

MAA INTERNATIONAL

CORPORATE GOVERNANCE FRAMEWORK



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1 INTRODUCTION

MAA International (MAA) was established back in 1989 as a Not-for-Profit (NFP) organisation that is registered with the Australian Charities and Not-for-profits Commission (ACNC). MAA recognises the ACNC Act as the main law applicable to MAA in relation to corporate governance. Therefore MAA recognises that it must comply with the Australian Law, the Australian Charities and Not-for-Profits Commission Act 2012 (the ACNC Act), the Corporations Act, but as modified by the ACNC Act.

MAA attained the Deductible Gift Recipient (DGR) status with the ATO since 2003. Therefore, MAA recognises its duty to comply with the Income Tax Assessment Act.

MAA, as a full member, is a signatory to the Australian Council for International Development (ACFID) among various other accreditations. The ACFID Code defines minimum standards of governance, management and accountability for non-government organisations and aims to improve international development outcomes and increase stakeholder trust by enhancing the transparency and accountability of signatory organisations.

The ACNC defined Governance as ‘the processes, activities and relationships that make sure your charity is effectively and properly run’¹. The ACNC also describes the ‘good governance’ as when charities have practices and procedures in place that help them to do their work effectively and openly, and when the roles and responsibilities of people in the charity are clearly understood’.

The ASX Corporate Governance Council defines Corporate Governance as ‘the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account’².

Good governance of NGOs can be defined as ‘the effective management of an NGOs resources in a manner that is open, transparent, accountable, equitable and responsive to people’s needs. The rule of law, transparency, accountability and effectiveness of NGO management are all essential components of good governance’³.

This issue of governance is now widely regarded as one of the key ingredients for poverty alleviation and sustainable development which NGOs must not lose sight of. There is a vital linkage between good governance and sustainable developments. Since MAA aimed at becoming sustainable then good governance becomes a vital aspect of achieving its strategic objective.

¹ The Australian Charities and Not-for-profits Commission 2018, ‘Governance for good: The ACNC’s guide for charity board members’, Version 3.

² The ASX Corporate Governance Council 2014, ‘Corporate Governance Principles and Recommendations’, 3rd edn.

³ Kumar, S 2013, ‘Promoting good governance in the management of NGOs in India for rural development’, *International Journal of Research in Commerce & Management*, vol. 4, issue 4, pp. 148-150.

1.1 Purpose

The purpose of this document is to define the MAA's approach to corporate governance, and the elements of its corporate governance framework.

1.2 Scope

The scope of this document includes the elements of the MAA International governance framework.

1.3 Why Governance?

Good governance can offer a number of important benefits to charitable and/or NFPs, including⁴:

Better organisational strategies and plans.

Improved operational effectiveness.

More prudent regulatory compliance, financial and risk management.

Improved member and stakeholder engagement and communication flow.

Increased likelihood and degree to which an organisation actually delivers on its purpose.

Effective governance structures allow organisations to create value, through innovation, development and exploration, and provide accountability and control systems commensurate with the risks involved.

1.4 Definitions

In this document the following terms are used, and are defined as follows: -

ACNC Act: the Australian Charities and Not-for-profits Commission Act 2012 (Cth).

Australian Government Agency: The Commonwealth, a state or a territory, an authority of the Commonwealth, a state or a territory.

Charity: An entity that is non-profit and all of its purposes are either charitable purposes for the public benefit, or ancillary or incidental to, and in furtherance of, a charitable purpose for the public benefit. **The ACNC registers different 'types' or categories of charities. These are:**

- 1- Advancing health
 - 2- Advancing education
 - 3- Advancing social or public welfare
 - 4- Advancing religion
 - 5- Advancing culture
 - 6- Promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia
-

⁴ AICD 2017, 'GOOD GOVERNANCE - PRINCIPLES AND GUIDANCE for Not-for-Profit Organisations'.

- 7- Promoting or protecting human rights
- 8- Advancing the security or safety of Australia or the Australian public
- 9- Preventing or relieving the suffering of animals
- 10- Advancing the natural environment
- 11- Purposes beneficial to the general public that may reasonably be recognised as analogous to, or within the spirit of, any of the other charitable purposes
- 12- Promoting or opposing a change to law, policy or practices
- 13- Public Benevolent Institution (PBI)
- 14- Health Promotion Charity (HPC).

Corporations Act: The Corporations Act 2001 (Cth)

Charitable Services Institution (CSI): An institution that would be a public benevolent institution, except that it also undertakes either (or both) promoting the prevention or the control of diseases in human beings (but not as a principal activity), and/or promoting the prevention or the control of behaviour that is harmful or abusive to human beings (but not as a principal activity).

Not-for-profit (NFP): An organisation that is operating for its purpose and not for the profit or gain (either direct or indirect) of its individual members.

Public Benevolent Institution (PBI): to a charity whose main purpose is to relieve poverty, sickness, suffering, distress or disability. Examples of PBIs include, but not limited to, disability support services, some not-for-profit homes for the aged, housing bodies that provide low rental or subsidised accommodation to underprivileged persons affected by poverty, sickness or disability.

Public Fund: is a fund that is intended that the public will contribute to it, the public or a significant part of the public does in fact contribute, and/or the public participates in administration of the fund.

Governance: The framework of rules, relationships, systems and processes within and by which authority is exercised and the organisation is effectively and properly run.

Governing Body (The Board): The group of individuals who together are ultimately responsible for overseeing its operations and making sure it is working towards achieving its charitable purpose.

General Meeting: A meeting of members and includes the annual general meeting.

Initial Member: A person who is named in the application for registration of the company, with their consent, as a proposed member of the company

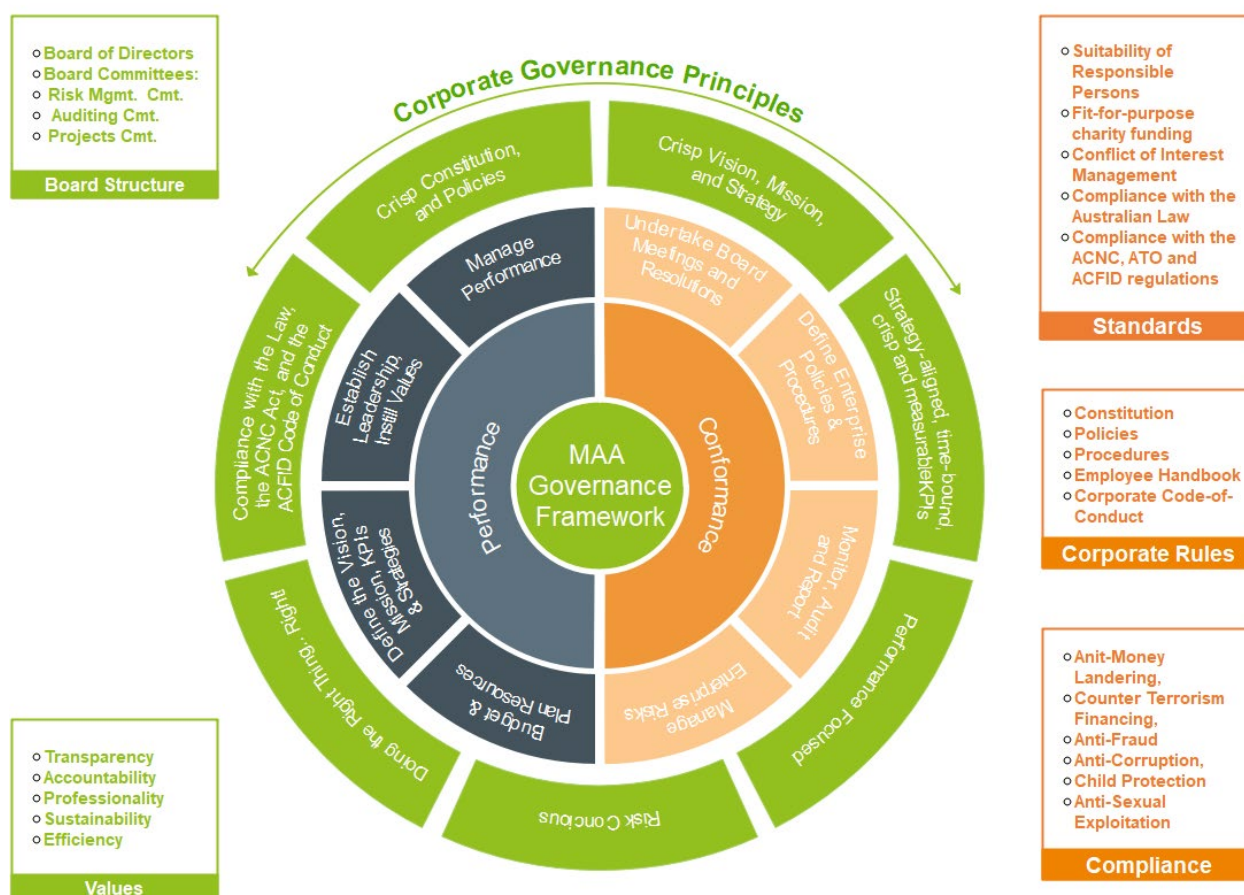
Registered Charity: A charity that is registered under the ACNC Act.

Tax Act: The Income Tax Assessment Act 1997 (Cth).

2 The MAA Corporate Governance

The following diagram illustrates the MAA governance framework.

Figure 2-1: MAA Governance Framework



The following sections describe each of the elements depicted above.

2.1 The MAA Corporate Governance Principles

The following principles represents the foundations of how MAA undertakes its corporate governance activities.

- 1- **Concise constitution and policies** that reflect the corporate rules.
- 2- **Concise corporate vision, mission and strategies.** The board plays an important role in setting the vision, purpose and strategies of the organisation, helping the organisation understand these and adapting the direction or plans as appropriate.
- 3- **Concise Roles & Responsibilities.** There should be clarity regarding individual director responsibilities, organisational expectations of directors and the role of the board.
- 4- **SMART KPIs.** Specific, measurable, attainable, relevant (strategy & purpose-aligned, and time-bound key performance indicators (KPIs).
- 5- **Monitoring and Reporting.** Continuous monitoring of activities, transparent reporting, continuous improvement, and documenting both the learned lessons (what could MAA do better next time) and what worked well so MAA can repeat again

- 6- **Performance focused.** The degree to which an organisation is delivering on its purpose can be difficult to assess, but this can be aided by the board determining and assessing appropriate performance categories and indicators for the organisation.
- 7- **“Do the Right Thing, Right! Ethical, Professional & Accountable.** there is transparency and accountability to external stakeholders; and the integrity of financial statements and other key information is safeguarded. ethical and responsible decision-making throughout the organisation.
- 8- **Risk recognition and management.** By putting in place an appropriate system of risk oversight and internal controls, boards can help increase the likelihood that their organisation will deliver on its purpose.

2.2 The Governance Standards

The Governance Standards are ‘a set of minimum core standards that deal with how the organisation is (including processes, activities and relationships’. The Standards require the organisation to remain charitable, operate lawfully, and be run in an accountable and responsible way. Because the Governance Standards are a set of high-level principles, not precise rules, the organisation must decide how it will comply with them⁵. The remaining sections of this document demonstrate how MAA complies with these standards.

MAA adheres to the following governance standards that are defined by the ACNC: -

- **Standard 1 - Purposes and not-for-profit nature:** Charities must be not-for-profit and work towards their charitable purpose. They must be able to demonstrate this and provide information about their purposes to the public.
- **Standard 2 - Accountability to members:** Charities that have members must take reasonable steps to be accountable to their members and provide them with adequate opportunity to raise concerns about how the charity is governed.
- **Standard 3 - Compliance with Australian laws:** Charities must not commit a serious offence (such as fraud) under any Australian law or breach a law that may result in a penalty of 60 penalty units (currently \$10 200) or more.
- **Standard 4 - Suitability of Responsible Persons:** Charities must take reasonable steps to be satisfied that its Responsible Persons (such as board or committee members or trustees) are not disqualified from managing a corporation under the Corporations Act 2001 (Cth) or disqualified from being a Responsible Person of a registered charity by the ACNC Commissioner and remove any Responsible Person who does not meet these requirements.
- **Standard 5 - Duties of Responsible Persons:** Charities must take reasonable steps to make sure that Responsible Persons are subject to, understand and carry out the duties set out in this Standard.

⁵ The ACNC website,

https://www.acnc.gov.au/ACNC/Manage/Governance/ACNC/Edu/GovStds_overview.aspx?hkey=456b1d22-8869-4ad0-a0cd-48607244216e

2.3 The Board Effectiveness

A Board's effectiveness may be greatly enhanced through⁶:

- Board Structure;
- Careful forward planning of board -related activities;
- Board meetings being run in an efficient manner;
- Regular assessments of board performance;
- Having a board succession plan; and
- Effective use of sub-committees, where appropriate.

All the above points are discussed in this paper at different sections.

MAA Board's primary role is to direct the organisation's activities towards living out MAA's Vision and achieving its Mission and goals. The board have both *performance* and *conformance* responsibilities, together these responsibilities include:

- 1- setting the **strategic direction** for the organisation, and assessing progress towards strategic objectives;
- 2- developing, maintaining and communicating the **organisation's policies and procedures**;
- 3- appointing and **evaluating the performance of our CEO** and determining his remuneration and conditions of service; as well as approving the appointment and remuneration of executives who report directly to our **CEO**;
- 4- Undertake board meetings, including AGMs (Annual General Meetings) and SGMs (Special General Meetings) ensuring compliance activities are undertaken, e.g. recording the meeting minutes, and declaration of any conflict of interests;
- 5- approving and monitoring the **annual budget**;
- 6- identifying, analysing and managing strategic, financial and compliance **risks**;
- 7- Undertake and monitor key **fundraising activities** and **business opportunities**, ensuring compliance with laws and policies;
- 8- appointing **Board Committees** to assist in effective governance.
- 9- supporting **effective engagement** with key stakeholders.
- 10- Establish leadership and instil corporate values in the entire enterprise.

2.4 The MAA board structure

The governing body of a charity is 'the group of individuals who together are ultimately responsible for overseeing its operations and making sure it is working towards achieving its charitable purpose'⁷. In the classical management theory 'boards seldom appear on organisation charts'⁸. This is potentially because boards, usually, do not get involved in day-to-day management.

⁶ Australian Institute of Company Directors, 'Good governance principles and guidance',

⁷ The Australian Charities and Not-for-profits Commission 2018, 'Governance for good: The ACNC's guide for charity board members', Version 3

⁸ Tricker, B 2015, Corporate governance: principles, policies and practices, 3rd edn, Oxford University Press.

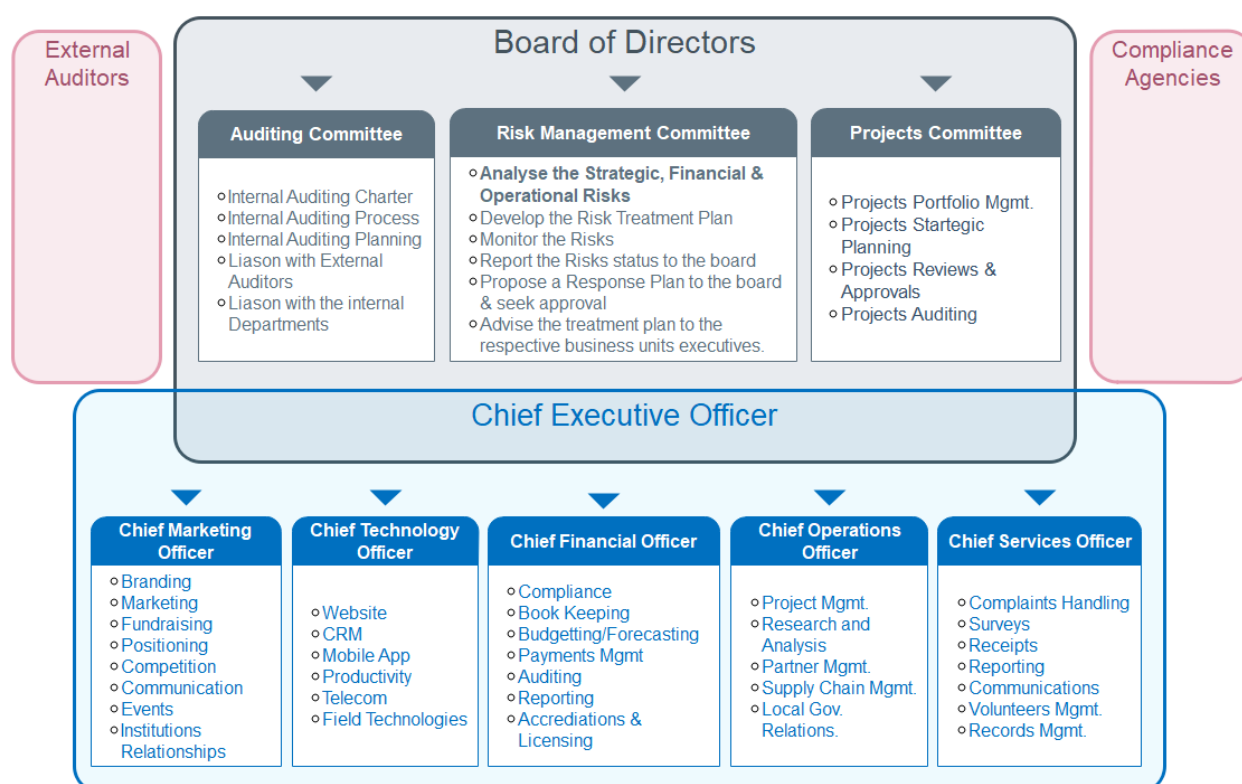
The MAA’s Board of Directors recognises its role in setting, implementing and overseeing the corporate policies and processes that reflect good corporate governance. The board understands that these must, like Core Values, inform and guide the attitudes, decisions and actions that make up the fabric of MAA’s culture.

A *board* is different from a *board committee*. A board committee is a group that is set up for a particular focus. Board committees can be set up because it can be hard to organise all board members to meet (at least with enough time to consider matters in detail), or perhaps because it wants to draw on the expertise of people not on the board for certain matters. Sometimes these are called sub-committees, standing committees or ad-hoc committees. At this stage, MAA does not have board committees yet given the small size of the organisation. However, it is expected that three board committees as shown in figure 2.2.

There can be four types of unitary boards, which are: *all-executive*, where top or “C-level managers are also directors, *majority-executives*, *one or two-executive directors*, or *entirely non-executive directors*. MAA adopts the *entirely non-executive directors* model.

The organisation chart below illustrates the MAA Board Structure

Figure 2-2: MAA board structure.



None of the MAA directors are *connected non-executive directors* (CNED), rather all MAA directors are *independent non-executive directors* (INED), i.e. ‘have no relationship with the company that could affect the exercise of independent and objective judgment’.

Boards should not function like ‘parliaments’, where board members become representatives of various stakeholders. Although this can help to promote an appropriate diversity of views and add to a sense of involvement by those groups “represented”, it will potentially experience difficulties. If individual directors regard themselves only as representatives of a particular group, this can give rise to factions and boardroom infighting, reducing the ability of boards to operate effectively. It is important to remember that even though a director’s appointment may be because he or she is associated with a particular group or might look like they represent certain “constituents”, directors must in practice act in the interests of the whole organisation and apply an independent mind to the board’s work and decision-making.

2.4.1 Selection of the Responsible Persons (Board Members)

A board needs to have the right group of people, having particular regard to each individual’s background, skills and experience, and how the addition of an individual builds the collective capability and effective functioning of the board.

The Constitution specifies a minimum of three and a maximum of 7 directors. There are 7 directors as at December 2017. All the members of the board of directors are directly elected by the organisation’s members at the Annual General Meeting.

The directors may appoint a person as a director to fill a casual vacancy or as an additional director if that person:

- a) is a full member of the company, or a representative of a full member of the company,
- b) gives the company their signed consent to act as a director of the company, and
- c) is not ineligible to be a director under the Corporations Act or the ACNC Act.

The Board also appoints the Chair, Deputy Chair, Secretary and Treasurer from among the existing directors.

MAA board does not have lifetime membership. The constitution of MAA does to set a limit of on the number of consecutive periods a director can be re-elected. At each annual general meeting any director appointed by the directors to fill a casual vacancy or as an additional director must retire.

To be effective a board needs the right group of people, with an appropriate mix of skills, knowledge and experience (e.g. professional backgrounds, industry experience, philanthropic support) that fits with the organisation’s objectives and strategic goals. This should be considered not only when new appointments are being contemplated or made, but in the context of regular board evaluations. Typical skills include: -

Strategic expertise – the ability to guide and review strategy through constructive questioning and suggestion.

Accounting and finance – the ability to read and comprehend the NFP’s accounts, financial material presented to the board (any financial reporting requirement) and some understanding of the organisation’s financial drivers/funding and business model.

Legal – the board’s responsibility involves overseeing compliance with numerous laws as well as understanding an individual director’s legal duties and responsibilities.

Managing risk – experience in managing areas of major risk to the organisation.

Managing people and achieving change.

Experience with dynamics of fundraising.

Specific NFP/industry knowledge – passion for the cause, experience in similar organisations, sectors or industries.

2.4.2 Removal of a board Responsible Person

A director stops being a director if they:

- a) give written notice of resignation as a director to the company
- b) die
- c) are removed as a director by a resolution of the members
- d) stop being a member of the company
- e) are a representative of a member, and that member stops being a member
- f) are a representative of a member, and the member notifies the company that
- g) the representative is no longer a representative
- h) are absent for 3 consecutive directors' meetings without approval from the
- i) directors, or
- j) become ineligible to be a director of the company under the Corporations Act.

2.4.3 Powers of the Directors

The directors are responsible for managing and directing the activities of the company to achieve the purposes of the organisation. The directors may use all the powers of the company except for powers that, under the Corporations Act or this constitution, may only be used by members.

The directors must decide on the responsible financial management of the company including:

- a) any suitable written delegations of power under clause 46, and
- b) how money will be managed, such as how electronic transfers, negotiable instruments or cheques must be authorised and signed or otherwise approved.

The directors cannot remove a director or auditor. Directors and auditors may only be removed by a members' resolution at a general meeting.

2.4.4 Payment to Directors

The company must not pay fees to a director for acting as a director. However, The company may:

- a) pay a director for work they do for the company, other than as a director, if the amount is no more than a reasonable fee for the work done, or
- b) reimburse a director for expenses properly incurred by the director in connection with the affairs of the company.

Any eligible payment made must be approved by the directors. The company may pay premiums for insurance indemnifying directors, as allowed for by law (including the Corporations Act) and this constitution.

2.4.5 Board Committee Members

MAA board did not create any subcommittees, perhaps due to the historical relatively small size of the organisation, when the organisation was not witnessing any significant growth.

As the operations started to grow significantly after the appointment of the current CEO in 2012, and the opening of branches and field offices, it is becoming important to establish some subcommittees for the benefits of 'reducing the burden on the board as a whole and enabling more focused and more diligent work'⁹.

Typical board committees include remuneration, audit, nomination and risk governance. As the organisation size grows further, the Board aims to establish (not yet established) three committees which report directly to it:

- **The Governance and Nominations Committee:** supports specific elements of the Board's governance responsibilities.,
- **The Risk Management Committee:** assists and advises the Board on key financial, audit, financial systems, financial compliance matters and risk.
- **The Operations Committee:** provides advice to the Board on the efficacy of its programs, projects and initiatives to achieve the organisation's strategic objectives and on the management of substantive risks.

Once MAA establishes board committees, it will be expected that 'although corporate boards frequently meet as bodies to discuss key issues and vote on various matters, most decision-making takes place in smaller groups or committees'¹⁰.

2.5 Management and Staff

The MAA staff structure consists of the Chief Executive officer (The CEO) and 4 C-Level officers under the directorship of the CEO: -

- The Chief Financial/Compliance Officer (The CFO)
- The Chief Marketing/Fundraising Officer (The CMO)
- The Chief Operations Officer (The COO), and
- The Chief Services Officer (The CSO). The CSO leads the customer/donor services activities.

⁹ Tricker, B 2015, Corporate governance: principles, policies and practices, 3rd edn, Oxford University Press, p. 179.

¹⁰ Bacon & Brown 1973 cited in Kesner, I 1988, 'Directors' characteristics and committee membership: An investigation of type, occupation, tenure, and gender', Academy of Management Journal, vol. 31, issue 1, pp. 66-84.

2.6 MAA Members

The MAA organisation is a membership-based organisation. The philosophy of membership is to have a diverse membership to reflect the values of inclusivity, diversity to a wide range of skills and experience with the Board and staff.

The Corporate Governance Framework requires directors to acknowledge the special trust placed in them by members and their right to hold the Board to account.

2.7 Meetings

The Board aims to meet monthly or at least quarterly to: -

- Set strategic direction and policies;
- Approve and monitor budgets and ensures appropriate financial and risk management strategies;
- Oversee and protects the broader resource base of the organisation;
- Ensure compliance with relevant standards, regulations and reporting requirements;
- Provide accountability to members and stakeholders;
- Appoint, supports and monitors the performance of the CEO who is charged with the executive management of the organisation.

To increase the effectiveness and efficiency of meetings, the MAA board should observe the following: -

- A clear, concise and focused board agenda, covering the right matters;
- Papers delivered in good time (from the CEO and senior management) containing relevant, timely and accessible intelligence in a style and format that enables appropriate analysis;
- Prepared participants;
- An effective meeting chair;
- Relevant, robust and respectful debate;
- Minutes that accurately record information and decisions, that are finalised promptly;
- Regular in-camera sessions in which non-executive directors meet without executive directors or staff being present.

Part of the chair's role would include:

- Having the meeting start and finish on time;
- Helping to ensure important issues are included on board agendas and board members have sufficient time to read board papers;
- Promoting inclusive debate and an appropriate tone throughout discussions; and
- Dealing effectively with dissent

3 MAA Governance Partnership

Governance partnership is concerned about various aspects of governance, including board level architecture, board structure design, and the board committees.

3.1 Types of directors

Directors are typically grouped into two categories: insiders and outsiders. Inside directors are current or former employees of a company.

Table 3-1: Types of directors.

Function	Description
executive directors	a director who is also part of the senior management team
non-executive directors	both INED and CNED
shadow directors	who are not formally a member of the board, but able to influence the board decisions
alternate directors	a person who stands in for another director during her/his absence
nominee directors	a person who has been nominated by a major shareholder
governing directors	a director with dominant powers in private companies
corporate directors	non-person director
employee director	proponents of employees
associate directors	do not have the rights and responsibilities of formal directors

All MAA directors are volunteers, i.e. un-paid, serving on a part-time basis. Therefore, all MAA board members are INED-type directors. There is no obvious need to add other types of directors, especially most of the other types are applicable only to a for-profit organisation.

3.2 The chairman and the CEO

The chair occupies a pivotal role in determining the effectiveness of a board. The chair, amongst other things, serves as the primary interface between the board and the CEO, presides at board meetings and annual general meetings (where the latter occur).

MAA calls the chairman of the board the ‘chairperson’ because it is a lady. The chairperson and CEO roles of MAA are undertaken by two different persons, i.e. MAA has followed ‘the codes of good practice in corporate governance that the roles should be separate’ (Tricker 2015, p. 98).

This separation of roles has successfully allowed the CEO and the chairperson to focus on their management and governance tasks respectively, protected MAA from the consolidation of powers, which could lead – in many organisations – to abuse of powers, and avoided turning the NGO into an ‘old boys’ country club’.

MAA avoids the pitfalls of the duality at the top of the organisation by choosing a chairperson and a CEO of high leadership, professional, and ethical qualities, including relationship-focused and ‘down-to-earth’ qualities. This has resulted in a healthy relationship between the CEO and the chairperson.

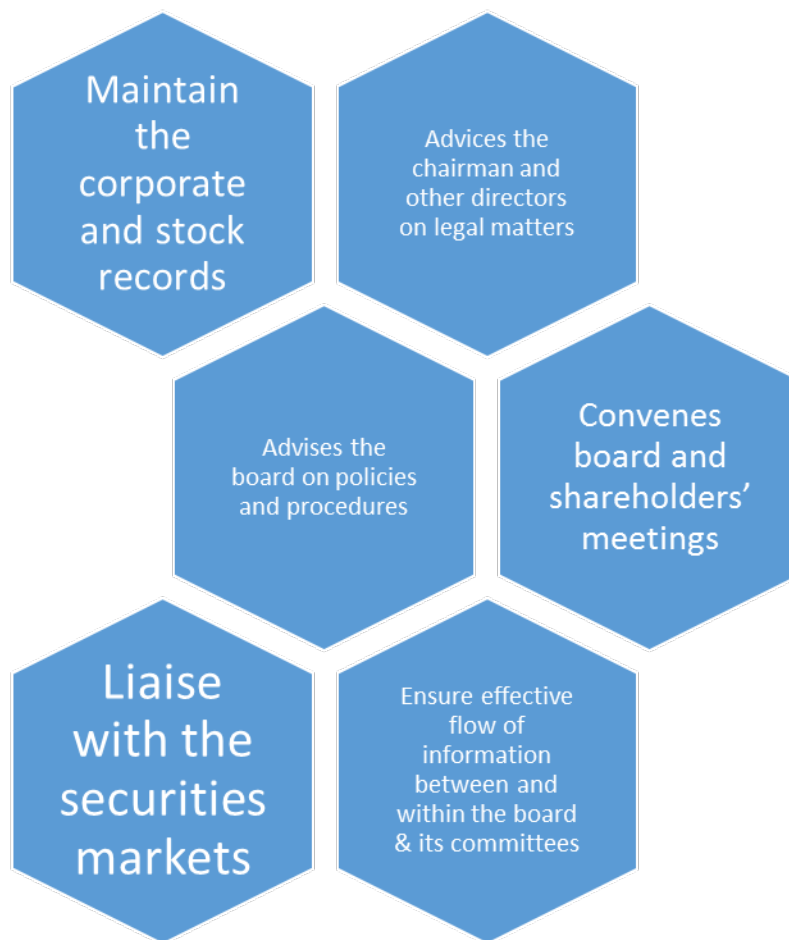
The Board chair main duties include:

- Provides overall effective leadership to enhance the effectiveness of the board
- Has the confidence of the board
- Has a productive working relationship with the CEO
- Has a good understanding of the organisation’s purpose and operational challenges
- Has the skills to ensure the board works as a cohesive team
- Is an effective “conductor” of board meetings.

3.3 The corporate secretary

The corporate secretary is one of the corporate directors with equal responsibilities but different duties. In the Australia jurisdiction, ‘the company secretary must be a person’ (Tricker 2015, p. 401). Tricker (2015, p. 401) lists the following duties of the secretary, but depicted in the following diagram: -

Figure 3-1: Secretary role.



Analysing the secretary role at MAA, the secretary role is complying with the Australian jurisdiction and is undertaken by a practicing lawyer as often the case in the United States (Tricker 2015, p. 401). The MAA secretary undertakes the above tasks, except liaising with the securities marketing and maintaining the stock records as these tasks are not applicable to NGOs.

3.4 External auditing

'The external independent auditor is a fundamental component of corporate governance' (Tricker 2015, p. 397). MAA undertakes external auditing every year successfully.

Although MAA is not a public listed company, yet it follows the best practices of such companies in appointing and remunerating the external auditor through only Annual General Meeting motions. This is also stipulated in MAA's constitution.

4 The Board Functions

The primary function of the board is to undertake corporate governance, which can be defined as ‘the set of responsibilities and practices exercised by the board and executive management (the governing body) with the goal of (a) providing strategic direction, (b) ensuring that objectives are achieved, (c) ascertaining that risks are managed appropriately, and (d) verifying that the organization’s resources are used responsibly’ (PAIB 2009).

Tricker (2015) states that typical board functions include strategy formulation, policy making, monitoring & directing the organisation performance, and accountability.

MAA designed its functions according to the ACNC (n.d.) definition guidelines as shown in the following table:

Table 4-1: ACNC definition of the board functions.

Function	Description
Accountability	making sure your charity meets its obligations, manages its finances and operates transparently
Strategy	setting the charity’s long-term goals and making sure it pursues its charitable purposes
Resourcing	securing funding and other resources to support the work of the charity
Advocacy	representing the charity to the community and to its members and stakeholders (with a chief executive officer and staff, if any)
Monitoring	Monitoring - making sure the charity is run as required under its governing documents and the law

We can see that the difference between the definitions presented above is insignificant.

4.1 Strategy Formulation

NGOs does not differ much from for-profit organisations from the perspective of the need for strategic planning and the way of developing them. Unlike government departments, where the policies are developed first, then strategies evolve around them (Tricker 2015, p. 167), MAA policies and procedures were developed after and based upon the strategic plan.

However, MAA has started first by defining the core values of the organisation as shown in the diagram below. This is aligned with the principle of: ‘Behind every sound corporate strategy, is a vision of what those leading the company want it to be and to be seen to be’ (Tricker 2015, p. 168).

Figure 4-1: MAA strategic planning process.



Source: MAA International Strategic Plan 2015-2018.

Many boards in the United States, where the predominant role of the board is seen as appointing and monitoring the CEO, therefore, delegating the most of the strategy development, policy and procedures development activities to him/her (Tricker 2015, p. 167). MAA board followed this approach. Therefore, MAA seems to be following one of the very common models

Based on the defined core values, MAA defined its strategic goals, as illustrated in the following diagram.

Figure 4-2: MAA strategic goals.



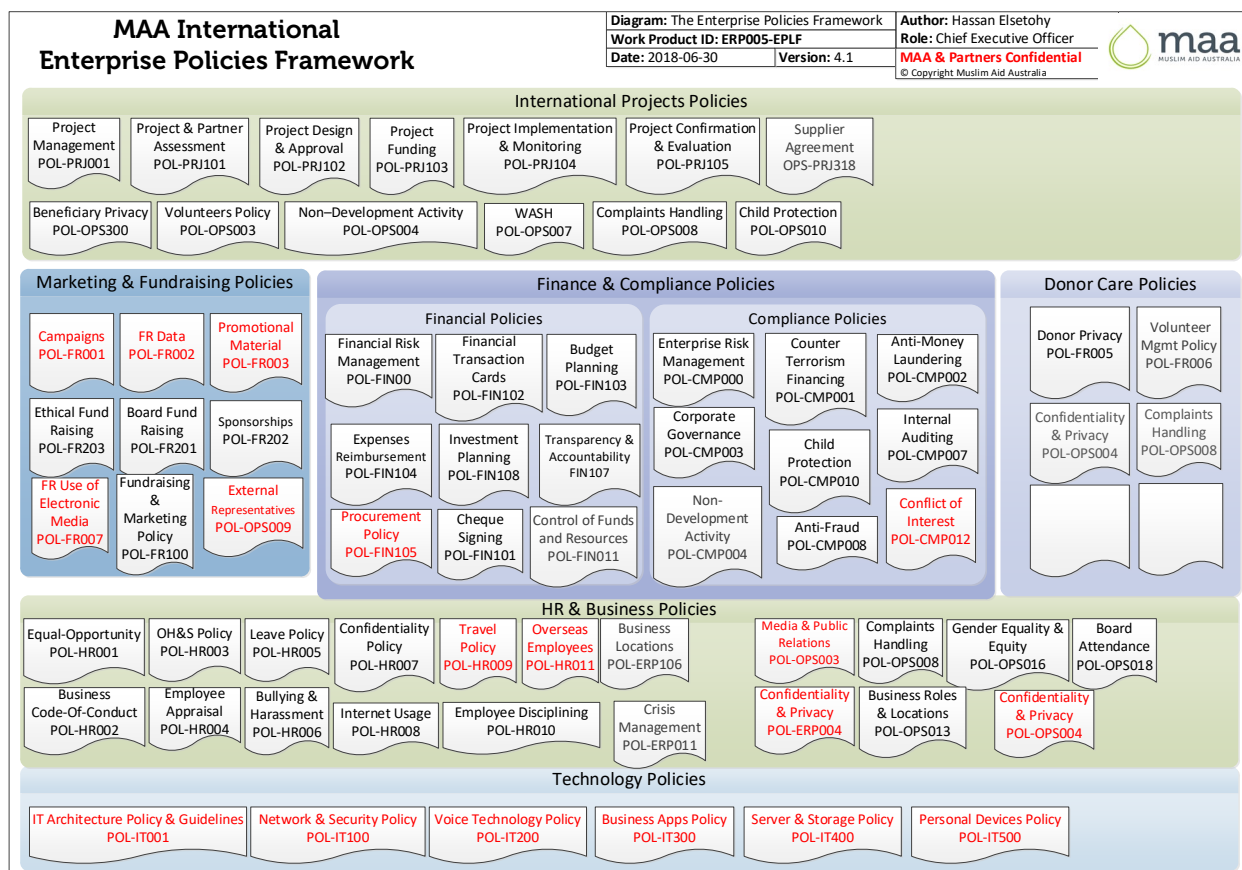
Source: MAA International Strategic Plan 2015-2018.

4.2 Policy making

‘Strategies remain nothing more than dreams, statements of intent until they are turned into actions’ (Tricker 2015, p. 175). Therefore, strategies need to be converted into actions via the development of policies, procedures and project plans.

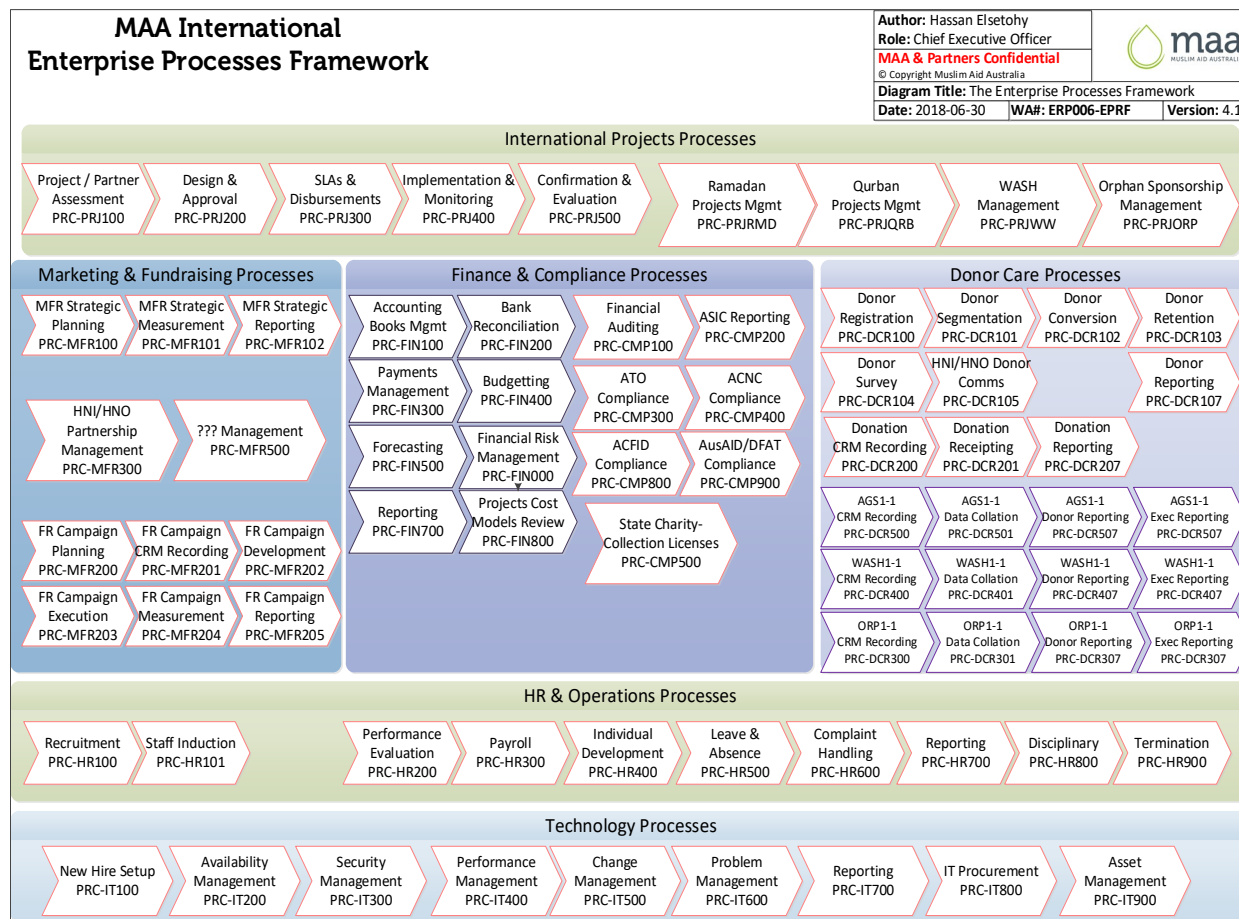
The MAA CEO and his senior team have developed a comprehensive framework of policies and procedures as shown in the diagram below.

Figure 4-3: MAA policies framework.



Source: MAA International Enterprise Architecture - 2013.

Figure 4-4: MAA processes framework.



Source: MAA International Enterprise Architecture - 2013.

Again, the MAA board has delegated this task to the CEO and his team. However, like the case of the strategic plan, the board undertakes the tasks of thorough review and approvals.

4.3 Supervising the executive activities

Almost all corporate entities, large and small, use 'financial measures as the primary means of monitoring the performance of its management' (Tricker 2015, p. 177). In the case of MAA, additional measures are used, which are referred to by Key performance indicators (KPIs). KPIs include: number of beneficiaries, compliance activities, diversity of geographies and so forth.

The following diagram illustrates a snapshot of these KPIs.

Figure 4-5: MAA KPIs.

Performance Metrics		Maturity Level - Year 2016					
Business Domain	KPI	0	1	2	3	4	5
Projects	Processes	None Defined	1% < Defined < 20%	20% < Defined < 50%	50% < Defined < 80%	80% < Defined < 100%	100% Defined
	Reporting	None Documented	1% < Documented < 20%	20% < Documented < 50%	50% < Documented < 80%	80% < Documented < 100%	100% Documented
	Capacity	None Produced	1% < Produced < 20%	20% < Produced < 50%	50% < Produced < 80%	80% < Produced < 100%	100% Produced
	Beneficiaries	- Not Measured - Target not defined	Delivered < 50% of Target	50% < Delivered < 70%	70% < Delivered < 85%	85% < Delivered < 99%	100% = Delivered
	Diversity	- Not Measured - Target not defined	Delivered < 50% of Target	50% < Delivered < 70%	70% < Delivered < 85%	85% < Delivered < 99%	100% = Delivered
	%Completed	- Not Measured - Target not defined	Achieved < 50%	50% < Achieved < 70%	70% < Achieved < 85%	85% < Achieved < 99%	100% Achieved
	Quality	- Not Measured - Target not defined	Completed < 50%	50% < Completed < 70%	70% < Completed < 85%	85% < Completed < 99%	100% Completed
Financials	Processes	None Defined	1% < Defined < 20%	20% < Defined < 40%	40% < Defined < 60%	60% < Defined < 90%	100% Defined
	Reporting	None Documented	1% < Documented < 20%	20% < Documented < 40%	40% < Documented < 60%	60% < Documented < 90%	100% Documented
	Revenue	None Defined	< 50% achieved	- 50% < achieved < 70%	- 70% < achieved < 90%	- 90% < achieved < 100%	- > 100% achieved
	Expenses	None Documented	< 50% achieved	- 50% < achieved < 70%	- 70% < achieved < 90%	- 90% < achieved < 100%	- > 100% achieved
Compliance	%Overheads	None Defined	< 50% achieved	- 50% < achieved < 70%	- 70% < achieved < 90%	- 90% < achieved < 100%	- > 100% achieved
	Processes	None Documented	1% < Documented < 20%	20% < Documented < 40%	40% < Documented < 60%	60% < Documented < 90%	100% Documented
	Reporting	None Defined	1% < Defined < 20%	20% < Defined < 40%	40% < Defined < 60%	60% < Defined < 90%	100% Defined
Marketing & Fundraising	Agency	None Produced	1% < Produced < 20%	20% < Produced < 40%	40% < Produced < 60%	60% < Produced < 90%	100% Produced
	Artefacts	- < 20%	- 20 < Achieved < 40%	- 40% < Achieved < 60%	- 60% < Achieved < 80%	- 80% < Achieved < 100%	- Achieved 100%
	Reporting	None Defined	1% < Defined < 20%	20% < Defined < 40%	40% < Defined < 60%	60% < Defined < 90%	100% Defined
	%Target Revenue	None Documented	1% < Documented < 20%	20% < Documented < 40%	40% < Documented < 60%	60% < Documented < 90%	100% Documented
	Sponsorship	None Produced	1% < Produced < 20%	20% < Produced < 40%	40% < Produced < 60%	60% < Produced < 90%	100% Produced
Governance	%MFR	- Not Measured - Target not defined	< 50% achieved	- 50% < achieved < 70%	- 70% < achieved < 90%	- 90% < achieved < 100%	- > 100% achieved
	Processes	Sponsors Revenue < 25%	25% < Sponsors Revenue < 50%	50% < Sponsors Revenue < 75%	75% < Sponsors Revenue < 99%	> 100% of Admin Costs	
	Reporting	None Defined	1% < Defined < 20%	20% < Defined < 40%	40% < Defined < 60%	60% < Defined < 90%	100% Defined
	KPI	None Documented	1% < Documented < 20%	20% < Documented < 40%	40% < Documented < 60%	60% < Documented < 90%	100% Documented
Policies	None Defined	1% < Defined < 20%	20% < Defined < 40%	40% < Defined < 60%	60% < Defined < 90%	100% Defined	

Source: MAA International Enterprise Strategic Plan 2015-2018.

4.4 Accountability

The board is accountable to the members of the organisations. MAA defines accountability in two aspects, internal and external. The internal aspects of accountability are implemented through a system called the Personal Performance Commitment (PPCs), where every staff member signs her/his personal KPIs, against which his/her performance is measured. The external aspect of accountability is implemented through undertaking reporting and auditing by external agencies.

Few companies still strictly restrict their reporting within the legal boundaries and no more (Tricker 2015, p. 178). MAA board and the “C-level” team, however, does not adopt this view. MAA go beyond the legal requirements of reporting with second to none level of transparency, such as providing detailed annual reports in video formats with info graphs.

4.5 Corporate Performance and KPIs

Regardless of whether an organisation is “for profit” or “not-for-profit”, an important consideration for boards is the degree to which the organisation’s available resources are being utilised in an efficient and effective manner to achieve stated outcomes. Is the organisation getting maximum desired impact from and avoiding wastage of precious resources?

There is a wide range of performance indicators used across the NFP sector. Often a board will choose a combination of financial and nonfinancial metrics.

As illustrated in Figure 4-5 above, MAA defined five (5) categories of KPIs, covering the five business units of MAA.

MAA sat the following KPIs: -

1. Financial KPIs

- Admin Ratios: Ratio of administrative expenses to revenues, and Ratio of administrative expenses to total expenses.
- Program Support Ratios: Ratio of program expenses to revenues, and Ratio of program expenses to total expenses.
- Marketing and Fundraising Ratios: Ratio of fundraising expenses to revenues, and Ratio of fundraising to total expenses.
- General Financial Ratios: Revenue growth.

2. Projects KPIs

- Number of Beneficiaries
- Impact of the projects
- Success rate of the projects
- Quality of projects implementation
- Program Support Ratios: Ratio of program expenses to revenues, and Ratio of program expenses to total expenses
- Timeliness and accuracy of projects reports
- Field-partners compliance
- Field-partners performance
- Maintaining CRM records
- Compliance with MAA's policies and processes

3. Compliance KPIs

- Maintaining NSW, VIC, QLD, ACT and WA Fundraising licenses
- Maintaining compliance with the ATO requirements and maintaining the DGR Status
- Maintaining compliance with ASIC reporting & compliance requirements.
- Maintaining compliance with ACNC reporting & compliance requirements
- Maintaining compliance with ACFID reporting & compliance requirements
- Maintaining compliance with DFAT reporting & compliance requirements
- Maintaining compliance with UN ECOSOC reporting & compliance requirements
- Maintaining Accounting Books & CRM records
- Timeliness and accuracy of financial and compliance reports
- Compliance with MAA's policies and processes

4. Marketing and Fundraising KPIs

- Revenue
- Strategic Campaigns revenue
- Market Share
- Number of Registered Donors and Fundraising partners
- Marketing and Fundraising Ratios: Ratio of fundraising expenses to revenues, and Ratio of fundraising to total expenses.
- Timeliness and accuracy of MFR reports

- Maintaining CRM records
- Compliance with MAA's policies and processes
- Target communications according to the donors segment.

5. Donor Care KPIs

- Donors' satisfaction
- Donors' loyalty improvement (Number of donors moving to the loyal quadrant)
- Timeliness and accuracy of 1-to-1 Reports (WASH, AGC and Orphan Sponsorship)
- Timeliness and accuracy of donations receipts
- Number of retained Registered Donors and Fundraising partners, vs. departing donors
- Timeliness and accuracy of CDC reports
- Donors segmentation
- Maintaining CRM records of donations, donors, HNIs and HNOs
- Compliance with MAA's policies and processes

6. Technology KPIs

- Uptime, RTO (Recovery Time Objectives) and RPO (Recovery Point Objectives) of the webservers
- Uptime, RTO (Recovery Time Objectives) and RPO (Recovery Point Objectives) of the CRM
- Uptime, RTO (Recovery Time Objectives) and RPO (Recovery Point Objectives) of the Mobile App
- Uptime, RTO (Recovery Time Objectives) and RPO (Recovery Point Objectives) of the VOIP system
- Uptime, RTO (Recovery Time Objectives) and RPO (Recovery Point Objectives) of the Infrastructure systems (Email, Active Directory, NAS, Skype, Terminal Servers)
- Staying within the IT Budget
- Timeliness and accuracy of IT reports
-

5 Risk Management

Risk management is becoming increasingly critical to NGOs, as they are for *for-profit* organisations. 'With the power and latitude of firms in a globalized economy rapidly expanding, their actions affect an ever-wider range of individuals, such as workers in complex global supply chains.'¹¹

Risks can be defined as 'what circumstances or events could affect the key drivers of business value and cause planned performance to fail to meet expected outcomes' (Tricker 2015). Also the Risk can be defined as 'the effect of uncertainty on objectives'¹².

Five attributes help enhancing risk management¹³: -

- 1- Every department should fully accept accountability of their risks, risk-controls and treatment plans and execution.
- 2- Emphasis on continuous improvement through setting performance goals.
- 3- The organisation should assign individuals responsible with particular roles in the risk management process. These individuals have full accountability for risk management.
- 4- Decision making incorporates risk management.
- 5- Transparent and timely reporting to stakeholders.

5.1 Principles of Risk Management

MAA adopts the following principles of risk management: -

- 1- Effective risk management **creates and protects value**, as its process urges continuous review of processes and systems.
- 2- Risk management is an integrated in the organisation's operations, its processes and governance framework.
- 3- Risk management is an integral part of decision making.
- 4- Risk management is consistent, structured and timely.
- 5- Risk management is proportional to the anticipated impact of the identified risks.
- 6- Risk management takes into account human and cultural factors.

Risk management is dynamic, iterative and responsive

¹¹ Schneider, A & Scherer, AG 2015, 'Corporate governance in a risk society', Journal of Business Ethics, vol. 126, no. 2, pp. 309–323.

¹² AS/NZS ISO 31000:2009, International Standard, ISO/IEC 31010:2009, First Edition, 2009.

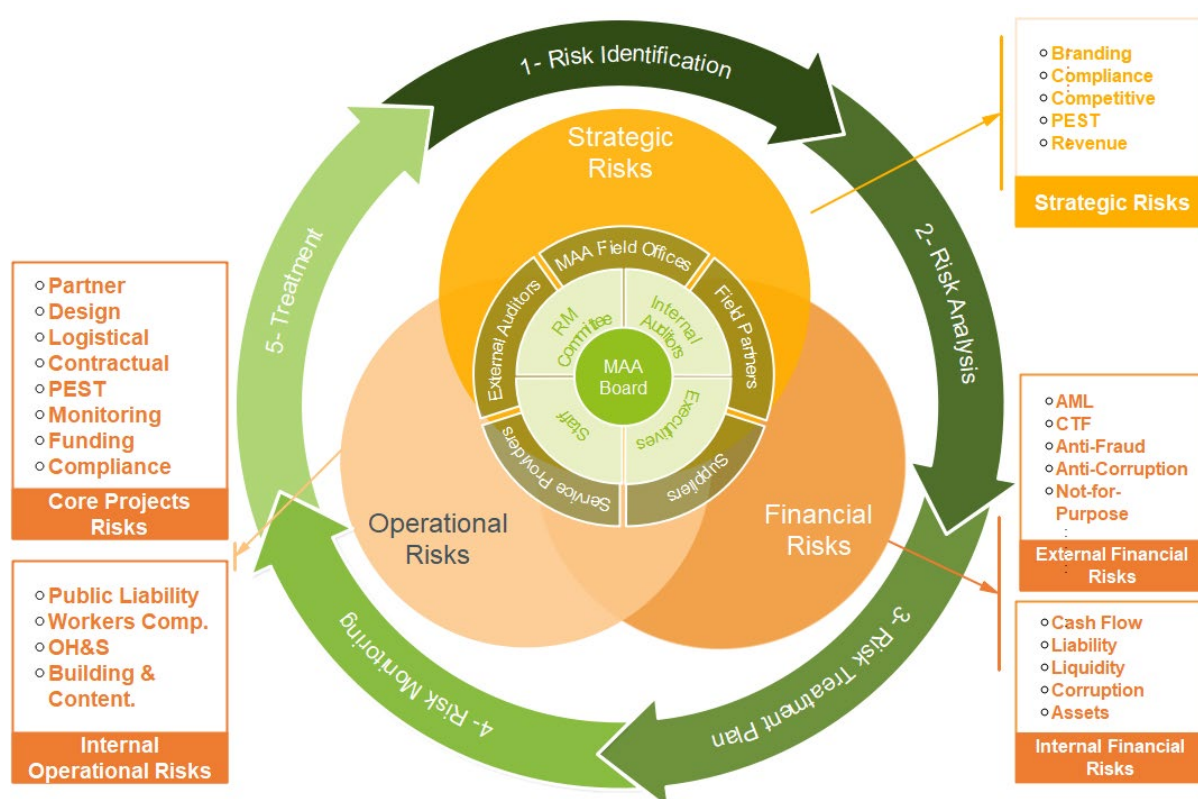
¹³ AS/NZS ISO 31000:2009, International Standard, ISO/IEC 31010:2009, First Edition, 2009.

5.2 Categories of Risks

Tricker (2015) categorised corporate risks into three different categories, Strategic Risks (that come from outside the organisation), Managerial Risks (that are concerned with risks that arise from the organisation’s activities) and Operational Risks (that are concerned with hazards within the organisation).

However, MAA defines also three, but different, categories of risks. Strategic Risks, Financial Risks and Operational Risks. The following diagram illustrates the MAA Enterprise Risk Management Framework.

Figure 4-1: MAA Enterprise Risk Management Framework.



Source: MAA Enterprise Risk Management – v4.0.

The following table proposes potentially risk categories that are more aligned to MAA’s industry: -

Table 5-1: Proposed risk categories.

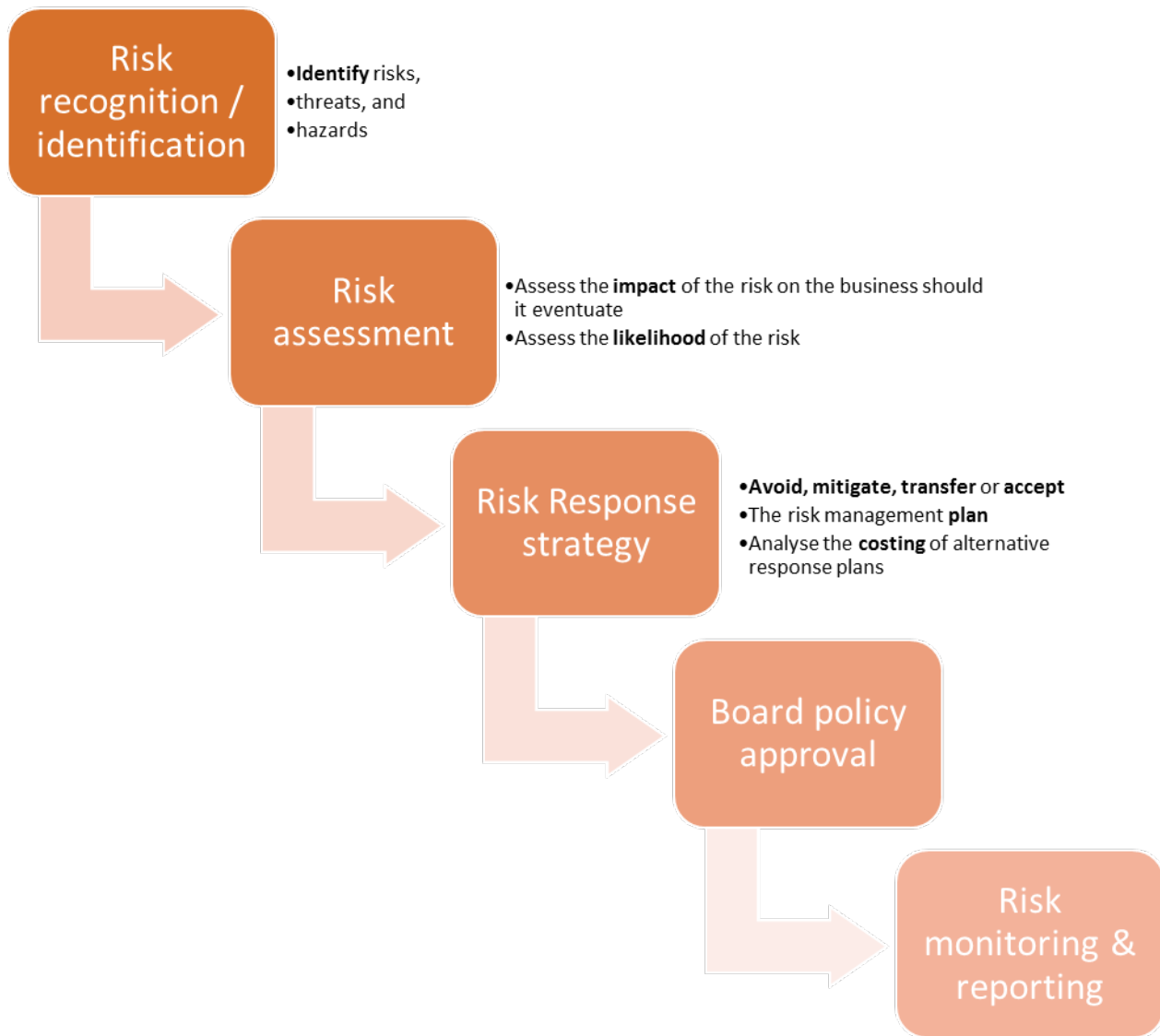
Function	Description
Strategic risks	Risks that are concerned with market share, competition, positioning, key performance indicators, partnerships, supply-chain, attainment of the set strategic goals, and truly living the organisation’s values, vision, and mission.
Operational risks	Potentially have two subcategories: - External operational risks: that are concerned with the humanitarian aid and development programs and projects. Internal operational risks: that are IT, workplace, HR, and workers related risks.
Financial risks	that are concerned with investments, fundraising, forex, accounting, anti-money laundering, terrorism funding, corruption, and assets

5.3 Risk Management Process

Tricker (2015) defined a 6-stage risk management process, which involves risk recognition, assessment, evaluation, management policies, board policy approval, and monitoring & reporting. MAA’s process is 5-step process that is highly aligned with the 6-step process, with a slight variation. MAA combines the *impact, evaluation & costing* in the ‘assessment’ step.

The following diagram illustrates the MAA’s risk management process.

Figure 5-2: MAA’s 5-step risk management process.



Source: MAA International Risk Management Plan – 2017.

For further details, refer to The Enterprise Risk Management Framework document.

6 Board Performance Appraisal

‘Strengthening the performance of boards in their governance responsibilities is widely assumed to be a key requisite for improving non-profit organizations’¹⁴. Some jurisdictions, e.g. the New York Stock Exchange, ‘requires boards of listed companies to conduct a self-evaluation at least annually’ (Tricker 2015, p. 436).

Analysing the MAA board minutes as at July 2018, it is apparent that the board does not undertake any performance evaluation activities. Potentially, one reason is because ‘the more successful the company, the more likely the board is to have long-standing retainers whose focus is on the past’ (Tricker 2015, p. 421). MAA has been witnessing substantial growth over the past 7 years. This growth has been a result of exceptional success and going from strength to strength at all aspects of operations, including compliance, projects, fundraising, donor satisfaction, admin ration and other performance ratios.

However, it is recommended for the MAA board to start undertaking a self-performance evaluation to ensure that the board is well-equipped and ready for the future.

There is an increased awareness that the performance of boards (good governance) ‘is not only determined by structural determinants but by behavioural determinants as well. These behavioural determinants might be particularly important for public and non-profit governance, where the role of the board is more diffuse and heterogeneous than in corporate governance’¹⁵.

Holland and Jackson (1998) identified six dimensions of board competency that seemed to capture the elements essential to effective governance:

- 1- **Contextual**: the board understands and takes into account the culture, values, mission, and norms of the organization it governs.
- 2- **Educational**: the board takes the necessary steps to ensure that members are well informed about the organization, the professions working there, and the board’s own roles, responsibilities, and performance.
- 3- **Interpersonal**: the board nurtures the development of its members as a group, attends to the board’s collective welfare, and fosters a sense of cohesiveness and teamwork.
- 4- **Analytical**: the board recognizes complexities and subtleties in the issues it faces, and it draws upon multiple perspectives to dissect complex problems and to synthesize appropriate responses.
- 5- **Political**: the board accepts that one of its primary responsibilities is to develop and maintain healthy two-way communications and positive relationships with key constituencies.
- 6- **Strategic**: the board helps envision and shape institutional direction and helps ensure a strategic approach to the organization’s future.

¹⁴ Holland, T, & Jackson, D 1998, ‘Strengthening board performance’, *Non-profit Management [sic] & Leadership*, vol. 9, issue 2, pp. 121-135.

¹⁵ Heemskerk k, Heemskerk E & Wats M, 2015, ‘Behavioural determinants of nonprofit board performance’, *Nonprofit Management & Leadership*, vol. 25, no. 4

6.1 Board Performance Framework

Some boards take an external perspective of the corporate governance performance, which relies purely on meeting external reporting requirements. However, such an approach is limited in its failure to consider the internal aspects of corporate governance and the readiness of the organisation to meet future challenges.

Some legislations, such as the UK Corporate Governance Code and the US National Association of Corporate Directors, recommends boards to: -

- Undertake a formal annual performance review of the board, its committees and individual directors;
- State the results of the performance valuation in the annual report.

The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition, include: -

- Recommendation 1.6(a) states that '*have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors*'.
- Recommendation 1.6(b) states that '*disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process*'.

Tricker (2015)¹⁶ suggests that approaches to assessing board's performance can be categorised into two categories, *external perspective*, and a *thorough approach*.

- The *external perspective* approach only checks whether the corporate is meeting its accountability reporting demands and whether the reporting matters to the stakeholders.
- The *internal perspective* covers the strengths and weaknesses of the board, processes of the board and its subcommittees, and takes into consideration the strategic direction of the company and the capacity of the board to undertake the defined strategies.

It is recommended that MAA board undertakes a hybrid approach by considering both the external and internal perspectives to their governance performance assessment.

The following diagram illustrates the Board Performance Evaluation framework.

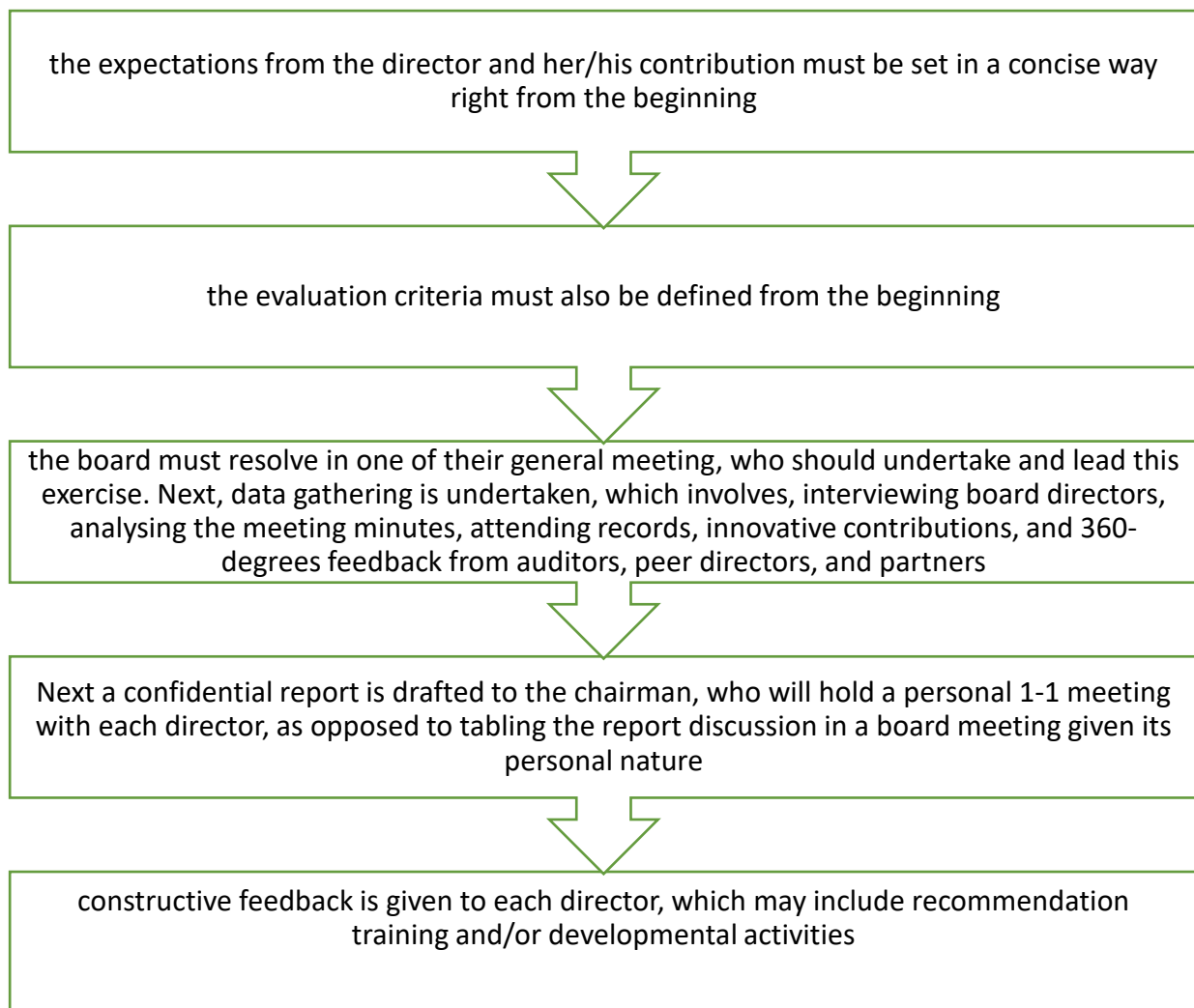
Figure 6-1: Board Performance Evaluation Framework.

¹⁶ Tricker, B 2015, *Corporate governance: principles, policies and practices*, 3rd edn, Oxford University Press.

6.2 Director Assessment

‘Currently, many director appraisals are informal’ (Tricker 2015, p. 447). MAA’s case is not different. For the appraisal exercise to be effective, Tricker (2015) suggests a number of important issues to be considered, as shown in the following diagram.

Figure 6-2: Director performance assessment process.



Although the chairman can personally undertake the directors’ performance appraisals, it is recommended for MAA to engage independent consulting services to undertake this task. The rationale behind this recommendation is to address the issue of “Who guard the guards?”. Another important reason is to avoid the “old boys club” syndrome.

6.3 Corporate Governance Ratings

‘The standard of corporate governance is an important element in the risk evaluation of a company’ (Tricker 2015, p. 450). There are a number of independent organisations that offer corporate governance ratings services, including *Standard & Poor’s (S&P)* with their famous GAMMA governance metric, *Moody*, *Fitch Ratings*, *Institutional Shareholder Services (ISS)* with their GRId analytical tool, *Governance Metric International*, the *Investor Responsibility Research Centre (IRRC)*, the *International Finance Corporation (IFC)* and *Core Ratings*.

Analysing these different organisations and their methodologies, tools, and metrics, we can conclude that most of them are more focused on the stock exchange, securities and financial risks aspects, especially *Fitch Ratings*, *Moody*, *GMI*, *Core Ratings* and *IFC*.

MAA is not a financial nor is it a for-profit institution. Therefore, these finance-focused metrics are likely not a good fit for MAA. For this reason, *IRRC* or *S&P* are potentially more suitable for MAA to consider and therefore are recommended.

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8 Revision History

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