such paradox

- One of the easiest business practice is to form a Trust / Society (so easy to come into existence)
- Very weak regulatory framework with little disincentives (only 10% have filed returns/accts with RoS still no action).
- Hardly any effective credibility frameworks in the country
- Most Boards are formed to comply with legal requirements and not with any other objective. Meet once / twice a year giving them little ownership of the NGO.
- Leadership in the Sector is lacking – reasons could be various

NPO Boards – Reality Check

- Formed more for legal compliance rather than contributing towards working of NPOs.

- Promoter – generally also CEO would select the Board,

- Considerations – familiarity, would not ask too many questions, would agree to sign on resolutions / minutes even when meetings have not been conducted, etc.

- In case of large number of NPOs (if not majority) Boards & General Bodies are same, reducing one layer of governance check

- Little knowledge amongst Board members of their responsibilities

- Legal Framework does not hold Board members accountable (of course unless public outcry)

- No regular institutional arrangement to make Board members more aware of their responsibilities

Board's Responsibility on Fiduciary Duties

- Board has been appointed by General Body to manage affairs of the Trust, to take care of Trust's fiduciary responsibility. Refer Companies Act S.166

- Board has to ensure that a system is in place to fulfill these responsibilities

- All expenditure are made under the authority of the Board, so formal delegation of authority most important.

- Board needs to put in mechanism for Due Diligence regularly to ensure systems as laid down are in compliance.

- Case Study : Default by an employee of large amount – responsibility of CEO / Board.

Planning

- How much involvement of the Board in finalising the Plans for the CSO ?
- Are budgets for organisation or just aggregation of Project Budgets ?
- Does the plan being proposed considers an organisation's Vision / Mission / Objectives while undertaking planning ?
- Does Board gives a framework for achievement of mid-term (3-5 yrs) objectives, based on which CEO may prepare a Plan.
- Are budget plans prepared for one year or more than one year, indicative of following a plan to achieve a strategy laid down by the Board.
- Does NGO follow concept of Roll-over Budgets ?

Board Members & CEO relationships

- CEOs <u>may</u> be able to influence Board members through various means

  - Nominations

  - Better knowledge about organisation & its activities

  - Influence over staff

  - At times by even giving consultancy assignments to individual Board members

- There can be reverse situations too, particularly where Boards have appointed CEOs

Board Members & CEO relationships

Preferred relationship

- Processes / institutional mechanisms should be more important
- Decisions should be based on Vision / Mission of organisations
- Leadership should be based more on stewardship principles rather than individual's choices
- Nomination Committee consisting of Board members for appointment of new members
- All processes under laid down frameworks of Transparency & Accountability Frameworks.
- All conflict of interest policies be decided by the Board

Pitfalls of conducting Board Meetings

Meetings generally conducted

- Agendas are too vague
- Chair allows discussions to go out of hand
- No formal votes taken, louder voices carry resolutions
- Draft resolutions mostly not put up as part of agenda

Pitfalls of conducting Board Meetings

Preferred Method

- Agenda with detailed background be circulated to members
- Full information alongwith resolution requiring to be voted to be provided with Agenda
- Chair should ensure each person gets chance to speak on each resolution within given time-frame
- A written copy of each resolution being voted upon should be placed before the members, so they can consider what is being approved
- Written minutes should be circulated to members before next meeting, so comments / suggestions can be made in advance.

- Any Questions ?