OAK FOUNDATION GOVERNANCE ASSESSMENT TOOL

SECTION 1
GUIDELINES FOR USE

What is the tool?

It is a framework that can be applied during the due diligence process to gain an overview and understanding of the practices and processes of grantee governance bodies in order to assess their effectiveness.

Why a governance tool?

This tool was created to provide structure and consistency to the due diligence process when evaluating grantee boards. It is meant to stimulate conversations between Programme Officers and their grantees about how to develop and maintain effective governing bodies, and to provide new POs with an overview of the considerations that Oak believes are important to effective governance. The tool is also a means of identifying potential areas where Oak is able to offer capacity building services to support a grantee in its desire to develop their own governance structures or processes.

Who should be using the tool, and when?

The use of the tool is voluntary; it is up to each PO to decide when it would be most useful to apply, and for which grantees it is most appropriate. The tool can be used both for an initial due diligence process and also throughout a grant's life to provide an overview of how a grantee's governance is developing or evolving over time.

How do I use the tool?

The tool is meant to complement the traditional due diligence process. POs can use the framework as a guideline for structuring their due diligence conversations with grantees in order to evaluate specific elements of governance practices.

In some cases, you may wish to direct the conversation or questions directly towards grantee Board members, if this access is granted. It is up to each PO to determine whether their grant and/or grantee warrants this degree of direct contact.

As with any due diligence process used at Oak, this guide is not meant to pass judgment on grantees or to force them into taking measures that do not fit with their culture. The tool does not provide a template for the "right" way of doing things. We hope that this tool is used in a positive spirit, initiating a learning process for both Oak and our grantees. The goal is to elicit from grantees *their own* account of their boards' situations, aspirations, strengths, and weaknesses. Combined with your own findings, this picture should be sufficient to help you broadly determine whether a board is an effective governing body or organisation. Though the results of the process may suggest the need for grant conditions or governance-related capacity building measures, it is up to the grantee alone to decide whether and how

to address any problems; it is not the role of a PO to structure an intervention or offer a directive on how to address a board's issues. The use of the tool provides an opportunity for both the grantee and the PO to discuss, and discover, areas where capacity building might benefit a grantee organization.

Which grantees can this tool be used for?

The tool is adaptable to the different needs of different organizations. As such, it can be used for any grantee. However, not every consideration from the tool's framework will apply in every circumstance. The use of the tool should be tailored to the context of the grant, as well as the legal requirements of the grantee's country of operation.

While all grants require a due diligence process, the depth of that process depends on the context of the grant. A small grant for a one-off project conducted by a well-established organisation is different than a core-support grant for a key strategic partner. The depth of each due diligence process is therefore at the discretion of each PO, taking into account the circumstances of each grant.

Additionally, different grantees often have different legal requirements and/or cultural expectations depending on their country of operation. In many Eastern European countries, for example, it is perfectly legal for Board members to also serve as executive or management staff. In Latin America, fundraising is not often thought of as a Board's responsibility.

Does this mean that a PO shouldn't ask about the fundraising practices of a Latin American board? Good question. The answer is "no, a PO can still be asking these questions, so long as they are aware of the context that informs the answer." In some cases, it may be beneficial for a grantee to realize that there is additional value and additional services that their board can be providing, and that there are concrete benefits to exceeding, rather than simply meeting, basic legal requirements.

How can I use the tool to provide capacity building services to a grantee?

The tool is primarily meant to *identify* areas where capacity building may be of benefit to a grantee; it does not, however, outline *how* capacity building should be delivered. It is up to each PO to determine how governance weaknesses found in their grantees should be addressed, and the Capacity Building team is always available for consultation. During the piloting of this tool, many POs found it helpful as a means of prompting grantee discussions about how their boards can more directly serve and support their organizations, resulting in an internally driven form of capacity-building.

What if I have more questions?

No problem. Simply ask Adriana Craciun from Oak's Capacity Building team for any clarification or to make suggestions on how the use of this tool can be improved.

	CORE CONSIDERATIONS	ASK (☉), LISTEN FOR (🔍), and LOOK FOR (🗁)
Rowing	Board Composition – Is the board composed of individuals who can provide the expertise it needs and who reflect its values?	☉ 'What benefit is the organisation getting from its board members' skills and knowledge?' ☉ 'Hypothetically, if your board didn't function at all for the next few years, what would be lost?' 🗁 Board member biographies, profiles, or external affiliations
	Fundraising – Is the board actively engaged in fundraising for the organisation?	☉ 'How does the board contribute to the organisation's fundraising?' 🗁 Written plans or fundraising strategies 🗁 Reports stating the share of donated revenue attributed to board members
Steering	Relationship with Management – Does the board have a healthy relationship with the CEO or Executive Director? Does the board have a clear, transparent process for the hiring and firing of the CEO/ED position?	☉ 'What is the relationship between the board and the management team?' ☉ 'How does the organisation handle changes in leadership? Are there recent examples of a leadership change?' 🗁 A written job description or terms of reference for both board and management positions
	Financial Oversight – Does the board provide adequate and appropriate oversight of an organisation's finances?	☉ 'Could you tell me about the board's involvement in the adoption of the current budget?' ☉ 'How is the board kept informed about the financial health of the organisation?' 🗁 Financial statements and auditor's reports
	Legal Oversight and requirements – Does the board provide adequate legal oversight of an organization?	☉ 'What are the legal requirements and obligations for boards in your country?' 🗁 Board bylaws
	Strategy – Is the board involved in setting and monitoring the strategic direction of the organisation?	☉ 'How is the board involved in shaping the organisation's strategic plan?' ☉ 'Does the board periodically assess their current strategy, both for progress against goals and to ensure the continued relevance of their organisation?'
Internal Practices	Board Meetings – Are board meetings regular, well-run and well attended?	☉ 'What is the board meetings' calendar and its logic?' 🗁 Meeting minutes and agendas
	Conflict of Interest - Is there a clear conflict of interest policy? Are there clear conflicts of interest among board members? (ie. Board and management overlap, board members receiving salaried payment, etc.)	🗁 A written conflict of interest policy NOTE: In some countries, it may not be uncommon to have board/management overlap. However, if this is the case, it is preferable if management are observers, or non-voting members, of the board. Are there still checks and balances?
	Rotation or Term Limits – Is there a clear term-limits or rotation policy for board members?	☉ 'How are board members chosen and/or dismissed?' 🗁 A written term-limits policy for board members.

SECTION 3
ADDITIONAL RESOURCES

Below is a list of further resources you may wish to use during the due diligence process. These are meant to support the tool outlined above, and are available on Oak Vibe on the Organizational Development and Capacity Building page, in the folder: Governance Project. The folder can be accessed directly from the links embedded in each "Annex" title.

Annex 1: Grantee Template of Governance Tool
The tool outlined above is also available in a template that is designed to be filled in by grantee organizations. It is understood that POs may not always be able to hold in-person discussions or interviews with grantee boards or management. It is up to the PO to ensure that the responses given are adequate for their due diligence process, keeping in mind that this template is meant to be part of a broader investigation. The completion of this template by a grantee is not in-and-of-itself sufficient for accurately gauging the effectiveness of grantee boards.

Annex 2: Comprehensive Inventory of Governance Considerations
This document is essentially a much more detailed version of the tool above. It is meant to be used as a reference if a PO finds that they would like to ask more specific questions about a particular aspect of a grantee's governance practices (i.e. fundraising, fiscal oversight, board policies, etc). In particular, it is available if a PO feels that further investigation is warranted due to the presence of red flags or warning signs during the due diligence process.

Annex 3: A Framework for Board Effectiveness (Rowing, Steering and Internal Practices)
This is a useful document for introducing POs (or grantees) to the concepts of rowing, steering, and internal practices. The tool above is based on this framework, which was introduced by a professional governance consultant at an Oak workshop in October 2013.

ANNEX 1: GRANTEE TEMPLATE OF GOVERNANCE TOOL

It is understood that POs may not always be able to hold in-person discussions or interviews with grantee boards or management. As such, POs sometimes rely on grantee organisations to send them documentation, descriptions, or information about their board during the course of the due diligence process. With this in mind, below is a template for Oak's Core Considerations that is designed to be filled out by the boards of grantee organizations, should a PO wish to make use of it. It is up to the PO to ensure that the responses given are adequate for their due diligence process, keeping in mind that this template is meant to be part of a broader investigation; the completion of this template by a grantee board is not in and of itself sufficient for evaluating the effectiveness of that board.

The template has two columns: "Oak Core Considerations" and "Grantee Response", which grantees are meant to fill themselves. Additionally, you may notice that there is a small symbol (🗁) that appears under a number of questions. This signifies documentation or written information that the grantee should send to the PO, where possible, to supplement their answers. It is understood that many grantees may not have all of this documentation.

Grantee Instructions:

a) Please fill in your responses to the questions in the spaces provided under GRANTEE RESPONSE.

b) You will notice that under many of the questions is a small symbol (🗁). This indicates documents or information that Oak would like you to provide, when possible, in addition to this form to supplement your written responses. It is asked, however, that you do your best to provide at least a list of your board members (board member biographies or profiles).

c) Once this form is complete, and the requested documentation has been found, please send both the form and the documents back to your Oak Programme Officer.

OAK CORE CONSIDERATIONS	GRANTEE RESPONSE
Board Composition – Please list the following details of your board members: Names, Roles on the board, years spent on the board, gender and profession. If possible, please include or attach a short biography of each board member.	
What are the areas of expertise or experience that board members are able to contribute to your organisation? If possible, provide an example of how the board has used their expertise for the benefit of the organisation during the past year.	
Another way of thinking about what your board provides is this: hypothetically, if your board didn't function for a year, what would be lost?	
🗁 Board member biographies, profiles, or external affiliations (such documents are normally provided during grant applications; the provision of additional documentation is not necessary).	

Fundraising – How is the board involved in fundraising processes or activities? If possible, provide an example of how the board has contributed to the organisation's fundraising goals during the past year. 🗀 Written plans or fundraising strategies, if they outline or reference board involvement.	
Relationship with Management – Please describe the relationship between the board and the management team (for example, how often do they meet, what are their respective roles and responsibilities, etc). How is the board involved in the oversight of top management positions (CEOs, Executive Directors, etc)? How is the board involved in the hiring, or replacement, of top management positions? Are there any examples of recent leadership changes? 🗀 A written job description or terms of reference for both board and management positions 🗀 Plans or outlines for leadership positions	

Financial Oversight – Please describe how the board exercises oversight over the organisation's budget and finances. How is the board kept informed about the financial health of the organisation? Is your organisation regularly audited by an independent auditor? 🗁 Annual audits from external auditors (keep in mind that financial statements are provided during grant applications; the provision of additional statements is not necessary).	
Legal Oversight and Requirements What are the legal obligations for boards in your organization's country of operation? 🗁 Board Bylaws	
Strategy – Please describe how the board oversees the development of your organisation's strategy. How frequently does the board evaluate the organisation's strategy? How does the board measure progress against the organisation's goals?	

Board Meetings – Does the board hold regular meetings? How many board members attended the last meeting? 📁 Board meeting minutes and agendas	
Conflict of Interest – Does your organisation have a conflict of interest policy? If so, please describe how the board ensures it is enforced. Are any of your board members also part of the management team? 📁 A written conflict of interest policy	
Rotation or Term Limits – Please describe how board members are chosen and/or replaced. Are there term limits on how long board members may serve? If so, what are they and how are those limits enforced? 📁 A written term-limits or rotation policy for board members.	

ANNEX 2: COMPREHENSIVE INVENTORY OF GOVERNANCE CONSIDERATIONS

This document is available for reference if a PO decides that a more in-depth assessment of a grantee board's effectiveness is required. It is meant to provide greater specificity for discussions about areas where a board may decide to focus its attention. Throughout this inventory, there are references to a number of documents as sources of information. Some of this documentation may be difficult to acquire, or be thought of as sensitive to the grantee. It is up to the PO to determine which documents are realistic to ask for or review, and to try and keep the process as non-intrusive as possible while still performing adequate due diligence.

ROWING

	PREFERRED PRACTICE	ASK (ⓘ), LISTEN FOR (👂), and LOOK FOR (🗁)
FUNDRAISING	Board member roles and expectations about fundraising are clear (e.g., minimum board member gifts, number of donors to be cultivated, etc).	👂 Clear, consistent descriptions of roles and expectations in interviews 🗁 Written roles or expectations
	The board regularly reviews the organisation's fundraising practices and is always looking for ways to improve it.	ⓘ 'How do you assess the board's effectiveness in fundraising?' 👂 References in interviews to problems, and plans for improving them 🗁 Written plan or strategy for improved fundraising.
	The board is effective in its fundraising role.	ⓘ 'How effective is the board in fundraising?' 🗁 Financial reports that might include share of donated revenue attributed to board members.
STAKEHOLDER ENGAGEMENT and OUTREACH	Board member roles and expectations about outreach or engagement with stakeholders or potential supporters are clear.	ⓘ 'How are board members expected to support stakeholder outreach or engagement?' 👂 Clear, consistent descriptions of roles and expectations in interviews 🗁 Written roles or expectations
	Board members effectively promote the organisation and its goals.	ⓘ 'Could you give examples of how the board has recently promoted the organisation and its goals among various stakeholders?'
	The Board regularly seeks feedback from internal and external stakeholders about the state and direction of the organisation.	ⓘ 'Does the board have a way to understand what stakeholders think about the state and direction of the organisation?' ⓘ 'What are some of the things the board has learned recently through that feedback?'

	Board members are seen as contributing to the legitimacy of an organisation, whether through personal reputation, expertise, skills, or experience.	⊘ Word-of-mouth reputation assessment by funders or stakeholders 🗀 Board member bios, profiles, or professional/community affiliations
	The board ensures that the organisation regularly communicates the organisation's mission and strategy to stakeholders or potential supporters.	⊙ 'How do you ensure that stakeholders understand your work?' 🗀 Annual report or other comprehensive, periodic account 🗀 Social media or other communications campaigns
	When applicable, board members are engaged in personally delivering services to the organisation's constituents.	⊙ 'How are board members delivering services to constituents?' ⊘ Consistent descriptions in interviews of board members' involvement
LEVERAGING EXPERTISE	Board members have skills or experience related to the organisation's mission or that can be used to support operational areas of the organisation (for example, accounting, if the organisation is lacking in financial expertise).	🗀 Board member bios, profiles, or professional/community affiliations
	The board actively looks for areas of expertise that would help it improve, and develop plans for adding and/or replacing such expertise.	⊙ 'What skills, experience or perspectives is the board lacking?' ⊙ 'Is there a plan for closing those gaps?'
	Board members utilise their skills and knowledge to contribute to the fulfillment of the organisation's mission.	⊙ 'Is the organisation getting the full benefit of board members' relevant skills and knowledge?' ⊘ Examples or accounts offered unprompted in interviews
WARNING SIGNS	Board members do not publicly associate themselves with their organisation or, alternatively, use their association with their organisation for personal gain.	⊙ 'How many board members were at the last public event?' ⊘ Board members don't mention their involvement with the organisation in public profiles or biographies, or do so selectively.
	Only a few, committed board members seem to participate in rowing activities – the rest seem disengaged or indifferent.	⊘ References in interviews to numerous board members not pulling their weight. Board members are hard to reach or interview

PREFERRED PRACTICE	ASK (⦿), LISTEN FOR (👂), and LOOK FOR (🗁)
MISSION AND STRATEGY	
The organisation has a succinct mission statement.	🗁 Web site or grant application
Board members clearly understand the mission.	👂 Consistent references to mission in board member interviews
The board discusses the relevance of the organisation's mission.	⦿ 'Does the board ever step back and discuss explicitly the relevance of your mission?'
The organisation has a written strategic plan with goals and indicators (e.g. SMART format) that enable it to measure progress.	🗁 Written strategic plan, meeting minutes/agendas, annual reports
The board had a meaningful role in shaping the strategic plan.	⦿ 'How was the board involved, if at all, in shaping the strategic plan?'
The board regularly assesses the organisation's progress against its strategy by comparing monitored indicators against the goals of the plan.	⦿ 'Does the board assess progress against the plan and, if so, how?'
The board oversees alignment between an organisation's mission and projects to prevent problems such as mission creep.	⦿ 'What is the selection process for projects? Is the board involved in reviewing or overseeing this process or decisions at all?'
The board considers future beneficiaries, as well as current ones, when formulating its strategy and mission.	⦿ 'How will this organisation be able to serve its constituents in 5 years? In 10 years?'
OVERSIGHT (Fiduciary and Managerial)	
The board conducts annual audits with external auditors that produce signed reports.	🗁 Audited financial statements and audit reports
The board has ensured a plan is in place to correct any problems revealed by the audit.	⦿ 'What steps has the board taken to ensure problems are corrected?'
The board thoughtfully analyzes, debates, and formally approves the organisation's budget, making sure that it reflects the organisation's current goals.	⦿ 'Could you tell me about the board's involvement in the adoption of the current budget?'
The board understands the biggest risks entailed in the organisation's work and discusses how to manage them.	⦿ 'How does the board assess risks the organisation might face and determine how to manage them?'
The Board complies with all relevant laws and bylaws, and regularly reviews such laws to ensure their continued compliance.	⦿ 'Is there a committee or process in place to periodically ensure the board complies with relevant public laws and its own bylaws?'

	The board selects the CEO (or top manager) using a transparent process in which all board members have a say.	⑦ 'What was the process for hiring the last CEO?'
	The board regularly evaluates the performance of the CEO using a transparent process in which all board members have a say.	⑦ 'What is the process for evaluating the CEO's performance?'
	The board has a process for setting the CEO's compensation to ensure it is fair and reasonable.	⑦ 'How is the CEO's compensation set?'
	The board ensures has a management succession plan in place, with considerations for both unexpected dismissals/resignations and well as long-term development plans.	⑦ 'Is there a plan to deal with an emergency where the CEO or other senior managers are unable to work?' ⑦ 'Is there plan to develop staff so they can assume positions of greater leadership over time?'
	Board processes, decisions and actions are transparent to both staff and external stakeholders.	⑦ 'Is it clear how the board arrives at their decisions?' 🗁 Review of recent board meeting pre-reads
	Each board member understands the basis of all board decisions.	⑦ 'Can you describe the decision making process of the board?'
	The board deliberately works to maintain a positive relationship with the organisation's management and leadership.	⑦ 'What is the relationship between the board and management?' ⑦ 'How frequently do the board and management meet?' 𝓭 Miscommunications or confusion between board and management
WARNING SIGNS	Board members seem unaware of, or disagree on, their organisation's mission and strategy.	𝓭 Board members comments indicate a weak grasp of the organisation's mission, programmes or strategies.
	Board members have delegated the oversight, as well as the managing, of the organisation to staff.	𝓭 CEO marginalizes board member(s) in conversation 𝓭 Board members defer to staff when asked about fiduciary or strategic matters

	PREFERRED PRACTICE	ASK (⑦), LISTEN FOR (👂), and LOOK FOR (📁)
BOARD POLICIES AND PRACTICES	The roles and responsibilities of the board are clearly stated in a written document.	📁 Board bylaws; legal registration documents for the organisation; board member roles and responsibilities.
	Board and staff confine their work to governance and management, respectively. There are clear, written descriptions of each group's expectations and responsibilities, and the board is able to effectively delegate management tasks.	👂 Accounts in interviews that suggest role confusion or misalignment. 📁 Board member roles and responsibilities; board bylaws; meeting agendas/minutes; committee charters (is a board committee tasked with handling a management issue?)
	The board has the committees or ad hoc groups it needs to handle its work well.	⑦ 'How did you arrive at your current committee structure and how is it working?' 📁 Organisational chart; committee charters
	The board meets at regular intervals (frequently enough to adequately perform its functions).	⑦ 'What is the board meeting calendar and its logic?'
	Board meetings are well attended.	⑦ 'Are meetings well attended?' ⑦ 'Do you ever find yourselves without a quorum?' 📁 Meeting minutes (if they include attendance)
	Board meetings are supported by agendas that have time for discussion of important strategic issues.	📁 Meeting agendas
	The board keeps accurate records of its meetings that are easily accessible and comprehensible, with clear descriptions of discussion topics, objectives, designated responsibilities, and future agendas.	📁 Meeting minutes
	The board has a written conflict of interest policy that is actually enforced and includes a means of resolving conflict of interest disputes.	📁 Conflict of interest policy; board bylaws
	All Board members contribute to board discussions and decisions, with a healthy degree of constructive debate and the ability to raise important questions.	⑦ 'When was the last time the board had lots of give-and-take on a topic, and how did the conversation go?'

	The Board regularly evaluates its effectiveness in relation to its goals and expectations and create plans for improvement.	⑦	'Does the board assess its own performance and create plans for improvement? How?'
	The Board has a clear term-limits policy that is strictly adhered to.	🗀	Board bylaws; a written term-limits policy; job descriptions or terms of reference
	The board receives clear information that allows it to monitor progress toward goals and the overall state of the organisation.	🗀	Review of recent board meeting pre-reads
	The composition of the board reflects the mission and values of the organisation (for example, an organisation representing a minority group has members of that group on the board).	🗀	Review of board roster and bios
WARNING SIGNS	There are no written and defined roles for either the Board or its members	✍	The board has trouble explaining its function, and individuals are unsure if they have specific roles or responsibilities
	There are clear conflict of interests among board and/or management members	⑦ ⑦ ⑦	'Are Board members also members of the management team*?' 'Is there any (family) relationship among both the board and upper management?' 'Are Board members paid for their services?' NOTE: In some countries, it may not be uncommon to have board/management overlap. However, if this is the case, it is preferable if management are observers, or non-voting members, of the board.
	There is no clear policy for determining board limits or terms.	⑦ ⑦ ✍	'How often Board members rotate?' 'Are there performance reviews for the Board members?' No mention of mechanism by which poor performing board members can be addressed