

# **NPO GOVERNANCE PROGRAMME**

## **MODULE - IV**

### **MEETING, RECORDS, BOARD REPORTS & OTHER ISSUES**



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## *Chapter 1*

# Overview of General & Board Meetings

## INTRODUCTION

**1.1.1** Sound governance largely depends on the effective interaction between the decision making persons of the organisations. It is very important that regular meetings are conducted for various policy matters and legislative and executive decision making.

**1.1.2** The General Members and the Board/Trustees exercise the power entrusted to them as per the governing documents such as Trust Deed, Memorandum of Association and Articles of Association. The provisions of the statute of registration also regulate the procedure for conducting Board and General Meetings.

**1.1.3** In an NPO two types of meetings are normally held, (i) General meetings, (ii) Board meetings. The NPOs which are formed as companies or registered under the Societies Registration Act, normally have both General Body and the Board. But NPOs registered as trusts normally do not have a General Body and therefore the Trustees happen to be the ultimate body.

## GENERAL MEMBERS' MEETING

**1.2.1** A meeting of the General Members normally should be held at least once in a year to discuss and approve important matters like approval of audited accounts, appointment of Statutory Auditors, review of activities during the year, election of the Board Members. This meeting is called Annual General Meeting (AGM). It is normally conducted within six months from the end of the financial year and all the activities and accounts for the previous financial year are placed.

**1.2.2** Apart from the AGM, General Meetings can also be called during the year if the circumstances demand so. All General Meetings other than the AGM are normally called as Extraordinary General Meeting (EGM) or Special General Meeting (SGM).

**1.2.3** Whether it is an Annual General Meeting or Special General Meeting, all the members of the organisation have the right to participate and vote. Therefore all the decisions of enduring significance should be taken in a General Meeting.

## BOARD MEETINGS & ITS FREQUENCY

**1.3.1** The meeting of the Governing Body or the Board of an organisation should ideally be held at least once in every three months. The Board may meet more frequently if it is required.

**1.3.2** A Board meeting in every quarter is not legally mandated under any central statute. Even Section 25 Company registered under the Companies Act is allowed to have Board meeting only once in every six months. All other registered companies are required to hold Board meetings at least once in every three months and four meetings in a year. However Section 25 Companies are exempted from the four meeting

clause [vide Notification No. SO 1578 dated 1-7-1968] as they can have Board meetings only once in every six months.

**1.3.3** The Trust Deed or Articles of Association may specifically provide for the number and procedure of Board meetings to be held during the year.

## **SPECIAL INVITEES TO THE MEETING**

**1.4.1** The Board or the Trustees may invite special invitees to some of the meetings. The following issues are pertinent in this regard :

- ♦ A Board member should not send representative as special invitee.
- ♦ A special invitee may be a technical or a professional person who is invited for specific agenda items. In such cases the special invitee should normally participate for that particular agenda item only.
- ♦ The Statutory Auditor, advisors, donor representative etc. may be invited as special invitees. Such special invitees should participate in the discussions but should not vote against or in favour of a motion.
- ♦ As a principle special invitees should not possess any voting right and the organisation should formulate a policy regarding the role and participation of special invitees in a meeting.

## **SELF ASSESSMENT QUESTIONS**

1. Write briefly about General Members meeting & the important matters required to be taken up in such meetings.
2. Write briefly about Board meeting & its frequency.
3. Write briefly about special invitees to various meetings.

## Chapter 2

# Notice & Agenda for Convening General Meetings

### **AUTHORITY TO CONVENE GENERAL MEETING**

**2.1.1** The Board or the Governing Body of the NPO is the authority for convening all general meetings including the Annual General Meeting. The Board should convene a general meeting *suo motu* or on the requisition by the members. The decision for convening the general meeting should be passed in a meeting of the Board or the Governing Body or such resolution may be passed by resolution.

### **WHAT IF BOARD FAILS TO CONVENE A GENERAL MEETING**

**2.2.1** If the Board or the Governing Body of the NPO fails to convene a general meeting even after the requisition by the members. Then the members who make the requisition may call the meeting. All NPOs should have clear bye-laws regarding the circumstances where the General Members can call a general meeting through requisition. There should

be a norm of minimum number of General Members required to requisition a general meeting. The requisition should be first made to the Board or the Governing Body. If the Board or the Governing Body fails to convene a general meeting, then after a reasonable time period the General Members themselves may issue a notice for the General Meeting.

**2.2.2** A recommended number of General Members for requisition of general meeting could be 5 members or 20% of the total members whichever is higher. The members may wait for 30days for convening of the meeting by the Board, thereafter they may convene the meeting by issuing a notice for 21days.

## **SERVING NOTICE OF A GENERAL MEETING**

**2.3.1** A notice of every meeting is required to be given in writing. Care should be taken to provide for the length of the notice while framing the bye laws of the organisation. In the absence of any time limit of notice in the bye-law, it is desirable to give 21 days notice for a General Meeting.

**2.3.2** The notice of a General Meeting should be given to every member of the NPO. Such notice should also be given to the Directors/Trustees. The notice should be given to the Statutory Auditors in case of Annual General Meeting.

**2.3.3** The notice should be given by hand or by post and should also be placed on the website, if any, of the NPO.

**2.3.4** The Notice should specify the day, date, time and venue of the Meeting with complete address. Meetings should commence during working hours, on a working day, at the Registered Office of the NPO or at some other place within the city, town or village in which the Registered Office is situated.

**2.3.5** If the venue of the Meeting is not a prominent place, a site map of the venue should be enclosed with the Notice.

**2.3.6** The Notice should prominently contain a statement that a Member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself wherever is applicable.

## **RECOMMENDED AGENDA FOR A GENERAL MEETING**

**2.4.1** A notice of every general meeting is required to be given in writing. Care should be taken to provide for the length of the notice while framing the bye laws of the organisation. In the absence of any time limit of notice in the bye-law, it is desirable to give 21 days notice for a General Meeting and 7 days notice for a Governing Body meeting.

**2.4.2** Alongwith the notice of a meeting; it is necessary to enclose of list of items to be discussed/resolved, such list is known as AGENDA. It is very important that the agenda of a meeting is sent in advance preferably with the notice, it helps a member to prepare for the meeting. Issue of a meticulous agenda in advance shows the transparency and democratic functioning of an organisation.

**2.4.3** Some matters which normally may form a part of the agenda are as under :

- ♦ Reading and confirming minutes of the previous meeting.
- ♦ Any matter arising out of the previous minutes.
- ♦ Issues which were deferred in the previous meeting.
- ♦ Various specific matters planned to be discussed in the meeting.
- ♦ Any matter involving related party transactions requiring confidential or restricted decision making.

- ♦ Matters requiring special or unanimous resolutions.
- ♦ Listing out the action points.
- ♦ Appointment of Auditor
- ♦ Election of Office Bearers etc.
- ♦ Date of next meeting and deadlines of documentation.
- ♦ Closure or adjournment of meeting.

**2.4.4** It may be noted that any matter which requires special or unanimous resolutions should be supported with an explanatory statement alongwith the notice.

### **SELF ASSESSMENT QUESTIONS**

1. Write briefly about the authority to convene a general meeting & the circumstances when General Members can convene a meeting.
2. Write briefly about serving a notice for a general meeting ?
3. Write briefly about setting a agenda for a general meeting ?

### *Chapter 3*

# Notice & Agenda for Convening Board Meetings

## **AUTHORITY TO CONVENE BOARD MEETING**

**3.1.1** The General Secretary, Executive Director, Chief Functionary, any Board Member/Trustee or the CEO is the authority for convening all Board meetings, unless otherwise specified in the bye laws or the trust deed.

## **SERVING NOTICE OF A BOARD MEETING**

**3.2.1** A notice of every meeting is required to be given in writing. Care should be taken to provide for the length of the notice while framing the bye laws of the organisation. In the absence of any time limit of notice in the bye-law, it is desirable to give 7 days notice for a Board Meeting.

**3.2.2** The notice of a Board Meeting should be given to every director/Trustee of the NPO.



**3.2.3** The notice should be given by hand or by post and should also be placed on the website, if any, of the NPO. The notice can also be sent by email or facsimile or any other electronic mode which may have been approved or specified.

**3.2.4** The Notice should specify the day, date, time and venue of the Meeting with complete address. Meetings should commence during working hours, on a working day, at the Registered Office of the NPO or at some other place within the city, town or village in which the Registered Office is situated.

**3.2.5** The meeting may be held in any other venue also. Further the meeting may also be held on public holidays or sundays.

**3.2.6** If the venue of the Meeting is not a prominent place, a site map of the venue should be enclosed with the Notice.

**3.2.7** There is no need to give notice of an adjourned meeting other than a meeting that has been adjourned “sine die”. However, Notice of the reconvened adjourned meeting should be given to those Directors/ Trustees who did not attend the meeting which had been adjourned.

**3.2.8** No discussion should be made or matter should be resolved in any Board meeting if proper notice has not been served as described above

## **RECOMMENDED AGENDA FOR A BOARD MEETING**

**3.3.1** Alongwith the notice of a meeting; it is necessary to enclose of list of items to be discussed/resolved, such list is known as AGENDA. It is very important that the agenda of a meeting is sent in advance preferably with the notice, it helps a member to prepare for the meeting. Issue of a meticulous agenda in advance shows the transparency and democratic functioning of an organisation.

**3.3.2** Some matters which normally may form a part of the agenda are as under :

- ♦ Reading and confirming minutes of the previous meeting.
- ♦ Any matter arising out of the previous minutes.
- ♦ Issues which were deferred in the previous meeting.
- ♦ Various specific matters planned to be discussed in the meeting.
- ♦ Any matter involving related party transactions requiring confidential or restricted decision making.
- ♦ Matters requiring special or unanimous resolutions.
- ♦ Listing out the action points.
- ♦ Date of next meeting and deadlines of documentation.
- ♦ Closure or adjournment of meeting.

**3.3.3** It may be noted that any matter which requires special or unanimous resolutions should be supported with an explanatory statement alongwith the notice. A format of notice and agenda is enclosed as per ***Annexure-1***.

## **RECOMMENDED AGENDA FOR QUARTERLY BOARD MEETINGS**

**3.4.1** The Board of an organisation should perform specific task in various quarters of the year. Apart from the various mandated and discretionary functions, the Board should preferably include the following issues in the agenda for various quarters :

- ♦ In the Board meeting held during the January-March quarter the Board should include in the agenda issues such as (i) approving programmes/budgets of forthcoming year (ii) status of statutory compliances to be done within 31st march (iii) major deviation in planned and actual activities.

- ♦ In the Board meeting held during the April-June quarter the Board should include in the agenda issues such as (i) Review of the previous year, (ii) Performance appraisal (iii) Pay determination for CEO/key personnel (iv) Status of closing and finalisation of accounts and reconciliations.
- ♦ In the Board meeting held during the July-September quarter the Board should include in the agenda issues such as (i) Recommending audited accounts and annual report of previous year for the General Body for approval (ii) Nominating Directors/ Board members to be approved at AGM (iii) Recommending auditor for AGM to approve.
- ♦ In the Board meeting held during the October-December quarter the Board should include in the agenda issues such as mid year review of programmes, financials etc.

## **AGENDA FOR BOARD MEETINGS WHERE ANNUAL ACCOUNTS/ACTIVITIES ARE CONSIDERED**

**3.5.1** The Board/Trustees should consider various matters in specific detail in the Board meeting where annual account/activities are considered. A recommended agenda for the Board meeting where annual account/activities are considered is provided in ***Annexure-2***.

## **SELF ASSESSMENT QUESTIONS**

1. Write briefly about the authority to convene a Board meeting. Can General Members convene a Board meeting.
2. Write briefly about serving a notice for a Board meeting ?
3. Write briefly about setting a agenda for a Board meeting ?

## *Chapter 4*

# Attendance, Quorum and Proxy for General & Board Meetings

## **ATTENDANCE AT GENERAL & BOARD MEETINGS**

**4.1.1** An hard bound attendance register should be maintained for recording the attendance of all the eligible participants to the meeting including special invitees.

**4.1.2** If an attendance register is maintained in loose-leaf form, it should be bound at reasonable intervals and may be destroyed after eight years, with the approval of the Board.

**4.1.3** The Attendance Register in case of general meetings should contains the names, address and signatures of the members and special invite present at the Meeting.

**4.1.4** The Attendance Register in case of Board meetings should contains the names and signatures of the members and special invite present at the Meeting.

## LEAVE OF ABSENCE

**4.2.1** In case of general meetings, normally there is no need to grant a special leave of absence for the General Members.

**4.2.2** However, in case of Board meetings leave of absence should be granted to a Director/Public Trustee only when a request for such leave has been communicated to the Secretary or to the Board or to the Chairman.

## QUORUM

**4.3.1** The term quorum implies the minimum number of members that must be present to make the proceedings of a meeting valid. Normally the bye-laws of an organisation specify the quorum required for different meetings. An organisation should carefully devise the requirement of Quorum for general and Board meetings.

**4.3.2** In case of Board meetings if the quorum is high (example : 50% of Board members) then it may become difficult to hold valid meetings. And if it is too low (example : 2 of Board members) then important decision may be taken without the involvement of the majority. Therefore, the bye-laws may be drafted or amended accordingly.

**4.3.3** In case of General Meetings even a small percentage of the quorum may prove to be very high (example : 25% of members in case of an organisation having 1000 members) then it may become difficult to hold valid meetings. And if it is too low (example : 3 of General Members) then important decision may be taken without the involvement of the majority. Therefore, the bye-laws may be drafted or amended keeping in view the size of the General Body.

**4.3.4** If the bye laws or trust deed is silent then it is suggested that the quorum for General Meeting should be at least one third of the total

members in case where the total members are less than 30. For NPOs with larger General Body a suitable basis quorum may be fixed depending on the size and nature of the organisation.

**4.3.5** For Board meetings at least 33% of the Board members should be present to form the quorum. If the quorum is not present in any particular meeting then the meeting should be adjourned to a future date by the members present on that day. It is not advisable to convene a meeting without quorum on the same day after allowing an adjournment of 30 minute or 1 hour.

**4.3.6** If on the adjourned future date again the quorum is not present then the members present (not less than 2) should be considered as valid quorum. The future date for the adjourned meeting should ideally be within 7 to 14 days.

**4.3.7** It may be noted that proxies are not permissible for the determination of quorum both in general and Board meeting.

## PROXY

**4.4.1** Proxy refers to a person or a representative empowered to attend a meeting on behalf of a member. Any member of an organisation who is entitled to attend and vote at meetings is also entitled to appoint a proxy who can also attend & vote. A proxy has to carry an authorisation form; the member entitled to attend the meeting should authorise his/her representative in writing in a proxy form, see *Annexure-3*.

**4.4.2** A proxy form should be deposited in advance at the registered office of the organisation atleast two days before the date of the meeting.

**4.4.3** **A proxy is not permissible for Board meetings and should be used in General Meetings only.** Proxy should preferably be avoided in a voluntary organisation.

## **SELF ASSESSMENT QUESTIONS**

1. Write briefly about attendance record at Board and general meeting.
2. Write briefly about leave of absence for a Board meeting ?
3. Write briefly about quorum for a general & Board meeting ?
4. Write briefly about proxy for a general meeting ?

## *Chapter 5*

# Chairperson of the Meeting & Its Role

## INTRODUCTION

**5.1.1** All meetings are normally facilitated and directed by a Chairperson. The Chairperson, President, Managing Trustee etc. of the organisation, normally chairs all the meetings. The bye-laws of the organisation normally provides for the person who would be the Chairperson and preside over the meetings. In the absence of any such provision in the bye-laws, one of the members present should be elected as the Chairperson for that particular meeting. A Chairperson as the leader of the Board provides in effective decision making.

**5.1.2** The Chairperson should ensure that the notice and agenda for the meeting were properly served prior to the meeting.

**5.1.3** The Chairperson should ensure that the time is managed to complete all the agenda items, he/she should also ensure that all the present members get a fair opportunity to participate and express their views. In this chapter we are providing a detailed overview of the role and function of the Chairperson



## WHO IS A CHAIRPERSON?

**5.2.1** The Chairperson, President, Managing Trustee etc. of the organisation, normally chairs all the meetings. However, the members present in the meeting may vote any senior person to the Board in the absence of the Chairperson of the organisation. The Board is a collective decision making body. In other words, even though individual preferences are expressed, eventually the collective wisdom of a body of individuals prevails. The principle behind forming and making decisions through Board is to ensure that the experience and expertise of individual members can be collated and assimilated. At the same time, due to collective decision making process self interest and conflict of interest issues are also adequately addressed.

**5.2.2** In order to structure the decision making process through the Board, a method of facilitation is required. Normally, the facilitator is designated as the Chairperson of the Board. The Chairperson is required to call the meeting to order, lead in various discussions, move the meeting as per the agenda items proposed and ensure that there is discipline in the meeting. When the Board is not in session, the Chairperson also acts as a key representative of the organization to the outside world.

## WHAT ARE THE KEY CHARACTERISTICS OF A CHAIRPERSON?

- 5.3.1** The key characteristics of a Chairperson are as under :
- ♦ Acceptable among the Board members
  - ♦ To be above reproach
  - ♦ Demonstrate fairness and uphold organizational values
  - ♦ Ability to direct and manage the Chief Functionary on behalf of the Board

- ♦ Should not have Conflict of Interest
- ♦ Good leadership skills, communication and interpersonal skills.
- ♦ Impartiality, fairness and the ability to respect confidentiality.
- ♦ Understanding of the roles/responsibilities of Board.

### **THE CHAIRPERSON IS THE LEADER AMONG THE EQUALS ?**

**5.4.1** In order to manage his/her role smoothly, there are certain powers vested with the Chairperson. The Chairperson has the power to allow/disallow a member to speak in order to maintain discipline. At the same time, it is expected that the Chairperson acts in an independent and neutral manner in order to provide opportunity to all Board Members to voice their opinions. Sometimes if there is a division in opinions, the Chairperson may ask for voting in order to determine the majority opinion. In the eventuality of a tie, the Chairperson has a second vote which is called the “Casting Vote”. The power to execute “casting vote” is reserved only in case of a tie. Therefore, the Chairperson is seen as a leader among the equals with certain special powers embedded in the role.

### **HOW THE CHAIRPERSON IS SELECTED/ ELECTED?**

**5.5.1** Generally, the Chairperson is selected/elected in the following ways :

- ♦ The governance structure of the society or the trust may provide for the position of a Chairperson. The position of the Chairperson can also be referred as the President of the Trust of the Society.

- ♦ The Board is selected/elected in the General Body meeting (in case of society). Sometime the bylaws provide that the society also elects the Chairperson while electing the Board members. In that case, the Chairperson is elected as a Board Member first and then elected as a Chairperson.
- ♦ The second method of selecting/electing a Chairperson is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board the Chairperson is elected again as stated above. These processes are prescribed in the bylaws of the organization.

## **ELECTION/ ROLE OF CHAIRPERSON VIS-A -VIS INCORPORATION LAWS?**

**5.6.1** As we know there are three ways of incorporating an organization i.e. Trust, Society and Company u/s 25 of Companies Act. The election and role of Chairperson also varies according to the nature of incorporation and the process of election/selection is defined in the governing documents of the organization. The following are the different modes of election/role of Chairperson:

### **5.6.2 *Election/role of Chairperson in a Trust:***

- ♦ Unlike a Company or a society, the trust does not have a General Body, from which the Governing Body is elected. Therefore, all the Trustees form the General Body as well as the Governing Body of the Trust.
- ♦ The Chairperson is elected as laid down in the Trust Deed. Generally, the Trustees elect a Chairperson from among themselves by voting. The term of the Chairperson shall be applicable as defined in the Trust Deed.
- ♦ The Chairperson is entrusted to cause to maintain accurate

accounts of trust property, invest money held on trust, act only for the benefit of the trust consistently with the trust rules and powers, etc.

### **5.6.3 *Election/role of Chairperson in a Society:***

- ♦ The Board is selected/elected in the General Body meeting. Sometimes the bylaws provide that the society also elects the Chairperson while electing the Board members. In that case the Chairperson is elected as a Board Member first and then as a Chairperson.
- ♦ The second method of selecting/electing a Chairperson is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board the Chairperson is elected again as stated above. These processes are prescribed in the bylaws of the organization.
- ♦ The role of the Chairperson is to keep order and maintain progress in line with the agenda, all relevant matters are discussed and that effective decisions are made and carried out.

### **5.6.4 *Election / role of Chairperson in Section 25 Company:***

- ♦ The Articles of a Company generally allow for the Directors to elect a Chairperson to chair the meetings of the Board. Unless specified in the Articles about the term, the Chairperson remains in that position for as long as he or she is a director, or until the Board elects otherwise.
- ♦ Even if there is no provision in the articles of association of the Company, election and appointment of Chairperson for Board Meetings is a must, in order to conduct the proceedings of a meeting. In such case, the Board may elect a Chairperson and determine the period for which he/she is to hold office.
- ♦ The Chairperson will be elected by show of hands in the first instance by the members personally present at the meeting

and if poll is demanded by them on the election of the Chairperson, it should be done by poll.

- ♦ The role of Chairperson is to ensure that the Board meetings are conducted in a manner which secures the effective participation of all Directors, and encourages all to make an effective contribution, maintain a balance of power in the Board, make certain that all Directors receive adequate information, well in time and that the Executive Directors remain accountable to the Board. The Chairperson's role should in principle be different from that of the chief executive, though the same individual may perform both roles.

## **WHAT ARE THE ROLES AND RESPONSIBILITIES OF A CHAIRPERSON?**

**5.7.1** The roles and responsibilities of Chairperson are generally outlined in the organization's governing documents, below there are some specific duties entrusted upon the Chairperson:

**5.7.2** To ensure that the Board functions properly the Chairman should play the following functions :

- ♦ To plan and run meetings in accordance with the organization's governing document.
- ♦ To ensure matters are dealt with in an orderly, efficient manner.
- ♦ To bring impartiality and objectivity to meetings and decision-making.
- ♦ To facilitate change and address conflict within the Board.
- ♦ To review governance performance and skills.
- ♦ To ensure effective balance of members with regard to the Board members' age, work experience and skill sets.

- ♦ To involve members already on the Board to mentor members who are new to their position.

**5.7.3** To ensure the organization is managed effectively the Chairman should play the following functions :

- ♦ To liaise with the chief functionary of the organization and keep an overview of the organization's affairs.
- ♦ To co-ordinate various sub-committees of the Board e.g. Finance, Personnel etc,
- ♦ To facilitate change and address conflict within the organization, liaising with the chief functionary to achieve this.
- ♦ To be involved with the strategic planning of events and ensure that all activities are in accordance with the organization's vision & mission.

**5.7.4** Provide support and supervision to staff the Chairman should play the following functions :

- ♦ To manage the senior staff members of the organization.
- ♦ To sit on appointment and important decisions of the organization, as and when required.

**5.7.5** As a representative head of the organization, the Chairman should play the following functions :

- ♦ To communicate effectively the vision and purpose of the organization.
- ♦ To advocate for and represent the organization in external meetings and events.
- ♦ To be aware of the changes in the external environment that can have affect on the organization.

## CASTING VOTE OF THE CHAIRPERSON

**5.8.1** The Chairperson shall have a Casting Vote in all meetings. It is desirable that the bye laws should also provide for such a casting vote. The Chairperson can pass or reject a resolution in case of a tie in the number of votes. In other words, whenever there is a tie over a resolution the Chairperson can vote once again and resolve the issue.

**5.8.2** The Societies Registration Act is silent about the casting vote of the Chairman but clause 54 of table A to schedule 1 of the Companies Act, 1956 clearly provides that in case of equality of vote, the Chairperson shall be entitled to second or casting vote. This convention is normally followed by all types of organisation.

## CONCLUSION

**5.9.1** The role that the Chairperson of the Board plays is different from all the other roles on the Board. It is the Chairperson's job to ensure that the Board operates as a team and everyone on the Board has a say. The Chairperson should have knowledge of organizational policy, finance and programs so that the organization runs effectively. There are certain points which a Chairperson should ensure are addressed and some to be avoided.

## SELF ASSESSMENT QUESTIONS

1. Write briefly about the Chairperson of an organisation and the meeting.
2. What are the key characteristic of Chairperson ?
3. How is the Chairperson is selected/elected ?
4. What are the Roles & Responsibility of Chairperson ?
5. Write briefly of the Casting Vote of the Chairperson ?

## Chapter 6

# Vice-Chairperson of the Meeting & Its Role

## WHO IS A VICE-CHAIRPERSON?

**6.1.1** Generally, the Board of a voluntary organization is structured responsibility wise. In other words, the Board would have ordinary members and certain office bearers like Chairperson, Vice-Chairperson, Secretary and the Treasurer.

**6.1.2** In the previous chapter, we have already discussed the roles and responsibilities of the Chairperson. In this chapter, we would be focusing on the roles and responsibilities of the Vice-Chairperson.

## WHY A VICE-CHAIRPERSON IS NEEDED?

**6.2.1** *Taking collective responsibility* : A Vice-Chairperson acts as a support or a deputy to the Chairperson. The role of Vice-Chairperson becomes necessary and more important in both medium and large sized organizations. As we know, Board members are voluntary positions and they are not remunerated for rendering their services as members of the



Board. Therefore, there is a constant challenge on the part of the members to allocate the time required to discharge their responsibilities. Further, the role of the Chairperson is very vital and therefore demands a lot of time. In such situations having a Vice-Chairperson is very helpful to the Chair in delegating some responsibilities. However, having said that it needs to be remembered, delegating responsibilities to Vice-Chairperson depends solely at the Chairperson's discretion.

**6.2.2 Leadership development :** The Board is also the place for further learning and growth for Board Members. An effective Board always thinks of ways and means to capacitate the members to take on vital responsibilities. It is always recommended that before being elected as a Chairperson, the member must serve as a Vice-Chairperson for at least one term. This would help the member get familiarized with the various responsibilities and demands of the position.

**6.2.3** A Vice-Chairperson is in a very good position to learn and develop in order to eventually take over as a Chairperson. During the term as Vice-Chairperson, the individual gets to work closely with the Chairperson as well as functions as part of the core Governance team and gets valuable insights to the functioning of the organization.

## **HOW THE VICE-CHAIRPERSON IS ELECTED/ SELECTED AND HIS/HER TENURE?**

**6.3.1** The term is determined in the Trust Deed for Trust and in the Byelaws incase of Society.

- ♦ The Board is selected/elected in the General Body meeting. Sometimes the bylaws provide that the society also elects the Vice-Chairperson while electing the Board members and the Chairperson. In that case, the Vice-Chairperson is elected as a Board Member first and only then as a Vice-Chairperson.

- ♦ The second method of selecting/electing a Vice-Chairperson is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board, the Vice-Chairperson is elected again as stated above. These processes are prescribed in the bylaws/ trust deed of the organization.

#### **6.3.2 Election of Vice-Chairperson in a Trust:**

- ♦ Unlike a Company or a society, the trust does not have a General Body, from which the Governing Body is elected. Therefore, all the Trustees form the General Body as well as the Governing Body of the Trust.
- ♦ The Vice-Chairperson is elected as laid down in the Trust Deed. Generally, the Trustees elect a Vice-Chairperson from among themselves by voting. The term of the Vice-Chairperson shall be applicable as defined in the Trust Deed.

#### **6.3.3 Election of Vice-Chairperson in a Society :**

- ♦ The Board is selected/elected in the General Body meeting. Sometimes the bylaws provide that, the society also elects the Vice-Chairperson while electing the Chairperson and Board members. In that case, the Vice-Chairperson is elected as a Board Member first and then as a Vice-Chairperson.
- ♦ The second method of selecting/electing a Vice-Chairperson is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board the Vice-Chairperson is elected along with the Chairperson, again as stated above. These processes are prescribed in the bylaws of the organization.

#### **6.3.4 Election of Vice-Chairperson in Section 25 Company:**

- ♦ The Articles of Association generally allow for the Board of Directors to elect a Vice-Chairperson to stand in the chair, when the reigning Chair is unable to do so. Unless, specified in the Articles about the term, the Vice-Chairperson remain in that position until the Board decides otherwise.

- ♦ Even if, there is no provision in the Articles of Association of the Company, election and appointment of Vice-Chairperson for Board Meetings is a must, in order to conduct the proceedings of a meeting. In such a case, the Board may elect a Vice-Chairperson and determine the period for which he/she is to hold office.
- ♦ The Vice-Chairperson will be elected by show of hands in the first instance, by the members, personally present at the meeting. However, if poll is demanded by them, then it should be done by ballot.

## **WHAT ARE THE ROLES & RESPONSIBILITIES OF A VICECHAIRPERSON ?**

**6.4.1** The roles and responsibilities of the Vice-Chairperson are laid down in the Organization's governing documents.

- ♦ Generally, the Vice-Chairperson serves on the Executive Committee or any special Committee of the Board along with the Chairperson
- ♦ To carry out certain special tasks as delegated by the Chairperson
- ♦ To substitute the Chair in his/her absence which includes, chairing meetings and performing any other Legislative/ Executive role performed by the Chairperson
- ♦ To support the Chair in conducting meetings in an orderly and organized manner is another big responsibility entrusted upon him/her and is expected to maintain a healthy relationship with the Chair and other Board members.

## **CONCLUSION**

**6.5.1** The Vice-Chairperson is considered as the Chairperson in training.

He/she should attend meetings of the Board regularly. He/she also has to obtain the consent of the Chairperson before making major decisions. The Vice-Chairperson is accountable to the Board who is accountable to the members and other stakeholder. By electing the Vice-Chairperson, the Board creates a second line in the governance process itself. This ensures broad based leadership and smooth transition in due time.

### **SELF ASSESSMENT QUESTIONS**

1. Write briefly about the Vice-Chairperson of an organisation and the meeting.
2. What are the key characteristic of Vice-Chairperson ?
3. How is the Vice-Chairperson is selected/elected ?
4. What are the Roles & Responsibility of Vice-Chairperson ?

## *Chapter 7*

# Secretary of the NPO & Its Role

## OVERVIEW

**7.1.1** The overall administration and management of an organization vest with the duly elected Board as per the Bye-laws/Trust Deed/Memorandum of Association of the organization. To have smooth and effective Board processes, several positions are created within the Board. Generally, the Board has a Chairperson, Vice-Chairperson, Secretary and Treasurer and assigns them certain duties & responsibilities as per the governing documents of the organization.

**7.1.2** In general, the Chairperson is responsible for the smooth and fair running of the organization. The main job is to chair the meetings of the organization and guide the Board. The Vice-Chairperson acts as a support or a deputy to the Chairperson. He/ She also act as a substitute to the Chair in his/her absence and support the Chair in conducting meetings in an orderly and organized manner. The Treasurer has overall responsibility for the organization's finances and main job is keeping oversight on financial affairs of the organization.

**7.1.3** The Secretary of the organisation is generally responsible for

the convening of the meeting. He is required to send the notices, agenda, and making relevant document prior to the meeting.

**7.1.4** The secretary is responsible for the planning of various factors, timelines and procedures related to the meetings and resolutions. Some examples are as under :

- ♦ Identifying an appropriate venue and time.
- ♦ In case of election sharing the nomination procedures prior to the meeting.
- ♦ In case of General Meeting there might be matters which needs to be first approved at a Board meeting; approval of accounts, appointments of auditors etc.
- ♦ Setting a time table for the agenda items.
- ♦ Availability of the necessary bye laws, documents and records at the time of the meeting.
- ♦ The necessary logistic arrangements for special resolution and voting wherever necessary.
- ♦ Preparing proper records of the meeting which later could be minuted.
- ♦ Preparing a proper attendance register to be signed by all the members present, such formal attendance is the most important evidence of a meeting.
- ♦ Verifying and Recording proxies, quorum, absence, special invites etc.
- ♦ Keeping track of the various decisions taken by the Board and the implementation thereof.

## WHO IS A SECRETARY?

**7.2.1** The position of the Secretary is generally a legislative cum executive position. The Secretary is the person who acts as the legal

custodian and representative of the organisation. **In some organisation the Secretary also takes executive responsibilities and therefore, the position some times is called “Executive Secretary”/“Executive Director”. In some organisation the Secretary does not undertake executive responsibilities and therefore, the additional positions of CEO is created.**

**7.2.2** The position of Secretary has wide-ranging responsibilities, requiring much more than simply being present at all Board meetings. He/she is the one who has the role of disseminating information to all members and stakeholders, giving proper notice of any meetings and timely distribution of materials such as agendas and meeting minutes. Additionally, the Secretary is the custodian of the organization’s records and related materials. The Secretary is expected to work in close co-operation with the Chair as he/she compliments the Chair’s work and helps him/her discharge the duties effectively.

## **SECRETARY AND CHIEF FUNCTIONARY**

**7.3.1** There are various practices followed among Voluntary organizations with regard to whether the Secretary and the Chief Functionary should be the same person. Firstly, it needs to be understood that the Secretary is a legislative position whereas Chief Functionary is the head of the Executive. Sometimes, it is desirable to have both the positions in one person so that the implementation of decisions by the Board is smooth. There are three possible scenarios with regard to Secretary and Chief Functionary.

- ♦ Secretary also holds the position of Chief Functionary
- ♦ Chief Functionary is appointed by the Board and he/she functions as the ex-officio Secretary of the Board
- ♦ There are two different persons holding the above two positions

**7.3.2** Ideally, it is always better to have one person performing both

the functions in order to ensure smooth governance and management. In the vent of two different persons holding the two positions, the role, responsibilities, mandate, etc. should be clearly stated.

### WHAT ARE THE KEY CHARATERISTICS OF SECRETARY?

**7.4.1** The key characteristics of Secretary are as under :

- ♦ Ability to understand and articulate issues before the Board
- ♦ Understanding legal requirements
- ♦ To be well-versed with different documentation techniques
- ♦ In case, the organization is small, then it may not have a Vice-Chairperson. In that case, the Secretary will play more supportive role to the Chair
- ♦ To have management oversight
- ♦ To liaise with the Chief Functionary in case the Chief Functionary and the Secretary are two different positions

### WHAT ARE THE ROLES & RESPONSIBILITIES OF SECRETARY?

**7.5.1** Although, the job responsibilities of Secretary vary from organization to organization, some basic roles and responsibilities which are common are explained below:

**7.5.2 *Minutes* :** The Secretary is responsible for ensuring that accurate minutes of meetings are taken and approved. Requirements of minutes may vary as per the needs of the organization but should include at a



minimum:

- ♦ Date, time, location of meeting;
- ♦ List of those present and absent;
- ♦ List of items discussed;
- ♦ List of reports presented;
- ♦ List of motions presented and description of their disposition.

**7.5.3** Minutes should have enough information to help absent members to understand what issues were discussed and what decisions were made. The Secretary signs a copy of the final, approved minutes and ensures that this copy is maintained in the organization's records.

**7.5.4 *Implementation of decisions*** : Even though it is for the management/staff team primarily to implement the decisions of the Board, it is the role of the Secretary to communicate such decisions, ensure implementation and report back to the Board in the next meeting on actions taken on them and updates. This is the role of the Secretary in between Board meetings.

**7.5.5 *Custodian of records*** : As the custodian of the organization's records, the Secretary is responsible for maintaining accurate documentation and ensuring that the records are made available when required by authorized persons. These records may include governing documents, details of Board members, Board meeting minutes, financial reports, and other official records.

**7.5.6 *Communication*** : The Secretary ensures that proper information about the schedule of next meeting and upcoming events is shared with the Board and on time. In most of the case, the Secretary is responsible for sending out necessary notices for meetings.

**7.5.7 *Meetings*** : The Secretary participates in Board meetings as a voting member or as specified in the governing laws. The Secretary

provides items for the agenda as appropriate and informs all the members well in advance about the meeting. Further, the minutes of the previous meeting are read, and if they are approved, the signature of the Chairperson is obtained on them.

**7.5.8** In the absence of the Chairperson (and Vice-Chairperson, if the position exists), the Secretary calls the meeting to order, presiding until a temporary Chairperson is elected. The Secretary records meeting minutes as described above depending upon the practices of the organization.

**7.5.9 *Signing Officer* :** The Secretary may be designated by the Board and/or bylaws as one of the signing officers for certain documents. In this capacity, the Secretary may be authorized or required to sign or countersign cheques, correspondence, applications, reports, contracts or other documents on behalf of organization.

**7.5.10 *Accountability* :** The Secretary is accountable to the Board and the General Members of the organization.

## **HOW IS A SECRETARY ELECTED/ SELECTED AND HIS/HER TENURE?**

**7.6.1** The term is determined in the Trust Deed for Trust and in the Byelaws incase of Society.

- ♦ The Board is selected/elected in the General Body meeting (in case of society). Sometimes, the bylaws provide that the society also elects the Secretary while electing the Board Members, the Chairperson and the Vice-Chairperson. In that case, the Secretary is elected as a Board Member first and only then as a Secretary.
- ♦ The second method of selecting/electing a Secretary is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board, the Secretary is elected again as stated

above. These processes are prescribed in the Bye-laws/ Trust Deed of the organization.

#### **7.6.2 Election of Secretary in a Trust:**

- ♦ Unlike a Company or a Society, the Trust does not have a General Body, from which the Governing Body is elected. Therefore, all the Trustees form the General Body as well as the Governing Body of the Trust.
- ♦ The Secretary is elected as laid down in the Trust Deed. Generally, the Trustees elect a Secretary from among themselves by voting. The term of the Secretary shall be applicable as defined in the Trust Deed.
- ♦ It may be noted that, it is not mandatory for a Trust to elect a Secretary. Many times Trustee performs the role of the Secretary in the Trust.

#### **7.6.3 Election of Secretary in a Society:**

- ♦ The Board is selected/elected in the General Body meeting. Sometimes the Bye-laws provide that the Society also elect the Secretary while electing the Chairperson, Vice-Chairperson and Board Members. In that case, the Secretary is elected as a Board Member first and then as a Secretary.
- ♦ The second method of selecting/electing a Secretary is that the Board is elected in the General Body meeting. After this, in the first meeting of the Board the Secretary is elected along with the Chairperson, Vice-Chairperson again as stated above. These processes are prescribed in the bye-laws of the organization.

**7.6.4 Election of Secretary in Section 25 Company:** As per the provisions of the Companies Act, 1956 the Companies are required to appoint a *Company Secretary*, who is a member of the Institute of Company Secretaries of India. However, for Section 25 Company it is not mandatory to appoint a Company Secretary. The Company can appoint

a Company Secretary for the responsibilities of a Secretary or they can delegate the responsibility of Secretary to any competent person within the Board.

## CONCLUSION

**7.7.1** A Secretary's role is to ensure smooth running of Board meetings. Therefore, this involves activities before, during and after meetings. The secretary is responsible for preparing minutes of the meetings, maintaining records, administration, flow of information/communication. The Secretary also ensures that the decisions taken by the Board are clearly communicated to various stakeholders and they are implemented. The Secretary often acts as an information and reference point for the Chairperson and other members and clarifying past practice and decisions. Therefore, a Secretary is often the most important loop in the Board.

## SELF ASSESSMENT QUESTIONS

1. Write briefly about the Secretary of an organisation.
2. What are the key characteristic of Secretary ?
3. Is the Secretary different from the Chief Functionary ?
4. What are the Roles & Responsibility of Secretary ?
5. How is a Secretary elected/selected ?

# Minutes & Records of the Meetings

## OVERVIEW OF MINUTES

**8.1.1** Minutes is the formal record of the proceedings of the meeting. It is important to record the summary of the proceedings of the meeting in a written form. A minutes book can be of loose sheets chronologically bound together or a bound register. The pages of the minutes should be consecutively numbered.

**8.1.2** Minutes of the previous meeting should be read and confirmed at the beginning of the meeting. The confirmed minutes should be signed by the Chairperson and subsequently it cannot be altered or corrected. A minutes remains informal and unconfirmed until they are approved in the subsequent meeting. A confirmed minutes have to be signed by the chair person in order to become a legally valid document enforceable in the court of law.

**8.1.3** The minutes should be written by a person who is not directly involved in the decision making process.

**8.1.4** Minutes are not considered to be open documents available for

inspection for the public at large, unless the bye-laws provides for any such requirement. The minutes should be available to all the Trustees and formal persons such as Statutory Auditors or the evaluator or auditor appointed by a donor or government who substantially contribute to the organisation. The General Members are entitled to inspect the minutes of all the General Meetings. Generally outsiders do not have legal rights to access Board and General minutes, however, an organisation may consider providing access to such outsiders as it may deem fit in the interest of transparency.

**8.1.5** The minutes book can be broadly divided into two types of recording of discussions, endorsements and approvals :

- ♦ Minutes of discussions.
- ♦ Minutes of resolutions.

## **MINUTES OF DISCUSSIONS**

**8.2.1** A minute book should also include the various discussions and happening alongwith the agenda items, apart from the resolutions. The recording of such discussions should be on the following principles and procedure :

- ♦ A brief overview of the circumstances or relevant facts around the item of discussion.
- ♦ Summary of the views and counter views on the matter of discussion.
- ♦ Summary of the reasons leading to a decision or rejection of a motion.
- ♦ Summary of the procedure followed for the approval, endorsement or rejection of a motion; voting, unanimous etc.

## MINUTES OF RESOLUTIONS

**8.3.1** The main part of the minutes is to record the formal resolution. A resolution is a motion which has been approved or endorsed by the required majority. A resolution should be recorded within “*inverted commas*” preferably in Italics.

**8.3.2** All the members are required to sign in an attendance register during the meeting, but if the number is small then the members can sign in the minutes itself. A model format of minutes with resolutions is given as per **Annexure-4**.

## CIRCULATION OF DRAFT MINUTES & FINALISATION

**8.4.1** The draft minutes of a meeting should be circulated within 15 days to all the members of the Board or the Committee as the case may be, for their comments. In case of adjourned meeting, draft minutes of a meeting should be circulated within 15 days.

**8.4.2** The concerned members and Directors/Trustees should provide their comments on the draft minutes within 7 days from the date of circulation.

**8.4.3** After all the comments are received, the final minutes are entered into the minute book within 30 days from the date of the meeting. The date of entering the minutes should be specified in the minutes book by the Secretary or a Director/Trustee.

## AUTHENTICATION BY THE CHAIRPERSON

**8.5.1** The Chairperson should initial each page of the minutes and sign on the last page specifying the date on which the minutes were signed.

Though the minutes are required to be completed within 30 days of the meeting, the Chairperson may sign at a date even later. However, it is not desirable to wait till the next meeting for getting the signatures of the Chairperson, it should be taken as early as possible after the completion.

## WHO CAN INSPECT THE MINUTES

**8.6.1** The minutes of the general meeting can be inspected by any member or the Statutory Auditor of the organisation. The minutes may also be inspected by government auditors or auditors/evaluator appointed by major donors where there is substantial funding from the government or the donors, as the case may be. The minutes may also be inspected officers of the Registrar of Societies or any other Statutory Government Authority.

**8.6.2** **The minutes of the Board meeting can be inspected by any Director/Trustee or the Statutory Auditor of the organisation.** The General Members, normally do not have rights to inspect Board meetings minutes. The minutes may also be inspected by government auditors or auditors/evaluator appointed by major donors where there is substantial funding from the government or the donors, as the case may be. The minutes may also be inspected officers of the Registrar of Societies or any other Statutory Government Authority.

## TYPE OF PAPER OR REGISTER TO BE USED FOR MINUTES

**8.7.1** The minutes should not be pasted or attached to the minutes books. If the minutes are maintained in loose-leaf form, then such loose leaf should be bound periodically and yearwise volume should be maintained.



**8.7.2** The pages of the minutes book should be serially in numbered and there should not be any blank pages in between. In case where loose leaf are bound there should be adequate security and control over addition or removal of the loose leaves.

## **EXTRACT OF MINUTES & CERTIFIED RESOLUTIONS**

**8.8.1** An extracts of minutes should only be taken after the minutes are duly signed. However, certified copies of any resolution passed at a meeting may be issued even if the minutes are not signed by the Chairperson, provided such resolution was properly placed and approved in the meeting.

## **ALTERATION OR CORRECTION TO THE MINUTES**

**8.9.1** Any alteration or correction to the minutes should only be made in the subsequent meeting with formal approval of the members present in that meeting. The fact that alteration or correction were made should also be recorded in the minutes.

**8.9.2** However, any alteration or correction to the minutes which are minor or grammatical in nature may be made without having the approval in the subsequent meeting.

## **PRESERVATION OF MINUTES & OTHER RECORDS**

**8.10.1** The minutes of all meetings should be preserved permanently. The minutes is one of the most important institutional and legal record

and should not be destroyed. Organisation may digitise the record of very old minutes and keep it in electronic form. However, effort should be made to keep the hard copies of the minutes of the last 15-20 years.

**8.10.2** The copies of Notice, Agenda and Notes on Agenda and other related papers should be preserved in good order for as long as they remain current or for ten years, whichever is later, and may be destroyed thereafter under the authority of the Board.

### **SELF ASSESSMENT QUESTIONS**

1. Write briefly on Minutes of Meeting.
2. Write briefly on (i) Minutes of Discussion and (ii) Minutes of Resolution.
3. Write briefly on Circulation of Draft Minutes & its authentication.
4. Write briefly on the right to Inspect Minutes of the General Members & others.
5. How a Minutes should be recorded ? Is loose leaf Minutes permissible ?
6. Write briefly on extract of Minutes and Certified Resolution.
7. Write briefly on Alteration or Correction to the Minutes.
8. Write briefly on Preservation of Minutes & other records.

## *Chapter 9*

# Motions & Resolution of the Meetings

## **MOTION**

**9.1.1** A motion is a proposed resolution or a recommendation which is formally placed by any member for the consideration of the members present. Normally a motion would become a resolution if it is approved through voting or unanimously.

**9.1.2** The members present may formally approve, endorse or just take note of the various motions moved during the meeting. A motion is formally approved only when the Committee or the Board have the final authority for such approval. For example, the Board may approve a motion regarding purchase of an asset but it can only endorse a motion regarding appointment of auditor which can be finally approved by the General Body only.

## **RESOLUTIONS**

**9.2.1** A resolution is a formal expression of the decision taken by the members in a meeting. It is required to specifically mention the decision

or opinion in the shape of a resolution alongwith the number of members voting in favour and against that particular resolution.

**9.2.2** There are two kinds of resolutions i) General Resolution where a simple majority is required to pass, ii) Special Resolution, where a higher percentage of support is expected to pass the resolution. Normally the support of 3/4th of the members present is sufficient for a special resolution. However one should verify its bye-laws for the numbers required to pass a special resolution. A resolution should be written in a short, unambiguous and affirmative language. If there is any document or policy which is relied upon then the mention of such policy should be made inside the resolution itself. Few examples are as under :

- **RESOLVED** *“to change the registered office of the society from ..... to ..... under the power conferred upon the Board under clause xx of Articles of Association, subject to the approval of the Registrar of Society under section xx of the Societies Act”.*

**Further Resolved** *“that the Mr./Ms. .... be authorised to do the necessary documentation and representation in this regard”.*

- **RESOLVED** *“to purchase 2 acres of land for a consideration of ₹. .... in ‘X’ district for the organic nursery for the ‘Y’ project under the power conferred upon the Board under clause xx of Articles of Association”. **Further resolved** “that the recommendation of the purchase committee regarding the price and procurement parameter be approved. [Encl. purchase committee]*

**Further Resolved** *“that the Mr./Ms. .... be authorised to do the necessary documentation and representation in this regard”.*

## RESOLUTION BY CIRCULATION

**9.3.1** The Board or the Trustees may pass resolutions by circulation

when it is not possible to call a physical Board meeting. The relevant issues in this regard as discussed hereunder.

**9.3.2** The organisation can circulate the copy of a resolution to all the members of the Board/Trustees, for approval by circulation. The Board members should give their consent by physically signing on the resolution and sending it back to the organisation. The resolutions which are passed by circulation are required to be noted and ratified by the Board in its next meeting.

**9.3.3** No 'resolution by circulation' can be passed if the number of Trustees/Directors available is less than the number which is necessary to form the quorum.

**9.3.4** The passing of a resolution by circulation does not involve any meeting, therefore serving of notice or agenda is not necessary. However, it is important to send all the relevant papers and informations explaining the purpose and the need of passing the resolution by circulation.

**9.3.5** The various statutes, under which the voluntary organisation are register, are silent about the types of resolution which could be passed by circulation. However, under Section 292 of the Companies Act, it is provided that various key decisions cannot be taken by a circulatory resolution. In context of NPOs, some issues which should not be decided through circulation are suggested as under :

- ♦ Issues related with recommendation regarding admission or removal of Members or Board Members.
- ♦ To invest, borrow or to give loan.
- ♦ Giving grant to other voluntary organisation.
- ♦ Related party transaction where any Director is interested.
- ♦ Shifting of the registered office.
- ♦ Appointment for removal of senior staff.
- ♦ Appointment of Internal auditor/project auditors.

- ♦ Approval of half yearly or annual accounts.
- ♦ Approval of annual budget.
- ♦ Sale on purchase of high value assets.
- ♦ Legal matters of material nature.

### **SELF ASSESSMENT QUESTIONS**

1. Write briefly on a Motion moved in a Meeting.
2. Write briefly on Resolution passed in a Meeting.
3. Write briefly on Resolution by Circulation.

# Meetings through Video Conferencing

## INTRODUCTION

**10.1.1** The Board Members of an NPO can be located in different geographical locations and it is always difficult for member staying in far away places to attend Board meetings regularly. The administrative and travel cost is also an important issue in case of NPOs. Therefore, it becomes important to understand the legally acceptable ways of conducting general and Board meetings with the help of technology and video conferencing.

**10.1.2** There is no rule or guidance under the Societies or Trust Act regarding holding meetings through video conferencing. However, the Ministry of Corporate Affairs, Govt. of India has issued directions and guidelines regarding holding of meetings through electronic means and video conferencing. The guidelines issued by the Ministry of Corporate Affairs, Govt. of India can be a great reference document for conducting meetings through electronic medium in the NPO sector. In this chapter the relevant issues in context of NPOs are discussed. The Information and Technology Act, 2000 recognises electronic record and electronic means of communication.

## **VIDEO CONFERENCING AND MEETINGS THROUGH CIRCULATION**

**10.2.1** In this chapter we are discussing meetings held through video conferencing. Various other modes of meeting such as Tele conference, Meeting through Circulation, Skype etc. shall be discussed in another independent issue.

**10.2.2** It may be noted that, meeting through video conferencing demand adequate infrastructure and technology, such meetings do not come in the category of meetings through circulation, because the resolutions are not required to be circulated again for confirmation of the participating members. However, in other forms of meetings such as Tele conference, Skype etc. it would be necessary to circulate the resolutions for confirmation.

## **CIRCULAR ISSUED BY MINISTRY OF CORPORATE AFFAIRS**

**10.3.1** The Ministry of Corporate Affairs has issued 3 circulars in this regard. The 1st Circular No. 21/2011, dt. 02.05.2011 clarifies the legal validity of using electronic platform under section 2, 4, 5 and 81 of the Information Technology Act, 2000. The 2nd Circular No. 27/2011, dt. 20.05.2011 clarifies the legal validity and the procedures to be followed in use of electronic mean with regard to general meetings. The 3rd Circular No. 28/2011, dt. 20.05.2011 clarifies the legal validity and the procedures to be followed in use of electronic mean with regard to Board meetings. All the three circular are provided ***Annexure 5, 6 & 7***. It may be noted that any meeting which is not in conformity to the above said circulars does not become illegitimate or void as these circulars do not apply to NPOs, they are for reference purposes only.



## **ONLY VIDEO-CONFERENCING IS PERMISSIBLE FOR MEETINGS**

**10.4.1** It has been clarified that only Video Conference facility i.e. audio-visual electronic communication facility is allowed for conducting meetings. Any other mode of meeting such as Tele-conferencing or Audio Conferencing or participation through Telephone/Mobile shall not be permissible. However, any such meeting through Tele-conferencing or Audio Conferencing may also be legitimatised by getting the resolution approved through circulation.

**10.4.2** NPOs who have Directors in different parts of the country or even international Directors, can employ video conferencing for their Board meetings. Such meetings should be recorded, currently only NSDL & CSDL have been approved as approved video-conferencing facility. Any such audio-visual electronic meeting should enable all persons participating in that meeting to communicate simultaneously with each other without an intermediary, and to participate effectively in the meeting.

**10.4.3** However, as the above guidelines are in context of companies, the NPOs may devise practical and legitimate ways of holding e-meetings. Some suggested practices are discussed here under.

## **ISSUES FOR NPOS IN USING OTHER ELECTRONIC MEDIUMS FOR MEETINGS**

**10.5.1** It has to be understood that the minutes of a meeting are the most important evidence for legal purposes. Therefore, an organisation should be careful about ensuring the evidence value of all the meetings.

**10.5.2** The legal frequency of NPOs is also important, the NPO registered as section 25 Companies are required to have minimum two Board

meetings in a year. The remaining forms of organisation i.e. are subject to various state laws and their own bye laws are required to have one or two compulsory Board meetings. Therefore, an NPO should confine to the legitimate and approved methods of Board meeting for at least 2 meetings in a year.

**10.5.3** For fast decision making, NPOs may also have electronic meetings through Skype, Tele-conference, Video conference etc. But from an evidence point of view Skype and Tele-conference might be difficult to record. In case of Tele-conference one may have voice recording but such voice recording has not been recommended under the circulars issued by MCA as an approved means. However, an organisation may consider conducting additional Board meetings (over and above the minimum requirement) through Tele-conference or Skype by keeping voice recording as well as create transcript based minutes as evidence. The minutes should be signed by circulation or in future meetings for legitimacy.

## **CONVENING AND NOTICE FOR SUCH MEETING**

**10.6.1** The notice for such meeting should be made as per the bye laws of the organisation. All the Board members should be informed and confirmation should be obtained. In the absence of confirmation it may be presumed that the particular Trustee/Board member may physically attend the meeting. The notice should contain contact number, email address of the Secretary or designated person responsible for convening the meeting.

**10.6.2** The notice should provide information regarding the available facility of video conferencing and also about the access and participation in the meeting.

## **QUORUM FOR SUCH MEETING**

**10.7.1** The participation through video conferencing should also be counted for the purposes of quorum. A roll call should also be made at the conclusion of the meeting or at re-commencement of the meeting after every break to ensure presence of quorum throughout the meeting.

## **PLACE FOR SUCH MEETING**

**10.8.1** Ideally the Board meeting should be held at the registered office or approved place, however, all the Board members need not physically participate. Therefore, the legally approved place for holding such meeting as per the trust deed or bye laws or the registered office should be the locus/place of such meeting. If there is no specific bar in the trust deed or bye laws regarding the place of meeting, then the organisation may also resolve to consider the place of the Chairperson and Secretary as the place of the meeting.

**10.8.2** The place of the Chairperson and Secretary should be considered as the place of the meetings only in the cases of Board meeting. In case of General Meetings the registered office or approved place should only be used for conducting meetings.

## **CAN A TRUSTEE/DIRECTOR TOTALLY AVOID PHYSICAL PRESENCE**

**10.9.1** All Trustee/Directors should attend at least one meeting in a year physically. The organisation should ensure that the Directors do not skipping the physical presence through out the year.

## **CAN BOTH GENERAL AND BOARD MEETING BE HELD**

**10.10.1** There is no legal bar in holding both general and Board meetings through video conferencing. However, in both the cases it needs to be ensured that all the persons eligible for attending the meeting should have appropriate access to the technology and infrastructure for such meetings.

## **RECORDING ATTENDANCE & SIGNING OF RECORDS**

**10.11.1** All the members or Trustees who have given consent for attending the meeting and have participated in the meeting, will be deemed to have signed the attendance and the records and minutes as may be required. All the records pertaining to minutes shall be placed and signed by the Chairperson, who has to be physically present. In the subsequent meetings, the minutes of the last meeting should be placed before the Chairperson and should be the first agenda item for confirmation.

## **MINUTES & RECORDING OF MEETING THROUGH VIDEO CONFERENCING**

**10.12.1** All meetings made through video conferencing should be recorded and proper arrangement should be made for storing the soft copies with adequate back up. In addition to the video recording, the minutes of the meeting should be written as usual. The draft minutes of the meeting should be circulated in soft copy within 7 days to all the members/Directors/Trustees who participated and doubts or clarification

should be incorporated. If the doubts or clarification are serious and have a direct bearing on the resolution then such issues should be taken up in the next meeting.

**10.12.2** The minutes should also disclose the mode of attendance of various members/Directors/Trustees in all the past meetings.

### **CAN DIRECTORS & TRUSTEES PARTICIPATE THROUGH INTERMEDIARIES**

**10.13.1** It is not permissible to participate through electronic mode with the help of an intermediary. The persons who are not tech-savvy cannot be allowed any support person for participation in such meeting. Such persons have to be physically present.

### **ROLE & RESPONSIBILITY OF THE CHAIRPERSON OR SECRETARY**

**10.14.1** The Chairperson or Secretary of the Meeting should ensure the following :

- To take attendance at the beginning of the meeting and ensure the quorum throughout the meeting. The name of the persons absent should also be declared and confirmed. If the meeting gets disconnected then the quorum and attendance should be taken again at the time of re-commencement.
- Every member, Trustee, Director should provide the full name, location and a declaration that no other person is participating in the meeting.
- Every member, Trustee, Director should confirm that the audio and video quality is good and they are comfortable with it.

- In case of dissent over any motion the Chairperson or Secretary should make another roll call and record the dissent and assent.
- Should safeguard and ensure the integrity and decorum of the meeting.
- Should ensure that the video conference facility and equipments are available to all the participating persons.
- To ask for repetition or reiteration of any statement, if it is not clear or any participant request for such repetition or reiteration.
- To prepare the minutes of the meeting.
- To provide a summary of the meeting in the end of the meeting. The chairman of the meeting shall announce summary of decisions taken at the meeting in respect of each agenda item and names of the Directors who have consented/dissented to those decisions.

## **ADJOURNMENT OF MEETINGS THROUGH VIDEO CONFERENCING**

**10.15.1** Normally Board meetings are adjourned to future date if the quorum is not present and the number of persons present in such future meeting automatically form the quorum. The question arises whether in the meetings through video conferencing also the same norm for quorum apply in case of adjournment. It is desirable that even if a meeting through video conferencing is adjourned, the quorum requirement should not be lifted in an adjourned meeting. It may be noted, generally in an adjourned Board meeting the quorum requirement are waived and the members present form the quorum. Such waiver should not be given in case of adjourned meetings through video conferencing.

**10.15.2** If the quorum is not complied in an adjourned meeting held through video conferencing then such meeting should be adjourned to a

further date and physical Board should be convened. In such meetings where Board is required to be physically present, the norms pertaining to quorum in case of adjourned meeting can be applied. In other words, the norms pertaining to quorum in case of adjourned meeting should not be applied to meeting through video conferencing but can be applied in meetings where members are physically present.

### **SELF ASSESSMENT QUESTIONS**

1. Write briefly on Meeting through Video Conferencing.
2. Write briefly on the various other electronic mediums and their validity for a meeting.
3. Write briefly on the procedure of convening a meeting through Video Conferencing.
4. Write briefly on Quorum of a meeting through Video Conferencing.
5. Write briefly on the place of meeting in a meeting through Video Conferencing.
6. Is it possible for a Board member to participate only in meeting through Video Conferencing.
7. Write briefly on the attendance record and minutes of a meeting through Video Conferencing.
8. Write briefly on the role of the Secretary in a meeting through Video Conferencing.

## *Chapter 11*

# Conflict of Interest Policy

## OVERVIEW OF CONFLICT OF INTEREST

**11.1.1** A conflict of interest may be defined as the existence of interest in different capacities of any person in the same decision. For instance an organisation may take on rent the property belonging to one of the Directors; when such decision is taken then the concerned Director is having simultaneous interest in dual capacity. One, the concerned Director is duty bound to find the right kind of premises at right rent for the NPO, on the other hand the same concerned Director, being the owner of the property, is in his/her personal capacity interested to get the best possible bargain for his/her premises. In this case, there is a clear Conflict of Interest. From the NPOs point of view the Board should bargain for the lowest possible rent and from the Director's personal point of view, he/she should bargain for the highest possible rent. In such circumstances it is desirable that the concerned director should not participate in the decision making.

**11.1.2** Whenever there is conflict of interest the interested person should not participate in such decision making. In other words, one should not act as the service provider as well as the service taker at the same time.



**11.1.3** All the important persons in an organisation, who can influence the decision making, are required to exercise their skills and abilities in a honest and prudent way for the benefit of the organisation. They should not use their power or authority for their personal benefit, directly or indirectly. Therefore, it is important that all organisation should have appropriate conflict of interest policy.

## **INSTANCES OF CONFLICT OF INTEREST**

**11.2.1** There should be a clearly defined policy to ensure that any conflict of interest is properly dealt with. The issues which may be regarded as material interest are as under :

- Appointment of relatives in Board or senior management.
- Ownership or partial ownership in organisations which are engaged or may seek business or consultancies.
- Payment of fees and remuneration.
- Directorship or management position in other NPOs.
- Providing consultancies in personal capacities.
- Having commercial interest in any decision or resolution.
- Having direct or indirect relationship with the donor or donee organisations.
- When contracts are awarded to relatives of the Board members.
- Persons supplying goods and services to the organisation are relatives of interested person.

**11.2.2** The Board of Directors or the Trustees should declare such interests. The interested Trustees and Directors should not participate in the decision making and voting process for that particular resolution. An annual declaration of such interests should be placed in the annual general meeting.

**11.2.3** It is also important to define who the interested persons are. Normally, the Board Members and Trustees are considered to be the interested person, but there may be other category of person who should also be covered under 'conflict of interest policy'. Such persons could be the CEO, Senior Managers, Major Donor, Sister Concern etc.

**11.2.4** Further, the various statutes applicable to the NPO may also prescribe conditions regarding the various conflict of interest transactions. Therefore, it is important to analyse such requirements under various statutes, for instance the Income Tax Act in India is very strict and prohibits any kind of benefit to any interested persons. It further requires disclosures of all legitimate and permissible transactions with interested person.

**11.2.5** Normally, it is permissible to have reasonable and legitimate transaction with interested person. However, proper disclosures and decision making processes should be followed while entering into any such conflict of interest transactions.

## WHO ARE INTERESTED PERSONS

**11.3.1** As discussed earlier, apart from the Board of Directors or the Trustees various other person can also be considered as an interested person. An illustrative list is as follows :

- (1) Author of the Trust or Founder(s) of the institution;
- (2) Board of Directors or the Trustees
- (3) Any CEO or Senior Management person (by whatever name called) of the institution;
- (4) Person who has made a substantial contribution to the Trust or Institution. Each organisation may set a limit beyond which the donor would be considered as an interested person.

- (5) any relative of any such author, founder, person, member, Trustee or manager as aforesaid;
- (6) any concern or organisation in which any of the persons referred to in (1) to (5) above has a substantial interest.

## WHO IS A 'FOUNDER'

**11.4.1** It is important to understand the implication of the scope of the term 'founder' for the purposes of identifying interested person. In case of Societies and not for profit companies, the persons who subscribe to the memorandum of association can be described as the founders of the organisation. The *Chambers' Twentieth Century Dictionary* (1971) defines the word "founder" as "one who founds, establishes or originates: an endower".

**11.4.2** In our view, the persons who subscribed to the memorandum of association of the assessee-society could, therefore, be described as the "Founders" of the assessee-society. In case of Trust, the Settler and the first Trustees can be considered as the founders. The Supreme Court of India in the case *DIT v. Bharat Diamond Bourse* [2003] 126 Taxman 365, observed that it was not necessary for the founder to have contributed any money towards the formation or running of an organisation. The Supreme Court further held that the expression 'founder of the institution' meant that *'the person concerned should be the originator of the institution, or, at least, one of the persons responsible for the coming into existence of the institution' and that contribution of money was not an inexorable test of a person being a 'founder'*, though it might happen often that person who originated an institution might often also fund it.

## WHO IS A 'RELATIVE'

**11.5.1** A "relative" may be defined as *"relative, in relation to an individual,*

*means the husband, wife, brother or sister or any lineal ascendant or descendant of that individual*". Thus, the definition of the term 'relative' is enlarged one to include even the lineal ascendant or descendant of the spouse, brother or sister of either the individual or the spouse. However, various statutes define 'relative' differently, therefore, all NPOs should check the applicable statutes for the definition of relative, if any. If the applicable statutes are silent about the term relative then the NPO may adapt a suitable definition of the term relative. For example the above definition of relative can be explained as under :

- (i) spouse of the individual;
- (ii) brother or sister of the individual;
- (iii) brother or sister of the spouse of the individual;
- (iv) any lineal ascendant or descendant of the individual;
- (v) any lineal ascendant or descendant of the spouse of the individual;
- (vi) spouse of a person referred to in (ii), (iii), (iv) or (v) above;
- (vii) any lineal descendant of a brother or sister of either the individual or of the spouse of the individual.

## MEANING OF SUBSTANTIAL INTEREST

**11.6.1** As we have already understood that any transaction with an interested person comes under the purview of 'conflict of interest'. In this context, it may also be noted that transaction with organisation or entity where an interested person has 'substantial interest' also comes under the purview of 'Conflict of Interest'. Therefore, it becomes important to understand the meaning and scope of the term 'substantial interest'.

**11.6.2** The meaning and scope of "substantial interest" under various circumstances could be defined as under :

- ♦ The interested persons should not hold more than 20% of the shares of that concern, individually or collectively.

- ♦ The interested persons should not hold more than 20% of the voting power of that concern, individually or collectively.
- ♦ The interested person should not be the Chief Functionary or be in influential decision making position of such concern.
- ♦ The above elaboration of “substantial interest” is indicative in nature. NPOs may have their own understanding or definition of the term “Substantial Interest”.

## **SOME EXAMPLE OF CONFLICT OF INTEREST TRANSACTION**

**11.7.1** A conflict of interest as discussed above relates to an interest or benefit, direct or indirect, provided to any persons or organisation discussed above. Some examples are given below :

1. Providing advances or loan to either interested person or organisation where such person have substantial interest or to their relatives.
2. Providing donations or gifts to either interested person or organisation where such person have substantial interest or to their relatives.
3. Taking on lease or giving lease of buildings, property, equipments, vehicles etc. to/from either interested person or organisation where such person have substantial interest or to their relatives.
4. Providing employment to either interested person or to their relatives.
5. Providing consultancy contract or other commercial contracts to either interested person or organisation where such person have substantial interest or to their relatives.
6. Undertaking consultancy contract or other commercial contracts from either interested person or organisation where such person have substantial interest or to their relatives.

**11.7.2** It may be noted that all the above transaction are not legally prohibited, an organisation may enter into the above type of transaction provided they are reasonable and legitimate. All the above transactions, should be done in compliance with the conflict of interest policy of the organisation.

### **BENEFIT TO INTERESTED PERSON WHICH IS PROHIBITED**

**11.8.1** It may be noted that conflict of interest transaction may be done if they are reasonable and legitimate with adequate disclosures. However, no NPO can provide any benefit directly or indirectly to any interested persons. Some example of the various benefits are provided as under :

- (1) lending of funds to specified persons without adequate security and adequate interest. Generally, lending of funds to any individual is not permitted, but there might be circumstances where another charitable organisation might be supported, in such cases also the lending should be made with adequate security and adequate interest.
- (2) making available building or property of the trust for the use of the specified persons without charging adequate rent or other compensation.
- (3) paying salaries or remuneration to specified persons, in excess of what may be reasonably paid for the services rendered by such persons.
- (4) providing services of the organization to the specified persons without adequate remuneration or other compensation.
- (5) purchasing services, materials, equipments or other properties from specified persons for consideration which is more than adequate.
- (6) selling services, materials, equipments or other properties to specified persons for consideration which is more than adequate.

- (7) diversion of income or property of the organization to any of the specified persons.
- (8) investing funds of the organization in concerns where the specified persons have substantial interest.

**11.8.2** The above transaction will not be deemed as reasonable or legitimate and therefore, are not permitted.

## **DISCLOSURE POLICY AND PROCEDURE FOR CONFLICT OF INTEREST TRANSACTION**

**11.9.1** As discussed above it is legally possible to have transaction with parties having a conflict of interest. However, certain procedure as discussed below should be followed for approval of such transactions :

1. The conflict of interest should be fully disclosed at the time of the initiation of transaction and also after completion of transaction in various reports and MIS as may be required/ determined.
2. The person having conflict of interest should be excluded from the discussion and approval of such transactions.
3. The transaction must be through a normal competitive bid or procurement procedure as the case may be. Otherwise justifiable reason for such transaction should be on record.
4. The Board or the authorised body should determine that the transaction is in the best interest of the organization. In other words Board or the authorised body should collectively take the responsibility of such transaction.
5. Disclosure regarding the transaction should be made to the CEO, if the transaction does not pertain any Board members or Trustees. If the CEO himself/herself is involved, then the disclosure should be made to the Board or the Executive

Committee of the organisation. Such authority, before whom such disclosure is made shall make the necessary due diligence and inform the Board or General Body on case to case basis.

6. Disclosure regarding the transaction should be made to the Chairperson or the President if the transaction pertains to any Board Members or Trustees. If the Chairperson or the President is involved then the disclosure should be made to the Board or the General Body of the organisation. Such authority before whom such disclosure is made shall make the necessary due diligence in this regard on case to case basis.
7. The Board or an authorised body shall determine whether a conflict of interest exists and whether such transaction can be treated as reasonable, fair, transparent and in the interest of the organisation.

## **SAMPLE OF THE MINUTES RECORD OF CONFLICT OF INTEREST TRANSACTION**

**11.10.1** A sample of the minutes record involving a conflict of interest transaction could be as under :

“A motion was moved by Mr. \_\_\_\_\_ toward approval of a rent agreement for renting out the \_\_\_\_\_ property of the NPO to Mr. \_\_\_\_\_ who happens to be a Board member.

The details of the agreement and the due diligence report was placed before the Board. The members present verified the process of identifying the tenant and the adequacy of rent. It was found that the rent payable was comparable to the market rates for similar premises. The motion was second by \_\_\_\_\_. The resolution was passed unanimously with a vote of 7 - 0 and the interested director Mr. \_\_\_\_\_ did not participate in the vote.



## HONORARY DIRECTOR OR INDEPENDENT DIRECTOR

**11.11.1** The conflict of interest policy should apply equally to both the honorary paid or full time Directors of Trustees. It should not be misunderstood that conflict of interest policy applies only to paid or full time Directors of Trustees.

**11.11.2** The term ‘independent director’ is more relevant in the corporate world. In the voluntary sector most of the Directors are in any case expected to be independent. Clause 49 of the listing agreements on corporate governance defines independent Directors as follows:

*“For the purpose of this clause the expression ‘Independent Directors’ means Directors who apart from receiving director’s remuneration, do not have any other material pecuniary relationship or transactions with the Company, its promoters, its management or its subsidiaries, which in judgment of the Board may affect independence of judgment of the Directors.”*

**11.11.3** The non-executive independent Directors are not supposed to receive any financial consideration except the sitting fees.

**11.11.4** In case of NPOs all the Directors are not supposed to take any kind of benefit or privilege from the organisation. Therefore, in letter and spirit, all the Directors in case of NPOs are independent in nature. However, as a concept it needs to be ensured that the Directors or Trustees are not enjoying any undue benefit or are not involved in any conflict of interest transaction irrespective of the fact whether they are remunerated position, honorary position.

**11.11.5** Similarly the same principles should be followed for ex-officio positions.

## **PROCEDURE OF HANDLING CONFLICT OF INTEREST TRANSACTION**

**11.12.1** The various issues/steps involved in an conflict of interest transaction are as under :

- ♦ An interested person should only be allowed to pursue/initiate conflict of interest transaction/decision if it qualifies under non negotiable norms. For instance, the relative of the CEO should not be appointed as the Statutory Auditor.
- ♦ The matter should be subjected to a basic due diligence by the Executive Team, unless the matter is such that it should be addressed only at the Board level.
- ♦ The interested person may make presentation before the Board members, however any interested director or Trustee should not be present at the time of decision making. Such person should not be eligible to vote for such resolution.
- ♦ The Board may further investigate the matter directly or through a person or committee, to ensure that the transaction is in the best interest of the organisation.
- ♦ Once a positive finding/report is available, then the resolution may be passed with a majority vote without considering the vote of the interested person.
- ♦ The interested person should declare, on record, all the relevant information and possible conflict of interest in the transaction.

## **VIOLATION OF CONFLICT OF INTEREST POLICY**

**11.13.1** The Board or the Trustees of all NPOs should review various

important transaction/decision, periodically, to ensure that all the decision taken are in compliance with the conflict of interest policy of the organisation. The Board or the Trustees of NPOs should also ensure that there is no violation of the conflict of interest policy. In this context the following are relevant :

- ♦ A proceeding pertaining to violation of the conflict of interest policy may be initiated if the Board or the Trustees have reason to believe that any such violation might have occurred. Or the Board or the Trustees receive any written complaint with relevant facts or evidence.
- ♦ The failure of disclosure of interest by any interested person could also be a primary reason for initiating and proceeding of violation of conflict of interest policy. It should be noticed that even if a transaction is fair and reasonable, it should still follow the conflict of interest policy and adequate disclosure should be made prior to the transaction by the interested person.
- ♦ Whenever a proceeding of violation of conflict of interest policy is initiated, it is important that the concerned interested person is provided adequate opportunity of being heard.
- ♦ The findings of any inquiry for investigation against violation of conflict of interest policy should be placed before the meeting of the Board or Trustees. The Board or Trustees may decide to take necessary disciplinary/penal action. They may also initiate appropriate legal action wherever there is a serious violation.

## **CONFLICT OF INTEREST DISCLOSURE STATEMENT**

**11.14.1** All the Trustee/Directors and other interested persons should provide a conflict of interest disclosure statement, annually. A suggested format of such statement is provided in *Annexure 8*.

## **SELF ASSESSMENT QUESTIONS**

1. Write briefly on Conflict of Interest.
2. Write briefly on the various common instances of Conflict of Interest.
3. Who are interested persons ?
4. Who are founders and relatives ?
5. What is a substantial interest ?
6. What is a benefit to interested person ?
7. Write briefly on the disclosure policy for Conflict of Interest.
8. Shall honorary or independent director be covered under Conflict of Interest Policy ?
9. What is the procedure for handling Conflict of Interest transactions and violation ?

# Recommended Practices on Board's Report

## INTRODUCTION

**12.1.1** There are few recommended standard or reference material for the various issues on which the Board or Trustees of an NPO should report. For corporates one such document has been issued the Council of the Institute of Company Secretaries of India, while has issued Secretarial Standard-10 (SS-10) on "Board's Report." The issues and matters recommended for the corporate sector, mostly, do not apply to the NPO sector however, it does provide an overall idea of the larger reporting responsibilities of the Board.

**12.1.2** In this chapter we have provided certain key aspects of a "Board's Report" in context of NPOs.

## BACKGROUND

**12.2.1** The Board of Directors or the Trustees of all NPO are required to present annual accounts to the General Members/stakeholders along with its report, known as the "Board's Report". In case of Trust, there

may not be a body of General Members, even in such cases it is desirable to prepare a Board or Trustees report.

**12.2.2** The Board's Report is the most important means of communication by the Board of Directors of an NPO with its members and stakeholders. The Board's Report should cover wide spectrum of information that stakeholders need, in addition to financial data, to understand fully the activities of the NPOs and the quality, reach and impact of its programme and the various accountable practices followed.

**12.2.3** Generally, information relating to funds raised during the year, utilization of funds for the purpose for which it was raised, major programmes, project contracts and long term agreements and transactions with interested persons should be included in the Board's Report. The Report should also contain the information and explanations on every reservation, qualification or adverse remarks contained in the auditor's report.

**12.2.4** The Board's Report of a large NPO should include a statement on compliances and governance norms within the NPO.

**12.2.5** Additional information and disclosures should also be made in Board's Report as may be required under various other enactments.

## **DISCLOSURES PERTAINING TO FINANCIAL STATEMENTS**

**12.3.1** The Board of the NPO should comment on the major issues pertaining to the audited financial statements. Some important issues to be covered are as under :

- ♦ An overview of the fund mobilisation, prospects and trend of fund mobilisation.

- ♦ Comments on the financial health or sustainability of the NPOs.
- ♦ Comments on any major changes in terms of financial transaction during the year, for example sale or purchase of major assets, initiation or closure of major projects, any major liability or penalty etc.
- ♦ Comment on the increment and existing general and corpus funds.
- ♦ Comment on foreign exchange transaction and externally funded projects.
- ♦ Comment on major partnerships with the government or corporate sector.
- ♦ Information regarding payments made to Board members and Trustees and other conflict of interest transactions.

## **DIRECTORS'/TRUSTEES RESPONSIBILITY STATEMENT**

**12.4.1** All NPO should prepare a Director's/Trustees Responsibility Statement, the important points to be covered are as under :

1. The total funds mobilised during the year amounted to ....., out of which self generated and internal accruals amounted to ..... . The organisation is dependent of external support to the extent of .....%.
2. The total application of funds amounted to ..... , out of which the administrative components was ..... , which is .....%.
3. There were no complaints received from employees, stakeholders or members during the year.
4. There were no transactions or contracts with related parties

or the conflict of interest policies of the organisation has been complied with if there are such transactions.

5. The total remuneration, fees or other payments to Board members and Trustees amounted to ..... , which is .....%.
6. The Annual Accounts, have been prepared on the basis of the Accounting policies adopted by the organisation with compliance to Accounting Standards, wherever necessary.
7. Sufficient care has been taken for the maintenance of Accounts as per the applicable statutes of the country.
8. The Statutory Auditors have performed their task in an independent manner and the management letter submitted by the Statutory Auditors has been considered by the management.
9. Internal Audit has been conducted for the organisation.
10. During day to day operations of the organisation, ethical accountability, value of money and environmental concerns has been given highest priority.
11. No part of the income during the previous year has been applied and used directly for the benefit of :
  - a. The author, founder or Board members/Trustees of the institution.
  - b. Any person who has made a substantial interest.
12. The staff service rules were followed and all the social security measures were complied with.
13. The following steps were taken towards enhancing the participation of marginal stakeholders and beneficiaries during the year.
14. Directors/Trustees have taken proper & sufficient care for :



- maintenance of accounting records,
  - safeguarding assets of the Company, and
  - preventing & detecting fraud and other irregularities;
15. Directors have prepared the annual accounts in compliance with the applicable accounting standards.
16. The Report should include a detailed compliance report on other governance matters covering the following :
- The composition of Audit Committee;
  - Overview of the recommendations of the Audit Committee;
  - Report on the various other Committees and their recommendations.

## **REPORT ON THE OVERALL GOVERNANCE, ACTIVITY AND IMPACT**

**12.5.1** The following elements should be covered in the overall activity and impact report :

- ♦ The relevance and challenges of the prime areas of intervention
- ♦ Opportunities, Risks, Concerns & Threats
- ♦ Project wise and donor wise summary of activity
- ♦ Internal Control Systems and their adequacy
- ♦ The changes in the Board, General Members and senior management if any.
- ♦ Staff recruitment, capacity building, appraisal, attrition etc.
- ♦ Discussions on fund mobilisation and financial overview of activities.
- ♦ Financial data such as :

- Administrative expenses,
- Salaries & Other expenses on Key Functionaries;
- Corpus donation and corpus fund status;
- Status on long term project and legal obligation;
- Report on budget analysis and major deviation.

## **ABRIDGED FINANCIAL STATEMENTS**

**12.6.1** The Report should also provide abridged financial statements a suggested format which is provided in ***Annexure 9***.

## **EXPLANATIONS IN THE BOARD'S REPORT IN RESPONSE TO AUDITORS' QUALIFICATIONS**

**12.7.1** The Report should contain the information and explanations on every reservation, qualification or adverse remarks contained in the auditor's report.

**12.7.2** The Report should also specify any point in auditor's report on the annual financial statements on which a difference of opinion has arisen.

**12.7.3** The Report should also provide an explanation for each qualification contained in the Auditors' report along with the circumstances necessitating the qualifications, likely impact on the financial statements and the corrective measures that are proposed to be taken.

**12.7.4** In case the auditor's remarks are not available to the Board at

the time of consideration and authentication of the balance sheet and profit and loss account, the Board has to subsequently consider the reservations and qualifications made in auditor's report and give their explanations to the said remarks as an addendum to the report.

## **APPROVAL OF THE REPORT**

**12.8.1** The Report should be considered and approved at a duly convened meeting of the Board.

## **SIGNING AND DATING OF THE REPORT**

**12.9.1** The Report and any addendum thereto should be signed by the Chairman of the Board, if any, authorized in that behalf by the Board, or, by not less than two Directors/Trustees of the Company, one of whom shall be a executive director of the chief functionary.

## **COLLECTIVE RESPONSIBILITY OF THE BOARD**

**12.10.1** The Report shall be the collective responsibility of all the Directors/Trustees though the report may have been approved only by a majority of the Directors.

The dissent, if any, of any director(s) on any item in the Report shall be reflected in the minutes of the meeting but not in the report.

**12.10.2** The Board/Trustees shall be collectively responsible for any statement in its Report which is false in any material particular or for any omission of a material fact, knowing it to be material.

## **RIGHT OF MEMBERS TO COPIES OF REPORT**

**12.11.1** A copy of the Report along with balance sheet and profit and loss account and auditors' report should be sent so as to reach every member atleast 21 days before the date of the annual general meeting.

**12.11.2** The Report should also be supplied to each Member and upon application by the member. The Report should also be put up on the website of the Company, wherever possible.

### **SELF ASSESSMENT QUESTIONS**

1. Write briefly on the various responsibility of the Board to report.
2. What is a Directors'/Trustees responsibility statement ?
3. Write briefly on the approval, signing and collective responsibility of Directors Report.
4. Write briefly on the important issues to be reported regarding Governance, Activity and Impact of the NPO.

*Annexure 1*

**NOTICE & AGENDA FOR A BOARD MEETING**

Notice is hereby given that a meeting of the Governing body members of “.....” will be held on ....., 20 ....., at ..... a.m./p.m. in the registered office at ..... to transact the following items/issues :

1. To read and confirm the minutes of the last meeting of the Governing body members held on ....., 20 ..... .
2. To discuss the matter arising from the previous minutes of the last meeting of the Governing body members held on ....., 20 ..... .
3. To discuss the matter arising from the previous minutes (if any) of the last meeting of the Governing body members held on ....., 20 ..... .
4. To consider the appointment of Mr./Mrs./Ms. .... as a member of the organisation ;
5. To consider opening a new bank account with ..... bank at ..... ;
6. To consider investment of surplus organisation funds ;
7. To review the various project activities ;
8. To consider the project proposal to be sent to the funding agency;
9. To discuss and review the remuneration and consultancy contracts with the functionaries and Board of Directors.

- 10 Listing out the action points.
- 11 Date of next meeting and deadlines of documentation.
12. Any other matter with the permission of the chair ;
13. Closure or adjournment of meeting.

Secretary

## *Annexure 2*

### **RECOMMENDED AGENDA FOR A BOARD MEETING WHERE ANNUAL ACCOUNTS/ ACTIVITIES ARE CONSIDERED**

Besides regular Agenda items, such as confirmation of Minutes, granting leave of absence to Directors, reading Notices of disclosure of interest of Directors the following agenda should be considered :

1. To consider and approve matters arising out of the accounts such as Remuneration and other conflict of interest transaction with Board members, Trustees or interested persons.
2. To consider and approve transfers to Reserves and other appropriations various projects, short term and long term funds.
3. To consider corpus donations and transfer to corpus funds.
4. To consider and approve the Balance Sheet, Receipt and Payment and the Income and Expenditure Account as well as the abridged Accounts or statement of financial results.
5. To approve the donor wise/project wise funds receipt and utilisation during the year.
6. To consider and take note of the Directors to retire by rotation at the Annual General Meeting.
7. To consider the draft Notice of the Annual General Meeting and to authorise issuance thereof.
8. To consider the appointment of Auditors and the payment of

remuneration to them, to be proposed for members' consideration.

9. To take note of the draft Auditor's report.
10. To consider the draft Directors' Report and to authorise issuance thereof.
11. To consider the budget and annual plan for next year and also consider the budgetary variations.



### *Annexure 3*

## **A MODEL OF PROXY FORM**

I, the undersigned, being a member of the .....  
hereby, appoint Mr/Ms ..... OR .....  
..... as my proxy to vote for me and on my behalf at the annual  
general meeting of the organisation to be held on ....., 19 .....,  
and at any adjournment thereof. He/she would be entitled :

1. To receive and adopt the Governing Body's report and audited accounts.
2. To elect each retiring managing committee member as named in the notice.
3. To re-appoint the ..... auditors.

.....  
Signature

.....  
Date

Name .....  
Address .....  
(In block letters)

## ***Annexure 4***

### **A MODEL FORMAT OF MINUTES & RESOLUTIONS**

A meeting of the Board of members of “ .....  
Organisation” was held on ....., 20 ..... at ..... a.m./p.m. in  
the Registered Office at .....

#### **Members present :**

- i) .....
- ii) .....
- iii) .....
- iv) .....
- v) .....

#### **Present by invitation :**

- i) .....
- ii) .....
- iii) .....

- 1) Mr./Mrs/Ms. .... was voted to the chair.

#### **2) Leave of absence :**

Letters from Mr./Mrs./Ms. .... and Mr./  
Mrs./Ms. .... regretting their inability  
to attend the meeting was placed on the table and leave of  
absence was granted.

3) **Record of late arrival/early departure :**

4) **Confirmation of the minutes of the previous meeting :**

The minutes of the meeting held on ....., 20  
..... were read and confirmed.

5) **Matters arising out of the minutes of the previous meeting :**

6) **Items deferred or adjourned in the previous meeting :**

7) **Opening A New Bank Account :**

The Governing Body member, Mr./Mrs./Ms.  
.....  
proposed that for administrative convenience, a new savings account  
be opened with ..... bank at .....  
The proposal was seconded by Mr./Mrs./Ms. ....  
..... and passed unanimously.

Accordingly, the following resolution was passed :

“RESOLVED that a new savings account be opened in the name of  
“ ..... Member” with .....  
bank, ..... branch.

FURTHER RESOLVED that Mr./Mrs./Ms. ....  
....., Mr./Mrs./Ms. ....  
and Mr./Mrs./Ms. .... be the  
authorised signatories and the account may be operated by **any**  
**two** of the authorised signatories **jointly**”.

8) **Investment of funds :**

Mr./Mrs./Ms. proposed that the surplus of ₹ ..... lying  
in the saving account with ..... bank be  
invested in ..... Bonds which offer a return of 10%

p.a. and is an approved investment as per Section 11(5) of the Income Tax Act, 1961. The proposal was seconded by Mr./Mrs./Ms. .... and the following resolution was passed unanimously :

“RESOLVED that sum of ₹ ..... be invested in the name of “..... Organisation” in ..... Bonds for a period of three year @ 10% p.a.

FURTHER RESOLVED that Mr./Mrs./Ms. .... Mr./Mrs./Ms. .... and Mr./Mrs./Ms. .... be the authorised signatories”.

Also RESOLVED that in the event of either the death, resignation or non availability of any one or all the aforesaid applicants, the aforesaid bonds, may be redeemed at any time, by any two or more Board members of the organisation and all the proceeds, together with the accrued interest, be credited to the account of the organisation.

9) **Review of Operation :**

A detailed report of the activities of the organisation during the month of ..... 20 ..... as submitted by the General Secretary was tabled, discussed and noted.

The Governing Body Members expressed their satisfaction over the activities of the organisation and also noted the increase in the number of beneficiaries and the local mobilisation of resources in kind at various communities.

10) **Consideration of Final Accounts :**

The final accounts for the year ending ..... 20..... were tabled before the Governing Body alongwith the notes thereon, were considered and approved.

11) **Listing out the action points :**

12) **Date of next meeting and deadlines of documentation :**

The date of the next Governing Body meeting was considered decided that the same would be held on ..... 20 .....

13) **Closure or adjournment of meeting :**

The meeting terminated with a vote of thanks to the chair

Chairman

*Annexure 5*

**CIRCULAR NO. 21 OF 2011 ISSUED BY MCA, DT.02.07.2011**

Circular NO.21/2011

No 17/95/2011/CL.V  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> floor, 'A' Wing, Shastri Bhawan,  
Dr. Rajendra Prasad Road, New Delhi  
Dated: 02.05.2011

All the Regional Directors,  
All the Registrar of Companies

**Subject :** Green Initiative in the Corporate Governance - Approval of Ministry of Corporate Affairs for appointment of agency for providing electronic platform for electronic voting under the Companies Act, 1956.

Sir,

The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies after considering sections 2, 4, 5 and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode.

Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 already recognizes voting

by electronic mode for postal ballot. Some of the listed Company have already started using electronic platform of certain agencies for providing and supervising the electronic platform for electronic voting.

In order to have secured electronic platform for capturing accurate electronic voting processes, it is hereby clarified that the agency appointed for providing and supervising electronic platform for electronic voting shall be an agency duly approved by the Ministry of Corporate Affairs.

It is further clarified that for the above purpose, National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd (CDSL) are being approved by the Ministry of Corporate Affairs subject to the condition that they obtain a certificate from Standardization Testing and Quality Certification (STQC) Directorate, Department of Information Technology, Ministry of Communications & IT, Govt. of India, Electronics Niketan, 6 CGO Complex, New Delhi - 110 003, INDIA. Once they obtain the same and inform the Ministry, they will be authorized to undertake these activities.

Yours faithfully,

(Kamna Sharma)  
Assistant Director

Copy to: All concerned

*Annexure 6*

**CIRCULAR NO. 27 OF 2011 ISSUED BY MCA, DT.20.05.2011**

General Circular No. 27/2011

No 17/95/2011-CL.V  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> floor, 'A' Wing, Shastri Bhawan,  
Dr. Rajendra Prasad Road, New Delhi  
Dated: 20.05.2011

All the Regional Directors,  
All the Registrar of Companies

**Subject:** Green initiative in the Corporate Governance — Participation by shareholders in general meetings under the Companies Act, 1956 through electronic mode.

Sir.

The Ministry of Corporate Affairs has taken a “Green initiative in the Corporate Governance” by allowing paperless compliances by the Companies after considering sections 2, 4, 5, 13 and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode.

2. The Ministry has been receiving representations from various Industry bodies to recognize participation by shareholders in meetings under the Companies Act, 1956 through electronic mode.



3. Section 13 of the Information Technology Act, 2000, inter-alia provides time and place of dispatch of notices in electronic mode, which may be applicable for the purpose of notice period provided in the Companies Act, 1956 or in the Article of Association of the Company.

4. In the light of the above provisions and circumstances, it is hereby clarified that a shareholder of the Company may participate in a general meeting under the provisions of Companies Act, 1956 through electronic mode.

For this purpose, the Company shall also comply with the following requirements and procedures, in addition to the normal procedures required under the Companies Act, 1956 for holding general meeting:—

- (a) Electronic mode means video conference facility i.e. audio-visual electronic communication facility employed which enables all persons participating in that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting.
- (b) The notice of the meeting must inform shareholders regarding availability of participation through video conference, and provide necessary information to enable shareholders to access the available facility of video conferencing.
- (c) The Chairman of the meeting and Secretary shall assume the following responsibilities:
  - (i) to safeguard the integrity of the meeting via video conferencing.
  - (ii) to ensure proper video conference equipment/facilities.
  - (iii) to prepare the minutes of the meeting.
  - (iv) to ensure that no one other than the concerned shareholder or proxy to the shareholder is attending the meeting through electronic mode.
  - (v) If a statement of a participant in the meeting via video conferencing is interrupted or garbled, the Chairman of the meeting or Secretary shall request for a repeat or

reiteration, and if need be, the Chairman or Secretary shall repeat what he heard the participant was saying for confirmation or correction.

5.
  - (a) Section 166 of the Companies Act, 1956 inter-alia provides that a Company is required to have its Annual General Meeting either at the registered office of the Company or at place within the city, town or the village in which registered office of the Company is situated.
  - (b) Section 174 of the Companies Act, 1956 inter-alia provides that at least five members in case of public Company and two members in case of other Company have to be personally present and shall be the quorum for the general meeting.
  - (c) In a general meeting, where shareholders are allowed to participate through electronic mode, the quorum as required under section 174 of the Companies Act, 1956 as well as chairman of the meeting shall have to be physically present at the place of the meeting.
6. To provide larger participation and for curbing the cost borne by the shareholders to attend general meetings, listed companies may provide video conferencing connectivity during such meetings at least five places in India. It is recommended that these places would be situated all over India in such a way that it covers top five States/UTs based on maximum number of members or at least 1000 members, whichever is more, residing as per the address registered with the depositories.
7. In order to have secured electronic platform for capturing accurate electronic voting processes, the necessary clarification has already been issued vide Circular no. 21/2011 dated 02.05.2011.

Yours faithfully,

(Monika Gupta)  
Assistant Director

Copy to: All concerned.

*Annexure 7*

**CIRCULAR NO. 28 OF 2011 ISSUED BY MCA, DT.20.05.2011**

General Circular No. 28/2011

No 17/95/2011-CL.V  
Government of India  
Ministry of Corporate Affairs

5<sup>th</sup> floor, 'A' Wing, Shastri Bhawan,  
Dr. Rajendra Prasad Road. New Delhi  
Dated: 20.05.2011

All the Regional Directors,  
All the Registrar of Companies

Subject: Green Initiative in the Corporate Governance — Participation by Directors in meetings of Board/Committee of Directors under the Companies Act, 1956 through electronic mode.

Sir,

The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” by allowing paperless compliances by the Companies after considering sections 2, 4, 5, 13 and 81 of the Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode.

2. The Ministry has been receiving representations from various Industry bodies to recognize participation by Directors in meetings of

Board/Committee of Directors under the Companies Act, 1956 through electronic mode.

3. Section 13 of the Information Technology Act, 2000, inter-alia provides time and place of dispatch of notices in electronic mode, which may be applicable for the purpose of notice period provided in the Companies Act, 1956 or in the Article of Association of the Company.

4. In the light of the above provisions and circumstances, it is hereby clarified that Directors of a Company may participate in a meeting of Board/Committee of Directors under the provisions of Companies Act, 1956 through electronic mode.

For this purpose, the Company shall also comply with the following requirements and procedures, in addition to the normal procedures required under the Companies Act, 1956 for holding meetings of Board/Committee of Directors:-

- (a) Electronic mode means video conference facility i.e. audio-visual electronic communication facility employed which enables all persons participating In that meeting to communicate concurrently with each other without an intermediary, and to participate effectively in the meeting.
- (b) Every Director of the Company must attend the meeting of Board/ Committee of Directors personally at least one meeting a financial year of the Company.
- (c) The Chairman of the meeting and Secretary shall assume the following responsibilities:
  - (i) to safeguard the integrity of the meeting via video conferencing.
  - (ii) to ensure proper video conference equipment/facilities.
  - (iii) to prepare the minutes of the meeting.
  - (iv) to ensure that no one other than the concerned director or other authorized participants are attending the meeting through electronic mode.

- (v) If a statement of a participant in the meeting via video conferencing is interrupted or garbled, the Chairman or Secretary shall request for a repeat or reiteration, and if need be, the Chairman or Secretary shall repeat what he heard the participant was saying for confirmation or correction.
- 5
  - (a) The notice of the meeting must inform Directors regarding availability of participation through video conference, and provide necessary information to enable Directors to access the available facility of videoconferencing.
  - (b) The notice of the meeting shall also seek confirmation from the director as to whether he will attend the meeting physically or through electronic mode and shall also contain the contact number(s)/e-mail addresses of the Secretary/ designated officer to whom the director shall confirm in this regard.
  - (c) In the absence of any confirmation from the Director, it will be presumed that he will physically attend the Board meeting.
- 6. At the start of the scheduled meeting through electronic mode, a roll call shall be made by the Chairman/Secretary. Every director and authorized participant shall state, for the record, the following:-
  - i. Full Name
  - ii. Location
  - iii. that he can completely and clearly see and communicate with each of other participants.
  - iv and will ensure that no one other than the concerned director or authorized participant is attending the meeting through electronic mode.

Thereafter, the Chairman/Secretary shall confirm the participation of the Directors in the meeting who are not physically present. After the roll call, the Chairman or Secretary may certify the existence of a quorum.

It is clarified that a director participating in a meeting through use of video conference shall be counted for the purpose of quorum. A roll call should also be made at the conclusion of the meeting or at re-commencement of the meeting after every break to ensure presence of quorum throughout the meeting.

7. The place where the Chairman or Secretary is sitting during the Board meeting shall be taken as place of meeting in terms of section 288 of the Act, and all recordings will be made at this place. The other statutory registers which are required to be placed in the Board meeting as per the provisions of the Act, shall be placed before the Chairman for compliance of the Act. The statutory registers required to be signed by the other Directors shall be deemed to have been signed by Directors participating through electronic mode if they have given their consent to this effect in that meeting.

8. If a motion is objected to and there is a need to vote, the Chairman/ Secretary should call the roll and note the vote of each director who should identify himself.

- 9
- (a) In the end of the meeting, Chairman of the meeting shall announce the summary of the decisions taken in that meeting in respect of each agenda item and names of the Directors who have consented or dissented to those decisions. Video recording of that part of the meeting shall be preserved by the Company for one year from the conclusion of that meeting.
  - (b) In the minutes, chairman shall also confirm the mode of attendance of every director of the Company during last three meetings whether personally or through electronic mode.
  - (c) Draft minutes of the meeting shall be circulated in soft copy not later than 7 days of the meeting for comments/ confirmation to the Directors who attended the meeting to dispel all doubts on matters taken up during the meeting. Thereafter, the minutes shall be entered in the minute books

as prescribed under section 193 of the Act. The minutes shall also disclose the particulars of the Directors who attended the meeting through electronic mode.

Yours faithfully,

(Monika Gupta)  
Assistant Director

Copy to: All concerned.

*Annexure 8*

**A MODEL FORMAT OF CONFLICT OF  
INTEREST DISCLOSURE STATEMENT**

1. Name of the Organization :
2. Name of the Interested Person :
3. Capacity/Position/Relation of the Interested Person :
4. Address of the Interested Person :
5. Have you or any of your related persons/organisations provided services or rented out properties or had any monetary transaction \_\_\_\_\_ in the past year ? If yes, provide details.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. If the probable conflict of interest transaction is provided by related persons/organisations, than the identity of the related persons/organisations and your relationship may be disclosed:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. Have you or any of your related persons/organisations purchased services or taken on rent property or provided/taken any tangible or intangible services during the past year? If yes provide details :  
\_\_\_\_\_



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If, similar transactions as mentioned above are provided by your relative or related organisation, then provide the details below :

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8. Please indicate whether you or any of your relative or related organisation had any direct or indirect interest in any business transaction(s) in the past year. If yes provide details

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9. Please indicate whether you or any of your relative or related organisation had taken any loan or advances (including travel and programme advance) or deposits in the past year. If yes provide details

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10. Please indicate whether you or any of your relative or related organisation had given any loan or advances (including travel and programme advance) or deposits in the past year. If yes

provide details

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11. Please indicate whether you or any of your relative or related organisation had receive any benefit or undue advantage in the past year. If yes provide details

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12. Please indicate whether you or any of your relative or related organisation have any interest in any donor contract, project, asset, liability or legal proceeding where the NPO is involved. If yes provide details

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13. Please indicate whether you or any of your relative or related organisation is privy to or aware of any events, transactions, arrangements or other situations that have occurred or may occur in the future and which should be brought to the notice of the Board of Directors or Trustees in accordance with the conflict of interest policy. If yes provide details

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I HEREBY CONFIRM that I have read and understood the conflict of interest policy and the information provided above are complete and adequate to the best of my knowledge, in compliance both in letter and spirit of the conflict of interest policy. I further submit that if I become aware of any information that might require additional disclosure then, I will inform the appropriate authorities immediately.

---

Signature

---

Date

## *Annexure 9*

### **ABRIDGED FINANCIAL STATEMENTS**

#### **INTRODUCTION**

**8.01** The main objective of the abridged financial statements is to provide guidance on the presentation of the annual audited statements in an abridged form for the purposes of disclosure of financial informations in the annual reports. Generally it becomes difficult to place the entire set of audited financial statements in the annual report. Therefore, it is important that an abridged form of financial statements is used for disclosure of financial information in the annual reports.

#### **QUESTIONS/ISSUES**

**8.02** All voluntary organisations should provide the audited statements in abridged and understandable form in the annual report for all the stakeholders.

**8.03** The statements which could be provided in abridged form are as under :

- Abridged Balance Sheet (*Annexure-9.1*)
- Abridged Resource and Application Statement (*Annexure-9.2*)
- Abridged Income and Expenditure Account (*Annexure-9.3*)
- Abridged Receipt and Payment Account (*Annexure-9.4*)

All the four statements should, desirably, be provided in the annual report.

**8.04** The minimum requirement for disclosure in annual report is the following two statements :

- Abridged Balance Sheet
- Abridged Resource and Application Account.

**Annexure-9.1**

**ABRIDGED BALANCE SHEET**

<b>A. SOURCES OF FUNDS</b>	<b>Schedule</b>	<b>Previous year</b>	<b>Current year</b>
Corpus Fund <sup>1</sup>			
Endowment Funds <sup>2</sup>			
Restricted Project Funds <sup>3</sup>			
Designated Project Funds <sup>4</sup>			
Asset or Depreciation Funds <sup>5</sup>			
General Fund <sup>6</sup>			
<b>TOTAL</b>			
<b>B. APPLICATION OF FUNDS</b>			
Fixed Assets			
- Core Assets <sup>7</sup>			
- Project Assets <sup>8</sup>			
Investments			
- Project Fund Investments <sup>9</sup>			
- Other Investments			
Current Asset, Loans & Advances (a)			
Less: Current Liabilities & Provisions (b)			
NET CURRENT ASSET (a - b)			
<b>TOTAL</b>			

Subject to Significant Accounting Policies and audit notes as per audit report of even date.

Chartered Accountant

Partner (M.No.)

Director

Chairman

Treasurer

Member

Place

Date

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## **NOTES TO ABRIDGED BALANCE SHEET**

1. Corpus fund is the unrestricted fund permanently available to the organisations
2. Endowment funds are long term funds for specific purposes.
3. Restricted Project funds are the funds bound by 'Project Agreement' and therefore are legal obligations.
4. Designated Project funds are the voluntary contributions collected for specific project or general funds set-a-side for specific project.
5. Asset or Depreciation funds generally are created to reflect those assets which have been written off 100% through the Income and Expenditure Account.
6. General Fund is the consolidated balance of the available general fund and current year's excess / deficit of income over expenditure.
7. Core Assets are the assets other than the project assets which are bound by the Project Agreement.
8. Project Assets are those assets which are procured out of project funds, unless they have been released by the project restrictions at the end of the project period or through specific approval of the donor.
9. Project Funds Investments are those investment which are created out of the available project balances.

### *Annexure-9.2*

## ABRIDGED RESOURCE AND APPLICATION STATEMENT

PARTICULARS	Previous year	Current year
<b>A RESOURCES MOBILISED (during the year)</b>		
Voluntary Contributions <sup>1</sup>		
- Foreign Sources		
- Domestic Sources		
Restricted or Project Grants (to the extent applied) <sup>2</sup>		
- Foreign Sources		
- Domestic Sources		
Income Generation Activities <sup>3</sup>		
Membership fees & Contributions		
Interest and other Incomes		
<b>TOTAL</b>		
<b>B APPLICATION OF FUNDS (during the year)</b>		
Restricted Project Expenditures <sup>4</sup> (Schedule <sup>8</sup> )		
Program Expenditures <sup>5</sup> (Schedule <sup>8</sup> )		
- Direct Program Expenses		
- Program Administration Cost		
- Project Assets and Capital Item		
Management and Administrative Cost <sup>6</sup>		
Resource Mobilisation & Fund Raising Cost <sup>7</sup>		
Interest, Charges and other Misc. Expenses		
<b>TOTAL</b>		
C Surplus / Deficit of Income over Expenditure (A - B) - transferred to General Fund.		

Subject to Significant Accounting Policies & audit notes as per audit report of even date.  
Chartered Accountant

Partner (M.No.)	Director	Chairman	Treasurer	Member
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Place

Date \_\_\_\_\_

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## NOTES TO RESOURCE AND APPLICATION STATEMENT

1. Voluntary Contributions are those income where the donor does not specify any restriction. Therefore, they are treated on par with other income of the organisation.
2. Restricted or Project grants are bound by a legally bound project agreement. Therefore, they are legal obligations and should not be treated as income of the organisation. However to provide the correct picture of the resource mobilisation, they should be shown to the extent of application made during the year.
3. Income Generation Activities shall reflect all self generated income of the organisations including income from properties, consultancies, businesses, casual sources etc.
4. Restricted Project Expenditures are the application of the restricted project grant during the year.
5. Program Expenditures are the expenditures towards the overall objectives of the society from voluntary contributions and general funds.
6. Management and Administrative Cost should reflect those expenditures which can not be directly assigned to a specific project and are a part of the core administrative cost. The examples of such expenses could be, Salary of CEO, Board Meetings, Statutory Audit Fees, etc.
7. Resource Mobilisation & Fund Raising Costs are those expenditure which are incurred towards generating resources.
8. With regard to the restricted project expenditures and other programme expenditures a schedule should be provided reflecting the programmatic and thematic distribution of expenditure.

**Annexure-9.3**

**ABRIDGED INCOME AND EXPENDITURE ACCOUNT**

<b>PARTICULARS</b>	<b>Previous year</b>	<b>Current year</b>
<b>A RESOURCES MOBILISED (during the year)</b>		
Voluntary Contributions <sup>1</sup> - Foreign Sources - Domestic Sources Income Generation Activities <sup>2</sup> Membership fees & Contributions Interest and other Incomes		
<b>TOTAL</b>		
<b>B APPLICATION OF FUNDS (during the year)</b>		
Program Expenditures <sup>3</sup> (Schedule <sup>6</sup> ) - Direct Program Expenses - Program Administration Cost - Project Assets and Capital Item Management and Administrative Cost <sup>4</sup> Resource Mobilisation & Fund Raising Cost <sup>5</sup> Interest, Charges and other Misc. Expenses		
<b>TOTAL</b>		
C Surplus / Deficit of Income over Expenditure (A - B) - transferred to General Fund.		

Subject to Significant Accounting Policies & audit notes as per audit report of even date.

Chartered Accountant

Partner (M.No.)

Director

Chairman

Treasurer

Member

Place

Date

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## **NOTES TO INCOME AND EXPENDITURE ACCOUNT**

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**Annexure - 9.4**

**ABRIDGED RECEIPT AND  
PAYMENT ACCOUNT**

<b>RECEIPTS</b>	<b>Previous year</b>	<b>Current year</b>
Opening Balance - Cash - Bank Voluntary Contributions <sup>1</sup> - Foreign Sources - Domestic Sources Restricted or Project Grants - Foreign Sources - Domestic Sources Income Generation Activities <sup>2</sup> Membership fees & Contributions Interest and other Incomes Loans and Advances		
<b>TOTAL</b>		
<b>PAYMENTS</b>		
Restricted Project applications Program Expenditures <sup>3</sup> - Direct Program Expenses - Program Administration Cost - Project Assets and Capital Item Management and Administrative Cost <sup>4</sup> Resource Mobilisation & Fund Raising Cost <sup>5</sup> Interest, Charges and other Misc. Expenses Loans and Advances Purchase of Fixed assets Closing Balance - Cash - Bank		
<b>TOTAL</b>		

Subject to Significant Accounting Policies & audit notes as per audit report of even date.

Chartered Accountant

Partner (M.No.)

Director

Chairman

Treasurer

Member

Place

Date

**Notes on next page**

## **NOTES TO RECEIPT AND PAYMENT ACCOUNT**

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