



Department of Welfare

Codes of Good Practice for organisations

Purpose

The objects of the Nonprofit Organisations Act are to encourage and support nonprofit organisations in their contribution to meeting the diverse needs of the population of the Republic by: -

- creating an environment in which nonprofit organisations can flourish; and to
- encouraging nonprofit organisations to maintain adequate standards of governance, transparency and accountability, and improving those standards.

These codes of practice have been developed to achieve the above-mentioned objectives, and should act as a guideline for nonprofit organisations. Compliance will ensure professionalism and help to ensure confidence in the nonprofit sector.

Introduction

The nonprofit sector, as with most sectors, suffered from global isolation, restrictions, limited resources and inadequate relationships with other sectors. In order to overcome this burden, it is vitally important to address relationships, service delivery, transparency, accountability, governance and management to ensure development in our country. These codes of practice have been developed with the support of national, provincial and hundreds of individual NGOs and CBOs. These codes are based on the Constitution of South Africa, and attempt to stimulate change and to enrich the environment of the nonprofit sector. The codes are dependent on the active role played by and support of all nonprofit organisations.

Although the code of good practice was drafted to be as comprehensive as possible, it does not provide a detailed standard of conduct. Office bearers of nonprofit organisations are responsible

for the effective and efficient management and administration of their organisations, and also the maintenance of discipline according to their constitutions.

Codes of Good Practice

1. Definitions

- “accounting officer”** means, with regard to a nonprofit organisation, a person contemplated in section 60 of the Closed Corporations Act, 1984 (Act no 69 of 1984);
- “constitution”** includes a Trust Deed and Memorandum and Articles of Association;
- “nonprofit organisation”** means a trust, company or other association of persons –
- (a) established for a public purpose;
 - (b) the income and property of which are not distributable to its members or office bearers except as reasonable compensation for services rendered;
- “office bearer”** means a director, trustee or person holding an executive position;
- “fund-raiser”** means any of the following persons, volunteers or consultants employed by an organisation to solicit funds to further the organisation’s objectives:
- (a) marketing and fund-development Officer
 - (b) financial and resource development officer
 - (c) development manager
 - (d) social entrepreneur
 - (e) social marketing manager
 - (f) communications and fund-development officer.

2. Principles

As diverse as the activities of nonprofit organisations might be, common value systems belong to all of us. To combat poverty and inequality and to improve people's lives we must commit ourselves to the following principles:

- Being faithful to the Republic and honouring and abiding by the Constitution;
- Promoting the unity and wellbeing of the South African nation;
- Being responsive to the needs and welfare of the people of South Africa;
- Respecting the rights, culture and dignity of all people within the framework of the Bill of Rights, as enshrined in the South African Constitution, and enhancing race and gender equality (adhering to the spirit of 'ubuntu');
- Ensuring that there is no discrimination against any member of the public on account of race, gender, ethnic or social origin, colour, sexual orientation, age, disability, religion, political persuasion, conscience, belief, culture or language;
- Acknowledging that every human being has a unique value and potential, irrespective of origin, disability, ethnicity, gender, age, sexual orientation, beliefs, socio-economic and legal status;
- Believing in the dignity, equality and worth of all people, and in a fair and just society that protects and enhances the wellbeing of all its citizens;
- Participatory democracy;
- Mutual co-operation, collaboration and networking with other organisations around issues of mutual concern;
- People-centred development;
- Promoting voluntarism at all levels;
- Treating other organisations courteously and respectfully at all times;
- Ensuring the organisation remains true to its mission and objectives;
- Ensuring that the organisation presents itself and its policies in a positive light to the public, regardless of personal feelings or beliefs;

- Ensuring that the organisation is polite, helpful and reasonably accessible in dealings with beneficiaries, who are entitled to high standards of service;
- Striving for excellence, including efficient and effective service provision at all levels;
- Having regard to the circumstances and concerns of the beneficiaries in the making of decisions affecting them ;
- Ensuring that the organisation has honest and open relationships with others;
- Ensuring that the members serve the organisation in an unbiased and impartial manner in order to create confidence in the nonprofit sector;
- Ensuring that members at all times act in a manner which will uphold and promote the good name of the organisation;
- Ensuring that the organisation forms associations only with organisations that adhere to similar principles.

3. Leadership

For nonprofit organisations to achieve their objectives, office bearers have to be prepared for the different situations that face them daily. For nonprofit organisations to perform superbly, leadership requires enthusiasm and initiative, which can be used to achieve this in the following ways:

- Ensuring that the organisation has a clear vision, mission, objective and policy, and that the members and office bearers adhere to and identify with them;
- Ensuring that the office bearers understand and are responsible for overall policy-making, and accept ultimate responsibility for governance of all aspects of the organisation;
- Ensuring that the organisation's work is promoted;
- Diligently adhering to the provisions as spelt out in their respective constitutions and the regulations framed thereunder;
- Ensuring that the organisation is governed fairly, impartially and responsibly, and that it adheres to all relevant statutory requirements;

- Keeping communication open, with the objective of reducing potential suspicion and hostility;
- Adopting a policy that discourages office bearers from submitting tenders to the organisation or applying for staffing positions within the organisation. This policy must stipulate that if office bearers desire to do either, they must resign from management;
- Ensuring that a member or office-bearer does not abuse his or her position in the organisation;
- Ensuring that no member uses the property of the organisation for personal gain;
- Ensuring that no member makes decisions on behalf of the organisations without consulting with the rest of the office bearers;
- Developing a policy that prohibits direct or indirect conflict of interest by office bearers, members, employees and volunteers;
- Ensuring that members of the office are not involved in any action or decision-making process which may result in personal gain, unless such action or process is properly declared to the office bearers;
- Ensuring that staff members understand policies, procedures and processes, and are encouraged to ask questions if they do not feel sufficiently informed;
- Ensuring that staff members have the opportunity to contribute to innovative solutions;
- Specifying the regularity of meetings, quorums, and the role and powers of the office bearers;
- Recognising the organisation's members' and office-bearers' right of access to information;
- Within financial constraints, ensuring that office bearers reflect the race, gender and disability composition of South African society and the various target constituencies that the organisation works with, with regard to both their composition and their geographic spread.;
- Ensuring that employees of other nonprofit organisations (where conflicts of interest may arise) are not permitted to serve on an affiliate's management board, and that an employee of an affiliate (where conflicts of interest may arise) is not

permitted to serve on the management board of another NPO, unless with the prior permission of the employer of such an employee;

4. Accountability and transparency

One of the objects of the Nonprofit Organisations Act is to encourage and support nonprofit organisations in their contribution to meeting the diverse needs of the population of the country by encouraging them to maintain adequate standards of transparency and accountability. To improve these standards, an attempt must be made to achieve the following:

- The organisation must be accountable for its decisions and actions to the general public.
- Transparency must be fostered by providing timely, accessible and accurate information on the organisation to others.
- Opportunities must be provided for regular evaluations and updating of programmes that include stakeholders and community input.
- Mechanisms must be developed to enable all stakeholders to be involved in planning programmes that directly affect themselves.
- Annual general meeting must be held with full, open and accurate disclosure of relevant information concerning goals, programmes, finances and governance.
- Regular strategic planning sessions must be held to which relevant stakeholders are invited to contribute.
- Systems must be provided for regular evaluations of the impact of programmes and services on the community.
- Progress reports on lengthy processes must be submitted.
- Office bearers must approve the annual budget, appoint independent accounting officers and receive audited statements.

5. Management and human resources

Human resource development is often described as empowerment. This focuses on building human capacity and improving the skills of people. Various methods are used to create consciousness and awareness. These methods are also used to enable people to participate in identifying their needs, taking action to address them and in owning the process of development. To follow the best appropriate practices, office bearers should adhere to the following codes to achieving these ends:

- Periodically reassess the organisation's mission, objectives and operations, in the light of changing contexts and constituents' needs.
- Critically analyse the organisation's own practices and organisational culture, and implement those changes necessary to build a culture that encourages creativity, diversity, responsibility and respect, recognising all cultural groups as equal partners in developing the organisation.
- Develop adequate and acceptable systems of assessing skills, experience and qualifications, levels of responsibility and performance, and remunerate on this basis.
- Develop clear, well-defined written policies and procedures to be followed, which relate to all employees, members and volunteers. Such policies must adhere to the Labour Relations Act and other relevant legislation and must protect the rights of employers, employees, members and volunteers.
- Office-bearers and employees must execute their duties in a professional and competent manner.
- Establish and maintain disciplinary and grievance procedures with clear lines of authority and accountability.
- Have clear and transparent procedures for employing new staff and disengaging existing staff.
- Have clear staff-development policies that seek to empower all staff and volunteers to increase their skills to enable them to move to greater levels of responsibility.

- Encourage management to adopt interactive leadership styles and an ‘open door’ policy to facilitate good communication between staff and themselves.
- Maintain confidentiality about internal matters and problems.
- Members are punctual in the execution of duties.
- Members must not engage in any transaction or action that is in conflict with or infringes on the execution of their duties.
- Conduct periodic cost-benefit analyses of projects and review resource allocations.
- Promote the efficient, economic and effective use of resources.
- Develop and implement mechanisms to monitor the use of staff time.
- Members must not address the media or make public announcements on behalf of the organisation unless authorised by the office bearers.
- Develop internal procedures and control mechanisms and implement these to ensure the proper use of the assets of the organisation and clearly separate organisational use from private use.

6. Finances

Organisations addressing ethical, social and environmental responsibilities have a growing need for capital. Financial management strategies need to be developed and maintained by office bearers to ensure the appropriate use of funds. The following can be done to achieve these ends:

- Set up appropriate financial systems and employ qualified persons to administer and manage these systems.
- Comply with accepted accounting and auditing practices.
- Conduct annual financial audits.
- Prepare realistic project or organisational budgets, then monitor and adhere to them. In instances where it becomes necessary to make changes, the appropriate consultations should be undertaken and any amendments recorded.
- Have clear policies on loans and staff advances.

- Develop a policy regarding the receipt of outside honoraria and/or remuneration in order to avoid 'double' or inappropriate payment.
- Formally charge members for any attempt at fraud, theft or misappropriation and report this to the relevant authorities.
- Keep fund-raising and administration costs to a minimum.
- Ensure that funds provided are used only for the intended purposes.
- Wherever possible, ensure that the funding base of the organisation is diversified.
- Set up mechanisms for purchasing goods and services that are free from the vested interests of members of the our organisation and that are cost effective.
- Ensure that tenders and contracts encourage the participation of small and emerging businesses, particularly those owned by previously disadvantaged sectors of our society.
- Train volunteers and staff involved in fundraising to ensure that they always maintain the highest ethical standards.

7. Responsibility

The following encourage good behaviour and relationships with others and to ensure professionalism and confidence in the nonprofit sector:

- Promoting and advocating social welfare, involving social integration, social development, nation building and social justice.
- Being volunteer-driven, non-governmental, nonprofit and independent.
- Developing and maintaining services which are accessible and relevant to the basic needs of persons.
- Endeavouring to provide services in a form and language which is acceptable to the communities served.
- Maintaining structures, which ensure the devolution of power to regional and local level.
- Promoting community, volunteer personnel and consumer participation in structures and services.
- Striving to uphold social justice, democracy and human rights.

8. Implementation

- The organisation and its affiliates will subscribe to these codes of practice.
- In signing these codes, the organisation commits itself to regular internal reviews to ensure that it is adhering to these codes.
- The organisation and its affiliates agree that if they are found to be in transgression of these codes, they will be dealt with appropriately according to the organisation's constitution and the relevant statutory requirements.

Office bearers and persons serving in a decision-making capacity in the organisation shall sign and obey the codes of good practice and members shall adhere to the codes.

