

Establishing and Maintaining the Formal Structures of a CBO



Level 4

Learner Manual

The learning materials for Development Practice and Management were specifically designed to complement and give substance to the competence standards drafted with the assistance of community based development practitioners in South Africa. It is envisaged that practitioners, capacity builders, grant-makers and others will use these standards and learning materials, improve them and in turn share their learning with others via www.developmentpractice.org.za.

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Establishing and maintaining
the formal structures of a CBO
Level 4

- Learner Manual -

The development practice project

These learning materials were generated by the Development Practice project, hosted by the [Sustainability Institute](#) and in partnership with [Community Connections](#), [AIDS Consortium](#) and [Keystone](#). This project generated a set of competence standards with development practitioners in Cape Town, Johannesburg and Durban, between 2005 and 2009. This manual is part of a set of **materials consisting of a competence standard, learner's manual, facilitator's guide** and an assessment tool. More information on this project is available on the [Development Practice](#) website.

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Questions and queries on the project and materials can be forwarded to info@developmentpractice.org.za.






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OVERVIEW

Welcome to this course on Establishing and maintaining the formal structures of a Community Based Organisation.

Many community organisations emerge to meet the needs in community and operate for many years in an informal and unstructured way. For some, the time comes when they want to formalise themselves as an organisation and establish the legal and management structures to support the work that they do.

This course is for those community development workers who are either in an informal community organisation that would like to formalise, or for those who are in the process of establishing a new organisation. It will even be useful to those well-established organisations as a way to improve and maintain the formal structures of their organisation.

This learner manual, accompanied by a facilitated programme of activities, should **be followed up by practical 'on-the-job' experience and practise (supported by a mentor if possible)**. Once you have read through this learner manual, done all the exercises, implemented the learnings in your organisation, you will be ready to have your competence assessed, if you choose.



Below follows the Specific Outcomes and Assessment Criteria that this learner guide is based on. This means that at the end of your learning period, you will be able to practice all the points listed below. Remember to keep and file proof of your work. This is called a Portfolio of Evidence. It is a collection of evidence to show what was learnt during the course and from past experience, including all other training courses attended. Recognition of prior learning (RPL) is when all your learning is taken into account and acknowledged when assessed for a specific standard. At the end of each section there is a symbol for you to check your understanding.

Please read the competency standard below carefully.



SPECIFIC OUTCOMES AND ASSESSMENT CRITERIA

Specific outcomes	Assessment criteria
<p><i>Competence in this standard means that the learner has clearly shown that s/he is able to...</i></p>	<p><i>Tasks and activities completed by the learner contain the following evidence of competence...</i></p>
<p>Identify community needs in a defined context</p>	<ul style="list-style-type: none"> • Hypothetical or actual descriptions or records of how members of the constituencies could be assisted to identify problems that need to be addressed. • Needs are prioritised • The assets and capabilities that exist within the target constituency are mapped. • The relevant factors that could support or threaten success are identified
<p>Develop an organisational mission and vision</p>	<ul style="list-style-type: none"> • Different ways to develop a vision and mission are listed • A vision of success for the project (its specific objectives - what it intends to achieve) – what they hope to achieve and what success would look like – is developed and explained • A mission is developed and explained for a specific case • Knowledge of an inclusive and participatory approach is demonstrated.

<p>Develop a plan to establish a CBO</p>	<ul style="list-style-type: none">• The advantages and disadvantages of available organisational forms (volunteer association, section 21, NPO etc) are described• An appropriate institutional form is selected and justified• Knowledge of the legal environment is demonstrated (and where to seek advice on institution-building)• Essential elements of a model constitution are understood and listed
<p>Demonstrate an understanding of basic guidelines for good governance</p>	<ul style="list-style-type: none">• Guidelines for an appropriate governance structure are discussed.• Basic roles and responsibilities of governing bodies, in particular the oversight role vs the management functions are explained and discussed• The difference between the management and oversight functions are discussed• The steps for the establishment of the institution are listed• Mechanisms to support good governance are described and explained– such as code of conduct, annual AGMs, the need for board evaluation, regular meetings and competent records of meetings etc.• Useful qualities and capabilities for members of governing bodies are identified (Financial know-how, credibility with community, integrity, participatory leadership, relevant technical expertise)

Design an appropriate management system	<ul style="list-style-type: none">• Identify leadership roles and responsibilities• Identify operational functions• Appropriate decision making procedures are described (individual authority; relationship to the board; extent and limits of decision-making authority)
Identify networks to help support organisational mission	<ul style="list-style-type: none">• Possible collaborative relationships to enhance intended outcomes are explored, the organisation's capabilities (what they are able to do) are described• Organisational needs are noted and where to source relevant training or expertise is discussed• Relevant networks are identified and there is evidence of participation in these

Note: Tasks may be presented for an actual or hypothetical organisation but must **be learner's original work and not copied from existing documents. Learners should be able to explain and justify their statements.**





ACTIVITIES

There are a number of activities in the manual. These are an important part of the learning approach and you are encouraged to complete these activities as part of **your learning process. They will become part of your own “toolkit” to help you mobilise resources more effectively.** Some of these activities can also be used as part of your portfolio of evidence, which you need to compile if you wish to be assessed for competence in this standard.



Symbols used in this manual



Important thought

This sign shows an important thought or idea for you to take note of.



Definition

When you see this sign, a term is explained here.



Self-test

This designates a self-test section - this is an opportunity for you to check your understanding and if you are unclear, to discuss with your trainer.





Case study/Example

Case studies or examples will tell you about a practical application of something that has been discussed or covered in the course.



Individual activity

This sign marks an activity – either during the class or as homework. These activities are important to complete – both for your understanding but also as they can be included as part of your Portfolio of Evidence for assessment.



Group activity

This sign means that this activity is a group work activity.





INTRODUCTION

If you visit the poorest areas in South Africa, or even the most remote part of the country, you will nearly always find a small community project or someone working hard to improve the community in which they live. Community organisations are a vibrant and important part of civil society, that often fill the gap between the needs of the people and the services that government is unable to provide. It is the work of many small, dedicated groups of community volunteers and passionate development workers that are essential to the development and growth of our communities.

Community organisations take many forms and have many different purposes. During Apartheid many community organisations played an active role in the struggle and were activist in nature. Now many community organisations exist to provide support to the community or a service that the government cannot. From their history and their role, many community organisations are very informal in structure and operation. This course does not suggest that every community organisation needs to adopt a more formal structure. For most, if they are functioning well as they are, they may choose to remain that way.

However sometimes under-pressure from the growing need in the community, in order to gain credibility or the desire to get financial support from funders who expect certain structures, community organisations choose to organise themselves in a more formal way. They decide what kind of organisations they want to become (legal structure), develop the rules and procedures for how the organisation will be

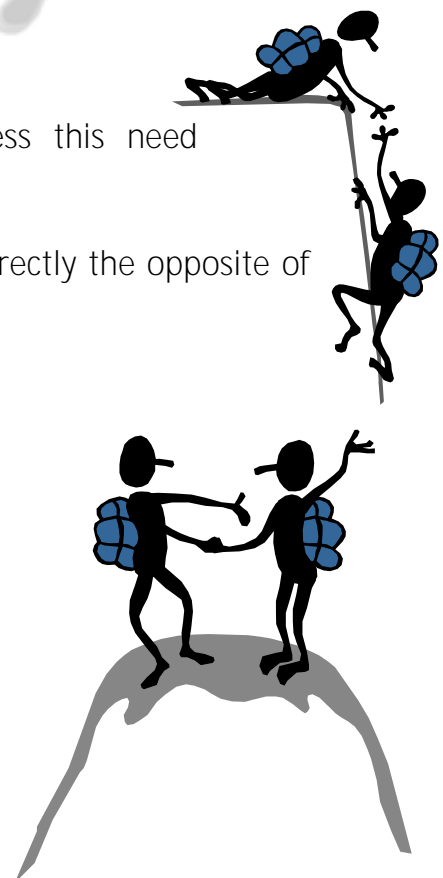


run (founding document/ constitution), select a group of people who will oversee and guide the organisation (governing body), and then ensure that there are people to do the work (staff with a management structure)

If this is what your organisation would like to do, then this course is for you. The suggestions and structures explained in this manual can be adapted and changed to suit your environment and needs.

Steps to creating a CBO

1. Come together to address a need
2. Create a vision
3. Develop a clear mission that will work to address this need (participatory process and ongoing review)
4. Select your aims and objectives (which is normally directly the opposite of your identified needs).
5. Set up systems to support and ensure accountability (governance and legal structures)
6. Set up the management systems to do the work
7. Access networks and partnerships to support your mission and work
8. Ongoing maintenance and improvement of these structures and processes



WHAT IS THE NEED?

Most community based organisations and development work, begin when someone/ a group sees a need in the community and wants to do something about it. It often happens in a very informal way.

To begin the process of creating the formal structures of our community based organisation we need to become clear about why and what we are doing. This is helpful for making sure that our programmes are well-designed, for giving the organisation direction and for showing outsiders (the community and possibly funders) what you do.

Doing a needs assessment

It is important to make sure that the need you are addressing is properly understood and documented and this will ensure that your programme is properly focused and will convince beneficiaries (and possibly funders) that your programme is needed.



Needs assessment

All these ways of getting to understand the needs and challenges in your community are actually different ways of doing a needs assessment. It is important to record what you find so that you can keep track of changing needs and challenges that your beneficiaries/ target face. For this reason it is also important to regularly check if the needs and challenges are still the same and to see whether your activities have made any change to your community.

One way of doing a needs assessment is by talking to people – this is sometimes called an interview or survey.



Mapping the assets and capabilities



Important thought

It can be easy as community development workers to focus on the problems in our communities instead of also realising that there are lots of strengths and assets in the community. We need to build on these if we want to be successful. It is important for people to change their mindset to realise that there are lots of positive resources that are available even in under-resourced communities.

A way to do this is by doing community mapping. We draw a picture of our community and list all the resources and assets available in the community that we can build on. We can also list the skills or capabilities that we can access. This should be done as a participatory group process with as many stakeholders as possible.





Self-test

You should be able to:

- List ways to identify needs
- Prioritise the needs in your community
- Identify the assets and capabilities in your community
- Note some factors that could threaten the success of your project

Please ask your facilitator if you are unsure of any of the above.

WHAT DO WE WANT TO ACHIEVE?

Every community organisation needs a vision and a mission that explains what they do.



What is a vision?



Definition

A vision is an ideal picture of the future – a dream of what your organisation sees as the perfect future where the needs that you are working on are met. It is this dream picture that you work towards as an organisation and that guides you to a better future.

Some examples of visions are:

For a programme that supports treatment literacy on HIV/AIDs

“Our vision is a community where each member is aware and knowledgeable about treatment options available to them and therefore able to live healthy and productive lives”

For a programme that does youth development and life skills programmes

“A world where young people feel capable and supported to live out their greatest potential and have the resources and personal skills to realise their dreams”





Important thought

Remember that a vision statement is a dream for the future – it might not be achievable in your life time, but it is something great that we want to work towards.

A vision statement should be

- A positive statement
- Future based but written in the present tense
- Written with emotion and feeling.

Writing a Mission statement

A Mission describes what you as an organisation (person) will do to try and achieve your vision.

The mission should be developed right at the beginning of your organisation and can be summarised in a mission statement. The mission statement is a statement of the organisation's purpose and describes the activities of the organisation, e.g.:

“our mission is to...”

“we will strive to...”

“we will ensure that...”

“we are committed to...”



Example

For example for a programme that supports treatment literacy on HIV/AIDS

Our mission is to educate people about (and promote the use) of effective and lifesaving treatment for AIDS and to build the capacity of medical support staff to offer effective and knowledgeable support to those who are affected and infected by HIV.

For a programme that does youth development and life-skills programmes

We are committed to developing the youth of our community through offering programmes that build their self-esteem, provide healing and develop their skills to





Example

Below are some examples of visions and missions from organisations you might know (taken from their websites): Notice how their visions describe an ideal picture of the future but how each one is different because of their different focus. Their mission statements say more about how they will achieve this mission.

RAPCAN

Vision

RAPCAN is widely recognised for its contribution towards creating a safe society where children are acknowledged as rights-holders, and the rights of all are respected. We strive for a society where adults take responsibility for the safety of children, where children participate in the realisation of their rights and are able to achieve their full potential.

Mission

RAPCAN is committed to ensuring that the rights of children are realised, by working within a preventative framework towards the protection of children. We work to build effective prevention and responsive measures relating to child victimisation and offending through direct service delivery, capacity building, resource development and dissemination and advocacy. Our work is strengthened by strategic partnerships and the participation of children. We believe in respecting diversity, dignity and the equality of all people, and providing a professional, high quality, evidence-based service.



Community Connections

Vision is.....a world where justice and sustainable development prevails through a conscious and active civil society.

Our Mission.....is to support community led development by strengthening the capacity of CWs and CBOs to conscientise, organise and agitate for the transformation of society. We adopt a people-centred approach to development with a strong focus on learning, enablement, equality and justice by offering an integrated capacity building programme which includes organisational development support, training, advocacy and infrastructural support

Early Learning Resource Unit (ELRU)

Vision

Young children are the foundation of nation building. ELRU's vision is Young children developing to their full potential

Mission

ELRU is an innovative and multi-skilled organisation with a diverse team of people committed to working in the field of Early Childhood Development. We seek to:

- Raise awareness and promote action around ECD and related issues*
- Play a facilitative role in meeting the challenges in the ECD field by:*

Building on existing and developing knowledge and skills

Promoting and providing access to knowledge and skills

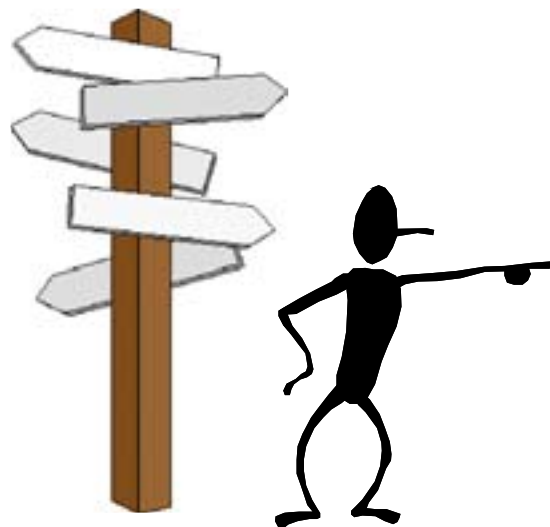
Affirming and harnessing the potential of diversity

Supporting those involved with young children to provide good quality programmes.



Our vision and mission point to where we are going – the direction that our organisation is taking.

They do not describe the specific activities that you will do. Aims and objectives describe these activities.



Choosing Aims and Goals

Once you are clear on your mission and vision, you need to select your aims (also called goals). This describes in more detail what you will offer as an organisation. They are normally long term goals (as opposed to objectives which are shorter term, more specific activities)

These need to be written as clearly and simply as possible and describe what your approach is to meeting the need.

An example for a programme that supports treatment literacy on HIV/AIDS

Our aims are:

- To offer a comprehensive HIV Awareness programme to school going youth
- To support HIV positive people and their families with quality treatment literacy training and home based care
- To build capacity in the clinics and with medical staff to offer appropriate information and treatment to HIV positive people

For a programme that does youth development and life-skills programmes:

- To run a youth focused life skills programme for youth at risk
- Develop healthy parenting skills through workshops, support counselling and family group work
- Facilitate the creation of a range of youth friendly resources and programmes that support the development of young people



Once you get into detailed proposal writing or project planning, these then get broken down even further into the exact steps that you will do to make these activities happen. These are called objectives and are normally specific for a particular time period. These need to be SMART!

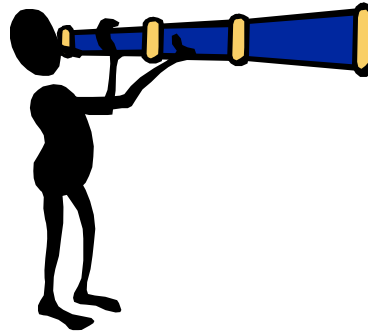
Specific

Measurable

Achievable

Realistic

Time-bound



Self-test

You should be able to:

- List different ways to develop a mission and vision (with a participatory and inclusive approach)
- Describe a vision of success for your project
- Write a mission statement and aims for your organisation

Please ask your facilitator if you are unsure of any of the above.



WHO CAN SUPPORT OUR MISSION?

No community organisation should work alone. Once we have a clear mission and aims for our organisation, we need to identify the networks/ people we can work with, and how they can support our mission.

The first place to start is in our community. We can use our community map to identify possible partners or networks that can support our mission. We also need to explore our sector/ field to see what possible networks, forums and partners we can work with to make our project as successful as possible.

For example, if you work in the Early Childhood development sector, you could contact the education department (local and provincial), schools in the area, crèches, retired teachers, teacher training colleges, projects that do literacy work, children's homes, NGOs that work in this field etc.



If you can't find any networks to support your mission, then perhaps part of your mission should become to create these networks! Forums are powerful learning and mobilising structures and can be used to really support the work of community organisations.





Self-test

You should be able to:

- Identify relevant networks and possible collaborative relationships that will support the mission of your organisation
- Identify your organisational needs and source relevant training

Please ask your facilitator if you are unsure of any of the above.



ESTABLISHING THE LEGAL STRUCTURES OF A CBO

Once we are clear on what our organisation is going to do and know that it is there for a good reason (meets a need in our community), we need to agree on how we want to work together and how we want our organisation to function. These agreements (including the mission and vision) should be written down, and agreed to by all parties involved. Often this founding document is a constitution.

A constitution is important because it says what your organisation does, how it will be structured, and how it will run. It includes the duties of each member. In this way, your constitution guides its members on how the organisation will function. It is a legal document.



Most funders want you to give them a copy of your **organisation's constitution before they will think about funding** it. Banks and building societies generally also want to be given a copy of your constitution before they will let you open an account in the name of your organisation.



Writing a constitution

To write up your constitution, you need to get together to discuss and agree on how you see the organisation working. Below are some of the common areas that you need to include in a constitution and some questions to guide your discussions for each:

1. Name

Write down the full name and abbreviation of the organisation and what kind of organisation it is.

2. Legal status

Describe the legal structure of your organisation. (more of this in the a later section)

3. Mission, aims and objectives

Define the organisation's mission, aims and objectives.

4. Membership

Discuss:

- Who may join and how? For example, filling in membership forms;



- The duties and privileges of members;
- The amount, if any, of membership subscription fees;
- What happens if members do not pay their subscription fees for a certain period. Will they cease to be members of your organisation?

5. Structure and decision-making

Discuss and write:

- **What structures should exist such as AGM's, general meetings, an executive board, sub-committees, etc;**
- The notice-period required for certain meetings;
- What quorum is needed to make meetings constitutional;
- What responsibilities certain structures/positions have;
- What powers and duties each structure has.

6. Meetings procedure

Discuss and write:

- Who will chair the meetings;
- How voting will take place;
- How minutes are recorded, read and approved.



7. Election of office-bearers

Discuss and write:

- At which structure/level office-bearers are elected;
- How office-bearers are elected. For example, by verbal nominations and a show of hands or by nomination forms and a ballot;
- How the result of the voting procedure are announced;
- How vacancies are filled.

8. Staff

Where an organisation does employ staff, it must say:

- How staff are appointed;
- What their positions and duties are;
- To whom they are accountable.

9. Discipline

Discuss and write:

- What kind of behaviour is expected of members;
- What kind of behaviour is unacceptable;
- How an investigation or disciplinary hearing is instituted;
- How members may be disciplined and dismissed.



10. Financial control

Discuss and write:

- Who is responsible for keeping financial records and to whom that person is accountable;
- Who can sign cheques;
- **Who has to approve withdrawals from the organisation's account beyond a certain limit;**
- Who is responsible for drawing up financial statements;
- When the **organisation's financial year will begin and end;**
- Whether audited statements are necessary and when and to whom they are submitted, for example, once a year to an AGM.



11. Affiliation

State:

- To whom the organisation is affiliated;
- What responsibilities/duties this carries.

12. Amendments to the constitution

Discuss and write:

- What percentage of the membership is needed to vote in favour of amending the constitution;
- How a member or members wishing to propose an amendment must notify the relevant structure.

13. Dissolution of the organisation

Discuss and write:

- What percentage of the membership is needed to vote in favour of dissolving the organisation;
- **What decision must be taken with regard to the organisation's assets;**
- The appointment and duties of a liquidator.

It is easiest if a small representative group writes the first draft of the constitution and then to request comment from as many people in the organisation as possible. This then needs to be presented for adoption at the first AGM and then formally approved and signed. Try to keep your constitution general where possible, with guidelines that will be manageable to uphold. More detailed rules can be covered in the policies of your organisation.





Important thought

Once a constitution is written and accepted it can be difficult to change (amend), therefore the fewer changes you need to make the better. A version of a model constitution is attached at the end of this manual but should be used for reference only and not copied exactly as each organisation has its own particular needs and structure.

Different legal structures

There are many different ways of organising into a formal structure. For many community organisations, it is enough that they meet and work together to achieve a common goal. Those that draw up a constitution together become what is called a voluntary association. There are many different kinds of civil society organisations: some are set up to make a profit for their members, others are not for profit but to provide some form of service or benefit to their members or the public. What they all have in common is that they are not part of government (which is why they are sometimes called *non-governmental organisations NGOs*).

In this manual we will focus on non-profit organisations and not those community organisations set up for profit of their members (such as co-operatives e.g. housing co-operatives).





Definition

The Non-Profit Organisations Act (No 71 of 1997) defines a Non Profit Organisation as:

a trust, company or other association of persons -

(a) established for a public purpose; and

(b) the income and property of which are not distributable to its members or office bearers except as reasonable compensation for services rendered

What this means is that non-profits are set up for public purposes and that the income and property of the organisation cannot be given or shared amongst its members or staff unless in the form of payment for services (in other words a salary).

In setting up a non-profit organisation, the most common structures that are chosen are a voluntary association, a trust or a section 21 company. Each of these has its own rules and requirements and it is important to understand these when choosing your structure.



Voluntary association

The simplest is the voluntary association and this is what most community organisations choose to be. It is created by having an agreement with three or more people to form an organisation so that you can work together to achieve a common non-profit objective. It does not need to be registered with any formal institution.



It is good for small community-based organisations that do not manage lots of money (or own/need valuable property and equipment in order to carry out their activities). A group of people with executive powers (described in the constitution) are appointed for governance.

Voluntary organisations are easy to set up and cheap to maintain as they do not need lots of complex management and regulation. This can be a disadvantage as some funders prefer the more formal structures of a trust or company. However, if you establish a good track record, this will speak for itself.

Trust

Another way to structure your organisation is as a trust. A trust is a written agreement in which a founder hands over property and/or money to a group of people (the trustees) to manage for the benefit of others. The board of trustees governs the trust and it has powers similar to a company. A trust needs to be registered with the Master of the High Court. It is a fairly flexible structure and requires limited reporting, but can be expensive and complex to set up because it requires legal assistance.



Section 21 company

The final option is a Section 21 company. This is a company registered like a business, however they do not share the assets or money with shareholders or members like in a for-profit business. If you are a very large organisation that has a well-developed legal structure, it might work well for you to register as a section 21 company as it has quite a bit of freedom and formal protection. However the reporting requirements are complex and extensive and you will need professional assistance to set it up therefore it is not suitable for small community-based organisations.

NPO	Law	For profit organisation
voluntary association	common law	partnership
trust	common law and Trust and Property Control Act 57/1988	trust
	Close Corporations Act 69/1984	close corporation
Section 21 company	Companies Act 61/1973	private company (pty) ltd or public company (ltd)
	Co-operatives Act 91/1981	co-operatives
communal property association	Communal Property Associations Act 28/1996	communal property association

Taken from the Legal Resources Centre **booklet** *“Legal structures commonly used by Community organisations”*



Non-profit registration

In 1997 the Non-profit Organisations Act was passed to formalise the sector and to assist non profit organisations to gain credibility, formal structure and to help develop accountability and good governance. As a community organisation you do not have to register as a non-profit organisation, but if you do, it gives your organisation more credibility, some funders and beneficiaries require it and there are some government benefits to be received.

To get your NPO status (and registration number) you are required to fulfil certain minimum standards and to maintain it, you need to follow ongoing reporting requirements. To register as an NPO you need to apply to the NPO directorate (with a constitution, a completed application form and the details of your governing body). They then assess your application and inform you if you have been successful or what you need to do to re-apply.



Important thought

To be successful, there are certain requirements that need to be fulfilled. Your constitution needs to include these points:

- a. *the organisation's name;*
- b. *the organisation's main and secondary aims and objectives (which show that you exist for a public purpose and not just for self-interest or the*



personal gain of your members);

- c. Your constitution must state that the income and property of the organisation will be used to promote its objectives and will not be distributed to its members or office-bearers, except as reasonable payment for their work. You must make it clear that the members and office-bearers of your organisation have no personal right to its property. This principle applies not only during the lifetime of the organisation but also when it closes down (see dissolution below)*



- d. say that the organisation is a body corporate with its own legal identity separate from its members or office-bearers;*
- e. **make provision for the organisation's continued existence** notwithstanding changes in the composition of its membership or office bearers;*
- f. specify the powers of the organisation (for example you may need the power to purchase, mortgage and sell movable or immovable property, or invest the funds of the organisation to employ and pay employees.) Your constitution must set out these powers and they must be consistent with its non-profit objectives;*
- g. specify the organisational structures and mechanisms for its governance (including what the highest governing body is);*
- h. set out the rules for convening and conducting meetings, including quorums required for and the minutes to be kept of those meetings;*
- i. say how decisions are to be made;*



- j. describe how financial matters will be handled and include that the organisation will prepare annual financial reports, state the date for the end of your financial year and say that you will use a banking account.*
- k. **provide a date for the organisation's financial year;***
- l. set out a procedure for changing the constitution;*
- m. The constitution should provide that the members and office-bearers are not personally liable for any of its obligations and debts*
- n. set out a procedure by which the organisation may be wound up or dissolved;*
- o. Your constitution must state that on dissolution its property will be given to an organisation with similar objectives.*

The founding document often explains other rules as to how the organisation will be run but the above are the essential ones.

The Directorate can only refuse to register an NPO if it is not satisfied that the NPO has included all the essential requirements for registration. The Director must notify an NPO of its refusal; give reasons for the refusal and inform them that they have one month from the date of the notice to comply with the requirements for registration. Should the NPO not comply within this time, they can refuse.

The process of setting up and registering your organisation can be a complex and confusing. Get assistance if you need –



there are a number of NPOs that give legal advice for free (or a donation) as part of their service. First see if you can find one (or a lawyer who is willing to help) before spending any money on expensive legal fees.

How do NPOs register?

NPOs should then send two copies of their founding documents together with the completed application form to the Directorate of NPOs. The application form can be obtained from and should be sent to the Directorate of NPOs, Department of Welfare: Private Bag X901, Pretoria 0001. Telephone: 012-3127676.

Maintaining NPO status

Once registered as an NPO, organisations need to make sure that they keep this status. To do this you need to make sure that you keep certain records and report to the relevant authorities.

What accounting records and reports should an organisation keep?

Once registered, your organisation has to:

- keep detailed and proper financial records;
- within six months after the end of its financial year, you must draw up financial statements that show income and expenditure for that completed year, and a balance sheet showing its assets, liabilities and financial position;



- two months after completing your financial statements you have to produce a written report, as set out in the NPO Act. An accounting officer must write the report;
- registered organisations have to keep records of all their financial transactions over the years.

All registered non-profit organisations also have to send written copies of the following documents to the NPO directorate:

- a report of your activities together with your financial statements and the **accounting officer's report within nine months after the end of your financial year;**
- the names, physical business and residential addresses of your officer bearers within one month after any new office bearers take up their positions;
- **the organisation's physical address in South Africa;**
- **one month's notice before your organisation changes its physical address.**

Other legal registration

As a legal body, an organisation needs to register with all the appropriate government bodies. As an employer you have to register with the Department of Labour and follow its rules. If you generate an income (this includes donations from funders), then you should register with SARS as a tax payer. (If you only receive a small income, you might not need to register – check with your SARS office)



Because the government wants to support the work of Non-profit organisations, if you are offering services for the good of the public you can get special permission not to pay tax – you get registered to become a public benefit organisation (PBO) and to get what is called section 18(a) status.



Definition

PUBLIC BENEFIT ORGANISATION: An organisation registered with SARS that is exempt from paying tax on their income because of the kind of work/services it provides for public benefit to the community.

The government has made a list of the kind of services that they think should not have to pay tax for (be tax exempt). Some of these activities are part of these groups:

- Welfare and humanitarian
- Health Care
- Land and Housing
- Education and Development
- Religion, Belief or Philosophy
- Cultural
- Conservation, Environment and Animal Welfare

- Research and Consumer Rights
- Sport

Consult your local SARS office to find out more and get registered.



Self-test

You should be able to:

- Describe the advantages and disadvantages of available organisational forms (volunteer association, section 21, NPO etc)
- Select and justify an appropriate institutional form for your organisation
- Explain the NPO legal environment
- List the essential elements of a model constitution

Please ask your facilitator if you are unsure of any of the above.



GOOD GOVERNANCE



Definition

Governance is the way in which an organisation distributes powers, rights and accountability.

Most small community organisations start out with founding members. These members often are the first members of the governing body and they do the work of the organisation. However as organisations develop, there needs to be separation between those who do the work of the organisation (the staff who are often paid) and those who take on the organisation and its accountability (the governing body). This helps to ensure that those who benefit from the organisation (by receiving a salary) are kept accountable by those interested in the welfare of the organisation but without receiving a financial benefit.

What is the role of the governing body?

Governance refers to the process of running the organisation that the governing body/ management committee facilitates. Good governance requires that the governing body works in an effective way to ensure accountability, correct legal practise and quality functioning of the organisation. The governing body is ultimately





Definition

Management is: controlling the workings of an organisation.

Governance vs. Management?

In Organisations, <u>Governance</u> can include:	In Organisations, <u>Management</u> can include:
Giving direction to the organisation. This includes developing a clear idea of the purpose and mission of the organisation.	Planning and implementing plans. This includes allocating the work to specific people or structures and ensuring that it is carried out.
Deciding how the organisation will be managed. This includes developing the constitution, the standing orders (rules of meetings and decision making) and the policies.	Recruiting, or selecting people to do the work, allocating tasks to them and checking that they have done the work. This includes ensuring that people are trained and developed.
Holding the ultimate authority and responsibility for the organisation.	Budgeting, fund-raising, spending money and keeping financial records of how the funds have been used.
Planning how to get and allocate resources. This includes deciding whether to raise money from donors, or to earn it by making and selling something or by selling a service.	Doing research in order to understand the need and demand for the work of the organisation.



Being the court of appeal or decision making body when management structures reach a deadlock.	Providing service.
	Developing and maintaining good public relations.
	Organising the hiring of premises, buying of equipment and furniture, service contracts, transport, etc.
	Organising clerical and secretarial work.

These lists are very general and **most NGO's that you know will divide the work** slightly differently. Each Board and each staff have different ideas about how things should be done and these ideas are rooted in their history. Giving a Board **this list and saying 'You see this is what you should be doing!' is not going to help.** The role of the Board has to fit the history and the culture of the organisation. In **addition an organisation's constitution will spell out the role of its Board. This does not mean that Boards cannot change, or learn how to fulfil their roles better.** The role of the Board should be discussed openly within the Board itself and between the Board and the staff. The lists above are intended as guidelines.

The governing body has some specific legal requirements:

Members of the governing body of an NPO must follow the legal responsibilities that are described in the founding document and in the law governing NPOs. In each organisation this might be a little different, but the governing body needs to make sure that they know and understand what is expected of them.



Legal requirements include:

- **Preparing a Chairperson's report for the annual general meeting of the association,**
- Convening Annual General Meetings within specified time periods,
- Ensuring that the organisation keeps proper books and records, and that annual accounts are prepared. In many cases, the organisation must also prepare an annual financial report [e.g. NPO Directorate requires (among other information) annual financial reports from all registered organisations].
- Making sure that the accounts are checked by auditors or accounting **officers, if that is required by legislation or by the organisation's founding document.**
- **Formally checking and approve the organisation's annual report and accounts.**
- Opening a bank account in the name of the NPO, and
- Depositing money into the account of NPO within specified time period.

If your organisation's financial officer knows that the organisation has not given the NPO Directorate a true picture of the state of affairs of your organisation, then she/he has a duty (above that to the organisation) to report the matter to the Directorate.



However their responsibilities are not just legal but also can include:

1. Keep the organisation focussed on the mission, purpose and objectives.
2. Select, support and monitor the performance of the director/manager of the programme (they usually also serve on the governing body but sometimes in an ex-officio capacity – this means they advise but do not have voting rights at Governing body meetings).
3. Organisation planning. The Governing body should check and approve the plans provided by the professional staff.
4. Manage Resources. The Governing body must ensure that adequate budgeting is done in advance and that there are enough financial and human resources to deliver the programmes.
5. **Monitoring of the organisation's programmes and services.** The Governing body has to monitor the progress made in the organisation.
6. Build the image of the organisation. Governing body members should also be involved in building the image of the organisation and connecting the organisation with outside stakeholders.
7. The Governing body as final decision maker. Often the Governing body is the final decision maker for the organisation in disputes and difficult moments. The Governing body needs to know which issues should be handled by the management, and which decisions the Governing body should make (more of this below in the management section) or when to refer to private mediation or arbitration or through the courts.
8. Composition of the Governing body. The governing body is also responsible for ensuring that the members of the governing body have the skills and knowledge necessary to do their job properly and that plans are made to find new governing body members when needed.



Governing bodies need to focus on these roles but they also need to get the simple practises right, like meeting efficiently and organising themselves well.

Skills and Responsibilities of the governing body

For the governing body to offer good guidance and support to the organisation, it should have people on the governing body who have skills and knowledge across a wide range of legal, management, financial, personnel, community and other **specialist skills. These members need clear 'jobs' and all should sign and agree to a code of conduct.**

It is also helpful to have specific roles – often called office bearers. The founding document (constitution) describes which office bearers you should have and sometimes it describes some of their responsibilities. Most organisations have a chairperson, a treasurer and a secretary (while others have vice-chairs, sub-committees and other portfolios).





Group activity

In groups, brainstorm the skills and responsibilities of these office bearers:

The chairperson

Skills

Responsibilities



The Treasurer

Skills

Responsibilities

The Secretary

Skills

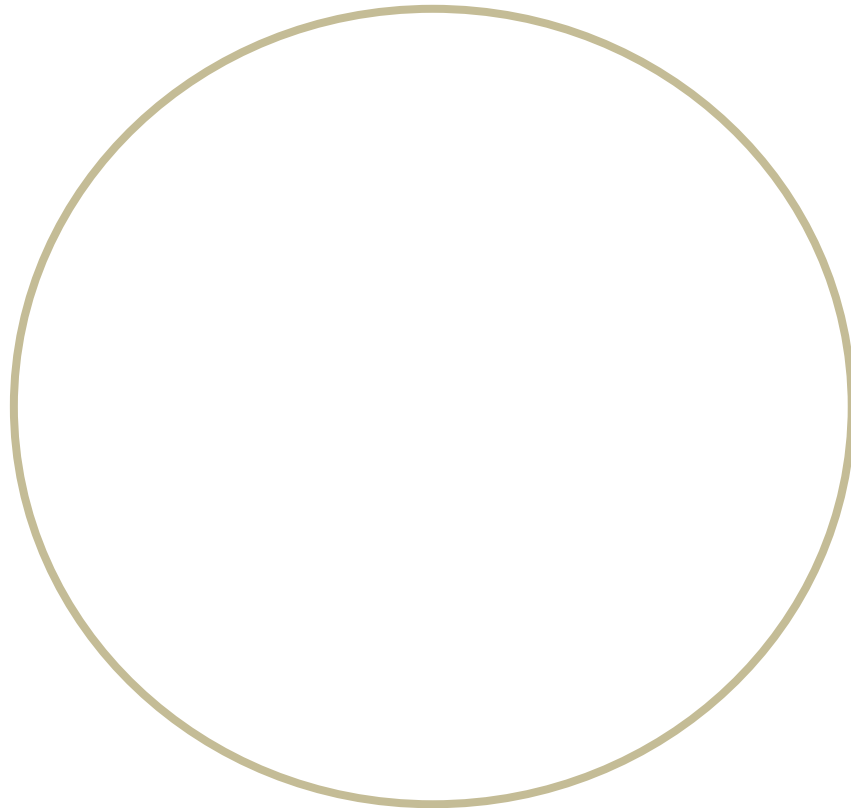
Responsibilities





Individual activity

What skills/ knowledge do you think the members of your governing body should have, to be effective in their work and offer good support to you as an organisation? Fill in the pie chart below with the key skills you think your governing body needs:



The basic elements that all boards should ensure are put in place are:

- Having a good induction process for new board members
- Having a code of conduct for board members that all members sign
- Holding regular AGMs
- **Having 'job descriptions' for the board**
- Running effective and productive meetings – regularly but not too often

Critically, a “board culture” of regular and consistent learning and self-evaluation needs to be fostered in order to assist the governing body in improving performance.



Important thought

An often overlooked factor is the essential human nature of a governing body (and organisational development). It is ultimately the quality of human relationships that underpins team effectiveness - and all good development interventions. It is therefore these that need to be nurtured, tended and supported for governing bodies to grow.

Investing time and energy in governing body development reaps rewards. No ‘one answer’ applies to all governing bodies as each has its own distinctive and specific context. The nature and purpose of the organisation and especially the phase of

organisational development needs to be taken into consideration when developing your governing body, but following these steps will start you in the right direction:

1. Develop Relationships and build trust

Find ways to connect and build relationships with and amongst your board – trust formed creates good conditions for continuing development.

2. Build Board Self-awareness and a shared understanding

Do an evaluation together with your governing body and if possible the staff - or at least include their input. Create time **for discussions on the governing body's** roles, identify its strengths and highlight areas for development as this will build investment in any further development.

3. Develop a Plan of Action

Draw up a plan based on your discussions and evaluations with clearly allocated tasks, to ensure accountability. This plan will be different for each organisation but might include developing: more inclusive and participatory meetings; a careful governing body selection process; comprehensive and inspiring orientation for new governing body members; clear expectations and guidelines for board members (such as job descriptions, codes of conduct); structuring involvement in strategic planning and the activities of the organisation; and building good relationships.



4. **Implementation....and review again**

Now it is up to the governing body and the director to implement the plan. But **it doesn't end there. No plan is complete without building in processes of reflection and evaluation to ensure learning and growth.** A regular, dedicated time spent reviewing both the organisation and the governing body (either annually or after each meeting) is essential for long-term health.

Governing bodies, like organisations, like people are **constantly changing and evolving 'organisms' that benefit from consistent, structured processes of reflection and learning.**



On the next page is an example of a board self-evaluation for you to check yourself against – how do you think your governing body is doing?



Evaluating performance as a governing body



Individual activity

Use the following form to assess your performance as a governing body.

Board functions. How good are we at the following?

	Poor	Average	Good
Developing the director			
Checking on financial management			
Overseeing budgets and expenditure			
Providing expertise when requested on particular organisational projects/ programmes			
Assessing performance of the organisation against its mission and aims			
Improving board performance			
Assisting to develop the financial resources of the organisation			
Assisting the organisation to clarify its vision and mission			



Structures that help the board to be effective.

	Disagree	Agree some- what	Agree
Is our board size appropriate?			
Do we have the right people/ skills (composition)?			
Do we have clear agreements (code of conduct) and 'job descriptions' (office bearers and committees)?			
Are we good at attending meetings regularly and on time?			
Are our meetings run well (effective use of time, people are given a chance to speak and engage)			
Do we have a good induction process for new members?			
Are we good at identifying and recruiting new members?			



Select 3 steps that you can take when you return from this course in improving your functioning:

1. _____

2. _____

3. _____





Self-test

You should be able to:

- Explain the basic roles and responsibilities of governing bodies, in particular the oversight role vs the management functions
- List ways to support good governance – such as code of conduct, annual AGMS, board evaluation, regular meetings and competent records of meetings etc
- Useful qualities and capabilities for members of governing bodies are identified (Financial know-how, credibility with community, integrity, participatory leadership, relevant technical expertise)

Please ask your facilitator if you do not understand any of the above.

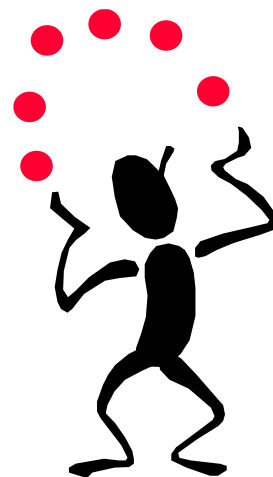


MANAGING AND LEADING THE ORGANISATION

Our organisation now has a good governing body – but what about the daily work? This is where we need a good staff team to manage and do the work of the organisation.

When we set up a system of management for our organisation we need to think about:

- What are the different functions that we need to do?
- What the important leadership roles and responsibilities are?



Group activity

Brainstorm: What are the main areas/functions that you need to do as a part of your daily work to achieve your aims and objectives.

1. Write these all on different pieces of coloured card.
2. Group similar ones together so that you become clear about the main *functions* in your organisation.
3. Now place them in relation to one another. Who reports to whom? Make a line between them so that you have mapped the different reporting lines (include the board in this picture).

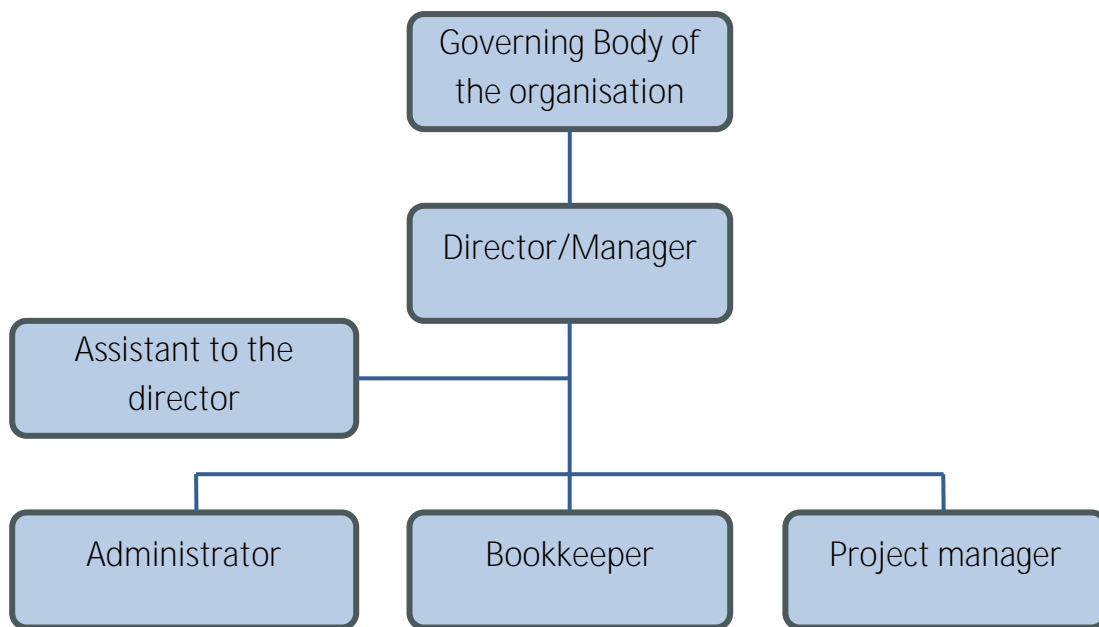
This picture that you have created is known as an Organogram.



Definition

An organogram is a picture of the main functions (jobs) in an organisation and shows lines of accountability (who reports to who).

Below is an example of an organogram of a hierarchical organisation:



Becoming clear on who does what helps make sure that your organisation has a clear structure and that people know what they are doing and who they are responsible to. Making sure that the daily tasks of your organisation are done right is about managing people. But the role of a manager or leader is not only about getting the task done and taking responsibility for it. There are other roles of a manager that are about leadership.



Some leadership roles and qualities are identified in the diagram below (taken from CDRA's *A Framework for leadership roles and qualities* www.cdra.org.za)

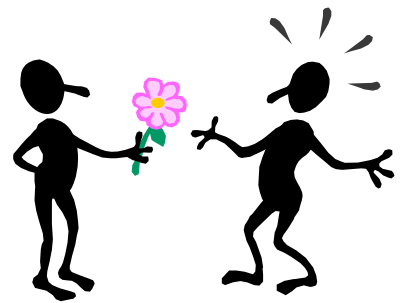


Leadership is required from all members of a team – not just the manager or director.



Some other roles or actions that leaders need to make are:

- Make connections and help others make meaning
- Provide direction without totally taking the reins
- Invite feedback and encourage sharing
- Build capacity in your staff and empower others to do more on their own
- Cultivate a culture of genuine appreciation and care
- Function with restraint – sometimes it is important to hold back and let others come forward. In conflict situations, one needs to control and manage oneself.
- Make decisions in a consultative and participatory manner



Self-test

You should be able to:

- Identify leadership roles and responsibilities
- Identify operational functions
- Describe appropriate decision making procedures

Please ask your facilitator if you do not understand any of the above.

A MODEL CONSTITUTION

This is a model constitution provided by the NPO directorate (department of Welfare – you can access this online on <http://www.welfare.gov.za/npo/model.pdf>). It is important not to just copy this but to use it as an example only and work out your own so that it is relevant to your organisation. For example, deciding how many members should be on your board and what makes a quorum will all be different for each organisation.

1. Name

1.1 The organisation hereby constituted will be called e.g. Masimbambane Pre-School.

1.2 Its shortened name will be e.g. MP (hereinafter referred to as the organisation).

1.3 Body corporate

The organisation shall:

- Exist in its own right, separately from its members.
- Continue to exist even when its membership changes and there are different office bearers.
- Be able to own property and other possessions.
- Be able to sue and be sued in its own name.

2. Objectives

2.1 **The organisation's main objectives are to e.g.** To provide community service to all the communities regarding STD/HIV/AIDS and other related diseases and their conditions.



2.2 **The organisation's secondary objectives will be to:** e.g. To work in collaboration with other organisations that mainly deal with health transformation and education.

3. Income and property

3.1 The organisation will keep a record of everything it owns.

3.2 The organisation may not give any of its money or property to its members or office bearers. The only time it can do this is when it pays for work that a member or office bearer has done for the organisation. The payment must be a reasonable amount for the work that has been done.

3.3 A member of the organisation can only get money back from the organisation for expenses that she or he has paid for on behalf of the organisation.

3.4 Members or office bearers of the organisation do not have rights over things that belong to the organisation.

4. Membership and General Meetings

4.1 If a person wants to become a member of the organisation, she or he will **have to ask the organisation's management committee. The management committee has the right to say no.**

4.2 Members of the organisation must attend its annual general meetings. At the annual general meeting members exercise their right to determine the policy of the organisation.



5. Management

- 5.1 A management committee will manage the organisation. The management committee will be made up of not less than e.g.6 members. They are the office bearers of the organisation.
- 5.2 Office bearers will serve for one year, but they can stand for re-election for another term in office after that. Depending on what kind of services they give to the organisation, they can stand for re-election into office again and again. This is so long as their services are needed and they are ready to give their services.
- 5.3 If a member of the management committee does not attend three management committee meetings in a row, without having applied for and obtaining leave of absence from the management committee, then the **management committee will find a new member to take that person's place.**
- 5.4 The management committee will meet at least once a month. More than half of members need to be at the meeting to make decisions that are allowed to be carried forward. This constitutes a quorum.
- 5.5 Minutes will be taken at every meeting to record the management **committee's decisions.** The minutes of each meeting will be given to management committee members at least two weeks before the next meeting. The minutes shall be confirmed as a true record of proceedings, by the next meeting of the management committee, and shall thereafter be signed by the chairperson.
- 5.6 The organisation has the right to form sub-committees. The decisions that sub-committees take must be given to the management committee. The management committee must decide whether to agree to them or not at



its next meeting. This meeting should take place soon after the sub-committee's meeting. By agreeing to decisions the management committee ratifies them.

5.7 All members of the organisation have to abide by decisions that are taken by the management committee.

6. Powers of the organisation

The management committee may take on the power and authority that it believes it needs to be able to achieve the objectives that are stated in point number 2 of this constitution. Its activities must abide by the law.

6.1 The management committee has the power and authority to raise funds or to invite and receive contributions.

6.2 The management committee does have the power to buy, hire or exchange for any property that it needs to achieve its objectives.

6.3 The management committee has the right to make by-laws for proper management, including procedure for application, approval and termination of membership.

6.4 Organisations will decide on the powers and functions of office bearers.

7. Meetings and procedures of the committee

7.1 The management committee must hold at least two ordinary meetings each year.

7.2 The chairperson, or two members of the committee, can call a special meeting if they want to. But they must let the other management committee members know the date of the proposed meeting not less than 21 days before it is due to take place. They must also tell the other



members of the committee which issues will be discussed at the meeting. If, however, one of the matters to be discussed is to appoint a new management committee member, then those calling the meeting must give the other committee members not less than 30 days notice.

7.3 The chairperson shall act as the chairperson of the management committee. If the chairperson does not attend a meeting, then members of the committee who are present choose which one of them will chair that meeting. This must be done before the meeting starts.

7.4 There shall be a quorum whenever such a meeting is held.

7.5 When necessary, the management committee will vote on issues. If the votes are equal on an issue, then the chairperson has either a second or a deciding vote.

7.6 Minutes of all meetings must be kept safely and always be on hand for members to consult.

7.7 If the management committee thinks it is necessary, then it can decide to set up one or more subcommittees. It may decide to do this to get some work done quickly. Or it may want a subcommittee to do an inquiry, for example. There must be at least three people on a sub-committee. The sub-committee must report back to the management committee on its activities. It should do this regularly.

8. Annual general meetings

The annual general meeting must be held once every year, towards the end of the organisations financial year. The organisation should deal with the following business, amongst others, at its annual general meeting:

- Agree to the items to be discussed on the agenda



- Write down who is there and who has sent apologies because they cannot attend
- **Read and confirm the previous meeting's minutes with matters arising.**
- **Chairperson's report**
- **Treasurer's report**
- Changes to the constitution that members may want to make.
- Elect new office bearers
- General
- Close the meeting

9. Finance

- 9.1 An accounting officer shall be appointed at the annual general meeting. His or her duty is to audit and check on the finances of the organisation.
- 9.2 **The treasurer's** job is to control the day to day finances of the organisation. The treasurer shall arrange for all funds to be put into a bank account in the name of the organisation. The treasurer must also keep proper records of all the finances.
- 9.3 Whenever funds are taken out of the bank account, the chairperson and at least two other members of the organisation must sign the withdrawal or cheque.
- 9.4 The financial year of the organisation ends on eg 31 March 2002 (please cover a full 12 months period).
- 9.5 **The organisation's** accounting records and reports must be ready and handed to the Director of Non-profit Organisations within six months after the financial year end.



9.6 If the organisation has funds that can be invested, the funds may only be invested with registered financial institutions. These institutions are listed in Section 1 of the Financial Institutions (Investment of Funds) Act, 1984. Or the organisation can get securities that are listed on a licensed stock exchange as set out in the Stock Exchange Control Act, 1985. The organisation can go to different banks to seek advice on the best way to look after its funds.

10. Changes to the constitution

10.1 The constitution can be changed by a resolution. The resolution has to be agreed upon and passed by not less than two thirds of the members who are at the annual general meeting or special general meeting. Members must vote at this meeting to change the constitution.

10.2 **Two thirds of the members shall be present at a meeting (“the quorum”)** before a decision to change the constitution is taken. Any annual general meeting may vote upon such a notion, if the details of the changes are set out in the notice referred to above.

10.3 A written notice must go out not less than fourteen (14) days before the meeting at which the changes to the constitution are going to be proposed. The notice must indicate the proposed changes to the constitution that will be discussed at the meeting.

10.4 No amendments may be made which would have the effect of making the organisation cease to exist.



11. Dissolution/Winding-up

11.1 The organisation may close down if at least two-thirds of the members present and voting at a meeting convened for the purpose of considering such matter, are in favour of closing down.

11.2 When the organisation closes down it has to pay off all its debts. After doing this, if there is property or money left over it should not be paid or given to members of the organisation. It should be given in some way to another non-profit organisation that has similar objectives. The **organisation's general meeting** can decide what organisation this should be.

This constitution was approved and accepted by members of

At a special (general) meeting held on the _____ (day) of

_____ (month), _____ (year).

Chairperson

Secretary



USEFUL WORDS

Accounting	Summary of transactions or accounts
Accounting Officer	means someone who complies with the definition of an accounting officer as set out in the Close Corporations Act. Essentially anyone with a tertiary qualification (such as B. Com degree) will qualify as such, and does not need to be a registered auditor.
Assets	What you own furniture, equipment etc – possessions of organisation
Auditor	means a person who has a tertiary qualification as an auditor and who registered as the specific professional body such as the Public Accountants and Auditors Board. Auditors have special qualifications which enable them to audit the accounts of companies or other organizations.
Authorization	Someone who has been given permission to sign e.g. Manager
Budget	Plan for the use of money for a specified period, an estimate of future spending
Cash Flow	Movement of money into and out of account each month
Comply	Operate within the laws of the land – agree with it



Constitution	Rules that govern an organisation
Contract	Legal agreement between two or more parties
Evaluate	Weigh up the pros and cons or measure against
Ex-officio	Describes the capacity of someone in a formal institution who is not there in an official role and therefore does not have decision making power
Financial Control	Systems and processes are in place to ensure that the money is being correctly handled
Financial Management	Involves planning, organising, controlling and monitoring the financial resources of an organisation to achieve its goals
Financial Reports	Explaining how the money was used i.e. financial records. Narrative reports
Founding Document	means any document setting out the organisation's aims and how it is to be administered. It may be a trust deed, constitution, or memorandum and articles of association. This is the document in terms of which the organisation is constituted.
Governing Body	means the management committee of a voluntary association, sometimes called a board or committee (in a trust this is a board of trustees and a board of directors of a company). It refers to anyone who is



elected or appointed to one of these bodies and who performs a governance function in the organization.

Income	Money received from various sources
Legal Requirement	Is required by the law of the land
Limitations	Boundaries within which to act - can and cannot do
Organisation	A group of people that work together to change something or make something happen
Policies	Guidelines or rules that the organisation agrees to use to operate effectively
Quorum	The minimum number of people it takes to have an official meeting declared valid
Resources	What you need to use to achieve your goal e.g. human skill and physical resources such as equipment and materials
Strategy	Agree on a particular plan of action
Track Record	A record of your past performances – how did you do last year or the year before that?
Tax Exempt	Because of particular circumstances, the law says that you do not have to pay tax that other people have to.



