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Developing Good Governance Practices within the South African NPO Sector : Benchmark Study Report

CHAPTER THREE

Assessment Report on the Practical Implementation of the Codes of Good Practice

October 2009

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PREFACE

The Nonprofit Organisations Act, (Act No. 71 of 1997) (hereinafter referred to as NPO Act) was enacted as the government's endeavour to provide a regulatory dispensation in complementary with a self-regulation framework that posed tremendous challenges to all those interested in a vibrant civil society in South Africa. Accountability and good governance are indispensable in any regulatory system.

The Act mandates the Department of Social Development (DSD) to contribute towards an enabling environment within which nonprofit organisations (NPOs) can flourish. One of the objects of the NPO Act is to encourage NPOs to maintain adequate standards of governance, transparency and accountability as well as improving those standards.

In the year 2001, as part of its statutory mandate, the Directorate for NPOs within DSD issued the Codes of Good Practice (CGP) for NPOs to encourage self-regulation within the sector. All registered organisation are therefore encouraged to ensure that their own founding documents comply with the basic requirements of good governance in terms of the NPO Act.

However, over a period of time, it has become apparent that most NPOs do not comply with these basic standards of good governance. This is evident in the recent research conducted by the Department in 2005 on the Impact Assessment of the NPO Act. This study revealed a general lack of capacity within NPOs to manage their affairs including maintaining good governances for the organisation. This situation poses the greatest threat to efforts to maintain high standards across the sector, particularly among community based organisations (CBOs)[1].

Further to these challenges, about 20% of all organisations that apply for registration as NPOs do not meet the requirements of section 12 (2) on first attempt to get registered and more than 80% of registered NPOs do not submit their annual reports as required in terms of section 18 of the Act.

Pursuant to remedying the situation and as a further contribution to creating an enabling environment within NPOs to function efficiently, in 2008, the Department commissioned this study to benchmark good governance practices within NPOs in South Africa with an objective of improving the standards of governance and administration within non-profit organisations.

The exercise was aimed at assessing the practical implementation of the CGP in the sector comparing this with other South African and international best practice

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[1] Department of Social Development, Assessment of the NPO Act - 2005

models. It further sought to design mechanism that will close the identified gaps including the development of responsive training programmes.

The research was conducted between March 2008 and July 2009. In carrying out the study, a Technical Reference Group (TRG) comprising members of the NPO sector, representatives from various provinces and relevant units within the Department of Social Development spearheaded by the NPO Directorate was formed to serve as a sounding board and provided strategic feedback on the findings of the study at the different phases.

This report therefore presents the findings in terms of all the gaps identified as well as recommendations in closing those gaps. The Department of Social Development foresees the outcomes of the study as essential for addressing the capacity needs of NPOs as well as entrenching and encouraging the sector to adopt good governance practices not only to enhance their ability to function but to meet the diverse service delivery needs of the broader South African communities. These outcomes are crucial more so considering an important role that the NPO sector plays as an important government partner in service delivery.

ACRONYMS AND GLOSSARY OF TERMS

AU	African Union
CBO	Community Based Organisations
CGP	Codes of Good Practice
CSI	Corporate Social Investment
DSD	Department of Social Development
EC	Eastern Cape
FS	Free State
GP	Gauteng Province
KZN	KwaZulu-Natal
LP	Limpopo Province
MP	Mpumalanga Province
NC	Northern Cape
NDA	National Development Agency
NPO Act	Non-profit Organisations Act No. 71 of 1997
NW	North West
SADC	Southern Africa Development Community
SAQA	South African Qualifications Authority
SETA	Sector Education and Training Authority
WC	Western Cape
Nonprofit organisation:	A collection of people who come together for common purpose, and agree to formalise a programme to fulfil this purpose. They conduct activities towards this purpose and should there be excess income after expenditure, this excess is made available to the benefit of the purpose.

1.　　INTRODUCTION

The Department of Social Development as the custodian of the Nonprofit Organisations Act, 1997 (Act No 71 of 1997) is mandated to encourage non-profit organisations to maintain adequate standards of governance, transparency and accountability. The department issued the Codes of Good Practices in 2001 to assist non-profit organisations to maintain such standards.

In 2005 the department commissioned an independent study of the impact of the NPO Act. The study found, amongst other things, that donors, nonprofit organisations (NPOs) and government officials expressed misgivings about the level of compliance with the NPO Act and a general sense of limited practical implementation of the Codes of Good Practices.

In 2008 the Department commissioned this study to benchmark good governance practices within NPOs in South Africa with an objective of improving the standards of governance and administration within NPOs.

The specific objectives of the study were:

- To assess the practical implementation of the Codes of Good Practice by NPOs
- To identify good practice models of good governance, nationally and internationally, that could serve as benchmarks for good governance practices for organisations registered under the NPO Act.
- To assess the nonprofit sector's level of compliance with standards of governance, transparency and accountability as recommended by the Code of Good Practice and the NPO Act.
- To develop a training programme that can address the gaps in implementation of the Codes of Good Practice.
- To make recommendations to address the gaps and challenges identified in the implementation of the Codes of Good Practice. This includes making recommendations on the content of the code.

This research is reported in series of three different volumes as:

- Chapter 1: Executive Summary and Recommendations;
- Chapter 2: Comprehensive Literature Review;
- Chapter 3: Assessment on the practical implementation of the Codes of Good Practice and compliance with standards of governance, accountability and transparency;

This part of the report contents the results of the two assessments that were conducted as part of the benchmarking governance practices of NPOs. The first assessment was desktop one that sough to investigate the level of compliance to

standards of governance, transparency and accountability, while the second assessment was the fieldwork that looked at the practical implementation of the CGP. Albeit the study encloses two assessment exercises, they will be reported in a chronological but more integrated manner. This part of the report can therefore be divided as follows.

Description	Sample size	Data collection methods	Key research questions
Assessment 1: Assessing compliance	1044 registered NPOs	Reviewing annual narrative reports and financial reports of registered NPOs, using a structured questionnaire	To what extent do NPOs comply with reporting requirements set out in CGP and NPO Act?
Assessment 2: Assessing practical implementation of CGP	150 registered NPOs	Face-to-face interviews with Board Members and Management, using a structured questionnaire	To what extent are NPOs aware of the CGP? To what extent do NPOs use the CGP? What are NPO perceptions of the usefulness of the CGP? What training needs do NPOs identify?

This report is divided into different components. The first component provides an brief overview on the regulatory environment within which nonprofit organisations operates in South Africa by relating the important compliance requirements of the NPO Act and other relevant legislation including the Codes of Good Practice for South African NPOs. The second component relates the how the research was designed and details the methodology and other limitations associated with the design of the study. The third component discusses critical findings and key issues emerging from the study in a thematic manner. The last part of the report makes specific recommendations to address the gaps for strengthening governance in the NPO sector.

2.   THE NONPROFIT ORGANISATIONS REGULATORY FRAMEWORK

2.1   Registration of NPOs

The Non-Profit Organisations Act No. 71 of 1997 came into operation on 1 September 1998 as a result of a lengthy process of policy and legislative reform negotiated between the state and civil society organisations.

Primarily, the NPO Act hopes to achieve its objectives of creating an enabling environment for NPOs and setting and maintaining adequate standards of governance, accountability and transparency by creating a voluntary registration facility for NPOs.

The Act provides a registration facility for the existing South African legal forms for NPOs, Section 21 Companies, Trusts and Voluntary and other non profit Associations, provided that certain minimum establishment requirements and annual reporting requirements are complied with.

NPOs receiving grants from the Department of Social Development are required to register as an NPO. Similar requirements exist in other departments such as the Department of Health.

The NPO Act is aimed at creating an environment which will enable NPOs to flourish. Thus it seeks to establish a regulatory framework within which NPOs can conduct their affairs and encourage NPOs to maintain adequate standards of governance, transparency, and public accountability.

2.1.1 Registration of NPOs

The NPO Directorate in the National Department of Social Development is the registration authority for NPOs. The certificate of registration is sufficient proof that the NPO is registered. An NPO remains registered until it is deregistered by the NPO Directorate.

The registered NPO's duty is to keep accounting records, provide reports and information. Once registered, an NPO is obliged to comply with various information and reporting provisions and formalities. In this regard the NPO must:

- Reflect its registered status and registration number on all its documents.
- Keep and preserve accounting records and supporting documentation for the prescribed period.

- Within six months of the end of its financial year, draw up financial statements which include a statement of income and expenditure and a balance sheet.

- Arrange for an accounting officer to compile a written report within two months after drawing up its financial statements confirming that the financial statements are consistent with the accounting records; the accounting policies are appropriate and applied, and that the organisation has complied with the financial reporting requirements of the Act.

- Submit to the Directorate a narrative report in the prescribed form together with its financial statements and the accounting officer's report within nine months of the end of its financial year.

- Submit to the Directorate the contact details of its office bearers, even if they were reappointed within one month of their appointment; the NPOs physical address for service of documents and notice of any change of address one month before it takes effect, any other prescribed/information reasonably required by the Directorate for the purposes of ascertaining whether the NPO is complying with the material provisions of its constitution and the Act.

Non-compliance by a registered NPO with its constitution and its obligations in terms of the Act, after receipt of written notification requesting it to comply within a certain period, may result in cancellation of its registration. It may also be referred to the South African Police Services for criminal investigation, should such non-compliance constitute an offence.

2.1.2 NPO Directorate

The NPO Act provides for the establishment of the NPO Directorate which replaced the Fundraising Directorate. The NPO Directorate is responsible for promoting compliance with the NPO Act and to provide support to NPOs in achieving compliance with the Act and standards of accountability and good governance in general. The NPO Directorate is responsible for the registration of NPOs and for receiving all reports and documents associated with their continued administration.

The NPO Directorate also has a mandate to contribute to enhancing the institutional capacity of the NPO sector. Activities in support of enhancing institutional capacity include training of community development practitioners, developing accredited training on governance, and institutionalising dialogue with the NPO sector. The NPO Directorate also engages in research to build on the body of knowledge about the NPO sector in South Africa, the region and

on the African Continent. The Codes of Good Practice developed by the NPO Directorate represents one of its earliest interventions in supporting the institutional development of NPOs.

The NPO Directorate and the National Development Agency (NDA) have complementary and to some extent, overlapping interests. The NDA is a statutory body with the mandate to contribute to poverty eradication by making grants available for implementing projects in poor communities and grants for strengthening the institutional capacity of civil society organisations that provide services to poor communities. The NDA also has a mandate to promote consultation and dialogue between civil society organisations and state organisations, and to conduct research. Both the NDA and the NPO Directorate have an interest in strengthening the institutional capacity of civil society organisations, especially community based organisations that form a significant proportion of the NDA's grantees.

2.2   An Overview of the Codes of Good Practice for the NPO Sector

The Codes of Good Practice (CGP) were developed by the Department of Social Development to strengthen the provisions of the NPO Act. The codes were developed through an extensive consultative process with many national and provincial non-governmental organisations (NGOs) and community based organisations (CBOs). The codes were first published by the department in 2001 and have remained unaltered since then.

The codes are intended as a guideline to all NPOs. The purpose of the codes is to give effect to the mandate of the department to encourage and support NPOs by:

- Creating an environment in which NPOs can be productive.
- Enhancing the abilities of NPOs to be effective development partners with government and the private sector in the development of communities.
- Encouraging NPOs to be responsible for ensuring that they respond to and maintain high standards of practice in good governance; effective management; optimisation of resources; successful fundraising; productive relationships with stakeholders, donors and beneficiaries; sound administration; and ethical behaviour.

The CGP are divided into three distinct but related codes:

- Nonprofit Organisation Leadership and Management
- Nonprofit Fundraising and Resource Mobilisation
- Roles and responsibilities of Donor and Sponsors

It is important to note that the codes are voluntary. NPOs registered with the Department of Social Development are encouraged to subscribe to the codes.

Subscribing to these codes is not a requirement for registration or for continued registration as an NPO with the department. The implementation component of the code suggests that the relevant NPO office bearers, fundraisers and donors and sponsors sign up to the codes. This commits them to regular internal reviews to ensure adherence to the codes. These codes are thus regulated by NPOs themselves.

In the case of the NPO transgressing the codes, the governing body, management and affiliates undertake to deal with transgressions on a case-by-case basis in accordance with the NPOs constitution and requirements for registration. Transgressions of the fundraising code are to be dealt with in accordance with the organisation's internal policies and practices and relevant contractual requirements. Transgressions by grant makers and affiliates are to be dealt with in accordance with the organisation's internal policies and practices.

2.3   Registered NPOs

The total number of NPOs registered with the Department of Social Development as at end of May 2008 was 48 772. This number does not represent the total number of NPOs as registration in terms of the NPO Act is voluntary. The provincial distribution of registered NPOs is shown in Table 1.

Table 1: Distribution of registered NPOs per province

Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
Number of registered NPOs	4177	2969	15765	9296	5268	3132	2499	1154	4612	48772

Gauteng has the largest number of registered organisations, followed by KwaZulu-Natal while the Northern Cape had the smallest number.

The organisations can be classified according to their fields of operation as shown in Table 2. The categories are based on the classification used by the Department of Social Development.

Table 2: Distribution of Organisations per classification

Description	Number	%
Business, Professional, Unions, Philanthropic	231	0.5
Culture, Education, Research	12 347	25.3
Social Service	22 914	47.0
Health	5 981	12.3
Environment, Development, Housing	762	1.6
Religious congregations	5 323	10.9
Civic and Advocacy	1 214	2.5
TOTAL	**48 772**	**100.0**

The largest proportion (nearly half) of registered organisations is classified as social services. This is to be expected as many organisations, in particular, community based organisations, register in order to receive grant funding from the state.

3.   RESEARCH DESIGN FOR THE ASSESSMENT

3.1   Overall Objectives of the Assessment

The objectives of assessing the practical implementation of the Codes of Good

Practice (CGP) by NPOs was:

- To assess NPOs' awareness and perceptions of the Codes of Good Practice
- To assess the practical implementation and usefulness of the Codes in the following areas:
    - Compliance with registration
    - Good governance and accountability
    - Planning and managing (good administration)
- To make recommendations to amendments to the Codes of Good Practice and related regulatory framework for NPOs

Two assessments were conducted utilising a combination of methodologies. The first assessment was a desktop that sought to investigate the level of compliance of registered NPOs to the standards of governance, transparency and accountability. The second assessment was the fieldwork that looked at the practical implementation of the CGP.

3.2   Methodology

The following methods were used both the Desktop and Fieldwork exercises:

3.2.1 Desktop Assessment

3.2.1.1   Sampling

From the population of 48772 NPOs a random sample of 1043 NPOs was selected for a desktop study, significant at the 95% confidence level and at 3% confidence intervals. This would allow for generalisations to be made from findings made in the study to the population from which it was drawn. To limit the margin of error to the minimum, the NPOs were drawn in proportion to the provinces where they are situated and the organisational classification they represented. The sampling was made to be representative of the provinces and classifications by allocating numbers according to the weighting they carry on a proportional basis. Annexure B provides a detailed outline of the sampling procedure.

3.2.1.2   Provincial distribution and categories of NPOs in sample

All provinces were included in the sample, in proportion to their representation in the population of organisations registered with the

Department of Social Development. Table 3 shows the provincial representation in the sample and in the population of registered NPOs.

Table 3: Provincial Distribution of NPOs

Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
# of registered NPOs	4177	2969	15765	9296	5268	3132	2499	1154	4612	48772
% of N	**8.6**	**6.1**	**32.3**	**19.1**	**10.8**	**6.4**	**5.1**	**2.4**	**9.5**	**100.0**
Sample drawn (n)	89	63	334	202	110	67	54	25	99	1043
% of n	**8.5**	**6.0**	**32.0**	**19.4**	**10.6**	**6.4**	**5.2**	**2.4**	**9.5**	**100.0**

As can see be seen from the above table, the provincial distribution in the sample is in proportion to the provincial distribution of registered NPOs in the population. Gauteng has the largest proportion of registered NPOs in the sample (19.4%) followed by KwaZulu-Natal and Limpopo. The Northern Cape has the smallest proportion of registered NPOs (2.4%) in the sample. It is surprising that Limpopo has slightly more registered NPOs than the Western Cape, given the predominantly rural nature of the province.

Table 4 below shows the distribution of registered NPOs in the sample, according the classification used by the Department of Social Development.

Table 4: NPOs by Classification

Classification	EC	FS	GP	KZN	LP	MP	NW	NC	WC	Total	%
Business and Professional Associations, Unions	1	1	26	4	1	1	1	2	4	41	3.9
Civic and Advocacy	2	1	7	2	1	0	3	0	4	20	1.9
Education, Culture and recreation	22	13	67	37	33	11	11	7	14	215	20.6
Environment, Development, Housing	1	1	7	2	1	1	1	1	3	18	1.7
Health	12	9	31	23	14	12	7	4	5	117	11.2
Religious Congregations	8	5	51	22	5	5	3	2	14	115	11.0
Social Service	42	17	137	96	55	29	27	7	55	465	44.6
Not elsewhere classified	1	16	8	16	0	8	0	3	0	52	5.0
Sample size	**89**	**63**	**334**	**202**	**110**	**67**	**54**	**25**	**99**	**1043**	**100.0**

The largest proportion of NPOs in the sample was classified as social services NPOs (44.6%). The range of social services covered in the sample includes crèches, rural development projects, youth development projects and small income generation projects.

NPOs in the Education, culture and recreation category comprised the second largest grouping in the sample (20.6%). This broad category includes preschool centres, choral society, arts groups and sporting organisations. NPOs in the health category and the religious congregations were almost

equally represented in the sample (11.0%). NPOs dealing with environmental issues, development and housing formed the smallest proportion of the sample (1.7%).

When looking at the distribution of NPO categories across the provinces, the business and professional associations are concentrated in Gauteng. This is to be expected as a number of these organisations are headquartered in Gauteng.

3.2.1.3   Data Collection

The data for the study were collected through a structured questionnaire completed electronically by data collectors. The questionnaire is shown in Annex C. The questionnaire was developed in consultation with the Technical Reference Group and was tested prior to implementation. The data collectors were trained for one day in the application of the questionnaire and their performance was monitored throughout the data collection period.

The electronic files of the 1043 organisations in the sample were transferred to a database for use by the data collectors. Each file was scrutinised for the information required by the questionnaire. Once all the data had been collected, the responses to each question for all 1043 files were verified.

3.2.1.4   Limitations

The study confined itself to organisations registered with the Department of Social Development. It therefore excluded those organisations that might be registered with the Department of Trade and Industry as well as those organisations that operate without any form of registration. The results of the study are therefore only pertinent to those organisations registered with the Department of Social Development.

One of the concerns raised by the Technical Reference Group was that a sample might not be representative and that it would be preferable to have a very large sample, as close as possible to the population size. Given the large population of in excess of 48 000 registered NPOs, this was not feasible. The researchers took care to construct the sample at the 95% confidence level and at the 3% confidence interval. As shown in the sampling methodology in Appendix B, doubling the sample size from 1044 to 2400 did not achieve a large enough decrease in the margin of error to justify the additional time and resources that would be required.

The study was reliant on the department's database and as is the case with databases, the information is not always captured accurately or consistently. This presented challenges to the data collectors as it was not always clear if the information on the department's system was entered incorrectly or was

entered exactly as provided by the registered organisation. The data collectors were instructed to enter information exactly as they found it on the department's system and not to correct the information.

3.2.2 Desktop Assessment

3.2.2.1 Sampling

From the desktop sample of 1043 which now constituted the population, a sample of 150 NPOs was drawn for interviews, significant at the 95% confidence level and at the 3% confidence interval as demonstrated in table 5 below. The interview sample was drawn such that it was proportionally representative of the provincial and NPO classifications from which it was drawn.

Table 5: Interview Sample by Province

Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
Desktop sample size	89	63	334	202	110	67	54	25	99	1043
Interview sample size	13	8	49	30	15	9	7	4	15	150

To be proportionate to the NPO classifications in the population, the sample was drawn as shown in Table 6 below.

Table 6: Interview sample by NPO classification

Classification	EC	FS	GP	KZN	LP	MP	NW	NC	WC	Total
Business and Professional Associations, Unions	0	0	1	1	0	0	0	0	1	3
Civic and Advocacy	0	0	2	1	0	0	0	0	1	4
Education, Culture and recreation	4	2	12	7	5	2	2	1	3	38
Environment, Development, Housing	0	0	1	1	0	0	0	0	1	3
Health	2	1	4	4	2	2	1	1	1	18
Religious Congregations	1	1	7	3	1	1	0	0	2	16
Social Service	6	4	22	13	7	4	4	2	6	68
Sample size	**13**	**8**	**49**	**30**	**15**	**9**	**7**	**4**	**15**	**150**

Due to the proportionate reduction in size from 1043 to 150 NPOs, some of the classifications were not represented provincially, hence the zeros. The overall totals per NPO classification are however proportional to the population from which they were drawn.

3.2.2.2 Data Collection

Data collection was conducted through administering a structured questionnaire in face-to-face interviews. The comprehensive questionnaire used in the interviews was drafted and refined with inputs from the members of the Technical Reference Group.

The questionnaire sought to collect data on NPO awareness of the CGP, their perceptions of its usefulness, their understanding of and compliance with the NPO Act, how they practised good governance, how the CGP contributed to their development and compliance with the Act, and to identify challenges that they experienced in compliance and what their training needs are.

The questionnaire was administered to two NPO officers, one representing the Governing Board and the other representing management, in interviews by trained fieldworkers.

A team of fieldworkers was selected and trained to administer the questionnaire to selected sample members. Appointments were made prior to their departure using contact details that the NPOs supplied on their application forms for registration. Where the contact phone numbers were not operational, fieldworkers were still sent to conduct cold calls using physical addresses supplied by the NPOs in their application forms for registration. The only exceptions were NPOs in the Eastern and Western Cape where telephone interviews were conducted. The majority of NPOs in these two provinces could not be contacted by telephone. Experience from interviews in other provinces was that NPOs that could not be contacted by telephone were likely to have ceased operations and were no longer active. As only 1 NPO could be contacted in the Western Cape and five (5) NPOs could be contacted in the Eastern Cape, conducting these interviews by telephone was more cost effective.

3.2.2.3 Limitations

Notwithstanding the thoroughness of the sampling method, the realised sample was smaller than the target sample. Of the 150 NPOs that were selected for interviews and contacted, only 65 or 42.7% were found to be active and still operational. The rest had ceased to exist. This conclusion was reached after exhaustive enquiries were made by telephone and by physical visits to the last known physical address and verbal enquiries in that vicinity about the existence of the NPO.

Provinces that had high rates of attrition are Mpumalanga, Western Cape, Limpopo, Eastern Cape and the Free State. No interviews were conducted with NPOs from Mpumalanga. The North West and Northern Cape provinces retained all the organisations in the original sample.

A decision was made by the research team in consultation with the Steering Committee not to draw new sample sets in order to reach the sample target. Instead, the fieldworkers were required to visit all NPOs that had physical addresses even though they could not be contacted by telephone. These site

visits provided confirmation on whether or not the NPO was still in operation. It was felt that this information would be useful to the NPO Directorate as it could provide an indication of the accuracy of the NPO database. The logistics involved in conducting on-site interviews across the country were complex and drawing new cases for the sample would have incurred significant delays and costs in executing the field work.

Although the number of NPOs interviewed is below the target sample, the researchers are of the view that the information gathered through these interviews does provide valuable insights into the practical implementation of the CGP.

4. RESEARCH FINDINGS

4.1 Desktop Study Findings

The following are key findings from the desktop study

4.1.1 Type of Legal Entity

Registered NPOs can also be grouped according to whether they are voluntary associations, trusts or section 21 companies. The groupings of NPOs in terms of the legal entity status are shown in Table 7 below as sampled.

Table 7: NPO by type of legal entity

Percentage (%)			
Province	**Voluntary Associations**	**Trusts**	**Section 21 companies**
Eastern Cape	94.4	2.2	3.4
Free State	96.8	1.1	1.1
Gauteng	91.3	3.6	5.1
KwaZulu-Natal	95.5	1.5	3.0
Limpopo	98.2	0.9	0.9
Mpumalanga	98.5	0.0	1.5
North West	98.1	1.9	0.0
Northern Cape	100.0	0.0	0.0
Western Cape	84.8	7.1	8.1
TOTAL	**93.9**	**2.6**	**3.5**

The majority of registered NPOs in the sample were voluntary associations (93.9%). In all provinces except for the Western Cape, over 90% of the NPOs were voluntary associations. The Western Cape had a highest proportion of NPOs registered as Trusts (7.1%) and Section 21 companies (8.1%), followed by Gauteng (3.6% and 5.1%, respectively). This is likely to be a reflection of the urban bias of these two provinces.

4.1.2 Annual Revenue

The survey collected data on the annual revenue of the NPOs in the sample. The information is shown in Table 8.

Table 8: Annual Revenue of NPOs

	Percentage (%)				
Province	**Less than R 50 000**	**R 50 00 to R 999 999**	**R 1 million to R 1 999 999**	**R 2 million and above**	**Not known**
Eastern Cape	98.9	0.0	0.0	1.1	0.0
Free State	14.3	0.0	0.0	0.0	85.7
Gauteng	23.4	0.0	1.8	1.2	73.7
KwaZulu-Natal	12.9	0.0	2.0	0.5	84.7
Limpopo	97.3	0.9	0.0	1.8	0.0
Mpumalanga	17.9	0.0	0.0	0.0	82.1
North West	98.1	1.9	0.0	0.0	0.0
Northern Cape	8.0	4.0	0.0	0.0	88.0
Western Cape	96.0	0.0	2.0	2.0	0.0
TOTAL	45.1	0.3	3.3	1.0	50.4

Over 50% of the cases in the sample had no information on the annual revenue. This made it difficult to gain a reasonably accurate picture of the financial capacity of the registered NPOs in the sample. However, when analysing the data at provincial level, it is possible to determine the annual revenue for the Eastern Cape, Limpopo, North West and the Western Cape as the financial information was available in all their cases. In these four provinces over 90% of NPOs have an annual revenue of under R50 000. This is consistent with the 2005 Impact Assessment study which found that at least 73% of voluntary associations registered with the Department of Social Development had annual revenue of less than R50 000.

There was a very small percentage of NPOs with income of R1 million or more, in the Eastern Cape, Gauteng, KwaZulu-Natal and the Western Cape. These included national trusts, welfare organisations, churches and education foundations.

4.1.3 Length of registration

The survey collected information on the length of registration of NPOs in the sample as the length of registration could provide some indication of whether the NPO has had sufficient time to adjust to the compliance requirements and expectations of the NPO Act. The information is set out in Table 9.

Over half of the NPOs in the sample (59.2%) have been registered as NPOs for less than 5 years (registrations 2004 to 2008), while 41% of NPOs have been registered for 5 years or more (1998 to 2003). A small percentage of NPOs in the sample have been registered with the Department of Social Development for close to 10 years (0.2%).

Table 9: Year of registration of NPO

Year of registration	%
1998	0.2
1999	2.1
2000	3.7
2001	6.1
2002	13.2
2003	15.6
2004	13.4
2005	17.4
2006	11.0
2007	15.3
2008	2.1

Registrations
1998 to 2003 = 41%

Registrations
2004 to 2008   = 59%

Assuming that NPOs need a maximum of three years to adjust to the compliance requirements of the NPO Act and practices promoted by the CGP, all NPOs registered between 1998 and 2005 can be expected to be ready to meet these requirements and expectations. This would constitute 76.6% of NPOs in the sample.

4.1.4 Meeting reporting standards

The Department of Social Development requires that entities registered in terms of the NPO Act should submit two reports:

- An annual narrative report that provides a description of the NPO's main activities during the preceding 12 months, its main achievements, details of important meetings and any changes to the constitution.

- An annual financial report that is completed by a registered accounting officer or auditor. The annual financial report provides basic information on income and accounting details and must be accompanied by the most recent annual financial statements.

These two reports must be submitted together within nine (9) months of the organisation's financial year end. The NPO Directorate has published a model or guideline for NPOs to use when submitting their reports. Submitting these annual reports is not merely an issue of compliance with requirements for continued registration with the Department of Social Development. Annual reporting is an important vehicle through which the NPO makes itself transparent and accountable to beneficiaries, donors, other stakeholders and members of the public, as set out in the CGP.

4.1.4.1 *Submission of annual financial reports*

Overall the compliance rate for submitting the annual financial reports was low. Only 13.8% of the NPOs in the sample submitted an annual

financial report and 86.2% did not. The compliance rate is shown in Table 10.

Table 10: Annual reports submitted

Percentage (%) n=1043		
Province	Submitted Annual Financial Report	Did not submit Annual Financial Report
Eastern Cape	6.7	93.3
Free State	14.3	85.7
Gauteng	16.2	83.8
KwaZulu-Natal	13.4	86.6
Limpopo	10.0	90.0
Mpumalanga	7.5	92.5
North West	7.4	92.6
Northern Cape	8.0	92.0
Western Cape	30.3	69.7
TOTAL	14.2	85.8

The Western Cape had the highest compliance rate of all the provinces (30.3%). This is consistent with the view that NPOs in the Western Cape are better capacitated to meet compliance requirements. The Eastern Cape had the lowest level of compliance with financial reporting (6.7%).

The overall compliance level is lower than the compliance level reported in the NPO Impact Assessment study of 2005 and in the fieldwork discussed later in this report. The difference may be a reflection of different methodologies. The Impact study used telephone interviews and did not require interviewees to submit copies of their financial reports. In the case of the 2008 fieldwork study, interviewees were not compelled to submit copies of their reports as evidence. Another explanation for the lower compliance levels in the desk top study is that not all reports submitted by NPOs are captured on the NPO Directorate's system, that is, there is a time lag between submitting the report to the NPO Directorate and the NPO Directorate capturing the report on the database.[2]

An analysis was done on the profile of the NPOs in relation to their reporting. Table 11 shows the compliance level for the different legal entities. As can be seen from Table 11, Section 21 companies had the highest compliance levels of the three types of legal entities, with 32.4% submitting annual financial reports. Voluntary associations had the lowest level of compliance with financial reporting at 12.9%.

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[2] In 2006/2007 Departmental Annual Report states that 4722 reports were received and 3614 loaded onto the system in that financial year.

Table 11: Annual financial reports submitted by type legal entity status

Percentage (%) n=1043			
	Voluntary Association	Trust	Section 21 companies
Annual Financial report submitted	12.9	22.2	32.4
Annual Financial report not submitted	87.1	77.8	67.6

This pattern is broadly consistent with the NPO Impact Assessment study of 2005 which showed that voluntary associations registered with the Department of Social Development had the lowest level of compliance with financial reporting.

The low level of compliance amongst the voluntary associations in the sample is not surprising given that 45% of NPOs in the sample had an annual revenue of less than R50 000. These are small organisations that probably lack the capacity to produce financial reports. This is consistent with the finding of the NPO Impact Assessment study that the most common reason for non-submission of annual financial reports was that NPOs did not have financial statements.

Table 12 shows the proportion of NPOs in the different financial categories and their level of compliance with submitting annual financial reports. The table shows that 100% of NPOs with annual revenue of R1 million or more submitted their annual financial reports. By contrast, only 24.9% of NPOs with annual revenue below R50 000 submitted annual financial reports.

Table 12: Annual financial reports submitted by revenue of NPOs

n=144	Annual revenue below R50 000	Annual revenue R 50 000 to R 999 999	R 1 million to R 1 999 999	R 2 million and above
Annual Financial report submitted	24.9	100.0	100.0	100.0

In order to gain more understanding of the underlying causes of the low compliance level, an analysis was conducted of those NPOs who did not submit reports, to determine how long they have been registered as NPOs with the Department of Social Development. The results of this analysis are shown in Table 13.

Those NPOs registered for a longer period were more likely to submit Annual Financial reports than those with fewer years of registration. None of the NPOs registered in 2007 and 2008 submitted their financial reports.

Table 13: Year of registration of NPOs not submitting annual financial reports

Year of registration	% NPOs not submitting Annual Financial reports
1998	0.0
1999	36.4
2000	53.8
2001	56.3
2002	76.6
2003	81.5
2004	89.2
2005	90.6
2006	96.5
2007	100.0
2008	100.0

This is understandable in the case of NPOs registered in 2008 as they would have been in registration for less than one year. It is however of concern that NPOs who have registered in 2000 (8 years in registration), more than half (53.8%) have still not submitted their Annual Financial reports.

4.1.4.2 *Submission of narrative reports*

Registered NPOs are required to submit to the NPO Directorate of the Department of Social Development, a narrative report to complement the Annual Financial report. Table 12 shows the proportion of NPOs that submitted narrative reports and those who did not. The proportions are similar to those for the Annual Financial report, although a slightly lower proportion of NPOs submitted narrative reports than those who submitted Annual Financial reports. As was the case with the Annual Financial reports, the Western Cape had the highest proportion of NPOs submitting narrative reports.

Table 14: NPOs submitted narrative reports by Province

Percentage (%) n=1043		
Province	Submitted Narrative Report	Did not submit Narrative Report
Eastern Cape	9.0	91.0
Free State	9.5	90.5
Gauteng	17.1	82.9
KwaZulu-Natal	7.9	92.1
Limpopo	10.9	89.1
Mpumalanga	13.4	86.6
North West	9.3	90.7
Northern Cape	8.0	92.0
Western Cape	21.2	78.8
TOTAL	**13.3**	**86.7**

4.1.4.3 *Content of the narrative report*

The model narrative report encourages NPOs to provide basic information on their organisation that gives an indication of what the organisation aims to achieve and adherence to minimum governance standards. The governing body of the NPO, according to the CGP, provides leadership to the organisation and is responsible for ensuring that the NPO acts within the NPO legislation and the CGP. The contents of an annual report are a reflection of the extent to which the governing body exercises a duty of care and duty of obedience as contemplated in the CGP. Although the contents of the narrative report are not prescribed, it was important to assess the extent to which NPOs do aspire to good reporting standards.

The study assessed the extent to which NPOs' narrative reports contained the following items of information:

- Message from the Chairperson or Governing Body
- Statement of vision
- Statement of mission
- Statement of objectives
- Reporting on Annual General Meeting or other special meetings
- Report of Finance Committee
- Reporting on Board elections
- Whether reports were signed by the governing body or relevant office bearer.

The graph below shows the results of the assessment.

Content of Narrative Reports

	Message of Chairperson	Vision	Mission	Objectives stated	AGM reported	Finance Committe report	Board elections reported	Report signed by governing body
%	20.4	13.8	18.3	65.6	22	8	5.9	47.5
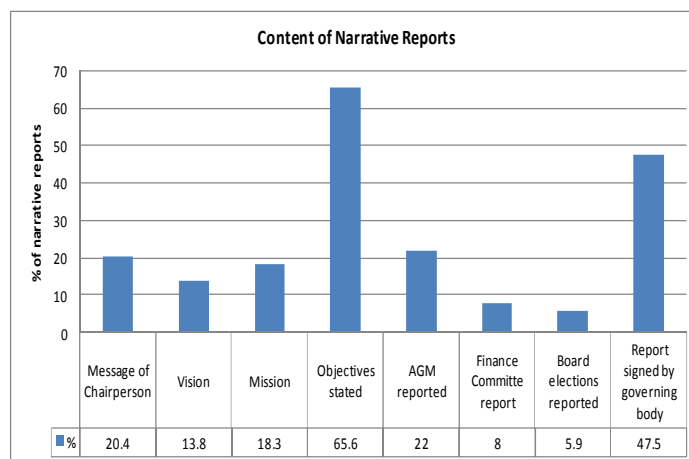
In only 20.4% of the cases did the annual report contain a message from the chairperson. While this is not a formal requirement of reporting, it is customary for the leader of the governing body to convey a key message, especially to the donors and sponsors of the

NPO. An even smaller proportion of cases had reports with statements of vision (13.8%) and mission (18.3%). Again, this is not a formal requirement of reporting, but speaks to the responsibility of the governing body to determine the vision and mission of the NPO. The large organisations find it a challenge to express their vision and mission. Undoubtedly small voluntary associations which form the majority of the sample would experience similar challenges.

Only 22% of the NPOs who submitted narrative reports stated that they had held an annual general meeting. This could be a reflection of poor governance, but could also be a reflection of informal basis on which many small voluntary associations operate. Also, the narrative report was signed off by the governing body, the chairperson or board members in 47.5% of the cases. Establishing a finance committee of the governing body is not mandatory, so the low proportion of cases that included reports from finance committees is not surprising, especially as many of the NPOs in the sample are small voluntary associations.

4.1.4.4 *Date of last report*

The NPOs files were reviewed to determine the financial year covered by the last financial report and/or narrative annual report. The results are shown in Table 15.

Table 15: Year of last report submitted

Financial year of last report	% NPOs
2000	1.2
2001	1.8
2002	2.5
2003	15.5
2004	21.1
2005	28.6
2006	23.6
2007	3.7
2008	0.6

The table shows that only a small proportion of NPOs submitted reports covering the financial years for 2007 (3.6%) and 2008 (0.6%). For the majority of NPOs in the sample, the latest report submitted was for the financial year 2006 or earlier. This may be a reflection in the time delay in submitting reports to the NPO Directorate, or it may be that NPOs who have not submitted reports are no longer operating.

4.1.4.5 *Financial Statements*

The CGP also provide guidance of practice with regard to financial management. The Codes place a premium on good financial management as NPOs are expected to manage effectively the resources entrusted to them by donors, sponsors and the government. NPOs, irrespective of size are expected to put in place financial management systems and manage their finances in compliance with South Africa Generally Accepted Accounting and Auditing Practices. NPOs registered with the Department of Social Development are expected to provide complete financial statements that include the following:

- Income statement detailing revenue and expenditure
- Details of assets and liabilities
- Statement of changes in equity
- Statement of cash flow
- Notes to financial statement

The financial statements are required to be signed by an Accounting Officer.

The graph shows the proportion of NPOs that complied with various requirements of financial statements. The analysis is based on those NPOs who had submitted annual financial reports (n=148).

	Income statement	Statement of Assets & Liabilities	Statement of equity	Notes to financial statements	Financial statements signed
%	91.9	83.8	27.7	74.3	70.3
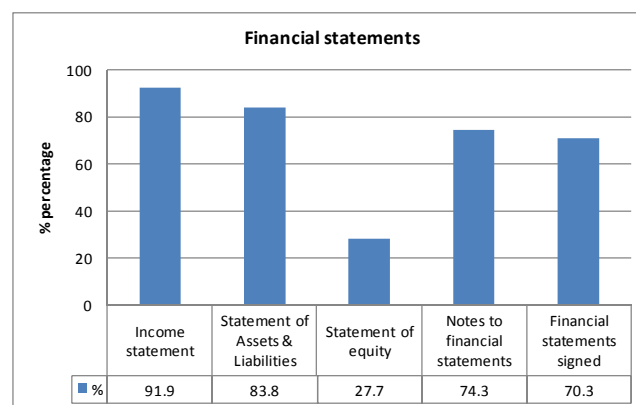
As can be seen from this graph, NPOs who submitted their annual financial report were generally compliant in submitting income statements (91.9%) and statements of assets and liabilities (83.8%). It should be noted that there was a small number of NPOs who did not submit annual financial reports, but did submit an income statement. Compliance was slightly lower in the case of having the financial statements signed by an accounting officer (70.3%) and including notes to the financial statements (74.3%). Compliance in submitting a

statement of changes in equity was low (27.7%). This may be because the issue of equity is not relevant for voluntary associations who form the largest proportion of NPOs in the sample.

The picture is less positive when considering the total sample of 1043 NPOs. As pointed out earlier, the compliance with submitting annual financial statements was low. Table 16 shows the compliance levels with regard to financial statements for the total sample.

Table 16: NPOs submitting financial statements (total sample)

Percentage %　(n=1043)	
Financial statements	**NPOs submitted financial statements**
Income statement	15.9
Statement of assets and liabilities	13.4
Statement of changes in equity	4.8
Notes to financial statement	12.2
Financial statements signed by accounting officer	11.2

The NPO Impact Assessment study of 2005 found that complying with reporting requirements was a major challenge for NPOs, especially voluntary associations. A number of NPOs interviewed in that study stated that they did not submit financial statements either because they did not have any or because they were unaware that they were required to prepare and submit these to the relevant regulatory body.

4.1.4.6　*Reports of Auditors and Accounting Officers*

The NPO Act requires registered NPOs to submit financial statements that have been approved by an Accounting Officer. These financial statements are then audited by an independent auditor or suitably qualified accountant.

Only a small percentage of NPOs in the sample had submitted auditor reports (108 out of 1043 or 10.35%). An analysis was done of the profile of these NPOs, but the cell sizes are small and caution should be exercised in interpreting the data. Table 17 shows the submission of auditors' reports by the types of NPOs.

Table 17: Auditor report submitted by NPO type

Percentage (%)　　n=1043			
Type of NPO	**Voluntary Association**	**Trust**	**Section 21 companies**
Auditor's report submitted	9.5	18.5	27.3
Auditor's report not submitted	90.5	81.5	72.7

Section 21 bodies are more likely to submit audit reports than are voluntary associations. This finding is consistent with the NPO Impact Assessment study of 2005. The result is not surprising as Section 21 bodies tend to have higher revenues and their donors usually require

audited financial statements. The majority of voluntary associations in the sample had revenue of less than R50 000 a year and appointing auditors to audit their finances would be unaffordable and unnecessary.

The graph below shows the outcome of the audits. Sixty-one percent (61%) of NPOs who had submitted audit reports received qualified audits.

Audit outcome

61%	Qualified
36%	Unqualified
3%	Not stated
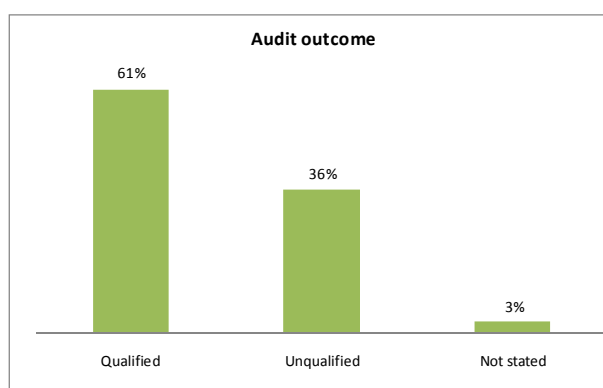
Further analysis was done on the profile of NPOs that had qualified audits. The cell sizes were too small to draw reliable conclusions. The data do however suggest that qualified audits of small voluntary associations should be kept in perspective and that the focus of attention should be on larger voluntary associations, Section 21 entities and Trusts.

4.1.4.7   *Access to suitably qualified financial professionals*

One of the challenges facing NPOs is access to suitably qualified financial professionals in the form of auditors and accountants. For many the issue would be that of affordability. Table 18 below shows the proportion of NPOs that engaged qualified auditors and accountants to prepare or audit the financial statements of the NPO. The figures are provided for the sample 1043 and sub-sample 148 (those who submitted annual financial reports).

Table 18: Access to qualified financial professionals

	Sample n=148	Sample n=1043
Auditor registered	70.9	11.0
Accountant or Auditor qualified	71.6	11.9

The table shows that of those NPOs who had submitted annual financial reports, just over 70% used registered auditors and qualified accountants. Included in this sub-sample are a number of NPOs who have revenue of less than R50 000. There is no information on files to indicate what these NPOs paid for these services or if these services

were provided pro bono. There is still however about 28% of NPOs who are not engaging qualified or registered accountants and auditors for their financial statements. It may be because they cannot afford their services, or it could be that they have not had large enough finances to warrant engagement of financial services professionals.

Looking at the larger sample, only 11% of NPOs used registered auditors or qualified accountants. This low proportion is to be expected as only a small proportion submitted annual financial reports. It is not however clear whether or not the low level usage is because of NPOs cannot afford the services or they do not see the need for such services as they have little or no finances to account for.

4.1.5   Discussion on the desktop findings

The results of the desk top study suggest that there is a low level of compliance amongst NPOs with the reporting requirements that they need to meet in order to retain their registration with the Department of Social Development.

- Only 14.2% of NPOs submitted annual financial reports, while 13.3% submitted narrative reports.

- Section 21 entities had the highest compliance levels of the three types of legal entities, with 32.4% submitting annual financial reports. Voluntary associations had the lowest level of compliance with financial reporting at 12.9%.

- The Western Cape had the highest level of compliance in submitting the annual financial report and the narrative report. The Eastern Cape had the lowest level of compliance.

- NPOs registered for a longer period were more likely to submit Annual Financial reports than those with fewer years of registration.

- For the majority of NPOs in the sample, the latest report submitted was for the financial year 2006 or earlier.

- Section 21 entities were more likely to submit audited financial statements than were voluntary associations. This may be because of the size of their annual revenue and/or a requirement of their donors and other stakeholders that the financial statements must be audited.

- Where financial statements have been audited, a significant proportion of NPOs received a qualified audit. This should be of concern for NPOs that have significant revenue but should be of lesser concern for smaller NPOs.

- Those NPOs who submitted annual financial reports used registered auditors and qualified accountants (70.9% and 71.6%, respectively). However, given the large percentage of NPOs who did not submit annual financial reports, there could be an issue of affordability or access to financial services professionals, especially for voluntary associations with limited income.

The findings of the study are consistent with the findings of the NPO Impact Assessment study of 2005. That study found that there was a poor standard of financial reporting and attributed this primarily to the lack of capacity within many NPOs to prepare and maintain their financial information. The 2005 study also found that compliance with narrative reporting was low.

The low level of compliance with reporting requirements raises questions about the extent to which governing bodies of NPOs are providing the necessary leadership, management and good governance to their organisations. Practices regarding financial management, transparency and accountability are dealt with extensively in the CGP that NPOs are encouraged to adhere to. It is therefore of concern that a significant proportion of NPOs have not submitted annual financial reports or accounted for the operations of their organisations. There are a number of possible explanations for the low level of compliance including:

- Limited capacity in NPOs to prepare reports;
- Limited awareness of the need to submit reports to the NPO Directorate;
- NPOs may be submitting reports to donors and other sponsors and believe that this is sufficient;
- NPOs are no longer operating but are still on the active registration database of the NPO Directorate;

These issues were explored further in the interviews conducted in the second phase of the study.

It should be borne in mind that reporting is at present the primary mechanism through which the NPO Directorate monitors compliance. This low level of compliance with the minimum requirement of reporting does raise questions about the value of reporting. If a significant proportion of NPOs do not comply with this requirement, there is the risk that the legitimacy of registration is undermined. It also weakens the NPO Directorate's monitoring efforts.

4.2   Fieldwork Interviews Findings

The following are key findings from the fieldwork.

4.2.1 Profile of NPOs interviewed

As the sample for the interviews was drawn from the larger sample of the desk top study, the NPOs interviewed had a similar profile to those in the desktop study.

Table 19:   Profile of NPOs interviewed

Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
Interview sample size	13	8	49	30	15	9	7	4	15	150
Realised sample	5	3	27	13	5	0	7	4	1	65
% of target sample	38	38	55	43	33	0	100	100	7	43

Interviews were conducted with NPOs in all provinces except for Mpumalanga. The majority were voluntary associations. Table 20 shows the number of people interviewed in each province.

Table 20: Interviewees by Province and position

Province	EC	FS	GP	KZN	LP	MP	NW	NC	WC	TOTAL
Member of governing body	4	1	6	6	2	1	7	3	1	31
Management representative	2	2	20	8	3	1	7	4	0	47

4.2.2 Awareness and perceptions of the Codes of Good Practice

In order to determine the usefulness of the Codes of Good Practice (CGP), it was necessary to first establish the level of awareness of the CGP.

Of the 65 active NPOs identified, only 16.9% knew of the CGP and 82.1% did not know that the CGP existed. When viewed in relation to the total sample, the 16.9% represents 7.3% of the original 150 targeted NPOs. On both denominators of the entire sample and the active NPOs, the extent of awareness is low.

This statistic is significant because awareness of the CGP per se and its contents rests on it. NPOs that are not aware of its contents are not in a position to use it as a reference document for guidance or to comment on its application and usefulness in building and maintaining good governance.

The majority of NPOs (82%) cited lack of awareness as a factor that hinders its application and it also accounts for a high incidence of responses of no comment in the data set. The 16.9% that have had sight of the CGP and claimed to be following it are far outweighed by the 82.1% who are not aware of it and can therefore not be used as a standard of comparison as there is statistically no balance between the two groups. These factors therefore limit the degree to which findings made in the study apply as the two theoretical samples do not match and are overwhelmed by the side that lacks awareness.

The limitation that is imposed on the study is that since the cases that are aware of the CGP are only 16.9%, there is no meaningful statistical analysis that can be done. The data does not show what works and what does not work. It is inconclusive. The data describes conditions as they are without any large scale awareness of the CGP. It presents a situation that is akin to establishing a baseline for future reference against which the effects of future interventions aimed at creating awareness can be compared. It is a good starting point for measuring the effects of corrective interventions carried out in the future.

The active NPOs have been in existence for a long period since over 63% have more than 3 years registration with the Department of Social Development. As they have not had sight of the CGP during this time, 27.7% of the NPOs suggested that the Code of Good Practice does not apply to them.

These NPOs have been following other guidelines. These include:

- Their founding documents such as constitutions and systems of governance like decisions taken at well constituted meetings (18.3%);
- Accounting systems and protocols (7.6%);
- Constitution of South Africa (1.5%);
- Companies Act (1.5%) and other unspecified systems (14.3%).

These guidelines followed were however not intended for compliance with the CGP but with other norms of good practice.

Twelve percent (12%) of the cases reported that they have used the CGP for general guidance on meeting requirements and also for assistance on organisational development matters. They also pointed to the benefits of using the CGP in establishing and maintaining good standards of governance and service provision, and rules that assist to sustain funding.

In 12% of cases there were negative sentiments raised about the CGP. These include pressure in trying to conform to the CGP, lack of communication and workshops from the Department of Social Development. These responses

were not qualified sufficiently to pinpoint circumstances that led to these negative sentiments. The majority of the NPOs (about 80%) made no comments on the above issues. The majority of the NPOs (90%) suggested that the Department of Social Development should create awareness of the CGP among them. Some suggested that the CGP be sent to them on completion of registration.

4.2.3 Meeting requirement for registration and continued registration

The degree to which NPOs complied with registration requirements was also evaluated. Organisations are required to meet certain requirements to be registered and to maintain registration. These requirements include submitting annual reports to the NPO Directorate and informing the NPO Directorate on changes to the organisation's constitution.

4.2.3.1 *Submission of changes to constitution*

A large proportion of NPOs (81.8%) stated that they did not make any amendments to their constitutions. There was therefore a small proportion of NPOs that reported submitting notification of changes to their constitution to the department.

Comments by those who made amendments seem to suggest failure to comply as 5.4% reported that they have not yet submitted changes, another 5.4% communicated these changes verbally to the department and 1.8% are not aware that they had to notify such changes. The level of compliance is therefore low and it is not known with certainty if the majority were aware of the requirement that they should submit all changes to the constitution to the department.

4.2.3.2 *Submission of annual reports*

While the desk top study focused on compliance with annual reporting requirements, the interviews were aimed at understanding the challenges, if any, with regard to annual reporting.

Fifty-two percent (52.3%) of the active NPOs in the sample claimed that they had submitted annual reports. This percentage is considerably higher than the compliance levels found in the desktop study and consistent with the compliance levels found in the NPO Impact Assessment study.

It should however be noted that the interviews in both studies constitute self-reported compliance. The difference between the compliance levels in the desktop study and the interviews can also be attributed to the fact that the interviews were conducted with active

NPOs, whereas the desktop study analysed NPOs who may or may not be active, even though they are still on the NPO register. Comments by respondents on submission of annual reports are shown in Table 21:

Table 21: NPO comments on annual reporting

Comments on submission of reports	%
Still preparing the reports	24.5
Not sure if the reports have been submitted by the person preparing them	15.3
Do not know how to prepare reports	4.6
Submitted reports to SARS	6.1

Twenty-five percent (24.5%) stated that they were in the process of preparing the reports and would submit them in due course. Fifteen percent are not sure if the people preparing the reports have submitted them or not. The remaining respondents stated that they do not know how to prepare such reports (4.6%), or have submitted reports to the SA Revenue Service only (6.1%).

The Act stipulates that the reports must be submitted to the department within a prescribed time frame. Less than half of the NPOs (46.1%) claimed to have submitted their annual reports in time. More than half of organisations (53.8%) claimed that they did not submit their reports within the time stipulated by the Act. They advanced various reasons for this as shown in Table 22.

Table 22: Reasons for non-submission of annual reports

Comments on timeously submission of reports	%
In process of preparing reports	13.0
Have no money so have nothing to report	11.1
Not sure if report has been submitted	6.5
No cooperation within the NPO to complete the reports	4.0
Have never submitted reports as not aware of reporting requirement	4.0
Have not received registration certificate so will not report	3.1

The state of readiness of those who are preparing reports is not known. From the reasons given, the other NPOs did not give any indication that they will submit at all:

- They have no money and hence have nothing to report (11.1%);
- They are experiencing challenges of cooperation within the organisation (4%);
- They have never submitted reports (4%);
- They have no registration certificate and other minor reasons (3.1%);

- Some of the organisations (6.5%) are not sure if the reports were submitted on time because this is done by their financial consultants.

It is significant to note that among those NPOs that are busy preparing their reports, some (5%) reported that they received reminders from the Department of Social Development to submit their outstanding reports and are busy doing so. A challenge to be noted is that some claim not to have received certificates of registration and are hence not sure of their standing with the department.

A total of 60% of the NPOs made no comments on the challenges that they experienced with complying with requirements for registration and maintaining registration status. The NPOs who did make comments cited the following challenges with complying with the registration process, shown in Table 23:

Table 23: Challenges in complying with reporting requirements

Comments on challenges in complying with registration	%
Gathering required information and documents	15.0
Lack of trained human resources and guidance	10.0
Drafting the constitution	9.0
Lack of money and buildings	4.0

The NPOs struggled with collecting required information and documents, and lack of skilled people to help in the above process and also in drafting constitutions, which factors extended the registration period. These challenges could be a reflection of the lack of exposure to complexities of administration of the people managing these organisations as they are predominantly community based organisations.

The majority of NPOs (88%) report that the CGP did not provide any significant assistance in the process of registration as they had no access to it. A tenth stated that they received guidance from the CGP to register and comply with legal requirements to maintain their registration status.

NPOs depend on other resources to assist them in complying with legal and fiduciary requirements. These are shown in Table 24

Table 24: Other resources used for guidance on compliance

Resources used other than CGP	%
Outside professional help, e.g. lawyers, auditors	35.0
Internal resources, e.g. accountants, board members	32.0
Legal systems and agreements	17.0
No other resources used	16.0

NPOs depend to an equal extent on internal and external resources to oversee compliance with fiduciary requirements. To a lesser extent they depend on legal systems like Trust Deeds, records of meetings and conditions of employment.

4.2.3.3 *Challenges to compliance*

The NPO Act provides that where organisations fail to comply with its requirements that they submit reports within stipulated time periods the Department of Social Development should conduct follow ups.

From comments made by respondents, this has happened in 5% of the cases. In 95% of the cases there is no mention of follow up by the department. As the NPOs have been registered a long time, they may have lapsed into a condition of non-compliance because there were no consequences to their failure to comply with requirements of the Act. The NPOs cannot blame lack of awareness of these stipulations on ignorance of the CGP. They have a duty to familiarise themselves with the requirements of the NPO Act. There needs to be action from the department in the form of follow-ups and the NPOs should familiarise themselves with the Act to promote compliance in reporting.

4.2.4 Practising good governance and accountability

4.2.4.1 *Values and ethics promoted*

The Codes of Good Practice, in various parts outline values and principles to which NPOs are expected to commit themselves. These include honesty, integrity, loyalty, fairness, caring for others, and pursuit of excellence, accountability, and respect for others. The CGP also discusses ethical values for those NPOs engaged in fundraising as well as a broader set of operating principles.

Interviewees were given a list of values and principles from Section 6 of the CGP, and asked to indicate which ones they subscribed to. Their responses are shown in Table 25.

Determining the needs of beneficiaries was identified as the principle most commonly subscribed to by the NPOs in the study and was mentioned by 91% of respondents.

This is to be expected as NPOs are generally established to work in the interest of others in the community. Of interest is the huge gap between the level of responses for this principle in contrast to the other values and principles.

Table 25: Principles and values of NPOs

Principles and values subscribed to by NPOs	%
Determine needs of beneficiaries	91.0
Caring for others	45.0
Responsibility	45.0
Respect for others	41.0
Honesty	41.0
Accountability	41.0
Loyalty	38.0
Fairness	35.0
Pursuit of excellence	32.0
Integrity	30.0

Given the history of South Africa, the CGP place an emphasis on human rights and there is an expectation that NPOs promote and protect human rights through honouring the Constitution and respecting rights, culture and dignity of all people as enshrined in the Bill of Rights. In answer to the question on how they practise human rights, the responses from NPOs are shown in Table 26.

Table 26: Comments on human rights practices

Comments on human rights practice	%
Comply with human rights laws and conventions	43.0
Open communication with members	32.0
No comments	25.0
Total	**100.0**

The NPOs claim to practise human rights by not discriminating against people who qualify for their services. The human rights values have been enshrined in the constitutions of 11% of the NPOs. Other practices identified include open and transparent communication with members and providing an environment where all can raise issues and queries.

NPOs were asked how they practised other values. Their responses are shown in Table 27.

Table 27: Comments on practices on other values

Comments on practice of other values	%
Respect for others	16.0
Fair business practice	12.0
Fair service provision	10.0
Following rules of meetings	10.0
Preach and live according to word of God	7.0
Transparency with donors and beneficiaries	7.0
Taking disciplinary action against offenders	5.0
Others	5.0
No comments	28.0
Total	**100.0**

The comments made describe how NPOs conduct their relationships with their stakeholders, be they suppliers of services, recipients of services or benefactors of the organisation.

4.2.4.2   *Extent to which the Codes of Good Practice promote values*

Interviewees were asked about the extent to which the CGP contributed to guiding them on issues of values and ethics. Their responses are shown in Table 28.

Table 28: Guidance from CGP on values

Guidance from CGP on values and principles	%
Guided NPO in doing the right thing	6.0
Guided on operating procedures and how to maintain good standards of governance and accountability	4.0
Looking after the community's interests	2.0
No comment	5.0
Did not use or rely on CGP for guidance	83.0
Total	**100.0**

The majority of NPOs (83%) did not receive any assistance from the CGP in cultivating the principles and values. This is not surprising as a large proportion of NPOs interviewed were not aware of the CGP. The responses from interviewees also suggest that values and principles need to be tangible and action-oriented if they are to have meaning.

4.2.4.3   *Governance Structures*

In the formative stages of an organisation it is sustained by the resources of its founders and members. When it develops beyond this stage and solicits assistance outside the confines of the community it serves, it has to undergo transformation and become a formal organisation. This involves the appointment of a governing body, the adoption of a constitution, the opening of bank accounts, and registration as a legal entity under, among others, the NPO Act. The NPO Act aims at creating an environment in which organisations can conduct their affairs and encourage them to maintain adequate standards of governance, transparency and public accountability.

The CGP discusses extensively the roles and responsibilities of the governing body of the NPO. The governing body of the NPO is charged with the responsibility for ensuring that all the requisite structures, systems and procedures are in place for effective governance and management of the NPO.

The study found that the majority of organisations (93%) have governing bodies as stipulated in their founding documents. These bodies are known under different names such as executive committee,

board of directors, governing advisory body, parents committee, trustees and church leaders, with the first two being the most commonly used. The diversity of governing bodies is to be expected as the NPOs themselves are diverse in respect of their programmes, size, beneficiaries, etc.

The governing bodies have a stipulated term of office in 76% of the cases which differs from one organisation to the next. The distribution is shown in Table 29.

Table 29: Length of term of office for Board Members

Length of term of office for Board Members	%
One year	29.0
Two years	3.0
Three years	25.0
Five years	3.0
Term not formalised	20.0
No comments	18.0
Total	**100.0**

The length of term of office for board members was set in 60% of the NPOs. In 20% of NPOs the cases the terms of office are loosely determined and members are replaced as and when they resign or when they no longer meet eligibility criteria (for example, when their children leave the crèche). From comments made by respondents there is a wide diversity of nomination and election procedures and that these are guided by their respective constitutions.

In 93% of the cases, respondents reported that they held meetings as stipulated in their founding documents. The CGP provided assistance and guidance to 8% of the organisations. The nature of the guidance received has not been specified. The organisations that contributed suggestions for improvement (43%) recommended that an awareness of the CGP be created. The others (49%) made no comments.

4.2.4.4   *Conflict of interest*

The CGP assert that service in a governing body comes with duties which must be performed with all seriousness. The governing body members seek to apply resources to meet a need/s of a concerned community. Their effectiveness is measured by the attention they give to the duties of care, loyalty and obedience. Conflict of interest is part of the duty of loyalty which concerns acting in good faith in the best interests of the organisation. Conflict of interest arises where the member and the organisation are in competition for the same transaction. Where there is conflict of interest, measures to counteract

it include full disclosure of interest, approval by a majority of the board, getting the best deals for the organisation and pursuing a transaction for personal gain only if the organisation decides not to do so. Table 30 shows how NPOs managed conflict of interest within their organisations.

Table 30: How NPOs manage conflict of interests

Mechanisms for managing conflict of interest	%
Use of legal frameworks	**48.0**
Clauses in constitution	*34.0*
Deeds of trust	*3.0*
Conditions of employment	*3.0*
Guidelines from sponsors on how to use resources	*4.0*
Book keeping rules	*4.0*
Governing bodies	**21.0**
Collective decision-making	*17.0*
Seek advice from outside	*4.0*
No measures put in place	**10.0**
Use own resources so no conflict	**3.0**
Outsource procurement function	**3.0**
No comments	**15.0**
Total	**100.0**

Almost half of the organisations depend on clauses in their founding documents to contain the probability of occurrence of actions that constitute conflict of interest. These documents are used to screen applicants for employment, set limits of conduct while in employment, set limits to individual rights on the assets and property of the organisation and provide for disciplinary action for any infringements. A fifth of the organisations use collective decision making of governing bodies and consults outside professionals for advice to control conflict of interest. One tenth do not consider it necessary to have preventive measures in place as they consider such incidents as most unlikely to take place, others depend on their members upholding the principles of *ubuntu* and Christianity. To a lesser degree some organisations outsource the procurement function while others depend on own unspecified resources.

4.2.4.5 *Duty of Obedience*

The CGP define the duty of obedience as acting to ensure that the organisation operates within the laws of the country, and the organisation's rules governing its formation and status, and in accordance with its own constitution and mission. Obedience also means withdrawing any actions that are in conflict with the stipulations of an organisation's constitution.

Table 31 shows how the governing body ensures duty of obedience in their organisations.

Table 31: How governing bodies ensure duty of obedience

	Responses	%
Follow rules	Follow their constitutions, rules and guidelines	22.0
	Guided by the word of God	3.0
	Sign code of conduct	2.0
Meetings	Discuss decisions with Board to ensure they are adhered to	17.0
Disciplinary action	Convene meeting to deal with disciplinary matters	17.0
	Dismiss members who do not adhere to constitution	3.0
Performance review	Review members' performance regularly	2.0
	Conduct regular workshops and works in partnership with Chapter 9 institution	2.0
No adherence	No strict adherence to constitution	5.0
	No duty of obedience	6.0
No comment	No comment	21.0
Total		**100.0**

About 25% of NPOs indicated that they relied on their own constitutions, rules and guidelines for duty of obedience, with 2% requiring their members to sign a code of conduct. Other organisations ensure adherence through collective decision-making (17%), taking disciplinary action (20%) and conducting performance reviews (4%). In 11% of the cases respondents reported that there is neither strict adherence to the organisation's constitution for adherence to duty of obedience.

4.2.4.6 *Planning and managing*

i) Organisational planning

The CGP state that the governing body is responsible for ensuring that the organisation achieves its purpose. In order to do so effectively, the governing body must ensure that the organisation has a strategic plan that sets out the mission, goals and objectives, operational plans that set out the annual activities, and an annual budget for implementing, and agreement on how progress or performance is to be monitored and evaluated.

Table 32 shows the extent to which NPOs have in place the various aspects of organisational planning.

Table 32: Organisational Planning

Are the following available	% Yes	%No	Total
Strategic plan	53.0	47.0	100.0
Mission statement	83.0	17.0	100.0
Periodic reviews of mission statement	63.0	37.0	100.0
Clear goals and objectives	79.0	21.0	100.0
Activity plans	67.0	33.0	100.0
Monitoring and evaluation system	67.0	33.0	100.0
Annual budget	52.0	48.0	100.0

The majority of NPOs interviewed have defined their purpose or mission (83%), and claim to have clear goals and objectives (79%). However, these are not necessarily captured in a strategic plan as only 53% claimed to have a strategic plan. Some form of medium-to-long term planning is necessary for any organisation, irrespective of its size. Just over half (52%) of the NPOs have set out the resources they will need to implement their plans. This is indicative of small organisations that simply carry out activities based on whatever income is immediately available from donors. Securing financial resources is a challenge for many NPOs and with limited finances it may appear futile to spend time preparing a budget.

ii)   Resource mobilisation

The CGP place responsibility for resource mobilisation, with the governing body and this issue is covered in depth in the CGP. In addition to the need to prepare annual budgets, the CGP provide guidance on resource mobilisation and fundraising. Table 33 shows the responses of NPOs to questions on resource mobilisation.

Table 33: Resource mobilisation

Are the following available	% Yes	%No	Total
Annual budget	52.0	48.0	100.0
Resource mobilisation strategy	41.0	59.0	100.0
Fundraising guidelines	41.0	59.0	100.0
Resources sufficient to match annual budget	20.0	80.0	100.0

Just over half of the organisations have prepared an annual budget. However, 59% of organisations do not have plans for mobilising resources for operating the organisation. Hence we see in the above table that 80% of organisations do not have sufficient resources to match their annual budgets.

The organisations that have annual budgets seem to have prepared deficit budgets for the planning period under which they work but they

have not worked out how they will gather resources to meet the budget and as a result a great majority do not have sufficient resources to meet the budget. Without sufficient resources the organisations will not have the means to achieve their set goals and objectives and face a real prospect of closure.

On the question of who does fundraising for the NPO, the respondents gave the responses shown in Table 34.

Table 34: Who does fundraising in NPO

Who does fundraising	%
CEO or manager working with fundraising committee	20.0
Fundraising committee alone	6.0
Internal professional fundraiser	5.0
External professional fundraiser	5.0
Other	8.0
No one does fundraising	4.0
Combination of methods	2.0
No comments	50.0
Total	**100.0**

The method of using a Chief Executive Officer working together with a fundraising committee is the most commonly used in raising funds followed to a much lesser extent by the other methods. Half of the organisations had no comments to make.

It is worth noting that the governing body is not mentioned though fundraising is one of their most important responsibilities mentioned in the CGP.

There is also a great need for training in fundraising. Forty percent (40%) of the respondents cited the need for training in fundraising. The finding that four out of five organisations do not have enough resources to meet their annual budget pinpoints an area that threatens their continued existence. This factor could be responsible for the closure of most organisations that were supposed to be part of this study. The governing bodies of these organisations need support that will enable them to plan accordingly.

iii)   **Asset management**

It is a requirement of registration under the NPO Act that the founding documents of the organisation should state that its members and officials have no rights of ownership over its income, assets and property except for reasonable remuneration for services rendered, and that they may not even share them among themselves on the winding up or dissolution of the organisation. This is one of the key requirements for registration and may disqualify an organisation from

being registered if not met. NPOs therefore need to clearly differentiate between what belongs to the organisation and what is the private property that belongs to individual members and officials.

The CGP stipulate that the governing body is the guardian of the organisation's resources and is responsible for ensuring that assets and resources held by the NPO are used and managed properly through implementation of procedures and control mechanisms. NPOs were asked if they had in place an asset management plan and a company vehicle control plan. Their responses are shown in Table 35.

Table 1: Asset management

Are the following available	% Yes	%No	Total
Asset management plan	48.0	52.0	100.0
Company vehicles control plan	26.0	74.0	100.0

Fewer than half the organisations (48%) manage their assets according to a plan. Half do not have an asset management plan in place. Some stated that they do not need such plans as they use their own private assets to keep the organisation operating, or depend on the religious values of their members to respect church property. Nearly three quarters of the organisations (74%) do not have a vehicle control plan and they stated that it is because the organisations have none.

For a key requirement like the need to keep control over what legally belongs to the organisation, it is imperative that all organisations have these policies in place and implement them. Most NPOs are community based and have identifiable founders who may keep property belonging to the organisation in their homes for safekeeping. In due course these belongings become the property of the official by "corrupted privileges of continued use" over a long period of time.

There is a need to assist the organisations in developing and implementing asset management policies as these are key requirements to their continued registration.

iv)   **Human resource policies**

Organisations require staff to implement their plans. The organisations employ a combination of paid and voluntary staff members. Paid staff is engaged mostly in specialist fields of administration and training while volunteers are mostly employed in fieldwork and service delivery to the organisation's beneficiaries. Both groups are important and the organisation needs them all to operate effectively.

The CGP deal to a limited extent with the issue of human resources and stipulate that the CEO of the organisation is responsible for leading processes and activities with regard to human resources. This staff leadership responsibility includes ensuring that staff policies are in place and that they adhere to relevant legislation that protects the rights of employers, employees, members and volunteers.

Staff policies are important to regulate the relationship between the organisation as an employer and its staff as employees. However, since there are two classes of employees the policies apply differently to them. The labour laws state that any person employed for more than twenty four hours is a permanent worker but does not extend this definition to cover volunteers. Some organisations pay their permanent employees a variable stipend depending on availability of funds for salaries as some funders do not fund staff and administration costs but only projects.

Against this brief background, the organisations were requested to identify the human resource policies they have in place. Their responses are shown in Table 36.

Table 2: Human resource policies

Are the following available	% Yes	%No	Total
Job descriptions for all	70.0	30.0	100.0
Recruitment, appointment and placement policy or procedures	51.0	49.0	100.0
Staff conditions including disciplinary and grievance procedures	52.0	48.0	100.0
Performance appraisal system / policy	46.0	54.0	100.0
Staff development policy	54.0	46.0	100.0

Seventy percent (70%) of the organisations have job descriptions. These are foundation documents on which the other policies can be implemented. Half the organisations have policies and procedures for recruitment and placing employees, training and development, performance appraisal and for the maintenance of discipline and attending to employee grievances. The existence of these policies and procedures make up good practice for those organisations that have them.

Comments of respondents on how these policies and procedures are implemented suggests that recruitment is done in a variety of ways that range from advertising vacant positions and signing employment contracts to the use of trustworthy volunteers from the community. Orientation training is conducted internally and staff members are sent to external service providers for further training. The constitution of

the organisation is the main guiding document in establishing policies. Discipline is maintained through a relevant policy.

v)   Financial management

The CGP stipulate that governing bodies are stewards or custodians of the resources entrusted to the NPO and that good financial management systems should be put in place. The NPOs interviewed were asked about the availability of financial controls in their organisations and their responses are shown in Table 37.

Table 3: Financial controls in NPOs

Are the following available	% Yes	%No	Total
Approved budget	53.0	47.0	100.0
Approved financial policies	71.0	29.0	100.0
Cheque authorisation procedures	78.0	22.0	100.0
Designated finance persons	83.0	17.0	100.0

The majority of organisations have financial controls in place. It is significant that most organisations claim to have a designated finance person to handle finances and associated records. The availability of an approved budget still remains an area of challenge.

Nearly half of the organisations identified finance-related training needs as shown in Table 38. Forty-one percent (41%) identified financial management training needs, while 6% identified fundraising training needs. The training needs identified correspond with the skills gaps identified by respondents. Only 10% of organisations indicated that they had no finance-related training needs.

Table 4: Finance-related training needs

Training needs	%
Financial management	41.0
Fundraising	6.0
None	10.0
No comments	43.0
Total	100.0

A small proportion (5%) of organisations reported receiving guidance from the CGP in financial management.

vi)   Procurement

The CGP encourage NPOs to establish an effective purchasing system and an effective contracting or tendering system that complies with requirements of procurement legislation, and is open and fair. Table 39 shows the availability of these systems in NPOs interviewed.

Table 5: Procurement systems

Are the following available	% Yes	%No	Total
Purchasing system	68.0	32.0	100.0
Contracting or tendering system	26.0	74.0	100.0

More organisations have purchasing systems than contracting and tendering systems. This is because most NPOs buy goods and services for low sums of money which do not justify having to call for tenders and contracting with successful bidders. It is more common for them to call for quotations and decide collectively on which one to accept. A fifth of the organisations indicated that they do not buy anything and therefore have no need for procurement systems. The CGP provided guidance to 6% of the organisations in the area of procurement.

vii)   Communication and public relations

The CGP stipulate that the governing body of the NPO is responsible enhancing the public image of the NPO. This includes serving as the link between the staff or volunteers, clients, members, the community and donors. Communication is therefore a critical function of the governing body and the senior staff of the NPO. Table 40 shows the availability of communication strategies and the types of communication strategies mainly used by NPOs.

Table 6: Communication strategies

Are the following available	% Yes	%No	Total
Communication strategy	71.0	29.0	100.0
Annual report prepared and distributed	68.0	32.0	100.0
Feedback from beneficiaries received	72.0	28.0	100.0

Meetings and reports are the main forms of communication used by the organisations interviewed. The organisations expressed satisfaction with these methods and would not change them in three quarters of the cases. The CGP have provided assistance in developing communication policies in 3% of the cases.

4.2.4.7 *Training needs*

The NPOs interviewed expressed the need for training in a number of areas. Table 41 shows the training needs identified by the respondents. These training needs have been put together, weighted and given priority ratings based on the frequency of responses from the organisations interviewed. The training requirements extend beyond governance to include development project related training.

Table 7: Training needs prioritised by NPOs

Category	Specific training required	Priority Rating			
		1	2	3	4
Governance (CGP)	Governance structures and principles	•			
	Board roles and responsibilities	•			
	Good governance practices	•			
	Ethics and values	•			
	Establishment and management of Board or Committees				•
	Training Board and other members on CGP				•
	Drafting and using a constitution		•		
NPO Act	Stipulations of NPO Act	•			
	Reporting requirements	•			
Finance and procurement	Fundraising	•			
	Financial management	•			
	Bookkeeping and financial records	•			
	Computer-based financial records	•			
	Finance policy formulation	•			
	Financial planning and budgeting		•		
	Procurement		•		
Basic management	Organisation planning and management		•		
	Office management and administration		•		
Communication & Marketing	Public relations			•	
	Communication in general			•	
	Report writing				•
	Communication with stakeholders				•
	Community engagement processes				•
	Marketing management				•
Human resources	Human resource management			•	
	Job analysis			•	
	Recruitment and placement			•	
	Staff development			•	
	Staff performance appraisal			•	
	Disciplinary and grievance procedures			•	
Policy, strategy and research	Strategic planning				•
	Policy formulation		•		
	Research, monitoring and grant mgt				•
Skills relating to development projects	Project management				•
	Customer care				•
	Understanding parents				•
	General child care				•
	Teaching				•
	Home based care				•
	Self-help for parents dealing with child illnesses				•
	First aid				•
	Aids counselling				•
	Handwork, arts and crafts				•
	Baking				•
	Sewing				•
	Cooking				•

4.2.5   Critical Emerging Issues on the Findings

The results from the interviews of NPOs indicate a very low level of awareness of the Codes of Good Practice. As very few NPOs were aware of the Codes, a low level of utilisation of the Codes is to be expected. NPOs tended to rely on other sources for guidance, such as their own constitutions, rather than on the CGP.

Although there is a low level of awareness of the CGP, the majority of NPOs interviewed were sufficiently interested and requested that the NPO Directorate should make the CGP available at the time of registration.

Even though the CGP were not a source of guidance for the majority of NPOs interviewed, the study was still able to assess the extent to which NPOs complied with the good practices set out in the Codes. The main points emerging from this assessment are as follows:

(a) Over half of the NPOs (53.8%) acknowledged that they did not submit annual reports on time. The level of reported compliance was higher than the compliance level in the desktop study. Some NPOs experienced challenges in preparing annual reports.

(b) NPOs overwhelmingly subscribe to the principle of focusing on the needs of beneficiaries. They tended towards values that are stated in an action-oriented manner rather than seemingly abstract concepts.

(c) Practice with regard to governance structures is driven by the NPO's constitution rather than by the CGP. Length of office for board members is set in 60% of cases, and meetings held as stipulated in the constitution in 93% of NPOs.

(d) Even though most NPOs were unaware of the CGP, they understood the need to address the issue of conflict of interest. Seventy-five percent (75%) had measures in place to deal with the issue of conflict of interests. With regard to the duty of obedience, over two-thirds of NPOs had measures in place to ensure duty of obedience in their organisation.

(e) Practices in the area of organisational planning were reasonable. An overwhelming majority of NPOs had mission statements, goals and objectives (confirmed also in the desktop study). Strategic plans and detailed activity plans however were less frequent.

(f) Resource mobilisation is an area of weakness for many NPOs. Just over half of the NPOs interviewed had annual budgets, and 80% did not have sufficient resources to match their annual financial requirements. Of concern is the finding that 59% had no guidelines for fundraising. The CGP have guidelines for fundraising and had there been a greater level of awareness of the CGP, it is conceivable that more NPOs would have guidelines for fundraising.

(g) The financial management capacity reported in the interviews was higher than that reflected in the desktop study. Eighty-three percent of NPOs interviewed claimed that they had a designated financial person, yet only 17% according to the desktop study managed to submit financial reports. A plausible explanation is that although there are designated persons to deal with finances, they lack the necessary skills – 41% identified financial management as a training need. A similar level of need was expressed for training in procurement.

(h) The CGP deal only peripherally with human resource management practices. The NPOs in the study therefore cannot rely on the CGP for guidance. The

majority of NPOs however do have job descriptions for staff, though practices in other areas such as performance management are relatively weak.

(i) The NPOs interviewed in the study identified a broad range of training needs. The top priorities for training were in the areas of governance generally; understanding the requirements of the NPO Act; and skills in a range of financial management practices and fundraising.

4.2.6 An International Comparative Analysis of the Codes of Practice

4.2.6.1 *Codes of good practice as standard tools for strengthening governance*

It is evident from the benchmarking study that codes of good practice are increasingly becoming standard tools for strengthening the good governance agenda. Civil society organisations and coalitions, the private sector and Governments have developed codes of conduct that focus on key governance issues that include accountability, transparency and ethical practices.

Governments in different countries establish specific regulatory environments in order to track and monitor the NPO sector. This may take the form of control over the sector, as is the case in more repressive states; alternatively it may exist as a means of establishing an enabling governance system for the sector. In countries such as South Africa, where the regulatory regime has been set up as an enabling system, there is a need to ensure that adequate information sharing and capacity development take place to empower CSOs to meet the regulatory requirements in a way that is constructive for both parties. The Codes of Good Practice developed by the NPO Directorate are therefore an important and relevant tool for enhancing governance in the NPO sector.

Civil society has increasingly recognised that by setting up effective self-regulatory mechanisms they will obviate the need for stronger, and possibly more restrictive, state regulation. Outside of established democracies such as the USA, the UK, Australia and Canada effective self-regulatory mechanisms are fairly thin on the ground. The Philippines and Uganda, however, have made significant progress in developing national self-regulatory mechanisms for their NPO sectors and these could offer interesting pointers for South Africa.

4.2.6.2 *Codes emphasise ethics and public interest*

All the codes analysed in the benchmarking emphasised ethics and public interest as key drivers behind the code. The NPO Codes of Good

Practice also reflect a strong ethics and public interest motivation in keeping with the international trend.

Organisations within civil society generally serve the interests of poor, marginalised and displaced people, and much of this work is informed by a broad human rights agenda. Internationally the experience is that Codes of Good Practice attempt to incorporate a strong rights-based element, in the understanding that the delivery of services need to be informed, within NPO governance, by a respect for rights both within the organisation and in terms of interface with stakeholders and beneficiaries.

4.2.6.3 *Increasing emphasis on financial management and accountability*

There is an increasing emphasis in codes on financial management and accountability. Corporate codes such as King II are strong on specific details with regard to financial management and accountability. NPO codes by contrast are fairly general in this area, even though they are recognised in the codes as being important. The CGP of the Department of Social Development do place a strong emphasis on financial management, though there is less detail than corporate governance codes.

4.2.6.4 *SA NPOs have a number of codes to draw from*

The CGP of the department are not the only codes available to NPOs in South Africa. The SANGOCO Code of Ethics was developed to support non-governmental organisations in improving the quality and impact of their services. The SANGOCO Code of Ethics deals in some detail with issues of human resource management. This area is a gap in the NPO Codes of Good Practice. Interestingly, the SANGOCO Code of Ethics does not deal with the issue of fundraising.

NPOs in South Africa, especially larger ones who are also Section 21 companies can also draw on the King Committee's Code of Corporate Practices and Conduct. King II is most instructive in the issue of conduct of directors and boards and provides extensive detail on these. Its guidelines on financial management are detailed, covering a broad spectrum of fiduciary responsibilities of organisations and the need for effective internal audit. While it may not be feasible for an NPO, especially a small one, to establish an internal audit function, it is still important for NPOs to establish internal controls and monitoring systems.

NPOs in South Africa will also be able to draw on the African Union's Draft Code of Ethics and Conduct for African Civil Societies, once it has been adopted by member states. The Code will be mandatory for all civil society organisations seeking accreditation with the African Union, though it can be used voluntarily. The purpose of the code is to lay down a set of standards and core values for CSOs. The emphasis of the code is on partnership between governments of member states of the African Union and CSOs.

4.2.6.5 *CGP include responsibilities of donors and sponsors*

An important difference between the CGP of the Department of Social Development and other codes is that it includes a code on the responsibilities of donors and sponsors. This was not evident in the other codes reviewed. Codes relating to donors and sponsors are generally developed as distinct and separate codes and not incorporated into a single document such as is the case with the CGP of the department.

4.2.6.6 *Summation of the comparative analysis findings*

The key findings of the benchmarking process can be summarised as follows:

- There is an increasing amount of work being done across social sectors in developing codes of conduct as a means to enhance and strengthen good governance practice.

- In the NPO sector there is clear evidence to show that codes of conduct are viewed as a major component of self-regulation of the sector.

- There are clear synergies between work being done on codes of conduct in the NPO sector *and similar work being carried out in the corporate sector.*

- *While cor*porate sector codes of conduct focus extensively on the roles and responsibilities of boards and issues of financial accountability, the NPO codes tend to be more general in nature.

- All the codes bring in the issue of public trust, integrity and ethical behaviour as key elements of a code of conduct.

- There is an increasing focus in the NPO sector on improved financial management and core accountability issues.

- Many of the codes do not provide detail on human resource issues, and this can be viewed as a weakness of some of the codes.

None of the codes are mandatory (with the exception of the draft African Union code), and organisations sign up to the code on a voluntary basis – a number of the codes do, however, build in incentives to encourage organisations to accede to the code.

4.2.7 Discussion on key issues

4.2.7.1 *Limited awareness and utilisation of the CGP*

The study found a very limited awareness of the department's Codes of Good Practice and related to this, a very low level of utilisation of the CGP. This limited awareness and utilisation of the CGP raise questions about the accessibility and usability of the CGP.

4.2.7.2 *Accessibility of the CGP*

From the information gathered during the interviews and discussions with the NPO Directorate, there has been no significant marketing or promotion of the CGP to NPOs. The Codes are not made available to NPOs automatically on registration or on enquiry for registration. Community Development Practitioners receive training about the Codes and are expected to raise awareness of the Codes in workshops they conduct for NPOs. The Codes are published on the department's website. Given that a high proportion of registered NPOs are small community-based organisations who may have limited access to the internet, the publication of the Codes on the department's website will not address the problem of access to the Codes.

4.2.7.3 *Usability of the CGP*

With the low level of awareness of the CGP, it was not easy to gauge the usability of the CGP. In comparing the CGP in terms of content and format to other codes from the benchmarking study, the former do have a number of deficiencies:

a) The CGP were drafted in 1999-2000, published in 2001 and have never been updated. The NPO environment in South Africa and globally has changed since then. The CGP appear rooted in the welfarist model rather than reflect the shifts in social development policy lead by the Department of Social Development over the past five years, no does it reflect the discourse in government on the 'developmental state'.

b) The decline in the role of international donors and the increase in corporate social investment from South African corporates are also not reflected.

Other important impacts such as the role of web-based communication are also absent.

c) The language used in the CGP is not easily understood as the documents are not written in plain language such as that used in countries such as Australia or the UK.

d) The CGP were written in broad terms so as to be applicable to all NPOs. While the principles could be applicable to all NPOs, not all have the same level of capacity to use or adhere to the guidelines proposed. From the interviews and desktop study it has become clear that the application of the practices proposed by the CGP is a challenge for smaller organisations.

e) There is a degree of inconsistency in approach in the CGP. In some areas the codes outline only the broad principles, whereas in other areas the codes provide detailed guidelines. The result is that the overall document appears as a mix between guiding principles and a detailed handbook.

4.2.7.4 *Absence of detailed standards in the CGP*

Although the CGP are reasonably comprehensive in its coverage, they do not provide detailed standards of conduct that are amenable to measurement and monitoring. This was intentionally so when the CGP were drafted. The CGP were voluntary and meant to cover a broad range of NPOs, in terms of size, complexity and focus. The thinking behind the CGP was that it should not be prescriptive, but rather encourage NPOs to use those aspects that they find useful and relevant to them. The absence of standards does however have its disadvantages. It provides no yardstick against which NPOs can measure themselves to see how well they are doing in the area of good governance. The absence of standards also makes it difficult for NPOs to assess the year-on-year improvement or decline in their governance practices. If the CGP were intended to improve governance in the NPO sector, the standards that would constitute good governance need to be explicit.

4.2.7.5 *Grant makers and sponsors*

The third section of the CGP provides guidelines for effective grant making and sponsorship and most of this is directed at those who are giving as opposed to recipient NPOs. It is not clear from the CGP or from the department's activities how donors and sponsors are made aware of these guidelines. From the information available to the research team, this third section of the CGP has not been promoted to donors and sponsors by the department. It appears that the onus rests on Community Development Practitioners and NPOs who may be aware of the CGP to bring these to the attention of donors.

The guidelines could be of benefit to those who have limited experience in being donors or sponsors and do not have their own guidelines. The guidelines would however have limited impact on practices of corporates and international donors who have their own rules regarding corporate social investment and development cooperation, respectively. This does not negate the importance of getting donors to align their efforts to development priorities. A more effective course would be to have the guidelines for grant making and sponsorship also published as a separate document with corporates as the target.

4.2.7.6 *Capacity of NPOs*

The evidence from the study indicates that NPOs, especially small community-based organisations do face serious capacity constraints. The desktop study found low levels of compliance with basic reporting requirements and the interviews confirmed the capacity constraints. Furthermore, there is an expressed need for a broad range of training amongst the NPOs interviewed.

While the NPO Directorate does have a mandate to enhance the capacity of NPOs so that they comply with the NPO Act, there are limitations to this mandate. The NPO Directorate in the first instance is the regulator in terms of the NPO Act. It can develop training and capacity building policies and frameworks, but should not be the main training delivering agent. Not only does it have limited capacity to provide training, but it is also a trend in public sector practice to have clear separation between the regulatory function and the support function. The delivery of training and capacity building should therefore be left to other agencies such as the National Development Agency and the various Sector Education and Training Authorities.

4.2.7.7 *Leadership of NPOs*

What has emerged from the research is that those in leadership positions in NPOs do experience challenges in leading their organisations. This is not unique to the NPO sector in South Africa. In a number of countries there has been a concerted move towards strengthening the capacity of leaders of civil society organisations as a way of building a stronger civil society leadership cadre. A good example of this is the work that ACEVO in the UK has been doing, particularly through the development of a code of conduct for chief executives within the NPO sector. The CGP of the Department of Social Development, although they address the issue of leading, the codes focus more on management rather than leadership.

 Leadership of an NPO, whether a large NGO or small CBO, is no less challenging than leadership in a corporation or government agency. It could

be argued that leading in the context of limited resources, uncertain revenue, demanding stakeholders and public interest obligations requires extraordinary leadership.

4.2.7.8 *The value of annual reporting*

Reporting on finances and operations annually is emphasised in the CGP and in other codes. It is also a requirement for retaining registration in terms of the NPO Act, not surprisingly as annual reporting is an expression of transparency and accountability and is intended to protect the public interest.

Evidence from the study suggests a low level of compliance with reporting requirements. The reporting templates provided by the NPO Directorate indicate that only basic information is required for reporting. In addition to the reasons provided by interviewees for not submitting reports, there may be other reasons. Perhaps NPOs believe that there are no consequences for failing to report. Given that there were many inactive NPOs still on the active register, it is plausible that NPOs do not believe that the NPO Directorate will take any action against them.

The reporting to the NPO Directorate is clearly for compliance purposes. Perhaps if NPOs experienced rewards or positive consequences for reporting – for example- increased funding or support for training or feedback to say 'a job well done', they may be more motivated to submit reports.

The low level of compliance also raises the question of whether there are ways of promoting accountability and good governance amongst small community-based organisations, other than formal annual reports. For example NPOs with income below a certain level can be exempted from submitting a full annual report and simply submit a declaration that their income is below the threshold. Although this limited form of reporting is accepted by the NPO Directorate, it appears that many organisations are unaware of this.

The NPO Directorate appears not to have capacity to do any comprehensive analysis of the reports submitted to them, for example, analysing trends in funding and expenditure, research on governance structures, research on the activities of NPOs.

4.2.7.9 *Monitoring by the NPO Directorate*

From the high percentage of non-compliant and inactive or defunct NPOs who were in the sample of registered NPOs, it appears that the monitoring capacity of the NPO Directorate is limited. As the custodian of the NPO Act, the NPO Directorate should monitor compliance with the legislation. If the NPO Directorate fails to monitor adequately and does not keep its register up-to-date, the credibility of the register and the intentions of the NPO Act are

undermined. The volume of NPOs registering is large. The NPO Directorate will need to find efficient and cost-effective methods of monitoring the NPO register.

4.2.7.10 *Registration Policy*

Although not within the scope of the study, the research does raise questions about the registration policy. This issue was also raised in the 2005 NPO Impact Assessment study. Registration in terms of the NPO Act is voluntary and there are incentives for organisations to register. The primary incentives are access to grant funding and tax incentives for those who have sufficient income. Donors also require organisations to register in order to receive funding. Government agencies such as the national and provincial departments of social development, departments of health and the National Development Agency require organisations to be registered prior to receiving grants. While this practice is sensible grant making in the case of organisations receiving sizeable grants, there are many small CBOs who receive grants of under R50 000 for poverty relief projects. The result is that the NPO register has a large proportion of small CBOs. The quantity of registered NPOs bears little relation to the quality of governance and the objectives of the NPO Act.

4.2.7.11 *Communication and information*

Access to information is essential for NPOs if they are to conduct their operations in the manner promoted by the CGP and the NPO Act. A consistent theme running through this study is the lack of awareness amongst NPOs about the CGP, the NPO Act and related matters. It appears that the information they need is not sufficiently accessible. The NPO Directorate is small relative to the volume of registered NPOs and unregistered NPOs who need information. The predominant form of communication is a letter. Not only is there a delay in receiving communication, but it makes for very limited engagement. The website, though many small organisations would have limited access can reach large numbers in a cost effective manner. Community development practitioners are also a vehicle for communication, but their numbers are small relative to the numbers of NPOs. More creative ways of communicating with and disseminating information with the NPO sector are needed. Recommendations in this regard were made in the 2005 Impact Assessment.

5.   RECOMMENDATIONS

5.1   Revise the Code of Good Practice

The CGP will require substantial revision in content, appearance and style. The recommended revisions are discussed below according to the existing sections of the codes.

5.1.1 Introduction to the Codes

a) The division of sections for the Codes should be reviewed and rearranged to highlight key areas of good governance practice–this could be done along the lines of the modules proposed for training (see recommendation 6.4.1)

b) The Purpose of the Codes should be re-written to provide an easily accessible and understandable set of objectives.

c) The introductory section should make reference to international and regional initiatives around good governance.

d) The section on Words and Terms should be redeveloped and expanded so that it serves as a comprehensive glossary.

5.1.2 Code on NPO Leadership and Management

a) The introductory section on Leadership and Management should be more comprehensive and highlight both national and international trends and practices.

b) The code should provide a context for the operating principles that are listed – looking at the Constitution, human rights instruments, gender frameworks etc. and demonstrating how the principles are derived and why they are relevant to NPOs.

c) In terms of defining key operating principles the code should look at cross-referencing with other Codes such as those of SANGOCO, the King Report, AU Code and other international Codes.

d) The section on governing bodies needs to be revised, integrating the work that has been done in other Codes that deal with Board-related good governance practices.

e) The section on Governing Bodies is exceptionally text-heavy and is therefore difficult to read and follow – this section would benefit from a more graphically illustrated approach.

f) The section on Financial Management is also text heavy and does not read easily – this section should be revised so that it clearly illustrates some of the key financial management responsibilities.

g) The section on Accountability and Transparency needs to be expanded to include a more detailed overview of accountability issues, as well as include a discussion of public trust and its link to good governance practices.

h) The section on Ethical and Responsible Behaviour for NPOs could be enhanced by including a comparative section on corporate and government good governance ethics, and how the three spheres interact.

i) Clear linkages with and analysis of the SANGOCO Code of Ethics would add substance to this section.

5.1.3 Code on NPO Fundraising and Resource Mobilisation

a) The section on NPO fundraising needs to be far more practical, and should provide clear and accessible steps for not only planning fundraising strategies, but also for developing and preparing a fundraising proposal.

b) The sections on fundraising ethics and the responsibilities of fundraisers needs to be better contextualised – as it stands it is too academic and not sufficiently practical.

c) The section on hiring an external fundraiser appears overly long, particularly as this is only relevant to a relatively small number of NPOs – the section should be shortened and simplified, and made far more practical.

5.1.4 Roles of Donors and Sponsors

a) The whole introductory section of Section Three (Roles and Responsibilities of Donors and Sponsors) reads like an academic paper – in the context of developing an effective code of good practice this approach is not particularly useful – this whole section can be significantly compressed.

b) The section on Funding Markets in South Africa needs to be revised so that it is brought up to date and captures current fundraising trends in a recessionary period.

c) The section on fundraising markets would benefit from some practical examples (for example, donor guidelines, corporate CSI priorities etc.) that can provide a clearer modus operandi for NPOs looking for funding.

d) The section on What Motivates Donors to Give is not particularly useful – this could be simplified, and some clear and practical guidelines and perhaps provide a tool for analysing donor/funder needs and requirements.

e) The sections on the donor Bill of Rights, Guidelines for Wise Giving and Guidelines for Good Grant-making are too long in the context of a Code of

Good Practice for NPOs – this section needs to be simplified and reworked so that it is useful and relevant to NPOs that are seeking funding.

f)   The section on Fundraising through Sponsorship is useful and provides helpful information, but this section can be reworked to make it more practical and user-friendly.

5.1.5 Additions to the Code

a) The Code of Good Practice does not cover a number of issues that would provide useful information for NPOS. These issues include:

✓ Developing a vision, mission and goals

✓ Human resource / personnel management

✓ Developing policies

✓ Developing projects and programmes

✓ Monitoring and evaluation, and Reporting

b) The list of references at the end needs to be more comprehensive, and web addresses should be provided for further follow up and research.

c)   The bibliography should be expanded to include a range of other Codes of Good Governance.

5.1.6 Appearance and style

a)   The language used in the Codes is challenging, and the lack of alternative presentational modalities makes the text dry and inaccessible – attention should therefore be given to using more accessible and engaging language that is appropriate for all NPO constituencies.

b)   The entire document is far too text heavy and is poorly signposted, thereby making it difficult to read and weakening its value as a reference document – the document should be revised with effective use of bullets, tables, graphics and diagrams to illustrate key issues and concerns.

d)   In terms of appearance and accessibility the Codes should be revised using examples from other codes such as those of ACEVO (UK) and Maryland (USA) that illustrate effective and user-friendly presentations.

5.1.7 Raise awareness and popularise the Code

The NPO Directorate should develop and implement a range of strategies to raise awareness and popularise the Codes of Good Practice. The Communications Directorate should provide guidance in this regard. Suggestions for creating awareness include:

a) Informing NPOs about the existence of the Codes when they apply for registration. Ideally all NPOs should receive a copy of the Codes with their registration certificate.

b) Copies of the Codes can be made available through the government's Multi-Purpose Community Centres, provincial departments of social development, offices of the National Development Agency and offices of other departments who work with NPOs.

c) Provision of hard copy documents is expensive. It would be more cost effective to make electronic copies available (CDs) as many NPOs do have access to a computer.

d) Copies of the Codes should always be available for departmental workshops and road shows where NPOs are in attendance.

e) Creative methods such as dramatising good governance for NPOs in shows like Soul City should be explored.

f) The use of social media and networking should also be explored as vehicles to create awareness and conversation about the Codes and good governance.

g) The Code could be reproduced as a pocket guide in the same size as the Constitution. This will make it easily accessible to users.

5.1.8 Review and update the Codes every two years

As the NPO environment is dynamic, it is recommended that the Department of Social Development reviews the codes every two years and make the necessary updates.

5.1.9 Build Capacity

5.1.9.1   *Training in good governance*

It is recommended that SAQA accredited training in good governance for the NPO sector be introduced by the Department of Social Development.

Training materials on good governance need to be clear, relevant and needs-based. They also become more relevant when they are aligned with current outcomes-based approaches to learning. In developing the modules for training the following elements should be taken into consideration:

- The training materials should promote knowledge, understanding and innovation;
- Training outcomes should align with outcomes-based education approaches and national qualification standards (SAQA);

- Training should tap into international best practice, research and case studies;
- Training should be sector-wide, issues-wide and modular for context-driven NPO needs.

The training materials will need to be based on a number of SAQA unit standards that relate to governance as at present there is no single unit standard that relates the NPO good governance.

The purpose of the training materials will be to equip NPOs, at the board, staff and volunteer levels, to manage their organisations more effectively and in line with existing legislative, regulatory and self-regulatory frameworks. At the same time users of the materials will be expected to develop the **skills**, **knowledge**, **values** and **attributes** to make a positive impact on the good governance agenda.

The recommended topics for training are:

- Trends in Civil Society - a Global Perspective
- Legislative and Policy Framework in South Africa
- Typology of the NPO Sector
- Vision, Mission & Goals in the Context of Good Governance
- Building Public Trust
- Self-regulation and Codes of Conduct
- Governance and Boards
- Financial Management, Administration and Taxation
- Fund Raising
- Mainstreaming Good Governance into Proposal Writing
- Recruitment and Personnel Management
- Ethics and Integrity

It is essential that the training materials are relevant to NGOs as well as smaller CBOs. As was evident from the research, it is not easy to have a single document cater for these two categories of NPOs. The training material must however at a minimum cover the fundamentals that all NPOs should have in place for good governance. The training material will not be exhaustive and should point NPOs to other valuable sources of information.

5.1.9.2   *Build leadership capability in the NPO sector*

Although the revised Codes of Good Practice and the proposed training do address the issue of leadership, these may not be sufficient to assist NPO leaders to deal with the challenges they face. As found in the literature

review, a number of countries are working on strengthening the capacity of leaders in civil society organisations. This not only serves to strengthen the individual organisations, but serves to strengthen the leadership of the NPO sector as a whole.

The NPO Directorate should take the lead in addressing the leadership issue, specifically by conducting a needs assessment and skills audit, and subsequently identifying training and development needs at the leadership levels of NPOs.

5.1.9.3 *Partner with other agencies to extend the reach of capacity building initiatives*

One of the challenges for the NPO Directorate is how to extend its capacity building reach to smaller NGOs and CBOs, especially those in peri-urban and rural areas. While the NPO Directorate has a mandate to contribute to building the capacity of these organisations, it need not be the actual provider of services. The NPO Directorate should therefore develop formalised partnerships with other agencies that are better placed to deliver training and capacity building. These include:

(a)   Establishing a formal agreement with the National Development Agency for capacity building. The agreement need not be limited to training and capacity building, and can be extended to other areas of mutual interest.

(b)   Facilitating access for NPOs to receive training through the relevant Sector Training Authorities.

5.1.9.4 *Build capacity of provincial officials*

The NPO sector in federal states, such as India, Brazil and the USA, is often differentiated in terms of local contexts and governed by local political, economic and cultural dynamics. Although South Africa is technically a unitary state, it has strong local dynamics at the provincial level. The NPO Directorate will need to ensure that its counterparts in provincial departments of social development are sufficiently skilled and capacitated so that they can take forward the good governance agenda. This could require a customised training package for provincial offices that enables them to work closely with local NGOs and CBOs in building, strengthening and sustaining good governance practices.

5.1.10   Consider Registration Grading System

The Department of Social Development should consider a graded system of registration for NPOs. Such a system could provide for less onerous compliance

requirements for small NPOs, in particular, community-based organisations.   The grading could be based on the level of funding the NPO has at its disposal. As NPOs increase their financial and organisational capacity they can be moved up to the next level of accreditation.

The 2005 NPO Act Impact Assessment study made a similar recommendation. Under a differentiated system NPOs will have to be categorised taking into account the varying levels of capacity. A differentiated or graded system could also then serve as a basis for targeted training and specificity regarding the standards of good governance that needs to be met at each level.

5.1.11   Improve effectiveness of monitoring

Monitoring of a programme or policy serves two purposes, namely, compliance and programme improvement. As the NPO Act is intended to create an enabling environment for NPOs, the powers on the NPO Directorate to monitor compliance is limited. Provided an NPO submits the requisite annual and financial reports, they are deemed to have complied with legislation.

Even though this is a limited form of compliance monitoring, it needs to be made more effective if the system of registration is to maintain credibility and legitimacy. Enhancing the information management system of the NPO Directorate can improve its capacity to capture NPO reports and take the necessary steps against those who do not comply.

Equally important is the need for the NPO Directorate to enhance its monitoring for purpose of supporting NPOs. On registration, NPOs could be given the option of a follow up visit from the NPO Directorate or provincial counterpart, to determine what support if any the NPO requires.

5.1.12   Sharing the knowledge with the NPO sector

Given the wealth of information that has been accumulated during the course of the NPO study, the NPO Directorate will need to ensure that it shares the key findings and recommendations with sector as a whole. This could include a focused advocacy campaign to promote good governance in the NPO sector, as well as a national dialogue between Government, the corporate sector, donors and funders, and civil society on issues related to good governance. This would help the NPO Directorate to achieve a broad consensus on integrating perspectives on good governance.

6.   SOME CONCLUDING REMARKS

The literature review work further provides some excellent insight in terms of the information gathered from the benchmarked countries, which could go a long way in positively contributing to the strengthening of the South African NPO sector. The following recommendations are also worth noting:

Given the wealth of information that has been accumulated during the course of the NPO study, the NPO Directorate will need to ensure that it synthesises the key findings and recommendations, and that it shares these with sector as a whole. This could include a focused advocacy campaign to promote good governance in the NPO sector, as well as a national dialogue between Government, the corporate sector, donors and funders, and civil society on issues related to good governance. This would help the NPO Directorate to achieve a broad consensus on integrating perspectives on good governance.

Civil society appears strongest where it has, over a long period of time, become an entrenched, organic and indispensable dimension of democratic societies. This requires the evolution of an enabling political environment in which civil society organisations are able to flourish and pursue their missions in an environment that guarantees basic freedoms, and without fear of political interference, control and suppression. The NPO Directorate will need to ensure that any actions they may take to promote good governance in the NPO sector are seen by the sector as collaborative, transparent and taken in good faith.

Open societies that are premised on core democratic principles and that have legislative frameworks that encourage citizen's engagement generally provide the most fertile context for civil society to operate. Similarly, repressive polities that have restrictive legislative environments that deny their citizenry the right to open democratic engagement generally have weak and ineffective civil societies. The NPO Directorate should therefore ensure that there is ongoing engagement and dialogue with civil society in South Africa. A key element of this engagement should be to subject existing NPO legislation to ongoing review, with the purpose of ensuring that such legislation continues to promote and enable an active and engaged civil society.

Governments in different countries establish specific regulatory environments in order to track and monitor the sector. This may take the form of control over the sector, as is the case in more repressive states; alternatively it may exist as a means of establishing an enabling governance system for the sector. In countries such as South Africa, where the regulatory regime has been set up as an enabling system, there is a need to ensure that adequate information sharing and capacity development takes place to empower CSOs to meet the regulatory requirements in a way that is constructive for both parties.

Codes of good practice are increasingly becoming standard tools for strengthening the good governance agenda. Civil society organisations and coalitions, the private sector and Governments have developed codes of conduct that focus on key governance issues that include accountability, transparency and ethical practices. These codes, however, vary in their quality and usefulness in terms of practical implementation. The Department of Social Development has developed its own Codes of Good practice to support the NPO sector in strengthening its governance capacity. It is important that these Codes are reviewed, in consultation with both civil society and the private sector, in order to focus and streamline the Codes so that they address the key governance needs within South African civil society.

Civil society has increasingly recognised that by setting up effective self-regulatory mechanisms they will obviate the need for stronger, and possibly more restrictive, state regulation. Outside of established democracies such as the USA, the UK, Australia and Canada effective self-regulatory mechanisms are fairly thin on the ground. The Philippines and Uganda, however, have made significant progress in developing national self-regulatory mechanisms for their NPO sectors and these could offer interesting pointers for South Africa. The NPO Directorate could take these particular examples, and any others that can be identified, and open them to a process of dialogue through a participatory engagement with the NPO sector. It is out of this kind of process that the conceptual basis for a concrete self-regulatory mechanism could be developed.

Much of the cutting-edge work that is being done in the field of good governance is being carried out by the corporate sector, with major developments taking place in the development of corporate governance codes. It should be recognised that while there are major differences, some of the guiding principles of the corporate and NPO sectors are similar, particularly in areas of sound financial management, administration, accountability mechanisms and ethical practices. The NPO Directorate should look to act as intermediary in bringing the corporate and NPO sectors together with the purpose of building stronger relationships. At the same time the NPO Directorate could facilitate a common understanding that transcends the stereotypical assumptions around the "capitalist agenda" and suspicions around what agendas inform the thrust of Corporate Social Investment (CSI)/Corporate Social Responsibility (CSR).

Organisations within civil society generally serve the interests of poor, marginalised and displaced people, and much of this work is informed by a broad human rights agenda. Internationally the experience is that Codes of Good Practice attempt to incorporate a strong rights-based element, in the understanding that the delivery of services need to be informed, within NPO governance, by a respect for rights both within the organisation and in terms of interface with stakeholders and beneficiaries.

The NPO Directorate should ensure that its own Codes of Good Practice mainstream rights as a key component of good governance, and that it encourages civil society as a whole to integrate a rights-based approach into the development of codes of ethics, self-regulatory mechanisms and other good governance processes.

There is a global move towards professionalising the NPO sector, reflected in documents such as the WANGO Code. The dynamics underpinning this include the need to professionalise the processes involved in fundraising, financial management and service delivery. The rationale for this is the need that many organisations within the NPO sector have to get away from the traditional image of NPOs as well-intentioned but poorly managed charity organisations. The NPO Directorate will need to consider reinforcing this movement towards the professionalisation of the sector by aligning its regulatory requirements in such a way that they promote professional good governance practices across NPO operations, administration and implementation, rather than merely seeking compliance.

In a number of countries there has been a concerted move towards strengthening the capacity of leaders of civil society organisations as a way of building a stronger civil society leadership cadre. A good example of this is the work that ACEVO in the UK has been doing, particularly through the development of a code of conduct for chief executives within the NPO sector. In the South African context the NPO Directorate should take the lead in addressing the leadership issue, specifically by conducting a needs assessment and skills audit, and subsequently identifying training and development needs at the leadership levels of NPOs.

The funding environment for NPOs is becoming increasingly restrictive, and donors and funders require greater levels of accountability in terms of both financial inputs and programme / project outcomes. There is also a greater emphasis on good fund raising practices, accountability to both funders and beneficiaries, and the building of longer-term sustainability. The NPO Directorate should look at working with the NPO sector to build a more enabling environment for resource mobilisation, through for example the building more formalised service provider relationships with both Government and the private sector. The lessons from the Brazilian experience would be instructive in this instance.

Many of the codes of good practice and self-regulatory initiatives that are currently in operation have been the result of strong networks and communities of practice within the NPO sector. In these instances consensus on processes has been highly consultative and information has been broadly disseminated through active and progressive civil society networks. The NPO Directorate should ensure that it works cooperatively with the NPO sector with the object of strengthening existing coalitions and networks, and that these strengthened coalitions become the foundation for a

more engaged dialogue on the way forward for issues of good governance within the sector.

Organisations that make up the NPO sector in developed countries, whether they are large or small, tend to be professionalised, networked and integrated within strong associations or coalitions. The NPO sector in developing countries is generally comprised of a small pool of professionalised NGOs, and a large pool of smaller NGOs and CBOs that are often poorly resourced and lacking in basic governance capacity. The NPO Directorate has the challenge, through both its regulatory role and its capacity development mandate to work closely with the sector to map out innovative, cost-effective, sustainable and broad-based capacity development programmes geared towards strengthening the governance and management capacity of smaller NGOs and CBOs, with a particular focus on those operating in the peri-urban and rural areas.

The NPO sector in federal states, such as India, Brazil and the USA, is often differentiated in terms of local contexts and governed by local political, economic and cultural dynamics. Although South Africa is technically a unitary state, it has strong local dynamics at the provincial level. The NPO Directorate will need to ensure that its counterparts in provincial Departments of Social Development are sufficiently skilled and capacitated so that they can take forward the good governance agenda. This could require a customised training package for provincial offices that enables them to work closely with local NGOs and CBOs in building, strengthening and sustaining good governance practices.

It is clear from this research, as well as the wealth of other studies of the NPO sector around the world, that like any other social formation the NPO sector is very often the terrain of political engagement. The levels and extent of such political engagement can determine relations between the state and the NPO sector, as well as between the NPO sector and the private sector. In many countries these relations become antagonistic as a result of political conflicts of interest. The NPO Directorate may want to commission a study on the interface between the NPO sector and the political dynamics at play in South Africa, and how this engagement impacts on the capacity of both the state and the NPO sector to sustain sound good governance practices.

In stable democracies civil society is characterised by its capacity to engage in collegial, associative and participatory processes, and to work towards common purposes that benefit the sector as a whole. This is clearly evident in countries such as the UK and Canada where significant sections of the NPO sector work collectively towards the development of detailed and practical codes of conduct and ethics that establish operating governance frameworks for the entire sector. The NPO Directorate should engage in analysis of associational strength and levels of

participatory engagement in South Africa's NPO sector, and establish recommendations for strengthening coherence both within the sector itself, and for promoting engagement between the NPO sector and its main stakeholders.

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Annex A: Sampling method

The determination of the size of a sample to interview depends on a number of factors, namely the following:

Population

The population from which a sample is to be drawn, in this case all the organisations that have been registered as NPOs in the DSD registry. At 48871, it is a large population.

Representativeness

Determine how many cases to interview in order to have a representative sample. The size of the sample may range from small to large. The larger the sample the more representative it is of the opinions or behaviour of the population, but the rate at which precision improves decreases as the sample grows. A sample of 1000 is not necessarily 4 times more precise than a sample of 250. Sample size is based on decisions on time available, budget and precision required.

Accuracy

Accuracy levels depend on the percentage of subjects that pick a particular answer. The best scenario is when 99% of the sample picks the same answer and only 1% picks another. In this instance the sample size is immaterial. However in statistics a worst case scenario is used where 51% will give one answer and 49% another. A 50% level of accuracy is aimed for in sampling.

Confidence Intervals

With a population figure as large as the NPO one, it is possible to draw a truly random sample and factor in reliable confidence intervals. At a 4% confidence interval, if 47% of the sample picks an answer, it means that if you had asked the population the same question, between 43% (47-4%) and 51% (47+4%) would have picked the same answer.

Confidence level

The confidence level represents how often the true percentage of the population who would pick an answer lies within the confidence interval. There are two levels of confidence: the 99% level which says you can be 99% sure and the 95% level. Most statisticians use the 95% level of confidence.

When the above confidence interval and the confidence level are put together, the true percentage of the population is between 43% and 51%.

Sample size

The sample sizes at 95% confidence level and at different percentages of the population or confidence levels are as follows:

Survey sample size	Confidence interval/ Margin of error
593	4
(1.25%) 610	3.9
(1,5%) 720	3.6
(2%) 960	3.1
1044	3
(2,5%) 1200	2.8
(3%) 1440	2.5
(3,5%) 1680	2.3
(4%) 1920	2.2
(4,5%)2160	2.1
2289	2
(5%) 2400	1.9

The conclusion is therefore that if a bigger sample is selected, the improvement in the margin of error is minimal. The critical factor is to ensure that the sampling is representative of the subgroups of interest.

To obtain representativeness at provincial level, the following proportionate breakdown is suggested:

Province	From – To	Number of NPOs in population	Sample size at 3% confidence interval
Western Cape	2 – 4613	4612	98
North West	4614 – 4615 5771 - 8267	2499	53
Northern Cape	4617 - 5770	1154	25
Mpumalanga	4616 8268 - 11398	3131	67
Limpopo	11399 - 16666	5268	113
KwaZulu-Natal	16667 - 25962	9296	199
Gauteng	25963 - 41727	15765	337
Free State	41728 - 44696	2969	63
Eastern Cape	44697 - 48873	4177	89
		48871	**1044**

The following breakdown is suggested to obtain representativeness on sectors (Sectors have been grouped as suggested below as the registry has 116 classifications):

Sector	Sub-sector	From	To	Number
Education and training	Adult/continuing education	2	3	2
	Education and day care for children of working parents	11256		1
	Education for learners with disabilities	11257		1
	Elementary, primary and secondary Education	11258	11373	116
	Higher education	14766		1
	Higher Education (university level)	14767	14887	121
	Other Education	20387	21121	735
	Primary and Secondary Education	23575	29705	6131

Sector	Sub-sector	From	To	Number
	To render a service to people in imprisonment by training them for employment and supporting families.	48787		1
	To Teach Children,	48793		1
	Vocational counselling and guidance	48797		1
	Vocational rehabilitation and sheltered workshops	48798	48838	41
	Vocational/technical schools	48839	48841	3
Advocacy	Advocacy organizations	4	8	5
	Civic and Advocacy Organizations	546	1263	718
	Civil rights associations	1264	1267	4
	International Activities	18912	18961	50
	Relationship Between countries	29806		1
Animal protection and welfare	Animal Protection	9	278	270
	Animal protection and welfare	279	282	4
Business and Professional Associations, Unions	Business and Professional Associations, Unions	285	514	230
	Professional associations	29707		1
Crime prevention and public safety	Crime prevention and public safety	1347	1349	3
	Death sentence for rape, murder, torture.	3145		1
	Domestic violence counselling	3147		1
Culture and Arts	Community involvement in art and craft production.	1268	1270	3
	Culture and Arts	1350	3143	1794
	Culture and Recreation	3144		1
	Historical, literacy and humanistic societies	14888	14889	2
	Media and communications	19421	19423	3
	Performing arts	22859	22863	5
	To attract Tourists to Grahamstown	48773		1
	To do awareness raising of African culture	48776		1
	To promote artistic talent among the youth and to train and develop them.	48778		1
	To promote artistic talent among the youth and to train and develop them.	48779		1
	To promote effective use of English as an official language.	48780		1
	To promote tourism and create jobs.	48781		1
	Visual arts, architecture, ceramic art	48796		1
Economic, Social and Community Development	Economic Development	3148	3162	15
	Economic, Social and Community Development	3163	11255	8093
Employment and training	Employment and training	11625	14397	2773
	Job training programs	18962	18982	21
	Klerk	18983		1
Environment	Environment	14399	14757	359
	Environment beautification and open spaces	14758		1
	Natural resources conservation and protection	19583		1
HIV/AIDS Health	HIV/aids	14765		1
	HIV/AIDS	14890	17988	3099
	HIV/Aids Education, Management,	17989		1

Sector	Sub-sector	From	To	Number
	Information			
	Prevention and education about HIV/Aids	23532	23573	42
	Prevention of AIDS and STD's/counselling/support to patients	23574		1
	Providing home based care for Aids infected patients.	29706		1
	Providing care and support and material assistance to HIV/aids families.	29709		1
	The spiritual, emotional and physical care of persons affected or infected by HIV/Aids.	48771		1
	To create home based care facilities for Aids patients.	48775		1
	To provide care and support for aids sufferers through home based care and other means	48783	48784	2
	To render a home based care and support service for Aids and other terminally ill patients.	48786		1
	To render care and support through home based care for HIV/AIDS patients.	48788		1
	To render home based care and services for chronically ill TB/HIV patients.	48790		1
	To render home based care for people and families affected by Aids.	48791		1
	To support chronic diseases such as Aids, TB, by Home based care.	48792		1
	Wildlife preservation and protection	48842		1
	Emergency medical services	11624		1
	Hospitals and rehabilitation	17991	18099	109
	Mental Health and Crisis Intervention	19424	19582	159
	Nursing Homes	19585	20385	801
	Other Health Services	21122	22858	1737
	Provide and establish health services to indigent people	29708		1
	Public health and wellness education	29710	29725	15
	Religious organization caring for sick, poor and needy persons	35072		1
	To care for the terminally ill	48774		1
Housing	Housing	18100	18221	122
	Housing assistance	18222	18224	3
	Temporary shelters	48769	48770	2
Law and Legal Services Recreation and social clubs	Law and Legal Services	18984	19414	431
	Management of community centre	19415		1
	Recreation and social clubs	29726	29805	80
	Sports	48384	48767	384
Religious Congregations and Associations	Associations of congregations	283	284	2
	Congregations	1293	1346	54
	Development of Bishops	3146		1
	Religious Congregations and Associations	29807	35071	5265
	To Preach Gospel to all nations	48777		1
Research	Research	35074	35189	116
Social welfare	Child welfare, child services, day care	515	545	31
	Emergency and Relief	11374	11623	250
	Empowering rural disadvantaged women.	14398		1

Sector	Sub-sector	From	To	Number
	Family services	14759	14763	5
	Grant making foundations	14764		1
	Income Support and Maintenance	18225	18911	687
	Material assistance	19416	19420	5
	Philanthropic intermediaries and voluntarism promotion	22864	23526	663
	Political organizations	23527	23531	5
	Self-help and other personal social services	35190	35197	8
	Service clubs	35198	35375	178
	Services for the elderly	35376	35385	10
	Services for the handicapped	35386	35398	13
	Social Development	35399	35456	58
	Social Services	35457	48283	12827
	Support	48768		1
	To assist in the rehabilitation of alcoholics	48772		1
	To provide a support structure for the homeless	48782		1
	To raise and distribute funds for bursaries or needy children	48785		1
	To render general Christian based care and support to the needy.	48789		1
	Victim support	48794	48795	2
	Woman's Organisation	48843		1
	Youth Development	48844		1
	Youth services and youth welfare	48845	48870	26
	Community and neighbourhood organisations	1271	1292	22
	Represent and Communicate needs and information	35073		1
	Objective	20386		1
	Holiday Accommodation Elderly & poor children	17990		1
	Unclassified	48871	48873	3
	Not elsewhere classified	19584		1
TOTAL				48771

The sectors given above can be collapsed into the following:

Sector	Composition
Education Services	Education Services, Employment and Training
Animal Protection and Welfare	Animal Protection and Welfare
Crime Prevention and Public Safety	Crime Prevention and Public Safety; Law and Legal Services
Culture and Arts	Culture and Arts; Recreation and Social Clubs
Social Services	Social Services; Economic Services; Housing and Social Welfare; Advocacy; Research; Business and Professional Associations
Health	Health; HIV/AIDS; Environment
Religious Congregations and Associations	Religious Congregations and Associations

Annex B: Questionnaire for compliance study

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NPO Mainframe

i.	*Name of NPO*	
ii.	*Category (Drop down)*	1. Culture and recreation 2. Education and research 3. Health 4. Social services 5. Environment 6. Development and housing 7. Civic and advocacy 8. Philanthropic intermediaries 9. International 10. Religious congregations 11. Business and professionals, unions 12. Not elsewhere (n.e.c)
iii.	*Type (Drop down)*	Voluntary Section 21 Trust
iv.	*Registration date*	2005 May 08
v.	*File Reference Number*	
vi.	*Province (Drop down)*	Eastern Cape Free State Gauteng KwaZulu Natal Limpopo Mpumalanga Northern Cape North West Western Cape
vii.	*City/ Name*	e.g. Cape Town
viii.	*Postal Code*	e.g. 8000
ix.	*Category of NPO in terms of financial statements (drop down)*	Less than R50 000 a year R1 million Above R2 million but less than R10 million Above R10 million

NPO's Latest Annual Report

Section 1: Annual Reporting

	1. Contents of the annual report(s)		
	1.1 Annual Financial Report		
1.1.1	Is the annual financial report attached?		
	Yes	No	
	1.2 Narrative Report		
1.2.1	Is the narrative report attached?		
	Yes	No	

Section 2: Annual Financial Report

	2.1. Annual Financial Report		
2.1.1	For which financial year		
	Please state the date		
2.1.2	Is it signed by the NPO's Governing Body		
	Yes	No	
2.1.3	**NPO's Governing Body signatures**	**Date of signed by NPO Governing Body**	
	Chairperson	State date	
	Treasurer	State date	
	Others	State date	

Section 3: Narrative Report from the Nonprofit Organisations (NPOs)

	3.1. Contents of the Narrative Reports	
3.1.1	Message of Chairperson/ Foreword of the Governing Body Chairperson.	
	Yes	No
3.1.2	Is the vision of the NPO clearly stated?	
	Yes	No
3.1.3	Is the mission of the NPO stated?	
	Yes	No
3.1.4	Are objectives stated?	
	Yes	No
3.1.5	Has the NPO held the Annual General Meeting (AGM)?	
	Yes	No
3.1.6	Is the report of the Finance Committee/ Board provided?	
	Yes	No
3.1.7	Have Board elections taken place?	
	Yes	No

Section 4: Auditor's/ Accounting Officer's Report regarding NPO's Annual Financial Report and Compliance of the Annual Financial Report(s) with the NPO Act, 1997, Close Corporation Act, 1984, Public Accountants and Auditors Act, 1951 etc

4.1.1	Is the report of the Auditors/ Accounting Officer provided			
	Yes	No		
4.1.2	Is the balance sheet detailing Assets and Equity and Liabilities provided?			
	Yes	No		
4.1.3	Is the income statement detailing Revenue and Expenditure provided?			
	Yes	No		
4.1.4	Is the statement of changes in equity provided?(if there was change in equity)			
	Yes	No		
4.1.5	Is the cash-flow statement provided and in detail?			
	Yes	No		
4.1.6	Are notes to the financial statements provided?			
	Yes	No		
	Were the financial statements drawn up by an auditor/ accounting officer in terms of Section 18(1) of the NPO Act			
	Yes	No		
4.1.7	Are they signed by the Auditor or the Accounting Officer?			
	Yes	No		
4.1.8	Date of signature by the Auditor/ Accounting Officer			
	Yes	No		
4.1.10	Status of the financial statement, as per Auditor/ Accounting Officer's report in terms of Section 17 of the NPO Act			
	Unqualified	Qualified		
	Were the financial statements drawn up by an auditor/ accounting officer in terms of section 18(1) of the NPO Act			
	Yes	No		
5.1.2	Is the auditor/ accounting officer registered with a registered financial institution in terms of section 60 of the Close Corporation Act			
	Yes	No		
5.1.3	**Which financial Institution (drop down)**	The Institute of Administration and Commerce of South Africa		
		Accountants and auditors registered in terms of Public Accountants and Auditors Act		
		The Southern African Institute of Chartered Accountants		
		The Southern African Institute of Chartered Secretaries and Administrators		
		The Chartered Association of Certified Accountants		
		The Southern African Institute of Business Accountants		
		The Institute of Commercial and Financial Accountants of Southern Africa		
		Not mentioned		
		Any other besides the above mentioned		
5.1.4	Is the auditor/ accounting officer a qualified accountant			
	Yes	No		

Annex C: Questionnaire for interviews

ASSESSMENT OF USEFULNESS OF THE CODES OF GOOD PRACTICE (CGP) FOR

SOUTH AFRICAN NON-PROFIT ORGANISATIONS (NPOS)

This semi-structured interview framework is to be used in in-depth face to face interviews. It is to be applied to Board members, other office bearers, members and other stakeholders to obtain their views. This qualitative research includes a review of relevant organisational documentation related to the issue in the particular questionnaire item. The research essentially explores four questions:
• Is the code being implemented? Is it making a difference?
• To whom?
• What are the challenges with implementing the CGP and what are NPOs saying will help them in this regard?
• If not implementing the code what procedures are being adopted? (Reality check)

STATED OBJECTIVES OF THE CODE OF GOOD PRACTICE; (to be used in familiarising respondents with CGP)

PURPOSE OF THE CODE OF GOOD PRACTICE
An objective of the Nonprofit Organization's Act of 1997 is to encourage and support non-profit organizations (NPOs) in their contribution towards meeting the many needs of the Republic of South Africa's diverse population by:

•   creating an environment in which non-profit organisations can be productive and effective; and

•   developing the abilities of non-profit organisations to become effective partners with government and the private sector in the upliftment and care for South Africa's communities and environments; and

•   encouraging non-profit organisations to accept the responsibilities of ensuring that they respond to and maintain high standards of practice in: good governance; effective management; optimisation of resources; successful fundraising; productive relationships with government, beneficiary communities, donors, sponsors, and the general public; careful administration of their organisations; and ethical behaviour.

Name of interviewer:………………………………….……………. Date of interview:………………

1. IDENTIFYING PARTICULARS AND TYPE OF ORGANISATION

Name of NPO & Province:………………………………………………………………………………..
Tel/Fax numbers:………………………………………………………………….………………………..
Email Address:……………………………………………………………………………………………….
Sector:………………………………………………………………………………………………………

Position/s of people being interviewed:
Position 1…………………………………………………………………………………………...

2.1. Is the NPO using the SA NPO Code of Good Practice? (How different or similar?)	YES:….	NO:……

Please state facilitating or hindering factors in applying CGP:

……….

…….

……

Suggestions for improvement

…………………………………………………………….……………………………………………………………...

…….…………

……..

Position 2………………………………………………………………….………………………………………

1.1 Impetus driving the NPO: (Tick relevant box with an X)

Community needs/demand	Membership-based Organization	Availability of international funding
1.1 Interviewer comments:		

…………………………………………………………………………………………………….…………..

…………………………………………………………………………………………………….…………..

……………………………………………………………………………………………................

1.2 Length of time registered: (Tick applicable box with an X)

1-3yrs…………….	4-6yrs…………….	6 yrs and above……

1.3 Size of the NPO (Number of employed staff)   (Tick applicable box with an X)

0-5 employees:	6-10 employees:	10 employees & above:
1.2 Interviewer comments concerning staff employment practices/staff employed:		

……....

....

……….

1.4 Coverage: (Tick applicable box with an X)

Community(ies)	District	Regional	Provincial	National
1.3 Interviewer comments on NPO coverage:				

………………………………………………………………………………………………......................

....

……………………………………………………………………………………………….……

2. AWARENESS AND GENERAL PERCEPTIONS ON USEFULNESS OF THE CODE OF GOOD PRACTICE (CGP) (including suggestions on improvements)

2.2. State and explain two practices that the NPO applies to ensure that the organization is in compliance with the CGP

i.……….

………

……….

ii.………

………

…………………..

2.3. How has the CGP worked (been useful) or not worked (not useful) for your organisation in meeting the stated CGP objectives and elements?
………
………
………
……………… …………………………
Suggestions for improvement/change/additions to the CGP:
………
………
………
………
………
………
………
2.5 What is the one best / worst thing about the CGP?
Best:……
………
………
………
Worst:………
………
………
………

2. Interviewer comments on NPO awareness/ experience of CGP:
………
……
………
………
………
………
………

3. COMPLIANCE WITH NPO REGISTRATION IN TERMS OF THE NPO ACT NO. 71 OF 1997

3.1. Where changes have occurred to the NPO constitution, have these changes been submitted as required?	YES…..	NO…….
Comments:		
………		
………		
………		
………		
………		
3.2. Has the NPO submitted the last annual report? (Note period covered by report)	YES…..	NO…….
Comments:		
………		
………		
………		
………		

3.3. Has the NPO submitted audited financial reports timeously? (Note date of latest audited financial report submitted)	YES…..	NO…….
Comments on submission practice:		
…...………...		
………		
………		
………		

…………………………………………………………………………….…

3.4. What internal mechanisms does the NPO have in place and use to oversee fiduciary and legal requirements?

…………………...……………………………………………………………………………………...

………...

……………………………………………………………………………………………………….

………...

………...

……………………………………………………………………………………………………….

………...

3.5. What are the greatest challenges experienced with compliance with registration requirements?

....

……

…….……

……………………………………………………….……...

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……………………………...

3.6. How has the NPO CGP helped or not helped the NPO to comply with registration requirements and to maintain good   practice?:

……

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……

……

…………………………………………………………………………………………………

3.7. Where your NPO did not comply, what happened?

…………………………………………………………………………………

……

……

………………………………………………………………….

3.8. Would you say that the benefits of implementing the CGP outweigh the costs? YES….NO…..Please explain your response:

...……

……

…………………………………………………………………………….…...........................

……

3. Interviewer comments on compliance:

……………………………………………………………………………………………….....................

………

……

PRACTICE OF GOOD GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY, LESSONS AND AREAS OF NEED

Section A: Nonprofit Organisation (NPO) Leadership and Management

A1: NPO operating principles (ETHICS – NGO INTEGRITY)

Human rights and dignity		
A1.1. Does the NPO undertake needs assessments?	YES…	NO..
A1.2 How has the NPO integrated human rights in its organisational work and processes?.. ……… ……....... …… …………………………………… ...…………………………………………………………………………		

Interviewer comments:………
………………………...........……………………………………………………………………………………..................
....……
………
……......................
……

A.2: Responsibility, service and public mindedness (NPOs are expected to "do good" with resources given in trust.. The public expects them to be beyond reproach.)

A2.1. Which of these ethics/ values does the organisation promote and maintain and how? (Tick applicable box with an X)				
Honesty……… ……..	Integrity……………	Loyalty………………	Responsibility…………	Respect………………
Pursuit of excellence…… …….	Caring for others………………		Fairness…………………	Accountability…………………
Comments on how:				
…….………………				
………..				
………				
…….……………….…				
……….……………………				
………………………………………………………………………..........…………………….……............................				
……….…………………				
……				
…….……................				
A2.2 To what extent has the CGP promoted cultivation of these principles?				
a. None……	b. Little……	c. Somewhat…….	d. Large…….	e. Very large……
Please explain your response:				
……................				
………......				
……				
……				
……				
………………………………………………………………………………………………………..............................				

A.3: NPO Governance (Governance structure/body)

NPO Organized		
A.3.1 Is there a governance structure (state type of structure) Type: …………………………………………………………………………….………………………… …………..	YES…..	NO……. .
A.3.2 Does the governance structure meet as stipulated in the NPO's constitution? (Regular meetings; on what evidence is the response based?)……….………….…………………………….……………………..……… …………………………………………………………………………….……………… …………………………………………………………………………………..	YES……	NO……. .
A.3.3 How has the CGP assisted the NPO set standards in this area? .... …… ………..…….. ………		

Suggestions on improvements ....
NPO Board/ governing structure principles
A.3.4. **Conflict of interest:** How does the NPO manage potential conflict of interest, to guard against any possibility of personal gain by governing body members or staff?: ....
A.3.5 **Duty of obedience:** How does the NPO assure adherence to organisational purposes as described in its constitution?... ....

A.3.6 Is there a stipulated term of office for board members?	YES...... How long…	NO… …..

Share experience on board replacement and on why there is no term of office (where applicable): ....
A.3.7 State other principles, if any: Interviewer comments: ....

A.4 Some key NPO board roles and responsibilities

Vision, Mission and establishing organisational purpose		
A.4.1 Is there a mission statement?	YES...	NO …..
A.4.2 Is the mission of the NGO reviewed periodically to determine if it is still relevant? – How often?	YES...	NO …..
Interviewer Comments:………………………………………………………………………………………………… …………... ……… …………………………………………………………………………………………..		

Board ensures effective organisational planning and service delivery by putting in place:		
A.4.3 Approved strategic plan (current one is for period _____to_____	YES..	NO …..
A.4.4 Clear goals and objectives	YES..	NO …..
A.4.5 Activity plans	YES..	NO …..
A.4.6 Monitoring and evaluation plan or system	YES..	NO …..
A.4.7 Approved annual budget	YES..	NO …..
A.4.8 What would the NPO do differently or the same based on experience in this area? ……… ……. ……… ……….		
A.4.9. How has the CGP assisted the NPO in the development of these plans? Give suggestions on what should be changed or added: …… …… ……….. ……….		
A.4.10. What training does the NPO require in this area?: …… …… ……		
A.4.11. What are the skills gaps experienced by the NPO in this area?: …… …… ……		
Interviewer comments: …… ……….. ………. …….		

Ensures the organisation has adequate resources		
A.4.12. Is there an approved resource mobilization strategy or an income generation plan?	YES...	NO …
A.4.13. Are there enough resources to match the annual budget?: ……… ……… ……… ……… ………………………………………………………………………………………………………	YES...	NO …
Interviewer comments: ………........ ……........ ……….. ………………………………………………………………………………………………..………………….		

Manages the organisation's resources effectively:		
A.4.14. Is there an asset management plan?	YES	NO
A.4.15. Are there control mechanisms for company vehicles?	YES...	NO…
Interviewer comments: …… …… …… ……………………………………….		

A 5.   Staff leadership (Human Resource Management)

Staff policies		
A.5.1. Are there recruitment, appointment and placement procedures/policy?	YES...	NO …
A.5.2. Are there written staff conditions including disciplinary and grievance procedures?	YES...	NO …
A.5.3. Is there a performance appraisal system/policy?	YES...	NO …
A.5.4. Is there a staff development policy?	YES...	NO …
A.5.5. Are there job descriptions for everyone in the organisation	YES...	NO …
A.5.6. How does the NPO administer/implement these policies? (Gather evidence of use on each of policies 1 to 4) 1…… …… ………………………… …… …… ………………………… 2…… …… …………………………… …… …… ………………………… 3…… …… ………………………… …… …… ………………………… 4…… …… ……… …… …… ………		
A.5.7 What would the NPO do differently or the same based on experience in this area?: …… …… …… …… …… …… …… ……		
A.5.8. How has the CGP promoted development of these policies and their implementation? …… …… …… Suggestions for improvement/change/additions: …… ……… ……… …… ……		

A.5.9. What training does the NPO require in this area?:
....
....
....
....
....
A.5.10. What are the skills gaps experienced by the NPO in this area?:
....
....
....
....
....
Interviewer comments:
....
....
....
....
....
....
....

B Accountability

B.1 Financial Management (Internal Finance Controls)

B.1.1. Is there a budget approved by the governing structure?	YES..	NO….
B.1.2. Is there a designated finance person / officer?	YES..	NO….
B.1.3. Are there approved financial policies/manual/guidelines? Check relevant document	YES..	NO….
B.1.4. Are there procedures for the authorisation, preparation, signing and issuing of cheques?	YES..	NO….
B.1.5. What would the NPO do differently or the same based on experience in this area?:		
....		
....		
....		
....		
B.1.6. How has the CGP assisted the NPO in this area?:		
....		
....		
....		
Suggestions on improvement/change/additions		
....		
....		
....		
B.1.7. What training does the NPO require in this area?:		
....		
....		
....		
B.1.8. What are the skills gaps experienced by the NPO in this area?:		
....		
....		
....		
Interviewer comments:		
....		
....		
....		
....		

B.1.9. Is there a purchasing system that ensures competitive quotations are considered where applicable and appropriate records are maintained?	YES..	NO….
B.1.10. Is there a contracting or tendering system?	YES..	NO….

B.1.11. What would the NPO do differently or the same based on experience in this area?
....
B.1.12. How has the CGP helped you as an NPO in this area?: .... Suggestions for improvement/change/additions: ....
B.1.13. What training does the NPO require in this area?: ....
B.1.14. What are the skills gaps experienced by the NPO in this area?: ....
Interviewer comments: ....

B2. Procurement

C. Transparency

C.1 Reporting

C.1.1. To whom does the NPO provide reports?	Dept. Of Social Development.	Communities served	Donors	Partner organisations/networks	Others (State names) i. ii.
C.1.2. Type of report					
C.1.3. How often					
Interviewer comments on reporting compliance – strengths, challenges and needs:					

C.2 Involvement

C 2.1. How does the NPO select members of the governing structure/board?:
....
C.2.2. What opportunities does the NPO provide for beneficiary stakeholders and communities to be involved in the planning   processes?: ....

C.2.3. What would the NPO do differently or the same based on experience with C 2.1 & C.2.2 above?:
....
C.2.4. How has the CGP assisted the NPO in implementing C.2 .1 & C.2. 2 above?
....
Suggestions on improvement/change/additions:
....
C.2.5. What training does the NPO require with C.2 .1 & C.2. 2 above?
....
Interviewer comments:
....

C.3　Ethical and responsible behaviour – public trust through communication and public relations

C.3.1. Does the organisation have a communication strategy/ policy or guidelines for verbal and written communication? Check document	YES..	NO….
C.3.2. Is an annual report prepared and distributed? Check documentation	YES..	NO….
C.3.3. Does the organization seek regular feedback on its activities from project beneficiaries, as well as other stakeholders? How?	YES..	NO….
C.3.4. What would the NPO do differently or the same based on experience in this area?		
C.3.5. How has the CGP assisted the NPO in the development of these policies?: .... Suggestions on improvement/change/additions		
C.3.6. What training does the NPO require in this area?:		
C.3.7 What are the skills gaps experienced by the NPO in this area?:		
Interviewer comments:		

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Section B: Nonprofit Organisation Fundraising and Resource Mobilisation

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D.1: Ethical values for those engaged in fundraising

D.1.1. Are there guidelines for engaging in fundraising?	YES..	NO….

D.1.2. What would the NPO do differently or the same based on experience in this area?: .... ……… ....
D.1.3. How has the CGP assisted the NPO in the development of these guidelines?: .... …… Suggestions on improvement/change/additions…………………………………………………………………… ……… ……… ....
D.1.4. What training does the NPO require in this area?: ....
Interviewer comments on fundraising practice:…………………………………………………………………… ……… ……… ………………………

D.2: The responsibilities of a fundraiser

D.2.1. What policies/procedures/guidelines are in place to guide the use of fundraisers?					
D.2.2. Who does fundraising for the NPO and what are the advantages/disadvantages of method being used?					
CEO/Manager alone……..	Fundraising Committee alone……	Both CEO/ Manager & fundraising comte……	Internal Professional fundraiser……	External fundraiser…..	Other
D.2.3. How does the organisation monitor its fundraising activities or those of an external fundraiser?: .... ……					
D.2.4. What would the NPO do differently or the same based on experience in this area?: .... ……					
D.2.5. How has the CGP assisted the NPO in the development of these policies?: .... …… Suggestions on improvement/change/additions…………………………………………………………………….. ……… ……… …………….. .					
D.2.6. What training does the NPO require in this area?:					
D.2.7 What are the skills gaps experienced by the NPO in this area?: ……… ………					

Interviewer comments:
……………………………………………………………………….………………………………………..............................
……………………………………………………………………….…………………….…….…………………………..
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PLEASE SHARE ANY INFORMATION OR EXPERIENCE RELATED TO CGP AND DONOR SUPPORT.

ATTACHMENT