CHAPTER 5

BEST PRACTICES

5.1   This Chapter provides *advice and guidelines* to the non-governmental organisations (NGOs) in respect of good management practices and processes which will be taken into account in the performance evaluation of NGOs.   NGOs are expected to take into account such advice and guidelines, which are aimed at helping NGOs to deal with the flexibility and accountability aspects of Lump Sum Grant (LSG).   Advice and guidelines are provided in respect of corporate governance, human resource management, management accounting and internal auditing.   These best practices will be updated from time to time to reflect the latest developments, to take account of feedback from the sector and to share best practices adopted by individual NGOs.   In between the regular updating, management advice and guidelines on other topics will be provided through the Social Welfare Department (SWD)'s other correspondence with the welfare sector.   The Service Quality Standards (SQSs) under the Service Performance Monitoring System (SPMS) also stipulate the principles and expectations of good management of NGOs.

CORPORATE GOVERNANCE

5.2   Corporate governance refers to the processes by which organisations are directed, controlled and held to account.   Good governance is essential for subvented NGOs to ensure proper use of public resources to the benefit of clients they serve.   The regard for prevention of corruption will further enhance the governance and accountability of the NGO management under the environment vested with flexibility and autonomy.   Some useful and readily available references on corporate governance as well as prevention of corruption are set out in **Annex 12**.

5.3   The key areas addressed here are the role of NGO Boards/ Management Committees; the involvement of staff in management matters; and the involvement of service users in service planning, delivery and monitoring.

Role of NGO Boards/ Management Committees

5.4   NGO Boards and Management Committees are responsible for the governance of the NGO.   They are governed by their own articles

of association and are entrusted with the responsibility to manage the affairs of the organisation. Subject to their own stipulated rules and regulations, they are ultimately responsible for the overall performance of the organisation. In general, NGO Boards/ Management Committees are tasked to :

(a) set the mission and goals of the NGO;

(b) determine service delivery modes which meet the changing needs of the community;

(c) ensure that public money is properly used for its designated purpose and the service performance meets the requirement of the Funding and Service Agreements (FSAs);

(d) assume responsibility for programme planning and budgeting, as well as for human resources management; and

(e) establish a community network and support system.

5.5 To enhance transparency and obtain updated feedback from relevant stakeholders, management boards and committees of NGOs should decide how best to involve staff and service users in the management process. This could take the form of allowing the latter's participation in the Board or Management Committees where appropriate.

Involvement of Staff in Staffing Matters

5.6 Human resources are the greatest asset of welfare services. Generally speaking, the NGO Board/ Management Committee is advised to consult staff on changes that may affect staff. Examples may include :

(a) revising the existing establishment structure;

(b) changing the remuneration package or the working conditions; and

(c) re-engineering and rationalisation of service delivery modes, and the subsequent manpower redeployment.

5.7   Specifically, as part of the special arrangements put in place to protect Snapshot Staff, NGOs operating under the LSG are required to honour their contractual obligations to Snapshot Staff by making full use of Provident Fund arrangements.

Involvement of Service Users in Service Planning, Delivery and Monitoring

5.8   NGOs should consider involving service users as far as practicable in service re-engineering, changing the existing service delivery mode and monitoring of service performance standard.   Service users' feedback can be obtained through a variety of means such as service user liaison groups, discussions or opinion surveys.

HUMAN RESOURCE MANAGEMENT

5.9   NGOs should have clear Human Resource Management policies and programmes in respect of performance appraisal, pay and reward systems, training and development, manpower planning, recruitment and staff communication.

Performance Appraisal

5.10   For the purpose of staff development, salary increment, promotion and performance management, NGOs should develop an objective and open performance appraisal system which should assess an individual's performance against agreed work objectives/ standards. The appraisal system should be the product of joint effort of the management and staff side such that it is a commonly agreed system.

Training & Development

5.11   To equip the organisation to meet future challenges, NGOs are advised to work out their staff training and development plans.   Such plans aim to enable staff to acquire the knowledge, skills, abilities and attitudes necessary to improve their performance and increase their effectiveness.

5.12   Existing managerial staff or staff with potential to take up managerial positions should be identified and given the proper training so that they would be knowledgeable and competent in the areas of financial management and human resource management.

Manpower Planning

5.13   Manpower planning is essential to ensure that an organisation will have the appropriate staff in place to provide efficient services, in both the short and long term.   On the basis of its plans, it can project its manpower and resource requirements to meet changing priorities.   It covers the areas of succession planning and turnover due to retirement, resignation, etc.   Succession planning assesses the requirements and changes in key posts, identifies candidates with appropriate competencies to fill these posts and ensures that replacement candidates are available and adequately prepared for succession.   NGOs are advised to formulate and review regularly a succession plan, which should identify :

(a)   the key posts and possible successors;

(b)   causes of turnover;

(c)   competencies of successors and the training required for them; and

(d)   posts for which no apparent successor exists and the remedial action planned, such as direct recruitment of outsiders.

5.14   A succession plan will help to ensure that NGOs have suitably-qualified staff to deliver services in the most efficient and cost-effective manner.

Recruitment

5.15   NGOs are advised firstly to decide on the grade, rank and the number of staff members to be recruited, and secondly to consider the most appropriate terms of appointment.   In doing this, the NGO may take into account the nature of the duties to be performed and the overall manpower deployment.   Regarding the selection, the NGO is advised to develop and use procedures which are clearly understood by candidates, to give candidates who meet the stipulated minimum requirements an equal opportunity for selection, and to select candidates on the basis of merit and ability.

Staff Relations

5.16   Staff relations involve effective communication between management and staff in order to secure maximum co-operation, commitment and motivation from staff.   In order to keep staff abreast of changes and to rally their support, NGO management may adopt, on an on-going basis, the following measures :

> (a)   set up a direct two-way communication network between management and staff such as staff-management liaison groups that meet regularly;
>
> (b)   maintain regular dialogue, close contact and good relationships with staff and/or staff representatives;
>
> (c)   provide effective means to gauge staff opinion and proactively respond to their needs; and
>
> (d)   provide a communication system for cross department/ service unit interface about the implementation of new initiatives/ practices within the organisation.

MANAGEMENT ACCOUNTING

5.17   Output control and performance management are essential features of LSG.   To support performance management, NGOs are encouraged to develop their management accounting activities which include, for example, budgetary control and calculation of unit costs. Management accounting has an important role to play in promoting efficiency, cost effectiveness and efficient deployment of resources.

INTERNAL AUDITING

5.18   In order to enhance accountability and financial control, NGOs are encouraged to develop auditing activities such as Internal Audit and Audit Committees.   In undertaking such audit activities, NGOs will have to take into account the size and nature of its organisation together with the services they provide.

5.19   Internal audit provides an independent appraisal of the activities of an organisation and assists its management in ensuring that there are adequate control procedures and systems to safeguard the

organisation's assets.   Internal auditors work alongside operational managers and share the same organisational goals with them.   Internal auditors also assist top management by providing the latter with an independent and objective assessment of the use of the organisation's financial, human and physical resources in terms of economy, efficiency and effectiveness.

5.20   Audit Committee is a feature of corporate governance.   It is usually established by an organisation's Board of Directors to deal mainly with the review and supervision of the organisation's financial reporting process and internal control.