



ROTARY NOTE NO. 2021/Aug 1

TOPIC: GOOD GOVERNANCE

Governance refers to the systems that dissect and control – or govern – an organisation. Governance is about relationships between people involved in the organisation, both between each other and with the organisation itself. The ways that the expectations of those relationships are understood and met by Governance enables authority to be exercised appropriately. Good governance also enables the people who exercise authority to be held accountable.

Just as good governance is at the heart of any successful business, good governance is also essential for a charity such as Rotary to achieve its purposes and drive improvement. As well it maintains legal and ethical standing in the eyes of those it serves, regulators and the wider community. Governance isn't simply a concern for large charities, but for every charity including Rotary clubs. A charity will be a better charity if it's governed well.

In 2019, the Australian Institute of Company Directors issued a revised set of guidelines for the best governance of not-for-profit organisations such as Rotary. These guidelines focussed on ten principles which follow –

- 1 **Purpose and Strategy** – The organisation has a clear purpose and strategy which aligns its activities to its purpose.
- 2 **Roles & Responsibilities** – There is a clarity about the rules, responsibilities and relationships of the board.
- 3 **Board Composition** – The board's structure and composition enable it to achieve its role effectively.
- 4 **Board Effectiveness** – The board is run effectively, and its performance is periodically evaluated.
- 5 **Risk Management** – Board decision making is informed by an understanding of risk and how it is managed.
- 6 **Performance** – The organisation uses its resources appropriately and evaluates its performance.
- 7 **Accountability and Transparency** – The board demonstrates accountability by providing information to stakeholders about the organisation and its performance.
- 8 **Stakeholder Engagement** – There is meaningful engagement of stakeholders, and their interests are understood and considered by the board.
- 9 **Conflict and Compliance** – The expectations of behaviour for the people involved in the organisation are clear and understood.
- 10 **Culture** – The board models and works to instil a culture that supports the organisation's purpose and strategy



The Principles are not intended to be a stepping stone to regulation. Good governance cannot be achieved through a one-size-fits-all approach, and its features will differ between organisations based on their individual characteristics. The Principles also go beyond what may be considered a minimum standard of governance and aim to encourage organisations to strive for and achieve good governance.

However, the Australian Charities and Not-for-profits Commission (ACNC) is the national regulator of charities. It describes five legal requirements of responsible persons -

- ☼ To act with reasonable care and diligence.
- ☼ To act honestly and fairly in the best interests of the charity and for its charitable purposes.
- ☼ Not to misuse their position or information they gain as a responsible person.
- ☼ To disclose conflicts of interest.
- ☼ To ensure that the financial affairs of the charity are managed responsibly; and
- ☼ Not to allow the charity to operate while it is insolvent.

KEY POINT(S)

Why should a Rotary club examine the governance of its operations?

Firstly, the club needs to meet the requirements of Australian Not for Profit law.

Secondly, in these difficult days for increasing membership, potential members often shop around clubs they may be seeking to join. They may well join a club that is well governed. Potential members are likely to be very interested in Principles 6 to 10.

Third, Governments are taking more interest in how clubs such as Rotary are run. With the dramatic increase in public and media scrutiny it is increasingly important that Rotary clubs take all reasonable steps to maintain government and public confidence and trust.

I look forward to improving governance in Rotary clubs as we work to meet the challenges of the future.

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