

UNIT 4. VOLUNTARY ORGANIZATIONS & NEED FOR ACCOUNTABILITY

4.1. Voluntary Organizations & Challenges of Heterogeneity:

Due to dependence on grants, voluntary organizations cannot offer attractive salaries or job security; payment of salary, sometimes is irregular and not on time. Because of these reasons, staff turn over is high, and there are ups and downs in the organizational performance. Often, the organizations face leadership problems also. As such, voluntary organizations have to worry about getting financial support for their activities constantly. It is a vicious cycle – whether organizational performance precedes need for resources to keep up organizational performance or vice versa – is a chicken and egg question.

Changes in national and international relations and policies and other developments in other countries – factors external to voluntary organizations and the voluntary sector - result in reduction in the flow of financial support. For example, after the economic reforms, government grants to voluntary organizations have considerably reduced. And, the procedures for accessing those grants also changed. Sometimes the voluntary organization's choice of its mission and strategy also serve as an important factor in gaining support.

Relationship between general public, government, donor agencies and the voluntary organizations is at best ambivalent. Following are some of the constraints to successful cooperation between general public, government and voluntary organizations:

1. Lack of clear understanding of each other's goals and roles
2. Inability to identify reliable working partners from among the voluntary organizations
3. Restrictive government procedures
4. Distrust and attitudinal problems on all sides
5. Poor communication
6. Differences in ideologies and approaches
7. Lack of accountability on the part of all concerned
8. Lack of clear policies for collaboration
9. Differences in expectations - inability to scale up on the part of voluntary organizations
10. Acknowledgement and recognition of contribution on the part of all concerned

Due to these reasons, interaction between voluntary organizations, society, donor agencies and the government sometimes take an adversarial character. Society and government generally view the voluntary organizations as delivering only welfare services; when voluntary organizations engage in a dialogue with society about the appropriateness of a chosen development model, there is general suspicion about their ulterior motive - whether the organizations are trying to destabilize the nation-state as a whole. This suspicion is understandable against the country's history - struggle for freedom from colonial rule, partition at the time of Independence in the past, terrorism, insurgency and other current national experiences.

Because generally all types of voluntary organizations are clubbed together, and are treated as one category without taking differences in their vision and mission into account, society and government view voluntary organizations as being too independent, not accountable, not dependable, transitory, amateur, over reliant on external support, subversive, or interested only in mopping up government funds. There is a commonly held opinion that there is a need for more transparency and accountability on the part of voluntary organizations.

Fortunately, some things have changed since the 1990s. Reasons for this can be attributed to economic reforms to some extent. Mind set of society as well as government has changed vis-à-vis voluntary organizations – voluntary organizations are seen as serving a useful purpose; they are seen as important and equal partners in bringing about inclusive sustainable development. The National Policy on Voluntary Sector 2007 is a testimony for the change in the mind set. It explicitly states that government will endeavour to create an enabling environment for voluntary organizations to stimulate their enterprise, responsiveness and innovativeness; will endeavour to enable voluntary organizations to legitimately mobilize financial resources from India and abroad; will endeavour to identify systems by which government and voluntary organizations can work jointly on the basis of the principles of mutual trust, respect and shared responsibility; and will endeavour to encourage voluntary organizations to adopt transparent and accountable systems of governance and management.

4.1.1. Grey Areas in the Laws

Having committed to work jointly, the voluntary sector and the government have to pay attention to some of the grey areas contained in the laws applicable to voluntary organizations. These give room for a variety of organizations to emerge and continue to function. Laws relating to registration of voluntary organizations and Income Tax rules contain many vague words such as formal and informal organization, private and public purpose, self-governance, not for and for profit organizations, voluntary and statutory, 'charity', 'poor relief' and so on.

Let us begin by looking at the word '*organised*' entities. 'Organised' generally is understood to mean that the organizations is registered as a charitable, non-profit voluntary organization. It means, those which have a reasonable degree of legal institutional reality. Institutional reality includes legal identity, institutional structure, relative persistence of goals, structure, activities, and meaningful organizational boundaries. Ram Leela and Ganesh Chathurthi, 'mohalla' committees, sports groups, film actors' fan clubs, support groups, kirtan groups, human rights groups, youth groups, self help groups, women's groups, residents' welfare associations, cricket, football groups, fan clubs of favourite matinee idols, social movements such as Jagrut Kashtakari Sanghatana, caste, ethnic or kinship groups, and livelihood groups for instance may not have formal organizational structure that persists over time as prescribed by the Registration of Society Act. Though they are not 'organized' in the above sense, they mobilize human, physical and financial resources. The issue is, are they required to be accountable just as the 'organized' voluntary organizations? If, yes, how can they be made accountable?

The characteristic '*self-governing*' is essentially to highlight the autonomous nature of the voluntary organizations. 'Self governing' requires internal democracy – periodic elections, participatory decision making etc. However, National Dairy Development Board, Central Social Welfare Board, Army Wives Welfare Association are totally controlled by government though they are registered under Society's Act, or Charitable Company's Act. On the other hand, although trade union, cooperative society are 'self-governing'; they are governed by their own respective laws; they are not considered as charitable 'non-profit' voluntary organizations as under Society's Act. Further, it is to be noted provisions for 'self governance' under state laws differ (see annexure 1 for provisions under state laws), although they follow the overall principles of the central law. There are many examples

where a single person, typically a founder controls the organization without systematic election, public accountability and broad based transparent governance mechanism.

'Organized' voluntary organizations are located in the '*private*' domain, and are independent of and autonomous from government; but work for public purpose. Organizations such as National Dairy Development Board, Indian Institute of Public Administration, PRATHAM are semi-autonomous, ie they are neither fully government nor fully non-government organizations. Business organizations like Ambanis, Bajaj, Birla, Chettiar, Reddy, Tata, TVS have established not-for profit organizations. Even religious institutions establish voluntary organizations. All these organizations registered as non-profit Society or Trust come under the rubric 'non-government' 'private' organizations. These examples bring out the overlap between 'public' and 'private' spheres. The issue is which organization is considered as 'private'?

The laws relating to registration do not necessarily determine the *non-profit* character of an organization. It is the Income Tax Act that determines 'non-profit' character of voluntary organizations. For example, many private trusts registered under the Indian Trusts Act have been conduits for siphoning off profits from a business company owned by an individual or a family. Research and consultancy organization registered under the Society Registration Act illustrate this dimension of ambiguity between 'not for profit' and 'for profit' organizations. A group of industrialists forming an association to further their interests come under the same law – for instance, the Confederation of Indian Industries. This makes it difficult to differentiate between 'not for profit' and 'for profit' purposes.

'Non-profit' organizations may accumulate profit in a given year, but that must be used for the achievement of its basic mission and not distribute the profit to the organization's owners, members, founders or governing board. 'Non-profit' means that the organization does not exist primarily to directly or indirectly generate profits; are not primarily guided by commercial goals and considerations. This characteristic differentiates voluntary organizations from private business.

A variety of organizations are automatically eligible for tax exempt 'non-profit' status because they are recognized as 'non-profit' 'charitable' society by the Income Tax Act. In recent times, modern high fee charging hospitals, educational institutions are automatically exempted from paying income tax though they earn quite a lot through capitation fee,

hospital charges etc while small low budget non-formal literacy programmes, primary health care facility, health education project, folk art and culture centre, sports clubs, youth clubs, self help groups credit and savings groups, non-banking financial institutions, micro-finance intermediaries, and micro-enterprises are not eligible for exemption from paying taxes. The law tends to favour more formal, national, elite-oriented organizations than grass roots, local, rural and less formal organizations.

'*Voluntary*' characteristic is contentious in today's context. The concept of voluntarism means some contribution of time, effort and resources without any compensation on the part of those who associate themselves with a cause or an organization. For instance, members of the governing board of an organization are purely voluntary, and are required to work without any remuneration by law. Some people work at the grassroots directly with beneficiaries without any remuneration. Yet others are 'employed'. As many of the voluntary organizations employ paid staff, the concept 'voluntary' has to be understood in a different sense. What distinguishes 'voluntary' nature are the spirit of autonomy, freedom, self-choice that guides their formation, functioning and governance. This is problematic when we consider government created NGOs. Because some people have opted to work as paid employees in such organizations out of own choice, the organization is considered as 'voluntary' organization.

'Sectarian' and 'non-sectarian' voluntary non-profit organizations are not clearly distinguished under the laws. The law tends to club religious and charitable purposes, and does not insist on separation of the two purposes. However, organizations pursuing political agenda are not seen as constitutionally or socially legitimate voluntary organizations. Hindu, Christian, Muslim, Sikh, Jain trusts and other religious institutions like ashrams rendering valuable service are considered as voluntary organizations for all practical purposes. But, voluntary religious organizations pursuing a purpose not commensurate with the ideals of society and/or the Constitution, 'semi separatist' organizations such as Khalistan, ULFA PWG engaged in armed struggle against the state and its jurisdiction are not 'legitimate' voluntary organizations. The issue 'legitimate' from whose point of view remains unresolved.

In the course material of this Diploma programme, the phrase 'voluntary organizations' is preferred to refer to the organizations engaged in a variety of activities as against 'non-profit', 'non-government' or 'civil society' organizations. The phrase 'voluntary organization'

includes all the characteristics – organized, private, non-government, self-governing, non-profit, voluntary and brings out the 'autonomous' 'self choice' or 'voluntary'. And, ideologically, the phrase recognizes the sovereignty, autonomy, and self-choice of ordinary people desirous of promoting the well-being of the less well endowed.

As seen above, legal grey areas provide a fertile ground for a wide variety of 'voluntary organizations' to flourish in India. Though there are many questions about their eligibility to be considered as voluntary organizations for taxation and other purposes, they are all legitimate legal entities functioning in an open liberal democratic civil society.

Financial management and accountability systems and practices should take the above issues into consideration while designing and applying the systems and procedures. And the financial management and accountability systems in the three types of voluntary organizations would be substantially different. Every effort is to be made to make it easy and convenient for the people working in the voluntary organizations to be accountable and transparent. Ultimately, the aim is to increase the credibility of this sector because the sector contributes so much to the development of social capital and harmony – inclusive sustainable development.

4.2 Financial Management & Accountability for Credibility:

Voluntary organizations play an important role in inclusive sustainable development. New forms of organizational arrangements and collaborations have evolved in the 2000s corresponding to the increased complexities of socio-political developments. New and complicated laws and regulations to regulate activities of the voluntary organizations have been adopted by the government. Voluntary organizations not only have to work within the framework of the laws, rules and regulations, they also have to ensure that they do not deviate from their own mission. The goals of financial management under these circumstances are to facilitate financial stability, effective use of resources, transparency and accountability. Because most of the voluntary organizations depend on grants and few have own perennial source of income, financial management is episodic at best in the life-cycle of the voluntary organizations.

At the time of formation, end of the period of financial support, expansion or during silver/golden/diamond jubilee or at other special occasions, voluntary organizations take special efforts to mobilize resources. Most of the time, such efforts are not based on sound analysis of their track record; even when they are based on analysis and are informed decisions, they are in for surprise - some realize that bulk of their income has come from small individual donations; others realize that government grants cover less than ten percent of their budget. This makes them weigh the efforts they have to put in to mobilize resources for the future; and consider the advantages and disadvantages of their policies regarding resource mobilization.

Financial management in voluntary organizations is generally designed to identify and access available resources. Organization's sustainability and institution building are rarely the considerations except in institutions of higher education, hospitals, religious ashrams, museums, libraries etc. Systematic identification and optimum mix of sources linked to the mission of the organization are neglected. Because voluntary organizations are generally given to believe that they cannot 'earn income', or 'make profit', they do not consider prudent investment permitted in law; or, what should the composition or structure of their assets be. Few voluntary organizations prepare financial plans for future expansion and/or growth. In fact, prudent financial management is shunned as impractical or inappropriate. A time now has come for voluntary organizations to learn from one another and to learn from for profit business organizations and from private colleges, hospitals and some of the sectarian voluntary organizations.

Important task of ***financial management*** in voluntary organizations is to ensure that there is a steady flow of cash for stability and continuity of their activities. Scope of financial management in voluntary organizations depends on answers to the questions:

1. How large should a voluntary organization be and how fast should it grow?
2. What should the composition of the organization's assets be?
3. What should the structure and composition of the financial, moveable and

Financial management functions are:

A. Financing

1. Financial forecasting and planning
2. Identification of sources of finance and determination of financing mix
3. Cultivating sources of funds and fund raising
4. Investing – management of current assets – cash, marketable securities, receivables and inventories.

B. Financial analysis and monitoring

1. Analysis of financial conditions and performance
2. Financial control – budgeting, book keeping, accounting and audit
3. Cost control and fraud prevention

All types of assets and the financial management systems put together form the financial structure and strength of a voluntary organization. Wide ranging factors determine the capital structure of an organization. The extent of cash-flow, rate of expansion, number of activities, rules and regulations governing the organization's financial management, donor's terms and conditions etc determine the pattern of financial structure of an organization.

Few voluntary organizations have the foresight to build a corpus fund, an endowment or have a perennial flow of interest which ensuring stability of the organization. Income Tax laws permit a portion of a large grant received in advance to be invested and earn interest with prior permission. There are organizations that earn income from renting out their premises to public for meetings, marriages etc. There are, thus many ways of building the capital and financial structure in a voluntary organization. Some of these examples are discussed in the chapter on Project Fund Management.

Accountability is contradictory in nature, and it is an irony that the term itself has still no clear definition. Edwards and Hulme (1996) define it as 'the means by which individuals and organizations report to a recognized authority (or authorities) and are held responsible for their actions'. Cornwall, Lucas, and Pasteur (2000) broaden this perspective by defining accountability as both being a reactive response to others holding the organization responsible, and a proactive notion of taking responsibility for oneself. Thus, questions such as accountability for what, by whom, or to whom immediately arise. For some, the concepts of accountability, transparency and trust are inseparable. In general, accountability implies

both a measure of answerability and enforceability, and is often used interchangeably with the similar concepts of responsiveness, responsibility and representation. Besides, accountability is linked to a variety of other terms in its practical usage, such as surveillance, monitoring, oversight, control, checks, restraint, public exposure, evaluation and punishment. Accountability may thus be defined as 'the means through which individuals and organizations are held externally to account for their actions, and as the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals, and performance'.

Accountability in practice can take a number of forms; accountability can be internal or external, formal or informal, vertical or horizontal, bottom-up or top-down. Given its broad usage, the challenges of effective accountability include where to assign and locate responsibility for decisions, how to devise effective mechanisms for answerability and enforcement, and how to prioritise multiple accountabilities. Accountability, then, is about the construction of tenets for conduct and performance and the standards used to assess them (Day and Klein, 1987). This serves to define expectations and order social relations by embedding them within a recognised and accepted framework of application.

4.3 Importance of Accountability:

More specifically, the importance of accountability standards and certification is meant to achieve the following outcomes:

- 1• Increased public credibility and improved relationships with stakeholders:** Showing a willingness to provide accessible, verifiable and credible information can ensure increased trust among stakeholders. The public welcomes the increased disclosure that comes with nonprofit accountability.
- 2• Better financial performance and lower costs:** It is still difficult to determine a direct relationship between enhanced accountability and financial performance, but we believe that such a link exists. More active independent boards, improved reporting and monitoring activities, for instance, can help identify the effectiveness of organizational programs and activities. This leads to improved operating efficiencies and reduced costs, as well as enabling the organizations to achieve better impacts with their available resources.

- 3• Better overall management and increased overall effectiveness:** It is believed that those organizations that introduce clear performance and accountability systems will experience an improvement in their management practices overall. Increased accountability and enhanced management systems can change the cultures of the organizations and impact performance in many areas of their operations. Also, the process of self-assessment and evaluation that is part of improving accountability can help coordinate and maximize efficiencies and collaborations, and share the learnings throughout the organization.
- 4• Reduced risk of adverse publicity:** It is more likely that accountable organizations can be better prepared to address the concerns of their stakeholders, who might otherwise take negative actions on certain issues, which will affect their image, flow of resources and public support.
- 5• Advocacy role and advancement towards achievement of vision:** Voluntary nonprofits provide an important vehicle through which individuals organize and work together to improve quality of life and their communities. Nonprofit organizations, therefore, should represent the interests of the people they serve through public education and public policy advocacy. Accordingly, nonprofit organizations should have clear policies describing the circumstances of involvement in advocacy, public policy, and/or lobbying activities.

Voluntary nonprofit organizations operate for public purposes with public support. As such, they should be committed to full, honest, and accurate disclosure of relevant information concerning their mission, goals, program activities, finances, and governance, to the public. A nonprofit organization should also be accessible and responsive to members of the public who express interest in the affairs of the organization.

4.4. Accountability Certification

Many argue, however, that the major problem with the standardization and certification movement is that there can be no universal approach and no magic framework, or set of mechanisms, that can be used by all voluntary nonprofit organizations to ensure the highest standards of accountability (Naidoo, 2003; Brown, 2004). Indeed, the diversity of the sector makes this difficult. The various accountability demands on nonprofit organizations depend on many factors, including the type of organisation (local, national, global, single organisation, association), the sector in which the organisation works (needing to meet

sector-specific accountability requirements), the number and type of stakeholders involved (founders, constituents, partners etc.) also their positions, and the contextual factors, the environment in which the nonprofit organization operates (social-technological-economic-political environment, relevant legislation etc.) (Naidoo, 2003). However, the nature of the changes in the nonprofit world, their ever so great visibility and public participation, and the calls for greater responsiveness, accountability, and transparency all created an urge in the sector as a whole to set up benchmark standards and therefore hold the institutions accountable for their commitments.

Accordingly, many national and international nonprofit networks in many countries have undergone thorough participatory processes to articulate standards of excellence and codes of conduct expected of nonprofit organizations, such as transparent governance, open and regular communication (newsletters, updates, briefs, also channels for public access to information), disclosure and public reporting (annual reports, organisational or project evaluations external assessment of strategic plans), hiring practices, meaningful involvement of diverse constituencies in the organization's work, and so on (Owen, 2006). The idea behind such self-regulation and accountability mechanisms is that the sector itself should be actively engaged in promoting certain set of values and norms as part of service delivery and maintaining good public reputation.

The challenge of the voluntary sector is to move from accountability as a spectacle, as it is practised in most events, useful as they are, to accountability as a norm (Newell and Bellour, 2002). Accountability starts with being aware of the laws and regulations governing voluntary organizations, and carrying out the activities in accordance with these regulations.

From above discussion, it is clear that accountability is not just a financial term, but it is a much broader indicator of the health of voluntary sector. The "nonprofit accountability movement" has also changed the meaning of the term "accountability" from "being held to account" (enforceability) to "giving an account" (answerability) (Bendell, 2004; Ebrahim, 2003). Translating these major changes and challenges into practice resulted in a wave of accountability initiatives. Numerous "codes" and "ethics" have been developed to provide general accounting principles for nonprofit organizations within the context of governance. As Drucker put it (1974, 1990), leaders of nonprofit organizations should concentrate on the mission. Focus on the mission leads to performance through planning, involvement in the organization, and clear accountability for the organization. Overview of the practices of

regulating voluntary sector in different countries is provided to give an idea about how the governments and NGOs view accountability, the importance given to accountability and transparency in the voluntary non-government sector and the circumstances that have warranted more transparency and accountability on the part of the civil society organizations.

Financial monitoring or **accountability** involves obtaining information on the mission, objectives, nature of activities, the sources of finance of the voluntary organization, how the resources have been spent with what outcome. Understanding the linkages between the mission, activities and outcome, organizational structure, authority relations and staffing pattern; collecting statistical information regarding staff employed, administrative and programme costs, fee structure and other charges on services delivered. It would be necessary to be informed about the provisions in the Memorandum of Association or the Trust Deed, and the service rules; collecting information on policies/decisions regarding transactions – by cash and/or cheque; understanding and establishing accounting and book-keeping systems; understanding and establishing measures for preventing fraud and misappropriation; understanding and compliance with Income Tax Act, Foreign Contribution Regulation Act and other laws pertaining to voluntary organizations; understanding and establishing systems for the protection of legal documents and assets against unauthorized access, theft, natural or man-made disasters.

4.5. Generic Principles for Non –Profit Accountability

Some of the generic principles and guidelines for nonprofit accountability standards are:

4.5.1 Mission & Program – Organizational Integrity

Nonprofit voluntary organizations are founded for the public good and operate to accomplish a stated purpose through specific program activities. Accordingly, a nonprofit organization should have a well-defined mission, and its programs should effectively and efficiently work toward achieving that mission.

Moreover, voluntary organizations have an obligation to ensure program effectiveness and to devote the resources of the organization to achieving its stated purpose. Therefore, a voluntary organization should have defined, cost-effective procedures for evaluating, both qualitatively and quantitatively, its organization, programs and projects in relation to its mission, and identify ways to address any

deficiencies. In rendering its programs or services, a nonprofit should act with the utmost professionalism and treat persons served with respect. Besides, nonprofits should ensure equity and diversity by all means, and prevent any sort of discrimination by the organization and its constituents, on the basis of race, caste, origin, age, religion, handicap, or sex.

4.5.2. Governance – Governing Board

The governing board has the ultimate oversight authority for any voluntary nonprofit organization. Organizational processes need to ensure that the volunteer board is active, independent, and free of self-dealing.

- **Board Composition:** Nonprofit organizations are governed by an elected volunteer board of directors that should consist of individuals who are committed to the mission of the organization. The board should have no fewer than five (5) unrelated and independent directors serving without compensation.
- **Board Responsibilities:** An effective nonprofit board should determine the mission of the organization, establish management policies and procedures, assure that adequate human resources (volunteer or paid staff) and financial resources (earned income, government contracts and grants, and charitable contributions) are available, and actively monitor the organization's management, financial and program performance.
- **Conduct of the Board:** The organization should have written policies that address attendance and participation of board members at board meetings. At a minimum, the board should meet four (4) times a year. A nonprofit organization should have policies in place, and should routinely and systematically implement those policies, to prevent actual, potential, or perceived conflicts of interest.

According to Rajesh Tandon(1994), there can be different types of boards who play cardinal role in NGO governance particularly in the context of south

Asia. First, "Family Boards": Here in both composition and style of functioning, these board operate like a family, with all the necessary informality affection and trust that a family-held small business demonstrates. Second , 'Invisible board': Here the board members are comprised of a small coterie of friends and family , assembled by the founder(s) , merely for one purpose of meeting statutory requirements on paper. The actual functions of governance are carried out by the founder(s) with or without help of other staff in the NGO and the board merely acts as a 'rubber stamp'. Third, 'Staff Board' It is quite common in South Asia where an NGO has been set up a group of people in pursuit of a shared vision, they themselves decide to become the board. In other cases senior staff members are brought on to the board subsequently, similar to the concept of Board representation by trade union/worker representatives on the board of 'for-profit' corporations. Such boards are very effective in ensuring a shared vision and a common perspective on the direction of the NGO. Fourth, 'Professional Board': The composition of these boards is based largely on the shared vision of a set of like minded people but also includes consideration of the professional and strategic requirements of the institution. In such situations the composition and functioning of the board exhibits a moral formal character.

4.5.3 Finances

- **Financial Management: Nonprofit** voluntary organizations must practice sound financial management and comply with a diverse array of legal and regulatory requirements. A nonprofit voluntary organization should operate a budget approved by the board, and its financial system should assure that accurate financial records are kept and that the organization's financial resources are used in furtherance of the organization's charitable purposes. Organizations should conduct periodic reviews to address regulatory and liability concerns.

A nonprofit voluntary organization should create and **maintain financial reports** on a timely basis that accurately reflect the financial activity of the organization, including annually audited financial statements. An annual report, including a statement of the organization's purpose, full or summary financial statement, description of the goals, summary of overall program

activities, results of the work of the organization, and information about current board members, should be provided upon written or verbal request.

Nonprofit voluntary organizations should have **written financial policies** adequate for the size and complexity of their operations governing: (a) investment of the assets of the organization, (b) internal control procedures, (c) purchasing practices, and (d) unrestricted current net assets.

The organization's combined fundraising and administration costs should be kept to the minimum necessary to meet the agency's needs, while **at least 65% of the total expenses should be spent on program activities** and services to reflect the organization's purposes.

- **Fundraising:** Charitable fundraising provides an important source of financial support for the work of most nonprofit voluntary organizations. An organization's fundraising program should be maintained on a foundation of truthfulness, accurateness, and responsible stewardship. Its fundraising policies should be consistent with its mission, compatible with its organizational capacity, and respectful of the interests of donors and prospective donors. Nonprofit voluntary organizations should ensure (1) accurate and truthful fundraising activities, (2) good donor relationship and privacy, (3) policies for acceptance of gifts, and (4) employment policies of fundraising personnel. Fundraising costs should be limited to a reasonable proportion of the organization's overall expenditure, and regularly tested for cost-effectiveness.

4.5.4. Human Resources, Management Practices

A nonprofit voluntary organization shall endeavor to follow best management practices appropriate to its mission, operations, and governance structure, protecting the rights of its constituents, and assuring fair treatment in all matters at all times.

A nonprofit voluntary organization's relationship to its employees and volunteers is fundamental to its ability to achieve its mission. Volunteers occupy a special place in nonprofit organizations, serving in governance, administrative and program capacities. An organization's written human resource policies should address both paid employees and volunteers, and should be fair, establish clear expectations, enhance employee orientation, and provide for meaningful and effective performance evaluation.

4.5.5 Public Policy, Participating in Public Affairs, Communications to the Public

Nonprofit voluntary organizations operate for public purposes with public support. As such, they should be committed to full, honest, and accurate disclosure of relevant information concerning their mission, goals, program activities, finances, and governance, to the public. A nonprofit voluntary organization should also be accessible and responsive to members of the public who express interest in the affairs of the organization.

Nonprofits provide an important vehicle through which individuals organize and work together to improve their communities. Nonprofit voluntary organizations, therefore, should represent the interests of the people they serve through public education and public policy advocacy. Accordingly, nonprofit voluntary organizations should have clear policies describing the circumstances of involvement in advocacy, public policy, and/or lobbying activities.

Self Assessment Questions

1. *What are the requirements of an effective governing board of VOs?*
2. *What is the scope and function of financial management in voluntary organizations?*
3. *Discuss the importance of financial management for voluntary organizations.*
4. *What are the objectives of the National Policy on the Voluntary Sector 2007?*
5. *What are the grey areas in the laws pertaining to the voluntary sector?*