

# **PUBLICLY AVAILABLE SPECIFICATION**

## **A Code of Practice for Charities**

**To comment on the draft please visit:**

<https://standardsdevelopment.bsigroup.com/projects/2018-03324>

**Deadline for comments is 22 November 2019**

***Please note that the content in this PSS remains under review and will be designed prior to publication***

**THIS IS A WORKING DRAFT AND MUST NOT BE REGARDED OR USED AS A PAS**

This draft document is provided for discussion only. No representations, warranties or guarantees regarding its contents or as to its accuracy are made and no party involved in the creation of this draft accepts any responsibility for its contents or accuracy to any other party. No copying is allowed, in any form, without written permission from BSI except as permitted under the Copyright, Design and Patent Act 1988 or for circulation within a participating organization and/or its membership network for briefing purposes. Electronic circulation is limited to dissemination by email within such an organization and its members

Please note that this is a draft and not a typeset document. Editorial comments are welcome, but you are advised not to comment on detailed matters of typography and layout.

Any formatting in this draft is to aid readability and does not reflect the final format of PAS 48626:2020.

## **PAS 48626**

### **PUBLICLY AVAILABLE SPECIFICATION**

#### **Publishing and copyright information**

The BSI copyright notice displayed in this document indicates when the document was last issued.

© The British Standards Institution 2020  
Published by BSI Standards Limited 2020

ISBN 978 0 580

ICS

#### **Publication history**

First published XXX 2020

#### **Amendments issued since publication**

**Date**

**Text affected**

## Contents

Foreword	4
0 Introduction	6
1 Scope	9
2 Terms, definitions and abbreviations	9
3 Management and Leadership	12
4 Communications and feedback	16
5 Financial transparency	17
6 Impact measurement and evaluation	20
Table 1 – Data collection	22
7 Philanthropic Performance Statement (PPS)	23
7.1 Rationale	23
7.2 Aim	23
Table 2 – Philanthropic Performance Statement (PPS)	25
Annex A (informative) Good Management Practice: Continual improvement and learning	29
Annex B (informative) Good Management Practice: Management of risk within an organization	30
Annex C (normative) Good management practice: Training	31
Annex D (informative) Good management practice: Data lifecycle management	31
Annex E (normative) Good Management Practice: Complaint or feedback system	33
Annex F (informative) Interpretation matrices for financial analysis in PPS	34
Table F.1 – Analysis matrix	34
Table F.2 – Financial Metrics	35
Bibliography	36
The essential trustee: what you need to know, what you need to do (CC3)	36

## Foreword

### Publishing information

This PAS was initiated and sponsored by Farahnaz Karim, CEO and founder of social enterprise Insaan Group, and Leonard Stall, chairman and editor-in-chief of Philanthropy Age magazine. Its development was facilitated by BSI Standards Limited and it was published under licence from The British Standards Institution. It came into effect on [DD MMM YYYY].

Special acknowledgement is given to our contributing experts Elizabeth Kronoff and James Gibson, and to technical author, Cathy Nightingale.

Particular gratitude is given to the following organizations and individuals that were generously involved in financing the development of PAS 48626:

- Human Dignity Foundation
- Polykar Industries
- Brian and Sami Wilkie

Acknowledgement is given to the following organizations that were involved in the development of this PAS as members of the steering group:

LIST HERE TO BE INCLUDED PRIOR TO PUBLICATION

Acknowledgement is also given to the members of a wider international review panel who were consulted in the development of this PAS.

The British Standards Institution retains ownership and copyright of this PAS. BSI Standards Limited as the publisher of the PAS reserves the right to withdraw or amend this PAS on receipt of authoritative advice that it is appropriate to do so. This PAS will be reviewed at intervals not exceeding two years, and any amendments arising from the review will be published as an amended PAS and publicized in Update Standards.

This PAS is not to be regarded as a British Standard. It will be withdrawn upon publication of its content in, or as, a British Standard.

The PAS process enables a code of practice to be rapidly developed in order to fulfil an immediate need in industry. A PAS can be considered for further development as a British Standard, or constitute part of the UK input into the development of a European or International Standard.

### Use of this document

As a code of practice, this PAS takes the form of guidance and recommendations. It should not be quoted as if it were a specification and particular care should be taken to ensure that claims of compliance are not misleading.

Any user claiming compliance with this PAS is expected to be able to justify any course of action that deviates from its recommendations.

### Presentational conventions

The provisions of this standard are presented in roman (i.e. upright) type. Its recommendations are expressed in sentences in which the principal auxiliary verb is “should”.

*Commentary, explanation and general informative material is presented in smaller italic type, and does not constitute a normative element.*

Where words have alternative spellings, the preferred spelling of the Shorter Oxford English Dictionary is used (e.g. “organization” rather than “organisation”).

The word “should” is used to express recommendations of this PAS. The word “may” is used in the text to express permissibility, e.g. as an alternative to the primary recommendation of the clause. The word “can” is used to express possibility, e.g. a consequence of an action or an event.

Notes and commentaries are provided throughout the text of this standard. Notes give references and additional information that are important but do not form part of the recommendations. Commentaries give background information.

### **Contractual and legal considerations**

This publication does not purport to include all the necessary provisions of a contract. Users are responsible for its correct application.

**Compliance with a PAS cannot confer immunity from legal obligations.**

## 0 Introduction

### 0.1 Background

This PAS is an independent and international Code of Practice for the Management of Charities.

It seeks to give recommendations on, encourage and promote, better executive management and greater financial understanding and transparency, and to assist charities to find and implement meaningful measurements of impact.

Importantly, the PAS seeks to put the input and feedback from beneficiaries, the ‘end-users’ of charity, at the core of everyday decision-making.

The Technical Authors and Steering Group have done everything possible to make the PAS simple to follow.

It is tailored for charities, although its impact should have a wider resonance on the space. It does not seek to layer further cost or complexity on charities of any size, regardless of location, but merely intends to assist them on the journey towards better management and more impactful work.

The numbering of the *PAS 48626* spells out the word HUMAN on a telephone keypad, and reinforces the thinking behind, and ethos of, the initiative. It has been conceived and sponsored by Farahnaz Karim, CEO and founder of social enterprise Insaan Group, and Leonard Stall, chairman and editor-in-chief of Philanthropy Age magazine.

### 0.2 Rationale

The UK Charities Commission published a special report into Trust in 2018 (‘Trust in Charities’)<sup>1</sup> that showed ‘the public wants charities to demonstrate good stewardship of funds, to live their values, and to demonstrate impact’, outlining the Commission’s role to represent the public; to make clear to charities the standard of trustworthy behaviour the public expects of them, and to hold them to account for unacceptable behaviour.

The report states:

*‘We need to understand that this is not about more or tighter rules, or ticking more boxes. It’s about organisational ethos and values. Nor is it about charities explaining things better; it’s about behaving differently. The public want greater authenticity not just more transparency, they want to know that charities are what they say they are. And conversely: when they see actions and behaviours that are inconsistent with a charity’s purpose and values (for example in fundraising or protecting staff and beneficiaries), their trust is undermined’.*

It is clear from the findings of the report that those who do not trust charities are far less likely to have recently made repeat donations than those who do.

This PAS, and the Philanthropic Performance Statement (PPS), seek to assist charities to address many of these concerns by providing guidance on good management, stewardship and values, and to help them find ways to demonstrate impact: in short to help charities provide the ‘authenticity’ required.

This PAS takes the form of a Code of Practice not a Specification, so it is not prescriptive. The rationale is to take charities on a journey towards a range of good management practices, and simply to help, by giving recommendations, and a blueprint for improvement.

---

<sup>1</sup> [www.gov.uk/government/publications/trust-in-charities-2018](http://www.gov.uk/government/publications/trust-in-charities-2018)

A Code of Practice for Charities might not have been able to be published successfully by any one charity or country. The involvement of BSI, the National Standards Body of the UK, produces technical standards for business all over the world, has been critical to ensure independence, and to bring international views to contribute to the process. BSI is a member body of the International Standards Organisation (ISO).

It is a document intended to support charities, not to constrain them with cumbersome and unnecessary paperwork.

In addition to assisting management, this PAS introduces a technique to find and report quantitative and qualitative impact measurement, the PPS. The PPS is intended to act like a company balance sheet and report the health, wealth and impact of a charity in a short-form. It is hoped that this will quickly evolve into the industry's standard reporting mechanism for charities around the world.

Through the PPS, the PAS also aims to provide an explanation to donors, and especially the public, that overheads are a necessary part of efficient and effective charity, especially to find, implement and monitor programs, and to try and overcome the public misconception that minimizing overhead costs is the best approach, delivering the most impact.

This is an international PAS and will be translated into multiple key languages in order to help charities of all sizes, globally. It is hoped that this PAS will be further developed into an International Standard in due course.

### **0.3 Aim**

The intent is for this PAS to assist the charity industry, to make it more efficient, and enhance its performance. It does so by providing tailored recommendations that are industry-specific, together with examples and templates, so that the PAS is relevant, adds systemic value, and is easily accessible.

The giving space continues to evolve, and consequently so too will this PAS, which will be revised every two years. The collaborative and consultative nature of this Code of Practice will ensure the latest research, terminology and good practices are taken into account to inform the next iteration.

*NOTE 1 Charities that embrace the recommendations in PAS 48626 are encouraged to report its use in any annual report or statement, on their website or in other communications.*

*NOTE 2 There are numerous BSI, BS and ISO documents offering guidance, good practice and requirements. This material is not included in this PAS given the wide spectrum of international charity organizations at which this PAS is targeted, and recognizing the feasibility of implementation (universally dependent on the size of the organization and budget), although there are useful references regarding good practice included in this PAS.*

### **0.4 Perspective**

The PAS is written primarily for charities and non-profit entities, although it may be of use to other entities such as trusts, foundations (operating or grant-making) and similar funding bodies. Ultimately, it is hoped the PAS will enhance management, performance and accountability within the entire space.

### **0.5 Philanthropic Performance Statement (PPS)**

Financial statements enable a quick understanding of performance in business. The charitable sector has no such tool to provide a similar snapshot view by including key data points, also known as Key Performance Indicators (KPIs) or other metrics to derive an overview of impact.

While it is clear that measurement of impact and 'performance' may always be challenging in this space, and that in terms of charity not everything that counts can be counted, with qualitative measures important as well as quantitative, the PPS offers guidance on a number

of metrics to consider that can assist a charity find and create its own set of relevant data points to enable a snapshot view of its performance.

The guidance on metrics is intended to be applicable to charities of all types proportional to their size and complexity. However, a charity may choose to add in additional metrics that are useful or ignore those that are not relevant in their own instance.

The aim of the PPS is to facilitate the communication of a charity's performance based on data that is relevant, reliable and meaningful, providing a powerful tool to inform stakeholders.

## 1 Scope

This PAS provides recommendations for the management of charities and funding bodies.

It covers:

- a) aspects of management, governance and good practice;
- b) the transparency and analysis of financial metrics;
- c) impact reporting; and,
- d) the use of a Philanthropic Performance Statement (PPS).

This PAS is for use by charities, not-for-profits or Non-Governmental Organizations (NGOs), and funding bodies operating in any geography worldwide.

This PAS may also be of use to decision-makers and the management of organizations operating in the third sector, globally.

This PAS does not cover:

- a) Fund-raising methodology and protocol;
- b) Day-to-day fund/money management;
- c) How and where funds are dispersed.

*NOTE 1 This PAS does not replace any national or legal obligations or requirements imposed by government agencies and/or tax authorities or funding bodies on any particular legal structure or type of entity.*

*NOTE 2 This PAS does not substitute any international norms, existing BSI standards, or existing good practices in any particular sector.*

## 2 Terms, definitions and abbreviations

### 2.1 Terms and definitions

For the purposes of this PAS, the following terms and definitions apply.

#### 2.1.1 analysts

internal or external expert who is able to derive meaning from financial or impact data and may be referred to as a financial analyst, accountant, auditor, data analyst, impact analyst or evaluator

#### 2.1.2 annual plan

strategy which may be supported by annual plans, set by management, ideally by working with end-users/beneficiaries, and is ultimately approved by the Board

#### 2.1.3 audit

systematic, independent and documented process for obtaining evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled

#### 2.1.3 beneficiaries

person, group or entity eligible to benefit or receive assets from a charity's work

*NOTE 1 In this PAS, the word "beneficiaries" is interchangeable with the term end-user (and in other standards, these are also called clients or service users). Beneficiaries can be considered a term that is a top-down power dynamic that this PAS ultimately seeks to help redress.*

#### **2.1.4 board of trustees**

appointed or elected group of individuals that has overall responsibility for the governance and management of an organization

#### **2.1.5 charity**

institution that is established for charitable or public benefit purposes only

#### **2.1.6 code of practice**

set of recommendations for accepted good practice, as followed by competent and conscientious practitioners, which brings together acquired knowledge and practical experience in a format that is easily accessible and user-friendly

#### **2.1.7 continual improvement**

recurring activity to enhance performance

#### **2.1.8 data**

facts and statistics collected together for reference or analysis

#### **2.1.9 data lifecycle management**

the process of gathering, using and safeguarding data

*NOTE Like the project lifecycle, it begins with assessment and planning, at which time those responsible for data and reporting can consider what information is needed to make decisions and to be accountable to relevant stakeholders. The data lifecycle also includes steps for safe and ethical testing, collection, storage, processing, interpretation and finally retirement or disposal of data*

#### **2.1.10 donor**

person who gives money or something else of value to an organization or beneficiary

#### **2.1.11 end-users**

beneficiary or beneficiaries

#### **2.1.12 feedback**

information gathered about the reaction to a product or service, a person or organization's (2.1.22) delivery and/or performance of a task or service, all of which can be used as a basis for improvement

#### **2.1.13 fraud**

criminal act involving deception or omission intended to result in financial or personal gain, or to cause loss to another party

#### **2.1.14 frontline staff**

staff that have direct contact with the delivery of a product or service to beneficiaries across all contact channels

#### **2.1.16 good practice**

commercial or professional procedures that are accepted or prescribed as being correct or most effective

#### **2.1.15 governance**

framework by which an organization's overall performance is directed and controlled

#### **2.1.16 impact**

end-result, changes or improvements

### **2.1.17 non-profit**

organizations operating for the primary purpose of delivering public good rather than financial return, and using their revenues, resources and/or profits for that purpose

### **2.1.18 outcome**

result of an intervention

### **2.1.19 organigram**

diagram/simple plan that may also be referred to as an organizational chart and shows the structure of the people in an organization

### **2.1.20 organization**

person or group of people that have their own functions with responsibilities, authorities, and relationships, to achieve a set of objectives

### **2.1.21 plan, do, check, act (cycle)**

repetitive four-stage model for continuous improvement in business process management

### **2.1.22 process**

set of interrelated or interacting activities that transforms inputs into outputs

### **2.1.23 policy**

intentions and direction of an organization as formally expressed by its senior leadership  
(2.1.30)

### **2.1.24 risk**

situation involving exposure to danger or negative consequences

### **2.1.25 risk management**

coordinated activities to direct, assist, manage, and/or control an organization with regard to risk

*NOTE See BS EN ISO 31000:2018 for further information.*

### **2.1.26 systemic**

relating to a system, especially as opposed to a particular part

### **2.1.27 transparency**

[implies] honesty, openness, communication, and accountability

### **2.1.28 senior leadership**

person, or group of people, that direct and control an organization at the highest level

### **2.1.29 values**

principles and beliefs

### **2.1.30 whistle-blower**

person who exposes any kind of information or activity that is deemed illegal, unethical, or not correct within an organization

## **2.2 Abbreviations**

For the purposes of this PAS, the following abbreviations apply.

PDCA Plan, Do, Check, Act (cycle)

ISO	International Standards Organization
PPS	Philanthropic Performance Statement
NGO	Non-Governmental Organization
RCT	Randomized Controlled Trial
ICT	Information Communication Technology
SMART	Specific, Measurable, Attainable, Realistic and Time-bound
KPIs	Key Performance Indicators

### 3 Management and Leadership

#### 3.1 General

Non-profit governance is multi-focused: achieving the organization's social mission, ensuring the organization is viable and accountable, and that it complies with its legal obligations.

A charity should be accountable to the following stakeholders, somebody or something with a direct interest to:

- a) beneficiaries/end-users;
- b) donors (funding bodies such as foundations);
- c) national laws and legal requirements (including the relevant tax authority and any other relevant regulator). Compliance with the law is a basic imperative in terms of charity governance;
- d) partners (other non-profits that collaborate through alliances or coalitions); and/or
- e) employees and volunteers of charities and funding bodies; and
- f) accountability to the general public.

Public trust and accountability are essential aspects of a non-profit's organizational viability in order to achieve its social mission in a way that is respected by those whom the organization serves, and the society in which it operates.

*NOTE 1 Some sectors have their own specific Codes of Governance. Where this is the case, this PAS is not intended to replace those existing Codes, but to supplement them with additional guidance.*

*NOTE 2 See Plan Do Check Act Review Cycle in Annex A.*

#### 3.2 Vision, mission, values and strategy

To achieve its social mission, a charity should develop, internalize and use the following in its decision-making, in alignment with the charity's by-laws and/or its legal purpose:

- A vision statement;
- A mission statement;
- A set of values;
- An annual plan, which may be part of a longer-term strategy.

Good practices should include:

- ensuring that the values, or guiding principles, are shared and known by staff and volunteers of the organization;
- ensuring that the vision, mission, values and strategy are clearly communicated to stakeholders, and understood;
- ensuring that the vision, mission, values and strategy are reviewed at least annually to be of use, and relevant, and that they are updated accordingly;

- ensuring that the vision, mission and strategy are aligned with the necessary legal requirements, and complementary to, or if the case may be, provide an alternative to, governmental policies, regulations or programs or to other private initiatives; and for greater impact that they avoid duplication, utilize experience, maximize learning and increase synergies between various entities and efforts; and
- ensuring that goals and objectives of all programs are aligned and consistent with the mission statement and in alignment with the annual plan or strategy.

### 3.3 The Board

Each Board is ultimately accountable for the performance of the organization it governs. Success is measured by the positive impact the organization makes on and for its beneficiaries. The Chair and CEO relationship is often key to this success – alignment of vision and ethics is critical.

Typically, the Board of Trustees or Board of Directors should, in alignment with the law, the charity's by-laws and/or its legal purpose, within its own national jurisdiction:

- a) ensure that the organization is advancing its vision and mission; and,
- b) ensure oversight over executive compensation and finances; programs; understanding of policies and their relevance and/or requirements; and resource development; and
- c) ensure that wider stakeholder feedback and interests are considered (see **3.1**).

*NOTE 1 A well-functioning Board generally engages in the development and/or implementation of the following policies:*

- *For the regular review of agreements between the charity and third party suppliers and service providers;*
- *Feedback or complaints handling policy;*
- *Fiscal and legal compliance (especially regarding the tax treatment of gifts received);*
- *Delegation of authority (for safeguarding);*
- *Conflict of interest policy, and a Register of Interests of Board Members;*
- *Whistle-blower policy;*
- *Data protection policies;*
- *Anti-discrimination and equality-related policies;*
- *(Open) Communications policies;*
- *Professional conduct policies;*
- *Risk management policies;*
- *Insurance or medical policies;*
- *Security or evacuation policies;*
- *Environmental, and environmental disaster, policies;*
- *Health and safety policies;*
- *Training and/or mentoring policies;*
- *Anti-terrorism and money laundering, as applicable based on national laws.*

To ensure that the organization has a well-functioning Board, the Chair and Board are responsible for ensuring that:

- a) the Board has no less than three members, with clear fixed terms and rotation/succession planning, including possible recruitment of trustees through open advertising and/or outside of existing networks;
- b) the Board members are committed to, and knowledgeable about, the vision and mission of the organization, and about their legal and fiduciary responsibilities;

- c) the Board members have the necessary time, integrity, skills, lived experience and/or professional backgrounds to help the charity advance its mission;
- d) the Board members are convened at least twice (but ideally more times), a year, to fulfil their legal and fiduciary responsibilities, and are provided with sufficient advance notice together with an agenda, all relevant documents and financial statements in a spirit of full transparency. The charity should subsequently ensure that decisions made are duly recorded, approved, and shared, in Board Minutes;
- e) the Board members ensure that all policies are relevant, updated and followed within the organization;
- f) the Board periodically reflects on its own effectiveness and improvements that be made to the organization's governance; and
- g) if the organization has a separate membership or assembly that is wider than the Board, or more specific than the Board, such as issue-specific committees, members should be given opportunities to hold the Board to account and be involved in discussions and decision-making in line with the provisions of the charity's governing documents.

*NOTE: Good practices may include:*

- *The development of "Terms of Reference" signed by the Board of Directors;*
- *The non-compensation of Board members for their fiduciary duties and either recorded disclosure of hospitality and gifts, or the development of a policy thereon;*
- *The promotion of an organizational culture of integrity, transparency, open discussion and accountability;*
- *Board diversity;*
- *Documentation and availability of Board Minutes;*
- *Documentation and availability of Board members' contact details, and disclosure of Board member responsibilities in other institutions or companies, to avoid conflict of interest;*
- *Creation of Board officer positions and/or Committees to assign and clarify roles, in service of the mission;*
- *Engagement of advisors, as needed;*
- *Engagement of Board members in the resource development and/or network development of the charitable entity;*
- *The imposition of sanctions or consequences for those who have abused or misled the Board and/or beneficiaries;*
- *The imposition of sanctions or consequences in cases of fraud or personal misappropriation of funds, including to adequate referral to concerned authorities such as the police;*
- *Regular consideration of the benefits (and also the risks) of working together, or merging, with other organizations in the same space that are better fulfilling similar purposes.*

### **3.4 Organizational structure and human capital**

Despite differences in size, sectors, locations, and widely differing operating environments, a charity should have at least one organizational chart that delineates, but connects, the Board to the leadership structure, management staff, various officers and any other broader decision-making entity, as applicable based on national legal requirements.

*NOTE Good practices may include:*

- *Safeguarding and/or people-related policies especially with regard to beneficiaries and staff (see 3.6);*
- *The clear delineation of reporting obligations;*
- *The link between various national entities, when applicable;*
- *If appropriate, organigrams per country and/or per office;*
- *A clear delineation of volunteer or in-kind support;*
- *Terms of reference or job descriptions for key positions and/or for all positions within the organization, and/or similar terms embedded in employment contracts;*
- *The development of robust policies, systems and procedures to ensure personal data is effectively and securely protected and managed.*

### **3.5 Management of risk within an organization**

The organization should mitigate and manage risk in some way. Risk management gives a bird's eye view of individual risks and overall risk exposure that could exist at any one time.

There are a number of individual risk areas that should be considered when developing a risk management plan, which include:

- Business continuity;
- Risk management crisis and incident risk management;
- Health and safety risk management;
- Security risk management;
- Environmental risk management;
- Reputational risk management;
- Safeguarding beneficiaries/end-users, staff and volunteers.

In order for risk management to be effective, risk should be identified, assessed, and controlled. Risk management can improve the performance of an organization against its objectives.

*NOTE For more information on good risk management practices, see 3.7 and Annex B.*

### **3.6 Safeguarding**

A key priority for organizations should be safeguarding beneficiaries, staff and volunteers from abuse and any kind of harm, both physically and verbally. In order to protect the people in contact with the organization from any danger and harm, the board of trustees should take reasonable steps.

The measures that should be taken are largely dependent on the nature of the organization, its goals and the group of people the particular entity serves. There are a number of points to consider in regards to safeguarding, including the development of a Code of Conduct that should consider:

- a) ensuring that there are appropriate policies and procedures in place, together with appropriate responses and response times;
- b) informing beneficiaries, employees and volunteers about the policies and procedures regarding safeguarding and the protection;
- c) implementing a procedure regarding how to refer and/or report concerns, and a reporting system for suspected concerns which can also be shared with related organizations;
- d) reviewing the roles of those responsible to make sure that they are trained to act accordingly;
- e) setting out risks and managing them in a register which should be reviewed frequently to ensure they are fit for purpose;
- f) implementing background checks on any person likely to hold a position of trust.

*NOTE 1 Considerations around safeguarding include:*

- *Risks of sexual abuse and harassment/exploitation;*
- *Negligent treatment or maltreatment;*
- *Abuse may be physical or emotional;*
- *Harassment and/or bullying;*
- *Maintaining health and safety;*
- *Commercial exploitation;*
- *Extremism and radicalization;*
- *Forced marriage;*
- *Child marriage;*
- *Female genital mutilation;*
- *Non-compliance with any national Equality Act;*

- *People targeting an organization or charity;*
- *The negligence of poor behavior in a charity;*
- *Abusing a position of trust held in a charity.*

*NOTE 2 For safeguarding guidance for trustees, see [www.gov.uk/guidance/safeguarding-duties-for-charity-trustees](http://www.gov.uk/guidance/safeguarding-duties-for-charity-trustees)*

### **3.7 Training**

All staff, including management, specialist and frontline staff should be supported by the organization, to access the necessary information and training resources to carry out their job effectively, in accordance with Annex C.

### **3.8 Continual improvement**

The organization should determine and select opportunities for improvement, and implement any necessary actions to deliver maximum impact for the beneficiaries/end-users, in accordance with Annex A.

*NOTE This may be best achieved with continual input into the decision-making process from beneficiaries/ end-users.*

### **3.9 Data lifecycle management**

Data lifecycle management is good practice for any successful organization. With the right data lifecycle management practices and planning mapped out, the organization should know how to safely and efficiently manage its data from the point of creation to the point of its retirement, or deletion, in accordance with Annex D.

## **4 Communications and feedback**

### **4.1 General**

A charity's communication with the public should always be truthful and accurate.

A minimum requirement is that an updated report or communication should be made easily available to all stakeholders, at least on an annual basis, whether it is printed, published online (on a website or via email), or both, and its availability communicated to those stakeholders.

This should include:

- a) the organization's name and contact details;
- b) how the charity is legally constituted;
- c) the organization's vision and mission statements, and values;
- d) the names of the Board of Directors/Trustees, and the senior management/officers of the organization, together with their biographies;
- e) any other information required for legal disclosure, or transparency, which may include some financial data (see Clause 7 on Philanthropic Performance Statement);
- f) a review of the last 12 months' goals and achievements, utilizing some method of impact measurement;
- g) an outline of any governance and transparency procedures, data privacy, and other key policies implemented by the organization, many of which may be legal requirements; and
- h) how the charity has mitigated risks or harm that may be caused by or arise from its activities.

## **4.2 Feedback**

Feedback, both positive and negative, is a critical form of communication and can impact an organization's reputation if not dealt with swiftly in line with the organization's policy. A feedback mechanism should be made available in appropriate ways.

Any feedback received should be recorded and should, if necessary, be addressed promptly, in accordance with Annex E.

*NOTE 1 For example, email, suggestion box, or voice recordings in the context of illiteracy.*

*NOTE 2 For the charity sector the timely handling and resolution of queries or suggestions from beneficiaries/end-users, and employees, are particularly important in the (continual) feedback loop that helps to fine-tune and improve programs, especially in remote or difficult operating environments.*

## **5 Financial transparency**

### **5.1 General**

#### **5.1.1 Good practice**

Public pressure on charities to try and spend all of their fund-raising on programs, sometimes encourages non-profit organizations to try and minimize the reporting of overheads and operating expenses to the detriment of transparency and operational good practice. The current metrics and ratios proposed by charitable rating agencies, and some intermediary agencies, have also at times contributed to both false generalizations and false expectations, with repercussions on donor awareness, and can also be inapplicable and/or unhelpful to smaller, newer and more innovative entities.

Clauses 5 and 6 seek to establish some minimum good practices for the industry, recognizing the variety of sectors, operating environments, years of operation and size of various entities. They also seek to assist in overcoming the unhelpful focus on overheads.

Clauses 5 and 6 do not seek to replace existing good financial management or standard accounting practices, and do not negate any legal obligations, or particular donor requirements, to report or disclose specific information.

Financial data and metrics should be relevant, meaningful, appropriate for the organization's size and type, and interpreted within the context of, and in alignment with, the governance structure detailed in Clause 3.

#### **5.1.2 Core principles**

The following charitable industry-specific guidelines aim to be helpful and encourage better overall performance in service of the greater good.

Financial metrics should be interpreted as an indicator of:

- a charity's growth over time;
- short-term and long-term sustainability;
- efficiency; and
- size.

Interpretation of a charity's financial metrics should take into account:

- the charity's characteristics, e.g. start-up, local or international;
- operating environment, e.g. conflict zone, medical research, local pet charity;
- accounting practices, e.g. varying definitions and legal requirements, despite the same need for internal controls and records.

For this reason, any recommended percentage or range could lead to an erroneous analysis or misleading conclusion. Moreover:

- Benchmarking should only be done within groups of similar charities.
- Charities should seek to achieve the most accurate financial data.

Financial metrics should not be:

- interpreted as proxies for the quality of a charity's activities or outputs;
- used as the sole means of evaluating a charity;
- interpreted as guarantees of future performance;
- used to compare dissimilar charities.

A number of internal and external factors can influence a charity's financial metrics as well as the reliability of those metrics.

Analysts should take the following into consideration when assessing any charity:

- a) The charity's accounting practices and policies;
- b) The nature of the charity's primary activity;
- c) The charity's operating environment, and any extenuating circumstances.

## **5.2 Nature of the charity's primary activity**

Charities should seek appropriate financial metrics on which to report, although it is understood that as charities engage in widely differing activities its financial measures may differ, this is acceptable and expected.

*NOTE 1 Reasonable metrics for one type of activity may not be reasonable for another.*

*NOTE 2 Some examples include:*

- *Food banks, due to the nature of their operations, can be expected to have a small amount of assets relative to their annual expenditure; therefore, they can be expected to have relatively low working capital ratios. Museums, by their nature, own substantial assets relative to their annual expenses, and so have high working capital ratios.*
- *A charity whose primary activities require a large number of highly skilled technical staff, or staff operating in challenging and/or dangerous conditions or field-work, would be expected to have relatively higher personnel costs relative to one that does not.*
- *A charity that is attempting a catalytic, novel or innovative solution – especially in a challenging or remote area (see 5.3) – can typically have higher overhead costs (and a lower program efficiency ratio) than a charity taking a traditional, well-practiced approach.*

## **5.3 Operating environments**

Differing physical environments or differing regulatory environments may also influence financial metrics. Analysts should take these into consideration when performing assessments.

*NOTE A charity operating in an insecure, remote area can be expected to have higher transportation or operational costs than one that does not. A charity operating in a regulatory regime that requires monthly detailed financial statements to be filed will have higher accounting costs (and a lower program efficiency ratio) than one that does not.*

## **5.4 Accounting practices and policies**

Differing accounting policies can result in otherwise identical charities producing widely differing financial data and, thus, widely differing financial metrics.

*NOTE Accounting standards and requirements may vary between regions.*

Accounting standards and requirements vary depending on a charity's size and organizational and/or legal structure; accounting practices and policies vary by charity.

To assess financial metrics, analysts may consider certain aspects of a charity's accounting practices and policies, including:

- a) basis of accounting – cash or accrual;
- b) recognition and valuation of non-cash assets;
- c) identification of restricted or unrestricted assets;
- d) treatment of pledges to give;
- e) treatment of gifts-in-kind;
- f) methods of allocating overhead;
- g) definitions of major functional areas such as program, fundraising, and administration and management.

## **5.5 Interpretation of “Efficiency” ratio metrics**

### **5.5.1 Description**

Efficiency ratio metrics are generally calculated as a category of expense divided by total expense. The most common examples are:

- Program expense/total expenses;
- Fundraising expense/total expenses;
- Administrative expense/total expense.

Fundraising efficiency ratio is typically calculated: Fundraising expense/total solicited revenue (i.e. revenue which is not generated by the non-profit's operations).

### **5.5.2 Reasonable levels of expense**

Analysts should use their own judgment to determine reasonable levels of expense for each category, in that:

- administrative activities are required for a charity to achieve its long-term goal and purpose.
- Fund-raising activities are required for an organization to remain viable.

*NOTE 1 Organizations generally need to fundraise to maintain operations.*

*NOTE 2 Definitions of the terms in numerators vary widely. In some cases, the definitions and interpretations are left up to the reporting charities, entirely. There are often a variety of acceptable methods for allocating overhead costs between the expense categories.*

Analysts should be aware of, and take into account:

- a) the charity's definition of the terms used in their calculations (e.g. “program” or “fund-raising”);
- b) the charity's method of allocating overhead costs between the categories (e.g. by hours worked on each category);
- c) the nature of the charity's primary activity and the charity's operating environment.

## **5.6 Interpretation of “Donor dependence” metrics**

### **5.6.1 Description**

These metrics are used to indicate funding risk and risk to a charity’s sustainability. While donor fidelity is a key to financial stability, related (and often used) metrics may include:

- number of donors contributing more than 20% of all donations;
- the percentage of funding provided by the top five donors;
- the percentage of multi-year funding or commitments.

### **5.6.2 Other considerations**

Analysts should take into consideration:

- a) Whether or not donations have use restrictions;
- b) Other sources of income a charity may have besides donations.

## **5.7 Benchmarking**

While benchmarking can be conducted internally by the Board or management, most often it is used by funding bodies, donors or some rating agencies.

While quantitative benchmarks, hurdle rates, and guidelines may be useful in assessing financial metrics, the following should be considered:

- Benchmarking within groups of similar charities, meaning charities with similar operating environments, primary activities, and accounting practices.
- Benchmarking should be based on reasonable estimation and observation.
- Universal benchmarks, which apply across all charities, should be avoided.

## **5.8 Recommended minimum disclosures**

Each organization should provide clear, timely and reliable information, and make relevant information accessible to stakeholders.

*NOTE Strong disclosure promotes transparency, in addition to being an important aspect of good governance, but a minimum recommendation in line with country specific financial regulations should be adhered to.*

## **6 Impact measurement and evaluation**

### **6.1 Planning, assessment and learning**

#### **6.1.1 Principles for measuring and demonstrating impact**

This Clause provides principles for measuring and demonstrating impact across the philanthropic and charitable sector.

*NOTE These principles are a summary of good practices that have been developed, but unevenly applied.*

The impact assessment should be:

- a) Meaningful (see **6.1.2**);
- b) Inclusive (see **6.1.3**);
- c) Robust (see **6.1.4**).

#### **6.1.2 Meaningful: Demand measurable and attainable indicators**

Expected and demonstrated impacts should be:

- Planned;

*NOTE 1 SMART indicators (specific, measurable, attainable, realistic and time-bound, or some variation) are helpful for project planning.*

*NOTE 2 Linking positive impact through a theory of change should also occur in the planning phase.*

- Quantitative - and include Key Performance Indicators;

*NOTE A quantitative indicator provides a numeric representation of the scope of the impact e.g. number (which could be people/animals for instance) helped, number of lives saved, length of lives.*

- Qualitative;
- Learning.

### **6.1.3 Inclusive: Empower the end-user**

This PAS reaffirms the necessity of involving and empowering the beneficiary/end-user, whilst acknowledging the difficulty of realizing that goal.

Significant work is necessary when seeking the input and participation of those who have little social capital, or whose voices are not always heard.

Charities should include input from beneficiaries/end-users from the outset, during the planning phase. Self-determined indicators of success are much easier to measure than activities imposed by outsiders. Assessment activities can be time-intensive, so it is important to ensure human resources are available and able for this task.

Good practices should include:

- a) activities dedicated to gathering beneficiary/end-user input into the planning process, including equal representation of women and special representation for children, individuals with special needs, minority ethnic groups and others;
- b) in the evaluation plan, specific activities and on-the-record evidence of beneficiary/end-user input into outcomes, including equal representation of women and special representation for children, individuals with special needs, minority ethnic groups and others;
- c) a plan designed to gather user appraisal of the philanthropic or charitable impact, with first-person accounts by beneficiaries/end-users unmediated by translation (which given the low cost of data storage, is increasingly possible to gather, store and transmit even when the beneficiaries/end-users cannot read or write);
- d) an analysis of the gap between agency and beneficiary/end-user goals and plans, and consideration of how to bridge the gap when possible, and how activities have been amended when a gap remains.

### **6.1.4 Robust: Use triangulation**

The difficulty of gathering data and the low budget allotted for evaluation does not encourage or sufficiently support triangulation. Triangulation involves the use of several distinct sources of information to validate claims. Table 1 provides some suggested sources for building more robust data that may be applicable to both small and large-sized charitable organizations.

A charity should have several points from which they gather information about the outputs and impact of their projects. Each touch point should be independent of the other sources of information and contain meaningful data on the impact of the program or programs. At least one of the data sources should include first-hand information from beneficiaries/end-users that is not mediated by a second party.

Data should be triangulated by source and methodology. The more impressive the claim, the more evidence required, and claims of amazing impact should be corroborated on multiple

levels. In particular, claims of success and impact should be validated at the source (the beneficiaries/end-users and not representatives) and by an independent third party.

*NOTE 1 E.g. Academic research, with no political or financial motivations*

*NOTE 2 Typical stakeholder sources of data are:*

- *Beneficiaries/end-users;*
- *Local community, authorities or government;*
- *Subject matter experts (scientific or academic observers);*
- *Program owners; and*
- *Volunteers.*

Good practice should include data collection as given in Table 1:

**Table 1 – Data collection**

Type of Data Collection	Stakeholder
Direct public feedback (local)	Beneficiary/End-User
Direct private feedback (internal surveys)	
Organized end-user surveys	
Randomized, controlled trial (RCT*) results	Subject Matter Experts
Natural experiments	
Qualitative research	
Qualitative research	Program Owners and/or Volunteers
Observation	
Project staff activity reporting and summaries	
Local statistics, where possible*	Local authorities
Program-specific review applications	Partnership: Expert platforms, unmediated input and expert analysis

*\* RCT and experimental results, if counted separately, should not rely on the same data as the local authority/government statistics.*

## 6.2 Limits of data

Many believe that “what gets measured, gets achieved”, but it is also recognized that “not everything that counts can be counted”. Change is complex and takes many dimensions and, often, qualitative data, in the form of interviews, documentary evidence or focus groups, may provide a more direct access to the reality of change or impact.

The supplementation of qualitative data to quantitative data should provide a fuller picture of change or impact on-the-ground.

Aside from the question of scarce resources for evaluation, it is important to recognize that an over-emphasis on data may risk leading to a mission drift where organizations focus only on what can easily be measured, sensationally or easily reported, or worst, become risk averse to ideas that might not perform as well, or fail.

Three lessons emerge from this very real risk of over-emphasis on data and should be considered by those analysing the performance of a charity:

- The entire philanthropic system needs to examine the plethora of impact measurement requests imposed on charitable entities, and whether adequate resources are provided to meet them;
- An understanding that measurement and reporting restraints can sometimes have, or lead to, adverse consequences. These would include hurting the mission, vision and dissuading philanthropy and the industry at large from testing new solutions and engaging in innovation.
- Any data-based rating or certification system should move away from sanctioning and “giving gold stars” to non-profits and work towards a more thoughtful and supportive response that looks at the overall added-value of a charitable entity, and the steps required to improve performance, if any.

Clause 7 illustrates a Philanthropic Performance System (PPS) that offers a thoughtful, measured and concrete response.

## **7 Philanthropic Performance Statement (PPS)**

### **7.1 Rationale**

There have been many valuable attempts at measurement of impact in the charitable sector at large, as well as efforts to rate, rank and reward charities. The challenge is that few deliver an holistic view of a charity’s overall performance because they often use limited and/or erroneous metrics with little regard to the operating environment and strategy, or an understanding of impact on end-users.

This sometimes results in a system of false accountability that can create mistrust between funders and charitable entities, a less than optimal scenario.

The Philanthropic Performance Statement (See Table 2) should be used to assist charitable entities to remedy these weaknesses. It offers a comprehensive and contextualized view of a charity’s impact, including its impact on the end-users.

Much like a financial statement delivers an overview of an entity’s health, the PPS is conceived to do that for a charity – provide a useful and meaningful snapshot of its health.

Most importantly, the PPS is timely: it is very much needed in an industry that is large, complex and is often (and increasingly) targeted for its lack of accountability and results.

While the tool is new, it can be improved over time and is as such meant to be consistently useful and adaptable to innovations.

The PPS benefits from on-going feedback from experts in the charitable industry and is therefore the result of research, experience (both field and management experience) as well as sectoral expertise, particularly around finance, monitoring and evaluation, data analytics, management, and communications and reporting. As such, it aims to be a “good practice” tool.

### **7.2 Aim**

The aim of the PPS is to:

- Provide a balance sheet or snapshot view of a charity and can be used internationally, nationally or locally; and by the smallest entities to the larger ones, new or old, across sectors. While conceived as an organizational tool, the PPS could also be filled out for a sector, country, city or by program, as required.
- Bring a minimum standard of transparency with metrics that are thoughtful and not punishing to non-profits, or misleading to donors.

- Encourage reporting on outcomes and impacts on end-users, which are often forgotten in the “giving” industry.
- Encourage reflection on key performance indicators, together with stakeholders.
- Offer a tool that can be used both internally and externally, to track performance in alignment with a charity’s vision, mission and values.
- Develop a tool that will increasingly be used by donors and funding bodies globally, to save reporting time for charities (that often have to duplicate the same information) and re-focus the discussion on important metrics.

The aim is not to:

- Punish non-profits with more administrative work and requirements, but to provide a context where useful metrics can be used to track and enhance performance of each charity, for the benefit of the charitable industry at large.
- Dictate ready-made indicators or desirable percentages or ranges, but on the contrary let each charity, with input from its stakeholders, construct its own understanding of impact with relevant indicators, while working with good practice frameworks and metrics.
- Promote a “checklist mentality” but ensure that charities actually have a format that enables reflection, learning and growth internally and provides documentation that is both analytical and narrative on the entity, and can be used for institutional memory and growth.

The PPS covers elements of the PAS, and is organized as:

- Organizational data;
- Impact measurement and evaluation;
- Financial analysis;
- Leadership and management;
- Additional comments.

*NOTE 1 The impact measurement section dominates the PPS to re-centre the discussion on results and actual performance, aligned with a charity’s mission. It covers planning, quantitative data and key performance indicators (KPIs), qualitative data and learning, in line with monitoring and evaluation good practice.*

*On KPIs, the aim to re-centre the choice of outcome and impact indicators around meaningful data points selected by each entity, after stakeholder consultation, and based on defined objectives and valid sources, with the impact on end-user as a primary concern.*

*NOTE 2 On financial metrics, the intention is to re-centre the discussion on transparency around more meaningful metrics, including trend metrics, and to provide some analytical tools to interpret some of these data points, while taking into account both the size and years of operation of a charitable entity. The main use of the financial indicators selected is to focus on efficiency, sustainability, and financial health.*

*The absolute values are relevant, but there should not be universal targets. An analyst with good knowledge of a charity, its accounting policies, and its operating environment will be able to determine reasonable targets for every one of the charity’s metrics. Every charity will be different - and footnotes are encouraged to qualify any number or explain an unusual occurrence.*

*While, it is not useful to set quantitative targets that apply to all charities everywhere, it might nevertheless be useful to expect certain trends in the metrics depending on a charity’s stage of development. Trend metrics are the same as those tracked, but presented for the last three years, ending with Year 3 as the most recent year of reporting. They aim to report financial metrics over a charity’s life cycle. Data over a 3-year period is recommended but may also be provided over 5 years or more. The purpose of showing trends is to avoid making quick assumptions on the basis of a limited view and provide greater context.*

The financial analysis section of the PPS assumes that the underlying charity maintains reasonably consistent accounting policies over time.

To assist the analysis of financial metrics, Table F.1 illustrates the attributes and metrics expected of new and increasingly mature charities, and Table F.2 illustrates the financial metrics expected of new and increasingly mature charities.

Table 2 which embeds brief guidelines, is designed to be a positive step towards a higher performing charitable industry for the benefit of all stakeholders.

## Table 2 – Philanthropic Performance Statement (PPS)

**Name of organization:**  
**Reporting period:**

### a) Organizational Data

<b>Full legal name of the organization:</b>	
<b>Country/ies of registration:</b>	
<b>Type of legal entity:</b>	
<b>Sectors/s:</b>	
<b>Operational status and/or program presence:</b>	
<b>Location:</b>	<b>City/ies:</b>
<b>Location:</b>	<b>Country/ies:</b>
<b>Name of CEO/Leader:</b>	
<b>Contact Point Name:</b>	
<b>Contact Point Details:</b>	
<b>Website:</b>	
<b>Social media presence:</b>	
<b>Annual report (last):</b>	
<b>Feedback mechanism:</b>	

### b) Impact Measurement and Evaluation

#### Planning

<b>Vision:</b>
<b>Mission:</b>
<b>Values:</b>
<b>Theory of change:</b>
<b>Impact size:</b>
<b>Budget (current period):</b>
<b>Cost per beneficiary (if applicable):</b>
<b># of Goals/Objectives:</b>

#### Quantitative Data: Key Performance Indicators (KPIs)

*Intended to track impact and outcome. Operational indicators, inputs or outputs, need not be reported here. To be filled in with logical framework (logframe) data, if available.*

See examples below

Goal/Objective <i>Must match supporting objectives/outcomes in theory of change document.</i>	Indicator	Data Source <i>Each indicator should have 1-3 data sources.</i>	Achieved? <i>Yes, no, or somewhat. If “no” or “somewhat” please explain below.</i>
1	1.1 Impact  Incidence of malaria diminished by 20%	1.1.1  World Health Organization (WHO)	
	30% of students continue to higher education	1.1.2  SDG #	
2	2.1 Outcome  80% of students pass Grade 10 exam  80% of population in village x using treated mosquito nets (delivered recently)	2.1.1	
	2.2	2.2.1	
		2.2.2	

### Qualitative Data

Individual or Societal Change Stories

*Embed a written testimony, video or audio file (linked to the selected goal/objective or KPI).*

*When applicable, specify*

---

**Name:** \_\_\_\_\_

**Age:** \_\_\_\_\_

**Sex:** \_\_\_\_\_

**Location:** \_\_\_\_\_

**Date:** \_\_\_\_\_

Photos or Videos

*This section may be provided by third parties, end-users, or program staff and may be linked to a goal/objective or KPI.*

*When applicable, specify*

---

**Name:** \_\_\_\_\_

**Age:** \_\_\_\_\_

**Sex:** \_\_\_\_\_

**Location:** \_\_\_\_\_

**Date:** \_\_\_\_\_

### Learning

*For indicators that were not met, please explain why and suggest next steps, and/or explain any findings or key lessons learned.*

See example below

Indicator & Reason for Missing the Mark	Next Steps
Attendance increased for children over the age of 10 but not in K-3rd grade due to parents' fears about poor weather.	Develop accelerated make-up courses for younger students to attend outside of the rainy season.

### c) Financial Analysis

Basic data (current / applicable currency)	
a. Exchange rate:	
b. Assets:	i. Total:
	ii. Restricted:
	iii. Unrestricted:
c. Liabilities:	Total:
d. Revenue:	Total:
e. Expenses:	i. Total:
	ii. Program:
	iii. Fundraising:
	iv. Consulting fees:
	v. Salary expenses:
f. Bottom line or net income:	
g. Accounting policies or manual:	Yes/no

Key metrics	
a. Growth rate %:	$(\text{Current Year Revenue} - \text{Previous Year Revenue}) / (\text{Previous Year Revenue})$
b. Overhead %:	Overhead expenses / Total expenses
c. Overhead change in %:	$(\text{Current Year OH \%} - \text{Previous Year OH \%}) / \text{Previous Year OH \%}$
d. Fundraising %:	Fundraising expenses / Total expenses
e. Fundraising efficiency%:	Funds raised / Fundraising costs
f. Long-term commitments (3 years or more) %:	Commitments of three years of more / Total revenue
g. Reserve ratio %:	Assets / Total Expenses
h. Net income or bottom line:	Revenues - Expenses

Trends metrics	Year 1	Year 2	Year 3
a. Growth rate %:			

<b>b. Overhead %:</b>
<b>c. Overhead change in %:</b>
<b>d. Fundraising %:</b>
<b>e. Fundraising efficiency%:</b>
<b>f. Long-term commitments (3 years or more) %:</b>
<b>g. Reserve ratio %:</b>
<b>h. Net income or bottom line: Revenue-expense</b>

*Enter Year 3 as the most recent year of reporting*

*NOTE See Annex F for matrices to interpret financial metrics and trends above.*

#### **d) Leadership and Management**

<b>Board of Directors/Trustees</b>	<b>Number:</b>
	Industries:
	Average years of service:
<b>Terms of reference / understanding of roles:</b>	
<b>Financial contribution (yearly):</b>	Yes/no- (amount in relevant currency)
<b>Board minutes:</b>	Yes/no
<b>Human capital (total): #</b>	
<b>Management team: #</b>	
<b>Volunteer or pro bono expertise: #</b>	
<b>Organigram:</b>	Yes/no
<b>Terms of reference for key positions:</b>	Yes/no

#### **e) Additional comments**

*This section is for any further useful information that is deemed relevant.*

## **Annex A Good Management Practice: Continual improvement and learning**

The organization may determine and select opportunities for improvement and implement any necessary actions to deliver maximum impact for the beneficiaries/end-users. This is best achieved with continual input in decision-making process from beneficiaries/end-users.

The organization can continually improve its suitability, adequacy and effectiveness by adopting the use of the Plan Do Check Act methodology, or something similar.

Continual improvement is related to change management in the sense that many improvements would be implemented using change management practices, but also, because it is being done continuously; continual improvement is planned, on-going, systematic change that aims to institutionalize continual improvement within organizations. Good practices include:

- a) Assessing developments in the external environment in which the organization operates as well as internal factors that may prompt change;
- b) Re-assessing strategy annually to ensure that all programs are aligned with the context and bringing value to the philanthropic space by complementing governmental initiatives and/or private initiatives;
- c) Developing on-going continual improvement activity rather than an annual or ad-hoc initiative;
- d) Making use of organizational metrics and HR analytics to identify the 'fit' between the organization's goals and needs;
- e) Undertaking an audit of the organization to identify what still 'fits', and what needs to be adapted;
- f) Conducting an organization review - to identify what it needs ('needs analysis');
- g) Considering what intervention would best fit the gap identified;
- h) Considering human process interventions – coaching, mentoring, training, group work, facilitation, and action-learning;
- i) Considering human resource interventions – performance management, reward and motivation, employee surveys, psychometrics;
- j) Thinking about strategic interventions – business planning, cultural change, transformation programs;
- k) Implementing the initiative. It's always good practice to use robust change management practices, which will include focusing on communication, stakeholder involvement, and evaluation metrics.

### **“Plan-Do-Check-Act” Model**

The Plan-Do-Check-Act methodology is an iterative four-step management method.

The PDCA cycle can be briefly described as follows:

**PLAN:**

Establish the objectives of the system and its processes, and the resources needed to deliver results in accordance with customers' requirements and the organization's policies, and identify and address risks and opportunities;

**DO:**

Implement what was planned;

**CHECK:**

Monitor and (where applicable) measure processes and the resulting products and services against policies, objectives, requirements and planned activities, and report the results;

**ACT:**

Take actions to improve performance, as necessary.

[Adapted from BS EN ISO 9001:2015, 0.3.2]

**Annex B Good Management Practice: Management of risk within an organization**

This additional information is drawn from wider BSI, BS, ISO and other sources relating to good business practice. While it is understood that a charity might not be able to implement, or even consider, elements referenced in this annex the information seeks to assist thinking.

Managing risk is part of governance and leadership and is fundamental to how the organization is managed at all levels.

Risk management is instrumental in any good governance framework, and effective risk management can improve the performance of any organization when appropriate measures are in place and overseen by the Board. For risk management to be effective, risks need to be identified assessed and controlled.

The effectiveness of risk management depends on its integration into the governance of the organization, including decision-making. This requires support from stakeholders, particularly senior management.

Senior management and oversight bodies, where applicable, can ensure that risk management is integrated into all organizational activities.

Good practices may include:

- Aligning risk management with the organization's objectives (an organization should determine its risk capacity and risk appetite);
- Ensuring risk management is designed to fit the context of the organization considering external and internal factors;
- Providing clear and coherent guidance to the stakeholders in relation to risk management practices;
- The use of risk management to inform decision-making across the organization;
- Ensuring all necessary resources are allocated to managing risk;
- Using historical data to facilitate continual improvement;
- Creating a supportive culture in the organization which recognizes uncertainty and supports considered risk-taking;
- Using risk management to achieve measurable organizational value.

[Adapted from ISO 31000:2018]

## **Annex C Good management practice: Training**

To ensure that the organization and its staff have access to the most up-to-date information and resources, a/the staff-training program should be kept under review and updated.

Good practices include:

- Taking responsibility for learning and development of all staff;
- Producing personal development plans;
- Giving access to a range of learning opportunities (both formally and informally);
- Supporting equality of opportunity in learning and development;
- Consideration of internal and external training solutions;
- Supporting formal training in recognised industry qualifications;
- The evaluation and monitoring of training.

## **Annex D Good management practice: Data lifecycle management**

### **D.1 Data lifecycle management**

This is the practice of collecting, processing, storing, using and eventually retiring data. When organizations conduct large-scale surveys or studies to track the impact of their programs, they are engaged in data management even if they are not aware of it. With privacy and personal data an increasing concern, it is important that charities consider data lifecycle management when gathering information to track impact.

Strong upfront lifecycle management has several key components:

- Cost efficiency;
- Privacy and ownership;
- Quality;
- Compatibility.

### **D.2 Cost-efficiency**

The key to efficient data management is to define outputs early with end-users. Getting early buy-in from stakeholders in the community as well as from the donor ensures that baseline data can be collected prior to the project start. Early buy-in also helps charities avoid tracking indicators that may turn out to be irrelevant given the local context.

No matter the size of the organization, the plan to collect data can answer the following questions as good practice:

- Who will collect and enter the data? Carefully consider whether this can be realistically achieved by existing project staff and/or volunteers, or whether new staff need to be hired;
- What skills are needed to collect the data? (e.g. Do frontline staff and/or volunteers require specific training in order to talk effectively with beneficiaries/end-users about impact?)
- In what format will they collect the data? (Electronically, or on paper). Special consideration may be given to the accessibility of the data collection method, particularly as many vulnerable people are sensitive to being recorded, may not be able to read or write fluently, or face other barriers.
- How will the data be entered and processed?

For general non-profits the simplest solution (spreadsheets) may be the most versatile solution because output can be more easily managed and interpreted by lay-persons.

Starting small also provides room to be flexible with solutions in the future, as compatibility becomes more of an issue. Specialized studies can be overseen by qualified individuals with experience in data collection, who know which tools are appropriate.

*NOTE For example, when collecting morbidity and mortality data, the project should be overseen or advised by an individual with a qualification in the medical field and experience collecting health statistics.*

### **D.3 Privacy and ownership**

With the General Data Protection Regulation (GDPR) [1], the EU has provided the most stringent standards for data privacy and data ownership pertaining to individuals to date. This PAS does not attempt to supersede or enhance the GDPR [1], but to interpret existing regulation judiciously with respect to the most vulnerable populations when personal data is collected. The GDPR does not concern aggregate data (e.g. totals, sums, or percentages). However, since most aggregate data begins as data on individuals, it is important that all organizations be aware of the implications of the rules.

Transparency is the best way to promote and continually assure privacy and data rights. The organization, its sponsors, and especially beneficiaries/end-users should be aware of plans and uses of personal data.

Beneficiaries/end-users should be informed of their rights including explicit statements to the effect that they have a right not to report any data, and that they may refuse the right to use their data at any point during the project.

This information should be provided in plain, spoken language whenever data is collected, defining what data will be collected and how it will be used. For example, “We are collecting the names of each person who visits our clinic, in addition to the personal data in this form. We will use this to determine the number of visits and the number of visitors over the year. We will also use this information to see how your circumstances have changed over the year. Finally, we may use this information to contact you in the future to get your opinion on our program.”

Other key considerations for data collection and use include:

- Governance around data as a major component of their impact evaluation plan. Plans should include access structures, relationship with IT departments if any, privacy plans, and consent plans.
- If data may be used for collaborative projects or research later, including academic research, the data use should be explicitly governed by a non-profit agency with a mandate to protect and use data for a specific humanitarian aim.
- Data collected for humanitarian or philanthropic purposes should never be sold for any reason as this creates a conflict of interest for the collecting agency.

### **D.4 Data quality**

Data quality is a concern for organizations operating in emergency situations or areas with underdeveloped technological resources. The complexity of the data collection system should be directly proportional to the availability of technical resources to avoid sharp reductions in data quality during processing.

Consistency is the key component of quality when it comes to data. Consistent data can be normalized.

Good practices for data quality and consistency include:

- Verifying and processing qualitative data;
- Planning for staff for data collection and management;
- Testing forms and formats prior to use;
- Training data collectors (whether program staff or specialists) prior to data collection;
- Training and supervising data entry and data processing staff. Hiring skilled individuals to manage data processing, and investing in local staff to ensure that data can be controlled and maintained securely for the duration of the program.

## **D.5 Compatibility**

As the non-profit world evolves, there is greater emphasis on proving causality through randomized controlled trials, as well as in large-scale data projects to track impact over an ever-increasing scope.

Provided that a reasonable degree of consent has been obtained for the specific purpose of collaboration or research (see **D.3**), charities may consider collecting, structuring and storing their data in such a way as to support future use for research or evaluations beyond the scope of the program.

Good practices include but may not be limited to (depending on the sector and size of the organization):

- Maintaining a data dictionary, which is a glossary of terms used in spreadsheets and reports, especially if abbreviations are frequent;
- Storing data in a raw form (e.g. counts instead of percentages or scores) so that it can be normalized using different methods;
- Gathering basic demographic data (again, as consent or another lawful basis permits in the case of personal data) on sex, age, and program-specific attributes, such as previous births or rural/urban designation.

Privacy as a primary consideration should supersede the need for additional demographic information unless such a plan exists.

*NOTE 1 GDPR; For further guidance for charitable organizations see*

<https://privacylaw.proskauer.com/2018/07/articles/gdpr/general-data-protection-regulation-and-charitable-organizations-faqs/>

## **Annex E Good Management Practice: Complaint or feedback system**

A complaint is a critical form of communication that can harm an organization's reputation if not dealt with swiftly in line with the organization's policy. Complaints should therefore be recorded and addressed promptly.

Complaints can arise from various lines of communication, such as written complaints, verbal complaints and complaints written on social media platforms.

Once a complaint has been resolved it should be used as an opportunity for continual improvement. Forecasting of complaints through continual improvement, training and risk management can limit any organization's reputational damage and allow a prompt response if a complaint has been received.

Good practice should include:

- The development of a complaints' system to record and process;
- Ensuring the complaints procedure is communicated to beneficiaries/end-users, the public, and donors;
- Acknowledging and responding to a complaint within a specified timeframe;
- Appointing a designated member of staff for complaints within the organization;
- Understanding the complexity and context of the complaint;
- Investigating and analysing the complaint;
- Providing a resolution to the complainant;
- Recording the complaint for future reference, and for continual improvement.

When responding to complaints on social media it is not just dealing with the complaint itself, but also managing the impression of those following the organization on the particular social media platform(s).

In addition to the above, good practice for social media complaints should include:

- Responding within a reasonable time-frame
- Being helpful and acknowledging the complainant's post, and responding positively with additional information
- Where possible having a designated member of staff, and removing the chat from the public domain as quickly as possible
- If the issue is not resolved immediately, avoiding continued dialogue in the public domain
- When the issue is resolved, recording and processing the complaint as per organizational policy.

## Annex F Interpretation matrices for financial analysis in PPS

Table F.1 illustrates the attributes and metrics expected of new and increasingly mature charities and Table F.2 illustrates the financial metrics expected of new and increasingly mature charities.

**Table F.1 – Analysis matrix**

Attribute	New charity → Mature charity
Growth	Highest → Lowest
Overall efficiency (Overhead-related metrics)	Lowest → Highest
Fundraising ability (Fund-raising-related metrics)	Lowest → Highest
Robust revenue stream	Worst → Best
Reserve strength	Worst → Best

**Table F.2 – Financial Metrics**

Attribute	Metric	Desired trend in the metric		
		New Charity	Young charity	Mature Charity
Growing	a. Growth	<input type="checkbox"/> Growing rapidly	<input type="checkbox"/> Growing slowly	<input type="checkbox"/> Low to no growth. Not important
Improving overall efficiency	b and c. Trend in overall efficiency	<input type="checkbox"/> Improving rapidly	<input type="checkbox"/> Improving slowly	<input type="checkbox"/> Moderate to low improvements. Not decreasing
More robust revenue stream	f. Trend in donor engagement	<input type="checkbox"/> Increasing slowly	<input type="checkbox"/> Increasing	<input type="checkbox"/> Stable
Stronger reserves	g. Trend in reserve ratio	<input type="checkbox"/> Increasing	<input type="checkbox"/> Moderately increasing. Approaching a reasonable reserve target	<input type="checkbox"/> Steady. Reserve targets have been met

## Bibliography

### Standards publications

For dated references, only the cited edition applies. For undated references, the latest edition of the referenced document (including any amendments) applies.

BS EN ISO 9001:2015, *Quality management systems – Requirements*

BS EN ISO 31000:2018, *Risk management – Guidelines*

### Other Publications

[1] EUROPEAN UNION. The EU General Data Protection Regulation (GDPR). 2018

### Useful websites and links

[www.irs.gov/charities-and-nonprofits](http://www.irs.gov/charities-and-nonprofits)

The essential trustee: what you need to know, what you need to do (CC3)

[www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3](http://www.gov.uk/government/publications/the-essential-trustee-what-you-need-to-know-cc3)

### Further references and useful reading

Benjamin, L. M. (2012), The potential of outcome measurement for strengthening nonprofits' accountability to beneficiaries. *Nonprofit and Voluntary Sector Quarterly*, 42, 6, pp. 1224–1244.

Boswell, K. and Kazimirski, A. (2016), Keeping it in Proportion: Impact Measurement for Small Charities ([www.thinknpc.org](http://www.thinknpc.org)).

Breckell, P., Harrison, K. and Robert, N. (2011), Impact Reporting in the UK Charity Sector ([www.cfg.org.uk](http://www.cfg.org.uk))

Brooks, M. (2019), A Golden Triangle for Impact and Trust ([A “golden triangle” for impact and trust?](#))

Carnochan, S., Samples, M., Myers, M. and Austin, M. J. (2014), Performance measurement challenges in nonprofit human services organizations. *Nonprofit and Voluntary Sector Quarterly*, 43, 6, pp. 1014–1032.

Charity Commission and OSCR (2014), Accounting and Reporting by Charities: Statement of Recommended Practice for Charities ([www.charityscorp.org](http://www.charityscorp.org)).

Charity Commission NI (2016), ACC08: The Trustees' Annual Report and Public Benefit Reporting ([www.charitycommission.org.uk](http://www.charitycommission.org.uk)).

Charity Governance Code for smaller charities (2017), ([www.charitygovernancecode.org](http://www.charitygovernancecode.org)).

Hyndman, N. and McConville, D. (2017), Making charity effectiveness transparent: building a stakeholder-focused framework of reporting. *Financial Accountability & Management* (forthcoming).

Inspiring Impact (2013), The Code of Good Impact Practice ([www.inspiringimpact.org](http://www.inspiringimpact.org)).

Investing for Impact (2019), EVPA Impact Strategy Paper ([www.evpa.eu.com](http://www.evpa.eu.com)).

Karim, F. and Stall, L. *The urgent need for an international standard in the charity and foundation sector* (2018)

Lumley, T., Rickey, B., and Pike, M. (2011), Inspiring Impact: Working Together for a Bigger Impact in the UK Social Sector ([www.thinknpc.org](http://www.thinknpc.org)).

McConville, D. (2017), New development: Transparent impact reporting in charity annual reports—benefits, challenges and areas for development. Public Money and Management April 2017.

Populus (2016), Public Trust and Confidence in Charities: Research Conducted by Populus on Behalf of the Charity Commission ([www.gov.uk](http://www.gov.uk)).

PQASSO (now Trusted Charity), NCVO.

Saxton, G.D., Kuo, J.S., and Ho, Y.C. (2012), The determinants of voluntary financial disclosure by nonprofit organizations. Nonprofit and Voluntary Sector Quarterly, 41, 6, pp. 1051– 1071.