

Governance assessment for Professional Accountancy Organizations

The following table can be used to review how the Professional Accountancy Organizations (PAOs) meet the principles and practices of good governance in the (UK) *Code of Governance for the Voluntary and Community Sector* and the *Good Practice Guidance on Evaluating and Improving Governance in Organizations* developed by the Professional Accountants in Business Committee of IFAC.

This publication has been developed based on Good Governance a Code for the Voluntary and Community Sector (The Code). The Code was created by the Code Steering Group made up of Acevo, ICSA, CTN, NCVO and supported by the Charity Commission for England and Wales.

B. Council Leadership

The key principle: the PAO should be led and controlled by an effective Council which collectively ensures delivery of its objectives, sets its strategic direction, and upholds its values.

The Role of the Council: The Council and its individual members have and must accept ultimate responsibility for directing the affairs of the PAO, ensuring it is solvent, well-run and delivering the output for which it has been set up.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
B1 The Council should have a statement of its strategic and leadership roles, and of key functions which cannot be delegated. These should include as a minimum:					
B1 (a) ensuring compliance with the objectives, purposes and values of the PAO, and with its Constitution and By-laws;					
B1 (b) setting or approving policies, plans and budgets to achieve those objectives, and monitoring performance against them;					

The Role of the Council: The Council and its individual members have and must accept ultimate responsibility for directing the affairs of the PAO, ensuring it is solvent, well-run and delivering the output for which it has been set up.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
B1 (c) ensuring the solvency, financial strength and good performance of the PAO;					
B1 (d) ensuring that the PAO complies with all relevant laws, regulations and requirements of its regulators;					
B1 (e) dealing with the appointment (and if necessary the dismissal) of the PAO's Chief Executive Officer;					
B1 (f) setting and maintaining a framework of delegation and internal control; and					
B1 (g) agreeing or ratifying all policies and decisions on matters which might create significant risk to the PAO, financial or otherwise.					
B2 The Council must ensure that the PAO's vision, mission and values and activities remain true to its objectives.					
B3 Council members are bound by an overriding duty, individually and as a Council, to act reasonably at all times in the interests of the PAO and of its present and future members.					
B4 All Council members are equally responsible in law for the Council's actions and decisions, and have equal status as Council members.					

The Role of the Council: The Council and its individual members have and must accept ultimate responsibility for directing the affairs of the PAO, ensuring it is solvent, well-run and delivering the output for which it has been set up.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
B5 Each and every Council member must act personally, and not as the representative of any group or organization; this applies regardless of how that person was nominated, elected or selected to become a Council member.					
B6 The Council members must ensure that they remain independent, and do not come under the control of any external organization or individual.					

Strategic direction: Council members should focus on the strategic direction of the PAO, and avoid becoming involved in day to day operational decisions and matters.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
B7 The Chief Executive has responsibility for maintaining a clear division of responsibilities between the Council and the staff. He should provide an effective link between Council and staff, informing and implementing the strategic decisions of the Council.					
B8 Council members should not seek to become directly involved in decisions which have been properly delegated to staff. Instead, they should hold staff to account through the Chief Executive					

Strategic direction: Council members should focus on the strategic direction of the PAO, and avoid becoming involved in day to day operational decisions and matters.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
Officer.					
B9 In the case of smaller organisations, where some trustees may be directly involved in operational decisions and matters, those concerned should make a clear distinction between their trustee role and their operational work.					

C. The Council in Control

The key principle: The individual members of the Council should collectively be responsible and accountable for ensuring and monitoring that the PAO is performing well, is solvent, and complies with all its obligations.

Compliance: The Council must ensure that the PAO complies with its own Constitution and By-laws, relevant laws, and the requirements of any regulatory bodies.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
C1 The Council must ensure that the PAO complies with:					
C1 (a) its own Constitution and By-laws;					
C1 (b) the requirements of its regulators and relevant legislation, and in particular that it submits annual returns, reports and accounts as required by					

Compliance: The Council must ensure that the PAO complies with its own Constitution and By-laws, relevant laws, and the requirements of any regulatory bodies.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
law;					
C1 (c) any statutory or regulatory requirements relating to maintenance of financial records, and external audit of its accounts; and					
C1 (d) the requirements of all other statutes, authorities and regulations governing its work (see C2 below).					
C2 the PAO must ensure compliance with any of the following:					
C2 (a) Accounting and / or Auditing law or equivalent;					
C2 (b) Company law;					
C2 (c) Requirements of all relevant national or international regulators and financial services authority					
C2 (d) Employment law;					
C2 (e) Health and safety legislation;					
C2 (f) Data protection legislation;					
C2 (g) Legislation against discrimination on grounds of race, disability, gender and other factors; and					

Compliance: The Council must ensure that the PAO complies with its own Constitution and By-laws, relevant laws, and the requirements of any regulatory bodies.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
C2 (h) Any other legislation which may apply to the PAO.					
C3 The Council should have policies, procedures and reporting mechanisms in place to ensure compliance with applicable legislation.					
C4 Organizations which fundraise should comply with the relevant self-regulatory code.					

Internal controls: The Council should maintain and regularly review the PAO's system of internal controls, performance reporting, policies and procedures.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
C5 The Council should set and maintain standing orders, systems of financial control, internal control, performance reporting, and policies and procedures.					
C6 The Council should ensure that there is a system for the regular review of the effectiveness of its internal controls.					
C7 the PAO should set up an audit committee, and should also consider the use of an internal audit service.					
C8 Not relevant					

Prudence and Risk The Council must act prudently to protect the assets and property of the PAO, and ensure that they are used to deliver the PAO's objectives. The Council must regularly review the risks to which the PAO is subject, and take action to mitigate risks identified.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
C9 The Council must avoid undertaking activities which might place at undue risk the organization's service users, beneficiaries, volunteers, staff, property, assets or reputation.					
C10 The Council must exercise special care when investing the PAO's funds, or borrowing funds for it to use, and must comply with the PAO's Constitution and By-laws and any other legal requirements in doing so.					
C11 Council members should understand the risks facing the PAO and how these are managed and minimized. The Council should undertake a full risk assessment (either periodically or on a rolling basis) and take appropriate steps to manage the PAO's exposure to significant risks.					
C12 The Council should obtain advice from professional advisors or others on all matters where there may be material risk to the PAO, or where the Council members may be in breach of their duties.					
C13 The Council should take ultimate responsibility for dealing with and managing conflicts that may					

Prudence and Risk The Council must act prudently to protect the assets and property of the PAO, and ensure that they are used to deliver the PAO's objectives. The Council must regularly review the risks to which the PAO is subject, and take action to mitigate risks identified.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
arise within the PAO. This includes conflicts arising between Council members, staff, the Chief Executive Officer, members, volunteers or service users.					
C14 The Council should have a whistle blowing policy and procedures to allow confidential reporting of matters of concern, such as misconduct, misuse of funds, mismanagement, and risks to the PAO or to people connected with it. The policy and procedures should:					
C14 (a) be accessible and open to all staff, volunteers, Council members and agents of the PAO;					
C14 (b) provide for those who are not confident about raising a concern with their line manager or a senior manager to have direct access to a Council member, an independent person or a regulatory body;					
C14 (c) assure people who raise such concerns in good faith that they need have no fear of reprisals or other adverse consequences;					

Prudence and Risk The Council must act prudently to protect the assets and property of the PAO, and ensure that they are used to deliver the PAO's objectives. The Council must regularly review the risks to which the PAO is subject, and take action to mitigate risks identified.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
C14 (d) ensure that all such concerns will be properly assessed and investigated in a way that is fair to the whistleblower and others involved; and					
C14 (e) provide for appropriate action to be taken where a concern is shown to be well founded.					

Equality and diversity The Council should ensure that it upholds and applies the principles of equality and diversity, and that the PAO is fair and open to all sections of the community in all of its activities (balancing stakeholder interests).	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
C15 The Council should ensure that the PAO upholds and promotes equal opportunities and diversity in all areas of its work, including:					
C15 (a) the identification and assessment of needs to be met;					
C15 (b) allocation of resources, making of grants or provision of services;					
C15 (c) membership of the Council and any sub-committees;					
C15 (d) staff recruitment, selection, training and					

Equality and diversity The Council should ensure that it upholds and applies the principles of equality and diversity, and that the PAO is fair and open to all sections of the community in all of its activities (balancing stakeholder interests).	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
conditions of service;					
C15 (e) communication with stakeholders and the public;					
C15 (f) accessibility of meetings and communications; and					
C15 (g) the buying of goods and services.					
C16 The Council should set strategies for and receive regular reports on the PAO's work to achieve equality and diversity, against clear targets where practicable. These reports should be used to help develop the PAO's overall strategies.					
C17 Where the PAO is set up to serve a specific section of the community, this should be clear and the above principles should be interpreted and applied as appropriate.					

D. The High Performance Council

The key principle: The Council should have clear responsibilities and functions, and should compose and organize itself to discharge them effectively.

Council member duties and responsibilities: Council members should understand their duties and responsibilities and should have a statement defining them.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D1 All Council members should be asked to sign and return a statement or letter setting out their duties and responsibilities, and the expectations of the PAO on Council members.					
D2 The letter should, as a minimum, include obligations to:					
D2 (a) uphold the values and objectives of the PAO;					
D2 (b) give adequate time and energy to the duties of being a Council member; and					
D2 (c) act with integrity, and avoid or declare personal conflicts of interest.					
D3 Individual Council members must not act on their own on behalf of the Council, or on the business of the PAO, without proper authority from the Council.					

The effective Council: The Council should organize its work to ensure that it makes the most effective use of the time, skills and knowledge of Council members.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D4 The Council should meet regularly, and ensure that its work is focused on delivering its strategic role.					
D5 Within the terms of its Constitution and By-laws, the Council should ensure that it has enough members to provide the skills and experience needed, without becoming so large that decision-making becomes unwieldy.					
D6 The President of the Council should ensure that all Council members can contribute at meetings, and that the proceedings are not dominated by particular members.					

Information and advice: Council members should ensure that they receive the advice and information they need in order to make good decisions.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D7 The Council should ensure that it conducts its work efficiently, and receives the information and advice it needs to make good decisions. Council papers should be timely, well-presented, circulated well in advance of Council meetings, and should make clear recommendations to the Council.					

Information and advice: Council members should ensure that they receive the advice and information they need in order to make good decisions.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D8 The Council should take professional advice where necessary before making important decisions and should not rely excessively or exclusively on a single source.					

Skills and experience: The Council members should have the diverse range of skills, experience and knowledge needed to run the PAO effectively.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D9 The Council members should collectively provide a mix of skills, experience, qualities and knowledge appropriate to the PAO and its members' needs, and so that the PAO can respond to the challenges and opportunities it faces.					
D10 The experience of Council members should, as appropriate, cover the following areas:					
D10 (a) providing effective strategic leadership, and working as a team;					
D10 (b) direct knowledge of the PAO's members and other stakeholders, and of their needs and aspirations, whether gained through life or work experience;					
D10 (c) governance, general finance, business and management;					
D10 (d) human resources and diversity;					

Skills and experience: The Council members should have the diverse range of skills, experience and knowledge needed to run the PAO effectively.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D10 (e) the operating environment and risks that exist for the PAO; and					
D10 (f) other specific knowledge required, such as fundraising, health, social services, property or legal.					
D11 The Council should aim to have a diverse group of members, broadly representative of the community and membership it serves.					
D12 The Councils of organisations providing services to beneficiaries or users should be open to trustee membership from these groups unless there are clear legal or other reasons why this is not practicable.					
D13 Staff of the PAO may only become Council member where this is permitted by law and by the PAO's Constitution and By-laws. It should also be agreed by the Council as being demonstrably in the interests of the PAO and as not creating unacceptable conflicts of interest. A staff Council member should not become President of the organization; staff Council members should be in a minority on the Council.					

Development and support Council members should ensure that they receive the necessary induction, training and ongoing support needed to discharge their duties.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D14 The Council should have a strategy for the support and personal development of all its members, so that each member can keep up to date with the knowledge and skills they need to carry out their role.					
D15 All new Council members should undergo a full induction, in which they receive all the information and support they need to carry out their new role, and can meet key staff, members, and other stakeholders.					
D16 Implementation of these strategies may be delegated by the Council to the PAO's Chief Executive or secretary.					

The Chief Executive Officer: The Council should make proper arrangements for the supervision, support, appraisal and remuneration of its Chief Executive Officer.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D17 The Council should ensure that formal arrangements are set up for the regular supervision, appraisal and personal development of their Chief Executive Officer. This may be carried out by the President, another Council member or by a small group of Council members.					

The Chief Executive Officer: The Council should make proper arrangements for the supervision, support, appraisal and remuneration of its Chief Executive Officer.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
D18 The Council should ensure that there is a formal mechanism for setting the remuneration of the Chief Executive Officer, which should be ratified by the Council.					
D19 The remuneration package for the Chief Executive should:					
D19 (a) be adequate to attract and retain the quality of staff required, but no more;					
D19 (b) be openly disclosed in PAO's accounts, including pension and other benefits; and					
D19 (c) where there is a performance related element, be linked to the achievement of measurable targets.					
D20 The Council should seek independent expert or professional advice when required concerning sensitive matters relating to the Chief Executive Officer's employment.					

E. Council Review and Renewal

The key principle: The Council should periodically review its own and the PAO's effectiveness, and take any necessary steps to ensure that both continue to work well.

Performance appraisal: The Council should regularly review and assess its own performance, that of individual Council members, and of sub-committees, standing groups and other bodies.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
E1 The Council should ensure that:					
E1 (a) at least every two years, it sets aside time to reflect on its own performance and functioning as a team;					
E1 (b) the performance of individual Council members is regularly assessed and appraised, either by the President or another Council member, or by using external assistance;					
E1 (c) the performance of the President is likewise assessed and appraised, either by another Council member, the Council as a whole, or using external assistance; and					
E1 (d) the performance of sub-committees, standing groups and other bodies is similarly appraised and reviewed.					
E2 The results of these appraisals should be used to make necessary changes and improvements, to inform the creation of appropriate training programs, and to guide Council member renewal and recruitment.					

Renewal and recruitment The Council should have a strategy for its own renewal. Recruitment of new Council members should be open, and focused on creating a diverse and effective Council.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
E3 The Council should have a strategy for its own renewal, with succession planning arrangements in place to ensure timely replacement of Council members resigning or reaching the end of their terms of office; particular attention should be given to succession planning for replacement of the President and other honorary officers.					
E4 The Council may wish to delegate implementation of this strategy to a sub-committee or panel.					
E5 Council members must be recruited and appointed in accordance with the PAO's Constitution and By-laws, and with relevant legislation.					
E6 The Council should consider setting maximum terms of office to ensure a steady renewal of Council members; these may be set out in standing orders or in the PAO's Constitution and By-laws.					
E7 Before new Council members are appointed, the Council should determine what new attributes and knowledge are needed, and write them down in the form of a role description, or role profile.					

Renewal and recruitment The Council should have a strategy for its own renewal. Recruitment of new Council members should be open, and focused on creating a diverse and effective Council.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
E8 The Council should ensure that the recruitment process is open to all sections of the community, and should consider open advertising and a range of other recruitment methods to attract a wide range of candidates.					
E9 Candidates should, where the PAO's Constitution and By-laws permits, be interviewed formally, and appointed on merit.					
E10 The Council should work in partnership with the Nominating Committee to ensure that they are aware of the specific skills and experience required from new Council members.					
E11 Where permitted by the PAO's Constitution and By-laws, using co-options should be used where necessary to recruit individuals with particular skills, experience and qualities that are not fully provided by existing Council members.					
E12 The Council should ensure that the procedures for joining and leaving the Council are clearly understood by all Council members and others involved.					

Review The Council should periodically carry out strategic reviews of all aspects of the PAO's work, and use the results to inform positive change and innovation.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
E13 To remain effective, the Council should periodically conduct strategic reviews of all aspects of the PAO's work and functioning, to ensure that:					
E13 (a) the needs for which the PAO was set up still exist, and its objects as set out in the Constitution and By-laws remain relevant to those needs;					
E13 (b) the PAO is continuing to meet those needs, and remains fit for purpose; and					
E 13 (c) the needs are being met in the most effective way.					
E14: Reviews should include the areas covered in this Guidance, including the PAO's:					
E14 (a) Constitution and By-laws, standing orders, purposes, mission and vision;					
E14 (b) Council and Council members – their functioning and effectiveness;					
E14 (c) staffing and volunteer structures, working methods, and operational policies and procedures;					
E14 (d) mechanisms for internal control and performance reporting;					
E14 (e) mechanisms for planning and budgeting;					
E14 (f) sub-committees, working groups and advisory bodies; and					

Review The Council should periodically carry out strategic reviews of all aspects of the PAO's work, and use the results to inform positive change and innovation.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
E14 (g) relations with stakeholders, and arrangements for communication and consultation with them.					
E15 The Council should use the results of such reviews to:					
E15 (a) generate a creative and innovative approach to the PAO's development;					
E15 (b) inform its strategic planning;					
E15 (c) make changes and improvements to its operational activities;					
E15 (d) initiate collaborative work with other organizations to deliver the best possible outcomes for users, beneficiaries and members; and					
E15 (e) create a positive impact on the overall effectiveness and governance of the PAO.					
E16 Where possible, the Council should be open with stakeholders about the results of such reviews, indicate clearly what steps they intend to take in response, and give explanations concerning actions they have decided not to take.					

F. Council Delegation

The key principle: The Council should set out the functions of sub-committees, officers, the Chief Executive, other staff and agents in clear delegated authorities, and should monitor their performance.

Clarity of roles: The Council should define the roles and responsibilities of the President and other honorary officers, in writing.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
F1 The Council should define and write down the role of the President and that of other honorary officers such as Deputy President, Treasurer and the Secretary to the Council.					
F2 The role of the President should include, as a minimum, to ensure:					
F2 (a) the efficient conduct of business at the PAO's Council and Council meetings;					
F2 (b) that the PAO's business is efficiently and accountably conducted between Council meetings;					
F2 (c) that the PAO complies generally with this guidance;					
F2 (d) specifically that the appraisal and remuneration of the PAO's Chief Executive is conducted in accordance with this guidance;					
F2 (e) that the employment of the Chief Executive complies with employment legislation and good practice; and					
F2 (f) that the appraisal of Council and Council					

Clarity of roles: The Council should define the roles and responsibilities of the President and other honorary officers, in writing.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
member performance is conducted in accordance with this guidance.					
F3 Where the Council has delegated specific roles to honorary officers or to other Council members, ultimate responsibility rests with the Council as a whole. In such situations the Council member(s) concerned should separate the specific roles from their wider Council member role.					

Effective Delegation The Council should ensure that staff, volunteers and agents have sufficient delegated authority to discharge their duties. All delegated authorities must have clear limits relating to budgetary and other matters.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
F4 The Council will need to delegate parts of its work to others in a clear, practical and legal manner. Delegations may be made to individual Council members, sub-committees (see below), the Chief Executive, other staff, volunteers or agents and consultants.					
F5 Delegations must comply with the terms of the PAO's Constitution and By-laws and any relevant legislation.					
F6 Delegations to other staff and volunteers should					

Effective Delegation The Council should ensure that staff, volunteers and agents have sufficient delegated authority to discharge their duties. All delegated authorities must have clear limits relating to budgetary and other matters.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
normally be through the Chief Executive.					
F7 Delegations should always be in writing, and should set clear limits on matters such as expenditure, authority and decisions that can be made. Delegations may be written in Council minutes, terms of reference for sub-committees, staff job descriptions, or in a separate list.					

Terms of reference The Council should set clear terms of reference for sub-committees, standing groups, advisory panels, etc.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
F8 The Council may wish to set up sub-committees, advisory groups, panels or other bodies to assist its work. Such bodies should have clear written terms of reference in addition to any delegated authority.					

Monitoring All delegated authorities must be subject to regular monitoring by the Council.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
F9 The Council must remain in ultimate control of all delegations:					

Monitoring All delegated authorities must be subject to regular monitoring by the Council.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
F9 (a) Honorary officers and other Council members should report back to the Council promptly on any use of delegated authority;					
F9 (b) the Council should receive regular reports and minutes from all sub-committees etc; and					
F9 (c) the mechanisms established for internal control and performance reporting should be used to monitor use of delegated authority by the Chief Executive, or other staff or volunteers (see C5-C7).					

G. Council and Council Member Integrity

The key principle: The Council and individual Council members should act according to high ethical standards, and ensure that conflicts of interest are properly dealt with.

No personal benefit: Council members must not benefit from their position beyond what is allowed by the law and is in the interests of the PAO.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
G1 Council members must be scrupulous to avoid gaining any private benefit from their position, whether financial or other, except:					
G1 (a) as permitted by law and the PAO's Constitution and By-laws; and					
G1 (b) where this is agreed by the Council as demonstrably in the interests of the PAO.					

No personal benefit: Council members must not benefit from their position beyond what is allowed by the law and is in the interests of the PAO.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
G2 Where the law and the PAO's Constitution and By-laws permit payment of Council members, this must not exceed the prescribed limits, and it should be demonstrably in the interests of the PAO to make the payment.					
G3 No Council member should be involved in setting their own remuneration. Mechanisms for setting the level of payment to Council members should be set up to avoid conflicts of interest, including where appropriate making use of independent advice.					
G4 Full disclosure of any payments made to Council members is required by law for some organizations, in the PAO's annual accounts and annual report. All organizations should do the same, even where not required by law.					
G5 The PAO should have procedures for Council members to claim legitimate travel and other expenses incurred while carrying out the PAO's business; Council members should not be (paid) out of pocket for the work they carry out for the PAO					

Conflicts of interest Council members should identify and promptly declare any actual or potential conflicts of interest affecting them.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
G6 The PAO must have procedures for Council members to declare actual or potential conflicts of interest to the Council; such declarations should be made at the earliest opportunity. They should be recorded in Council minutes or in a register kept for the purpose.					
G7 Where a material conflict of interest arises at a Council meeting, the Council member concerned should not vote on the matter or participate in discussions. She or he should also offer to withdraw from the meeting, and the other Council members should decide if this is required.					
G8 Where a Council member has a major or ongoing conflict of interest, she or he should offer to resign from the Council.					
G9 Councils should have special procedures or standing orders to deal with conflicts of interest for Council members who are the PAO's service users, beneficiaries or members of staff.					
G10 Council members and the staff should declare all personal gifts received and hospitality accepted while on the PAO's business, or from people or organizations connected with the PAO; such					

Conflicts of interest Council members should identify and promptly declare any actual or potential conflicts of interest affecting them.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
declarations should be recorded in Council minutes or in a register kept for that purpose.					
G11 Council members should not accept gifts with a significant monetary value or lavish hospitality; where this may be a frequent issue, the PAO should set a policy to define what is and is not acceptable.					
G12 Council members should under no circumstances accept gifts or hospitality where this could be seen as being likely to influence the decisions of the Council.					

H. Council Openness

The key principle: The Council should be open, responsive and accountable to its users, beneficiaries, members, partners and others with an interest in its work.

Communication and consultation: The PAO should identify those with a legitimate interest in its work (stakeholders), and ensure that there is a strategy for regular and effective communication with them about the PAO's achievements and work.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
H1 The Council should identify those people and groups who have a legitimate interest in the PAO's work; these might include users, beneficiaries, members, partners, staff, volunteers, regulators, other government bodies and funders. We refer to these as 'stakeholders' in this guidance.					
H2 The Council should ensure that the whole organization and its stakeholders have a clear understanding of the Council's role, and of the PAO's objectives and values.					
H3 There should be regular and appropriate communication and consultation with stakeholders to ensure that:					
H3 (a) their views are taken into account in the PAO's decision-making;					
H3 (b) they are informed and consulted on the					

Communication and consultation: The PAO should identify those with a legitimate interest in its work (stakeholders), and ensure that there is a strategy for regular and effective communication with them about the PAO's achievements and work.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
PAO's plans and proposed developments which may affect them;					
H3 (c) there is a procedure for dealing with feedback and complaints from stakeholders, staff, volunteers and the public; and					
H3 (d) the PAO's performance, impacts and outcomes are reported to stakeholders.					
H4 The Council must ensure that the PAO produces an annual report and accounts that comply with relevant legislation; these should provide a balanced and accurate assessment of the PAO's successes and failures.					
H5 Communication should be offered in formats accessible to the stakeholder audiences, for instance in plain language, translated into languages commonly spoken among the communities served, on tape/CD, or in Braille.					
H6 the PAO must hold an Annual Council Meeting if required by the Constitution and By-laws or by law; this may be an opportunity to invite (other) stakeholders.					

Openness and accountability The Council should be open and accountable to stakeholders about its own work, and the governance of the PAO.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
H7 The Council should ensure that the PAO upholds a commitment to openness and accountability at all levels. This will mean:					
H7 (a) being clear about what information is available, and what must remain confidential to protect personal privacy or commercial confidentiality;					
H7 (b) complying with reasonable outside requests for information about the PAO and its work;					
H7 (c) being open about the PAO's governance work, and its strategic reviews;					
H7 (d) ensuring that stakeholders have the opportunity to hold Council members to account and know how to do this; and					
H7 (e) ensuring that the principles of equality and diversity are applied, and that information and meetings are accessible to all sections of the community.					

Stakeholder involvement The Council should encourage and enable the engagement of key stakeholders, such as users and beneficiaries, in the PAO's planning and decision-making.	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
H8 The Council should ensure that the views of users, beneficiaries, staff, volunteers and other stakeholders are taken into account in the PAO's decision-making and strategic reviews. This will mean:					
H8 (a) encouraging wide stakeholder engagement in the PAO's decision-making, and promoting activities that support that engagement; and					
H8 (b) ensuring that users, beneficiaries, members and other stakeholders are involved in the most appropriate way, and that involvement is open to all sections of the community (see Equality and Diversity at C15-C17).					
H9 With respect to the election of Council members, the Council should ensure that it:					
H9 (a) has clear policies on who is and is not eligible for membership of the PAO, including users, beneficiaries and staff;					
H9 (b) keeps the members informed about the PAO's work; and					
H9 (c) uses the membership as a way of involving stakeholders in the PAO's governance.					

International Good Practice Guidance document [Evaluating and Improving Governance in Organizations](#)

Developed by the Professional Accountants in Business (PAIB) Committee of IFAC

PRINCIPLE A	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
The creation and optimization of sustainable stakeholder value should be the PAO's objective of governance.					
A.1 The PAO's Council has the (fiduciary) responsibility to use its resources responsibly (see also the governance definition in 2.1) in order to create and optimize sustainable value for their stakeholders. The Council must know and understand the expectations of its stakeholders, particularly with respect to what sustainable value means to them. Stakeholder value can comprise a range of items like good products or services, economic profitability, job security, safety, and other social responsibilities.					
A.2 In for-profit organizations, the primary focus is generally on increasing shareholder value, which generally entails finding the optimal balance between revenue, cost, and risk. However, these organizations should also take into account the needs of other stakeholders.					

PRINCIPLE A	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
<p>A.3 Public sector and not-for-profit organizations differ in various ways from for-profit organizations. Generally, service delivery is addressed primarily from a stakeholder (instead of a shareholder) perspective and is not always easy to measure. These types of organization may satisfy stakeholder expectations by enhancing the environment in which they operate, or by giving back to the community.</p>					
<p>A.4 Rather than short term wealth maximization, sustainable stakeholder value creation and optimization should emphasize the longer term interests of existing and future stakeholders. This perspective can assist in balancing the performance and conformance dimension within the governance framework.</p>					
<p>A.5 The professional accountant in business should help the Council to identify, understand, and monitor groups of stakeholders, by undertaking stakeholder surveys that provide appropriate decision-oriented information on stakeholder expectations.</p>					

PRINCIPLE B	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
Good governance should appropriately balance the interests of stakeholders.					
B.1 Stakeholder groups have differing, and sometimes conflicting, interests; processes should be established to identify and understand these interests. When making important decisions, the interests of all stakeholders should be appropriately balanced. To balance interests is not necessarily to make them equal.					
B.2 Stakeholders should be encouraged to express their legitimate interests and concerns. Where they express unpopular positions, the PAO should ensure that their rights are also taken into account.					
B.3 Basic member rights include the right to (a) obtain relevant materials and information on the PAO on a timely and regular basis, (b) participate and vote in Council and other meetings, and (c) elect and remove the Council of directors. The professional accountant in business should be aware of the rights that the members and other stakeholders actually have.					

PRINCIPLE B	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
B.4 Although various interests might seem to be in conflict in the short-term, they could be aligned in the longer term. For example, the interests of environmental groups may conflict with the short-term shareholder interests to maximize profits. However, in the long-term it benefits all to balance the various stakeholder interests.					

PRINCIPLE C	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
<p>The performance and conformance dimensions of governance are both important to optimize stakeholder value.</p>					
<p>C.1 Governance affects the entire cycle of planning, resource utilization, value creation, accountability, and assurance of the PAO. The two dimensions of the governance framework, performance and conformance, should be appropriately balanced.</p>					
<p>C.2 In many organizations, the conformance aspect of the framework has tended to receive dedicated attention, and generally well-established mechanisms ensure that good governance processes are directed to conformance, for example that the risk management function, internal control, and audit committee, are effective.</p>					
<p>C.3 Many organizations early in their life cycle focus primarily on the performance dimension to get themselves off the ground. These organizations should also pay attention to the conformance dimension before this imbalance yields adverse outcomes.</p>					

PRINCIPLE C	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
<p>C.4 The performance dimension, focusing on strategy and value creation, does not lend itself as easily to a regime of standards and assurance. Unlike the conformance dimension, the absence of the right oversight mechanisms can cause a significant “oversight gap.” Therefore, it is desirable for the PAO to implement systems to ensure that appropriate attention is given to the performance dimension, for example by using a strategic scorecard or appointing a strategic oversight committee.</p>					
<p>C.5 Professional accountants in business participate in both performance and conformance activities. For conformance, professional accountants in business are often responsible for meeting regulatory and reporting requirements, and developing control processes. With regard to the performance dimension, professional accountants in business are generally responsible for providing, analyzing, and interpreting information to management for formulation of strategy, planning, decision-making, and control.</p>					

PRINCIPLE D	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
Good governance should be fully integrated into the organization of the PAO.					
D.1 Fostering good governance is more than a compliance exercise; governance should permeate all facets of the organization of the PAO. The governance principles should be taken into account both in setting the PAO's objectives (planning), and in all subsequent actions (implementation and review). Governance should be part of the DNA of the PAO.					
D.2 The PAO as a whole, as well as every individual in it, is responsible for achieving its objectives; everyone has a role in steering the PAO toward those objectives. Professional accountants in business should actively promote the integration of governance by demonstrating the benefits to all stakeholders, and by developing, communicating and maintaining a clear map of roles and responsibilities within the PAO. Additionally, they should measure and report (to the Council) on the progress of the integration of governance into the PAO.					

PRINCIPLE E	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
The Council should be properly constituted and structured to achieve an appropriate balance between performance and conformance.					
E.1 The key issues in establishing the composition of the PAO's Council are: (a) ensuring a suitable percentage of outside, non-executive members who are independent of the PAO staff, (b) the objectivity of members, (c) the appointment and performance evaluation process, (d) the alignment of members' interests with stakeholder interests, and (e) the existence of appropriate governance functions like audit and remuneration committees.					
E.2 Good practice calls for a suitable balance between (a) those members of the Council who have direct responsibility for the operations and success of the PAO (internal, executive members, staff), and (b) those who are responsible only to the stakeholders and are not directly responsible for operations (external, non-executive members).					

PRINCIPLE E	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
E.3 The majority of the non-executive (outside) members of the Council should also be independent of management, and free from any business or other relationship that could materially interfere with the exercise of impartial judgment. Non-executive members should not have any conflicts of interest that could influence their objectivity, such as realizing personal financial benefit from decisions made by the Council.					
E.4 To strengthen the structural checks and balances, the roles of President of the Council and Chief Executive should be separated; ideally, the President should be an independent, non-executive member.					
E.5 The PAO Council as a whole, and all individual members, executive or non-executive, dependent or independent, (a) should take into account and balance all stakeholders' interests, and (b) should therefore exercise objectivity in all their decisions. Non-executive, independent members help to ensure a balance between the various stakeholder interests.					

PRINCIPLE E	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
<p>E.6 The PAO Council is responsible for ensuring the appropriate mix of its members, ensuring the sufficient representation of both performance and conformance competencies. This can be accomplished by (a) clearly defining the required roles and responsibilities of the President, the Audit Committee, etc., and (b) implementing rigorous appointment and evaluation processes based on required competencies, experience (like sector knowledge and operational, financial, and/or legal competency), and on performance.</p>					
<p>E.7 Measures should be taken to ensure that the interests of the Council members and management team remain aligned with stakeholder interests. On the one hand, this means that members should be aware of their governance leadership role (“tone at the top”) and all the related responsibilities, as described elsewhere in this guidance document. On the other hand, it means that incentives that might endanger the member’s objectivity should be avoided. Periodically, the Council should reconfirm its adherence to the PAO’s values, and evaluate the possible existence of incentives that prejudice alignment with stakeholder interests (see also principle J on resource utilization and incentives).</p>					

PRINCIPLE E	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
<p>E.8 The Council should take explicit responsibility and devote sufficient resources to specific governance functions in the PAO, such as (a) overseeing the external reporting and control process, (b) selecting and evaluating the performance of the Chief Executive, and (c) remunerating the PAO's management. The establishment of specific committees for these functions could be helpful. Committees of the Council with oversight responsibilities, such as the Audit Committee, should be predominately composed of independent, non-executive members to ensure objectivity. In recent years, there has been a move in some jurisdictions toward adding a strategy committee, to improve strategic direction and oversight in the performance dimension. In many cases, this committee is a preparatory committee for the entire Council, and not a decision-making committee.</p>					
<p>E.9 The Council should periodically account to the stakeholders of the PAO for how it has carried out its governance responsibilities, and stakeholders should be able to hold governing bodies to account.</p>					

PRINCIPLE E	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
E.10 As important as a proper governance structure is, it should be complemented by appropriate governance processes that ensure that the right people do the right things.					

PRINCIPLE F	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
The Council should establish a set of fundamental values by which the PAO operates. All those participating in governance should embrace these fundamental values.					
F.1 The Council must set the “tone at the top” by (a) defining the PAO’s values, (b) developing and implementing a code of conduct, and (c) adhering to these principles as an example of appropriate behavior.					
F.2 The Council should clearly communicate the PAO’s values to all stakeholders, and ensure that the values are internally understood, accepted, put into practice, and upheld.					
F.3 The PAO’s values should be respected by all those involved in its decisions and actions. It is the responsibility of the Council to make that happen.					
F.4 Participants in governance should be driven by their conscience and the PAO’s values to “do the right thing.” Incentives could act as an additional motivator. However, incentives can produce both good and bad results. The PAO should therefore ensure that incentives remain aligned with (changes in) strategic direction.					

PRINCIPLE F	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
F.5 Stakeholders, including employees, should be able to freely communicate their governance concerns to the Council; their interests should not be compromised by doing this. Many organizations have created a special function to receive and manage such concerns.					

PRINCIPLE G	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
The Council should understand the PAO's business model, its operating environment, and how sustainable stakeholder value is created and optimized.					
G.1 The Council should assume a central role in governance, as its primary duty is to manage the PAO in the long-term interest of all stakeholders. It is therefore essential that the Council understands how the PAO operates, and the opportunities and risks inherent in the environment in which it operates. Further, the Council should thoroughly understand how the PAO creates and optimizes sustainable stakeholder value, to evaluate whether or not the needs of stakeholders are being met. A number of actions can be taken to facilitate this understanding; these include (a) a rigorous appointment process that ensures appropriate knowledge and experience, orientation, and training of new members of the Council, and (b) a performance evaluation process that measures competence and achievements in critical areas. Additionally, members of the Council should have appropriate access to key persons to the PAO (e.g., middle management, risk managers, or internal and					

external auditors), as well as to other sources of information (e.g., operational and other analyses) to keep up their understanding of the PAO.					
G.2 Professional accountants in business are often at the center of the information management process and should play an essential role in ensuring that the Council can meet governance requirements. They should, for example, consider what information goes to the Council and ensure it is fit for purpose.					

PRINCIPLE H	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
The Council should provide strategic direction and oversight in both the performance and conformance dimensions.					
H.1 Conformance oversight has traditionally been a responsibility of the Council, assisted by the Audit Committee. These responsibilities have not been diminished by adding the performance dimension of governance to the conformance dimension; however, good practice indicates that balanced attention needs to be paid to the value-creating activities of strategy formulation and implementation.					
H.2 Good practice indicates that the Council might challenge various strategic activities, such as environmental scans and competitive analyses. In some circumstances, the Council should engage external resources to gather further information. It is essential, however, that the Council implements processes and procedures to provide both performance and conformance oversight.					

PRINCIPLE I	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
Effective and efficient enterprise risk management should form an integral part of the PAO's governance system.					
I.1 Central to the requirements of governance in the PAO is a clear relationship between managing risk and fulfilling the PAO's objectives. Risks can come from many sources, both inside and outside the PAO. Enterprise risk management integrates risk management and internal control into decision-making and all subsequent activities at all levels, taking into account strengths and opportunities (performance, see also 2.14), as well as weaknesses and threats. It also assures the Council and external stakeholders that the PAO understands its risks and is actively managing them (conformance, see also 2.13). Good practice in enterprise risk management is essential to the PAO's success and should facilitate change rather than safeguard a position.					

PRINCIPLE I	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
<p>I.2 In many organizations, risk management and internal control (a) have focused on the prevention of physical and financial loss at an operational level and (b) have been far removed from the decision-making process. Many organizations now recognize that the current environment, characterized by an ever-increasing pace of change, necessitates a more performance-focused approach to risk management and internal control that actually helps decision-makers take more risk. Successful organizations now seek to integrate risk management and internal control into all activities, through a framework of risk identification, risk assessment, and risk response (i.e., mitigating, accepting, avoiding or sharing of risks).</p>					
<p>I.3 Risk is often presented as something that is negative and that should be avoided. However, risk essentially flows from opportunities, and all organizations must react positively to opportunities if they are to survive and to be successful. Since risk is inherent in taking advantage of opportunities, risk should be managed — within risk appetite guidelines as approved by the Council — and not eliminated.</p>					

PRINCIPLE I	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
I.4 As part of its overall strategy formulation, the Council should define, internally communicate and maintain the PAO's risk appetite and risk capacity.					

PRINCIPLE J	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
Resource utilization should align with strategic direction.					
J.1 Part of the fiduciary responsibility of the Council, management, and all other staff is to manage the resources of the PAO. This includes both safeguarding these resources (conformance) and ensuring that they are utilized in a manner that enhances stakeholder value (performance).					
J.2 Governing bodies are generally focused on safeguarding the PAO's physical assets, but should also be focused on safeguarding intangibles such as intellectual assets, which have often been given insufficient attention.					
J.3 The Council should implement processes to review resource allocation periodically, to ensure that the activities that create the greatest stakeholder value are given sufficient resources to be successful. The strategic planning process should include resource planning for new projects, so that when projects are approved, that approval includes the associated resource acquisition and allocation.					

PRINCIPLE K	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
<p>The Council should periodically measure and evaluate the PAO's strategic direction and business operations, and follow up with appropriate actions to ensure appropriate progress and continued alignment with objectives.</p>					
<p>K.1 What gets measured gets done. Therefore, it is important for the Council to have a comprehensive performance measurement scheme that evaluates progress against objectives. When setting strategy, decision points and milestones (along with critical success factors) should be identified, so that the Council can periodically measure performance objectively.</p>					
<p>K.2 Performance measurement tools should be developed that reasonably depict the PAO's strategic direction and progress. Evaluation against objectives should also include an environmental update, to ensure that the conditions (risks and opportunities) present during the planning process have not changed significantly.</p>					
<p>K.3 The PAO's system of enterprise risk management should be regularly evaluated, and corrective action taken if necessary.</p>					

PRINCIPLE K	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
K.4 The Council should also periodically evaluate the PAO's governance structure and performance to (a) ensure its effectiveness, and (b) strive for continuous improvement.					
K.5 The professional accountant in business should assist the Council in developing, implementing, and maintaining a comprehensive performance measurement scheme. Internal and external auditing can help the PAO accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of enterprise risk management, internal control, and governance processes.					

PRINCIPLE L	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
The Council should ensure that reasonable demands from stakeholders for information are met, and that the information provided is relevant, understandable, and reliable.					
L.1 Good governance requires the Council to oversee the PAO's disclosures, including financial and non-financial reporting, to ensure that stakeholders receive relevant, understandable, and reliable information. This reporting should include both (a) a historical perspective of the entity's performance for the period covered by the report, and (b) information that would allow stakeholders to assess the entity's future performance.					
L.2 This responsibility for reporting oversight should include assurances that the Council has reviewed the enterprise risk management and internal control systems to ensure their effectiveness. This type of oversight is usually guided by the Audit Committee.					

PRINCIPLE L	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
L.3 Non-financial reports specifically provide management and the Council with the opportunity to present their perspective to readers on the underlying potential and prospects for the PAO – its long-term sustainability and the quality of its earnings. The report should include information on how effective the PAO has been in meeting its strategic objectives, and how it has managed its resources.					
L.4 Reports presented to stakeholders should only include material information. Items are material if they would affect stakeholder decisions. Caution should be exercised to ensure that the reader is not overwhelmed with details that are more appropriate for management decisions.					
L.5 There must be consistency between financial and non-financial information, as well as between internal and external information, presented in a given period. These four elements should be included in one integrated document that links past performance with future expectations.					

PRINCIPLE L	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
L.6 The information from one reporting period should be consistent with information from the next, especially for those items that can materially affect performance at the strategic level, to the extent that they continue to be relevant to the PAO's success.					
L.7 The presentation style of stakeholder reports should be sensitive to the fact that not all stakeholders are financial professionals. Complex issues should be explained and illustrated, for example by using charts, tables and graphs, so that they can be easily understood by all interested readers, and not just by those with technical expertise in accounting.					
L.8 Financial and non-financial reports are unique to the PAO. Care must however be taken to ensure that such reports do not become marketing tools. These reports should be written in an even-handed, balanced way – negative results should be included, rather than just glossed over. Disclosure of all relevant information should also be ensured.					

PRINCIPLE L	Comply? Y/P/N N/A	Evidence / reference	Proposed Action	Need L/M/H	Owner
L.9 The Council is responsible for (a) reviewing and questioning the procedures and practices that are involved with providing external stakeholder information, and (b) ensuring that the principles of integrity, accountability, and transparency govern these processes.					
L.10 Professional accountants in business play an important role in providing, analyzing, and interpreting information for formulation of strategy, planning, decision-making, and control. They also participate in performance measurement and communication to the Council and stakeholders. This includes the financial recording of transactions and subsequent reporting to stakeholders under national or international generally accepted accounting principles.					