



International Valuation Standards Council

Model Governance Guide for a Valuation Professional Organisation

The *Model Governance Guide for A Valuation Professional Organisation* "is based on the *Model Guide for Professional Accounting Bodies*, January 2011 of the Professional Accountancy Organization Development Committee (PAODC) published by the International Federation of Accountants ("IFAC") in January 2011 and is used with permission of IFAC. *Model Guide for Professional Accountancy Bodies, January 2011* © January 2011 by the International Federation of Accountants."

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Model Governance Guide for a Valuation Professional Organisation

This guidance (“Model Guide”) was developed to assist Valuation Professional Organisations (“VPOs”) in setting principles of good governance for the establishment and functioning of their Council or Board of Directors (for simplicity hereafter referred to as simply the Council). Nevertheless, it should be noted that the principles included in the guidance can be adapted depending on the general governance structure of the VPO and the responsibilities, powers and other duties of the possible bodies and responsible individuals which are part of the governance structure, such as the Council’s President (or the Chair of the Board of Directors) or the Chief Executive Officer (“CEO”) of the VPO.

The principles of good governance are provided below. For each topic, a key principle is supported by various objectives. Smaller VPOs with limited resources and with few or no staff are invited to focus on the key principles set out in the guidance rather than the detail of the Model Guide.

The IVSC website contains additional materials developed by IVSC Boards as well as links to the websites of IVSC members, who may provide access to additional resources. See the IVSC website at <http://www.ivsc.org>.

This Model Guide provides practical assistance to the developing profession to support current and prospective member bodies in their efforts to become fully effective VPOs, contributing to economic growth and stability worldwide. This Model Guide provides further detailed guidance in support of the publication issued by the IVSC entitled “*Establishing and Developing a Valuation Professional Organisation*”.

This edition of the Model Guide has been published in the English language, the IVSC’s official working language.

Council Leadership

Key Principle: The VPO should be led and controlled by an effective Council, which collectively ensures delivery of its objectives, sets its strategic direction, and upholds its values.

The Role of the Council: The Council and its individual members have and must accept ultimate responsibility for directing the affairs of the VPO, ensuring it is solvent, well-run and delivering the output for which it has been set up.

1. The Council should have a statement of its strategic and leadership roles, and of key functions which cannot be delegated. These should include as a minimum:
 - a. Ensuring compliance with the objectives, purposes and values of the VPO, and with its Constitution and By-laws;
 - b. Setting or approving policies, plans and budgets to achieve those objectives, and monitoring performance against them;
 - c. Ensuring the solvency, financial strength and good performance of the VPO;
 - d. Ensuring that the VPO complies with all relevant laws, regulations and requirements of its regulators;
 - e. Dealing with the appointment (and if necessary the dismissal) of the VPO’s CEO;
 - f. Setting and maintaining a framework of delegation and internal control; and
 - g. Agreeing or ratifying all policies and decisions on matters which might create significant risk to the VPO, financial or otherwise.

2. The Council must ensure that the VPO's vision, mission and values and activities remain true to its objectives.
3. Council members are bound by an overriding duty, individually and as a Council, to act reasonably at all times in the interests of the VPO and of its present and future members.
4. All Council members are equally responsible in law for the Council's actions and decisions, and have equal status as Council members.
5. Each and every Council member must act personally, and not as the representative of any group or organization; this applies regardless of how that person was nominated, elected or selected to become a Council member.
6. The Council members must ensure that they remain independent, and do not come under the control of any external organisation or individual.

Strategic Direction: Council members should focus on the strategic direction of the VPO, and avoid becoming involved in day to day operational decisions and matters.

7. The CEO has responsibility for maintaining a clear division of responsibilities between the Council and the staff. The CEO should provide an effective link between Council and staff, informing and implementing the strategic decisions of the Council.
8. Council members should not seek to become directly involved in decisions which have been properly delegated to staff. Instead, they should hold staff to account through the CEO.
9. In the case of smaller VPOs, where some Council members may be directly involved in operational decisions and matters, those concerned should make a clear distinction between their Council role and their operational work.

The Council in Control

Key Principle: The individual members of the Council should collectively be responsible and accountable for ensuring and monitoring that the VPO is performing well, is solvent, and complies with all its obligations.

Compliance: The Council must ensure that the VPO complies with its own Constitution and By-laws, relevant laws, and the requirements of any regulatory bodies.

1. The Council must ensure that the VPO complies with:
 - a. Its own Constitution and By-laws;
 - b. The requirements of its regulators and relevant legislation, and in particular that it submits annual returns, reports and accounts as required by law;
 - c. Any statutory or regulatory requirements relating to maintenance of financial records, and external audit of its accounts; and
 - d. The requirements of all other statutes, authorities and regulations governing its work (see # 2 below).

2. The VPO must ensure compliance with any of the following:
 - a. Accounting and / or auditing law or equivalent;
 - b. Company law;
 - c. Requirements of all relevant national or international regulators and financial services authority;
 - d. Employment law;
 - e. Health and safety legislation;
 - f. Data protection legislation;
 - g. Legislation against discrimination on grounds of race, disability, gender and other factors; and
 - h. Any other legislation which may apply to the VPO.
3. The Council should have policies, procedures and reporting mechanisms in place to ensure compliance with applicable legislation.
4. VPOs which fundraise should comply with the relevant self-regulatory code.

Internal Control: The Council should maintain and regularly review the VPO's system of internal controls, performance reporting, policies and procedures.

5. The Council should set and maintain standing orders, systems of financial control, internal control, performance reporting, and policies and procedures.
6. The Council should ensure that there is a system for the regular review of the effectiveness of its internal controls.
7. The VPO should set up an audit committee, and should also consider the use of an internal audit service.

Prudence and Risk: The Council must act prudently to protect the assets and property of the VPO, and ensure that they are used to deliver the organisation's objectives. The Council must regularly review the risks to which the VPO is subject, and take action to mitigate risks identified.

8. The Council must avoid undertaking activities which might place at undue risk the VPO's service users, beneficiaries, volunteers, staff, property, assets or reputation.
9. The Council must exercise special care when investing the VPO's funds, or borrowing funds for it to use, and must comply with the VPO's Constitution and By-laws and any other legal requirements in doing so.
10. Council members should understand the risks facing the VPO and how these are managed and minimised. The Council should undertake a full risk assessment (either periodically or on a rolling basis) and take appropriate steps to manage the VPO's exposure to significant risks.
11. The Council should obtain advice from professional advisors or others on all matters where there may be material risk to the VPO, or where the Council members may be in breach of their duties.

12. The Council should take ultimate responsibility for dealing with and managing conflicts that may arise within the VPO. This includes conflicts arising between Council members, staff, the Chief Executive Officer, members, volunteers or service users.
13. The Council should have a whistle blowing policy and procedures to allow confidential reporting of matters of concern, such as misconduct, misuse of funds, mismanagement, and risks to the VPO or to people connected with it. The policy and procedures should:
 - a. Be accessible and open to all staff, volunteers, Council members and agents of the VPO;
 - b. Provide for those who are not confident about raising a concern with their line manager or a senior manager to have direct access to a Council member, an independent person or a regulatory body;
 - c. Assure people who raise such concerns in good faith that they need have no fear of reprisals or other adverse consequences;
 - d. Ensure that all such concerns will be properly assessed and investigated in a way that is fair to the whistleblower and others involved; and
 - e. Provide for appropriate action to be taken where a concern is shown to be well founded.

Equality and Diversity: The Council should ensure that it upholds and applies the principles of equality and diversity, and that the VPO is fair and open to all sections of the community in all of its activities (balancing stakeholder interests).

14. The Council should ensure that the VPO upholds and promotes equal opportunities and diversity in all areas of its work, including:
 - a. The identification and assessment of needs to be met;
 - b. Allocation of resources, making of grants or provision of services;
 - c. Membership of the Council and any sub-committees;
 - d. Staff recruitment, selection, training and conditions of service;
 - e. Communication with stakeholders and the public;
 - f. Accessibility of meetings and communications; and
 - g. The buying of goods and services.
15. The Council should set strategies for and receive regular reports on the VPO's work to achieve equality and diversity, against clear targets where practicable. These reports should be used to help develop the VPO's overall strategies.
16. Where the VPO is set up to serve a specific section of the community, this should be clear and the above principles should be interpreted and applied as appropriate.

The High Performance Council

Key Principle: The Council should have clear responsibilities and functions, and should compose and organize itself to discharge them effectively.

Council Member Duties and Responsibilities: Council members should understand their duties and responsibilities and should have a statement defining them.

1. All Council members should be asked to sign and return a statement or letter setting out their duties and responsibilities, and the expectations of the VPO on Council members.
2. The letter should, as a minimum, include obligations to:
 - a. Uphold the values and objectives of the VPO;
 - b. Give adequate time and energy to the duties of being a Council member; and
 - c. Act with integrity, and avoid or declare personal conflicts of interest.
3. Individual Council members must not act on their own on behalf of the Council, or on the business of the VPO, without proper authority from the Council.

The Effective Council: The Council should organise its work to ensure that it makes the most effective use of the time, skills and knowledge of Council members.

4. The Council should meet regularly, and ensure that its work is focused on delivering its strategic role.
5. Within the terms of its Constitution and By-laws, the Council should ensure that it has enough members to provide the skills and experience needed, without becoming so large that decision-making becomes unwieldy.
6. The President (or Chair) of the Council should ensure that all Council members can contribute at meetings, and that the proceedings are not dominated by particular members.

Information and Advice: Council members should ensure that they receive the advice and information they need in order to make good decisions.

7. The Council should ensure that it conducts its work efficiently, and receives the information and advice it needs to make good decisions. Council papers should be timely, well-presented, circulated well in advance of Council meetings, and should make clear recommendations to the Council.
8. The Council should take professional advice where necessary before making important decisions and should not rely excessively or exclusively on a single source.

Skills and Experience: The Council members should have the diverse range of skills, experience and knowledge needed to run the VPO effectively.

9. The Council members should collectively provide a mix of skills, experience, qualities and knowledge appropriate to the VPO and its members' needs, and so that the VPO can respond to the challenges and opportunities it faces.

10. The experience of Council members should, as appropriate, cover the following areas:
 - a. Providing effective strategic leadership, and working as a team;
 - b. Direct knowledge of VPO's members and other stakeholders, and of their needs and aspirations, whether gained through life or work experience;
 - c. Governance, general finance, business and management;
 - d. Human resources and diversity;
 - e. The operating environment and risks that exist for the VPO; and
 - f. Other specific knowledge required, such as fundraising, health, social services, property or legal.
11. The Council should aim to have a diverse group of members, broadly representative of the community and membership it serves.
12. Staff of the VPO may only become Council member where this is permitted by law and by the VPO's Constitution and By-laws. It should also be agreed by the Council as being demonstrably in the interests of the VPO and as not creating unacceptable conflicts of interest. A staff Council member should not become President/Chair of the Council. Staff Council members should be in a minority on the Council, in any case.

Development and Support: Council members should ensure that they receive the necessary induction, training and ongoing support needed to discharge their duties.

13. The Council should have a strategy for the support and personal development of all its members, so that each member can keep up to date with the knowledge and skills they need to carry out their role.
14. All new Council members should undergo a full induction, in which they receive all the information and support they need to carry out their new role, and can meet key staff, members, and other stakeholders.
15. Implementation of these strategies may be delegated by the Council to the VPO's CEO, who in turn may delegate to the appropriate VPO staff.

The CEO: The Council should make proper arrangements for the supervision, support, appraisal and remuneration of its CEO.

16. The Council should ensure that formal arrangements are set up for the regular supervision, appraisal and personal development of their CEO. This may be carried out by the President/Chair, another Council member or by a small group of Council members.
17. The Council should ensure that there is a formal mechanism for setting the remuneration of the CEO, which should be ratified by the Council.
18. The remuneration package for the CEO should:
 - a. Be adequate to attract and retain the quality of staff required, but no more;
 - b. Be openly disclosed in the VPO's accounts, including pension and other benefits; and
 - c. Where there is a performance related element, be linked to the achievement of measurable targets.
 - d. The Council should seek independent expert or professional advice when required concerning sensitive matters relating to the CEO's employment.

Council Review and Renewal

Key Principle: The Council should periodically review its own and the VPO's effectiveness, and take any necessary steps to ensure that both continue to work well.

Performance Appraisal: The Council should regularly review and assess its own performance, that of individual Council members, and of sub-committees, standing groups and other bodies.

1. The Council should ensure that:
 - a. At least every two years, it sets aside time to reflect on its own performance and functioning as a team;
 - b. The performance of individual Council members is regularly assessed and appraised, either by the President/Chair or another Council member, or by using external assistance;
 - c. The performance of the President/Chair is likewise assessed and appraised, either by another Council member, the Council as a whole, or using external assistance; and
 - d. The performance of sub-committees, standing groups and other bodies is similarly appraised and reviewed.
2. The results of these appraisals should be used to make necessary changes and improvements, to inform the creation of appropriate training programs, and to guide Council member renewal and recruitment.

Renewal and Recruitment: The Council should have a strategy for its own renewal. Recruitment of new Council members should be open, and focused on creating a diverse and effective Council.

3. The Council should have a strategy for its own renewal, with succession planning arrangements in place to ensure timely replacement of Council members resigning or reaching the end of their terms of office; particular attention should be given to succession planning for replacement of the President/Chair and other honorary officers.
4. The Council may wish to delegate implementation of this strategy to a sub-committee or panel.
5. The Council should consider placing term limits on the officers of the Council to ensure an appropriate rotation of leadership.
6. Council members must be recruited and appointed in accordance with the VPO's Constitution and By-laws, and with relevant legislation.
7. Council vacancies should be made known to members of the VPO.
8. The Council should consider setting maximum terms of office to ensure a steady renewal of Council members; these may be set out in standing orders or in the VPO's Constitution and By-laws.
9. Before new Council members are appointed, the Council should determine what new attributes and knowledge are needed, and write them down in the form of a role description, or role profile.
10. The Council should ensure that the recruitment process is open to all sections of the community, and should consider open advertising and a range of other recruitment methods to attract a wide range of candidates.
11. Candidates should, where the VPO's Constitution and By-laws permits, be interviewed formally, and appointed on merit.

12. The Council should work in partnership with the Nominating Committee to ensure that they are aware of the specific skills and experience required from new Council members.
13. Where permitted by the VPO's Constitution and By-laws, co-options should be used where necessary to recruit individuals with particular skills, experience and qualities that are not fully provided by existing Council members.
14. The Council should ensure that the procedures for joining and leaving the Council are clearly understood by all Council members and others involved.

Review: The Council should periodically carry out strategic reviews of all aspects of the VPO's work, and use the results to inform positive change and innovation.

15. To remain effective, the Council should periodically conduct strategic reviews of all aspects of the VPO's work and functioning, to ensure that:
 - a. The needs for which the VPO was set up still exist, and its objects as set out in the Constitution and By-laws remain relevant to those needs;
 - b. The VPO is continuing to meet those needs, and remains fit for purpose; and
 - c. The needs are being met in the most effective way.
16. Reviews should include the VPO's:
 - a. Constitution and By-laws, standing orders, purposes, mission and vision;
 - b. Council and Council members – their functioning and effectiveness;
 - c. Staffing and volunteer structures, working methods, and operational policies and procedures;
 - d. Mechanisms for internal control and performance reporting;
 - e. Mechanisms for planning and budgeting;
 - f. Sub-committees, working groups and advisory bodies; and
 - g. Relations with stakeholders, and arrangements for communication and consultation with them.
17. The Council should use the results of such reviews to:
 - a. Generate a creative and innovative approach to the VPO's development;
 - b. Inform its strategic planning;
 - c. Make changes and improvements to its operational activities;
 - d. Initiate collaborative work with other organisations to deliver the best possible outcomes for users, beneficiaries and members; and
 - e. Create a positive impact on the overall effectiveness and governance of the VPO.
18. Where possible, the Council should be open with stakeholders about the results of such reviews, indicate clearly what steps they intend to take in response, and give explanations concerning actions they decided not to take.

Council Delegation

Key Principle: The Council should set out the functions of sub-committees, officers, the CEO, other staff and agents in clear delegated authorities, and should monitor their performance.

Clarity of Roles: The Council should define the roles and responsibilities of the President/Chair and other honorary officers, in writing.

1. The Council should define and write down the role of the President/Chair and that of other honorary officers such as Deputy President/Vice Chair, Treasurer and the Secretary to the Council.
2. The role of the President should include specific functions, as a minimum, to ensure:
 - a. The efficient conduct of business at the VPO's Council and Council meetings;
 - b. That the VPO's business is efficiently and accountably conducted between Council meetings;
 - c. That the VPO complies generally with this Model Guide, as considered appropriate;
 - d. Specifically that the appraisal and remuneration of the VPO's CEO is conducted in accordance with this Model Guide, as considered appropriate;
 - e. That the employment of the CEO complies with employment legislation and good practice; and
 - f. That the appraisal of Council and Council member performance is conducted in accordance with this Model Guide, as considered appropriate.
3. Where the Council has delegated specific roles to honorary officers or to other Council members, ultimate responsibility rests with the Council as a whole. In such situations, the Council member(s) concerned should separate the specific roles from their wider Council member role.

Effective Delegation: The Council should ensure that staff, volunteers and agents have sufficient delegated authority to discharge their duties. All delegated authorities must have clear limits relating to budgetary and other matters.

4. The Council will need to delegate parts of its work to others in a clear, practical and legal manner. Delegations may be made to individual Council members, sub-committees (see below), the CEO, other staff, volunteers or agents and consultants.
5. Delegations must comply with the terms of the VPO's Constitution and By-laws and any relevant legislation.
6. Delegations to other staff and volunteers should normally be through the CEO.
7. Delegations should always be in writing, and should set clear limits on matters such as expenditure, authority and decisions that can be made. Delegations may be written in Council minutes, terms of reference for sub-committees, staff job descriptions, or in a separate list.

Terms of Reference: The Council should set clear terms of reference for sub-committees, standing groups, advisory panels, etc.

8. The Council may wish to set up sub-committees, advisory groups, panels or other bodies to assist its work. Such bodies should have clear written terms of reference in addition to any delegated authority.

Monitoring: All delegated authorities must be subject to regular monitoring by the Council.

9. The Council must remain in ultimate control of all delegations:
 - a. Honorary officers and other Council members should report back to the Council promptly on any use of delegated authority;
 - b. The Council should receive regular reports and minutes from all sub-committees etc.; and
 - c. The mechanisms established for internal control and performance reporting should be used to monitor use of delegated authority by the CEO, or other staff or volunteers.

Council and Council Member Integrity

Key Principle: The Council and individual Council members should act according to high ethical standards, and ensure that conflicts of interest are properly dealt with.

No Personal Benefit: Council members must not benefit from their position beyond what is allowed by the law and is in the interests of the VPO.

1. Council members must be scrupulous to avoid gaining any private benefit from their position, whether financial or other, except:
 - a. As permitted by law and the VPO's Constitution and By-laws; and
 - b. Where this is agreed by the Council as demonstrably in the interests of the VPO.
2. Where the law and the VPO's Constitution and By-laws permit payment of Council members, this must not exceed the prescribed limits, and it should be demonstrably in the interests of the VPO to make the payment.
3. No Council member should be involved in setting their own remuneration. Mechanisms for setting the level of payment to Council members should be set up to avoid conflicts of interest, including where appropriate making use of independent advice.
4. Full disclosure of any payments made to Council members is required by law for some organisations, in the VPO's annual accounts and annual report. It is suggested that all organisations do the same, even where it is not required by law.
5. The VPO should have procedures for Council members to claim legitimate travel and other expenses incurred while carrying out the VPO's business; Council members should not be out of pocket for the work they carry out for the VPO.

Conflicts of Interest: Council members should identify and promptly declare any actual or potential conflicts of interest affecting them.

6. The VPO must have procedures for Council members to declare actual or potential conflicts of interest to the Council; such declarations should be made at the earliest opportunity. They should be recorded in Council minutes or in a register kept for the purpose.
7. Where a material conflict of interest arises at a Council meeting, the Council member concerned should not vote on the matter or participate in discussions. He or she should also offer to withdraw from the meeting, and the other Council members should decide if this is required.
8. Where a Council member has a major or ongoing conflict of interest, he or she should offer to resign from the Council.
9. The Council should have a mechanism in place for the Council to take action to remove a Council member for cause.

10. Councils should have special procedures or standing orders to deal with conflicts of interest for Council members who are the VPO's service users, beneficiaries or members of staff.
11. Council members and the staff should declare all personal gifts received and hospitality accepted while on the VPO's business, or from people or organisations connected with the VPO; such declarations should be recorded in Council minutes or in a register kept for that purpose.
12. Council members should not accept gifts with a significant monetary value or lavish hospitality; where this may be a frequent issue, the VPO should set a policy to define what is and is not acceptable.
13. Council members should under no circumstances accept gifts or hospitality where this could be seen as being likely to influence the decisions of the Council.

Council Openness

Key Principle: The Council should be open, responsive and accountable to its users, beneficiaries, members, partners and others with an interest in its work.

Communication and Consultation: the VPO should identify those with a legitimate interest in its work (stakeholders), and ensure that there is a strategy for regular and effective communication with them about the VPO's achievements and work.

1. The Council should identify those people and groups who have a legitimate interest in the VPO's work. These might include users, beneficiaries, members, partners, staff, volunteers, regulators, other government bodies and funders. These are referred to as 'stakeholders' in this Model Guide.
2. The Council should ensure that the VPO and its stakeholders have a clear understanding of the Council's role, and of the VPO's objectives and values.
3. There should be regular and appropriate communication and consultation with stakeholders to ensure that:
 - a. Their views are taken into account in the VPO's decision-making;
 - b. They are informed and consulted on the VPO's plans and proposed developments which may affect them;
 - c. There is a procedure for dealing with feedback and complaints from stakeholders, staff, volunteers and the public; and
 - d. The VPO's performance, impacts and outcomes are reported to stakeholders.
4. The Council must ensure that the VPO produces an annual report and accounts that comply with relevant legislation. These reports and accounts should provide a balanced and accurate assessment of the VPO's successes and failures.
5. As far as possible, communication should be offered in formats accessible to the stakeholder audiences, for instance in plain language, translated into languages commonly spoken among the communities served, on tape/CD, or in Braille.
6. The VPO must hold an Annual Council Meeting if required by the Constitution and Bylaws or by law. This may be an opportunity to invite (other) stakeholders.

Openness and Accountability: The Council should be open and accountable to stakeholders about its own work, and the governance of the VPO.

7. The Council should ensure that the VPO upholds a commitment to openness and accountability at all levels. This will mean:
 - a. Being clear about what information is available, and what must remain confidential to protect personal privacy or commercial confidentiality;
 - b. Complying with reasonable outside requests for information about the VPO and its work;
 - c. Being open about the VPO's governance work, and its strategic reviews;
 - d. Ensuring that stakeholders have the opportunity to hold Council members to account and know how to do this; and
 - e. Ensuring that the principles of equality and diversity are applied, and that information and meetings are accessible to all sections of the community.

Stakeholder Involvement: The Council should encourage and enable the engagement of key stakeholders, such as users and beneficiaries, in the VPO's planning and decision-making.

8. The Council should ensure that the views of users, beneficiaries, staff, volunteers and other stakeholders are taken into account in the VPO's decision-making and strategic reviews. This will mean:
 - a. Encouraging wide stakeholder engagement in the VPO's decision-making, and promoting activities that support that engagement; and
 - b. Ensuring that users, beneficiaries, members and other stakeholders are involved in the most appropriate way, and that involvement is open to all sections of the community.
9. With respect to the election of Council members, the Council should ensure that it:
 - a. Has clear policies on who is and is not eligible for membership of the VPO, including users, beneficiaries and staff;
 - b. Keeps the members informed about the VPO's work; and
 - c. Uses the membership as a way of involving stakeholders in the VPO's governance.

