

Good Governance and Ethics Practice Guide



Good governance not only involves your board complying with legal requirements. There is also an expectation that the board will adhere to good ethical standards, which means not just doing things right but doing the right thing.

Despite misconduct damaging an organisation's most important asset, its reputation, every day boards and employees risk their careers and their organisations' success by making unethical decisions.

So what can a board do to protect its reputation and promote a strong ethical culture within an organisation? Here are some recommendations.

Conduct an assessment

Conducting an assessment will allow you to find out if any misconduct and fraud is already taking place. Consult with all levels of the organisation to find out how people currently make ethical decisions and what areas of risk your particular organisation is facing. Review your current code of ethics if you have one, and determine how effective it is.

Importantly, you should also assess what people do when they see misconduct and how misconduct is treated within the organisation. If people are not reporting these issues appropriately, then your code of ethics is not working effectively or there are issues to be dealt with at a board or management level.

If you have integrity, nothing else matters. If you don't have integrity, nothing else matters.
Alan K. Simpson

Develop a code of ethics

Every organisation should have a code of ethics. While each organisation's code can be different, the elements normally covered include:

- A definition of the organisation's values
- How to avoid and manage conflicts of interest
- Expectations regarding personal and professional integrity
- Guidelines about how to make ethical decisions
- Standards regarding confidentiality of personal and/or financial information
- Expectations regarding how to treat people with respect and fairness
- Standards regarding disclosure, transparency and accountability
- Guidelines about how to deal with ethical dilemmas
- Policy and procedures about how to report misconduct and unethical behaviour
- Policy and procedures about investigations and disciplinary processes.

Your main aim should be to make the code of ethics a set of beliefs, values, rules, expectations and guidelines for employees, volunteers and board members to follow in their day-to-day activities at work.

Implement a compliance process

Once you have a code of ethics, you will need to establish some well-defined mechanisms to monitor compliance with the code. You need to embed the code through strong oversight and review practices throughout the whole organisation so that ethical behaviour becomes part of the organisational culture. An effective compliance process will mean that board members and employees will report less misconduct, feel less pressure to compromise their ethical standards, and be more likely to report misconduct if necessary.

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At a governance level, monitoring and evaluation is tremendously important. The board acts as a role model for the rest of the organisation so if the board is not seen to follow the code of ethics stringently, then employees and volunteers may feel that they don't have to either. To act on their commitment to ethical conduct, some boards nominate an ethics officer or set up an integrity working group. This group's role is to oversee the code of ethics and the other policies related to integrity and accountability. They manage induction and training and policy reviews, and monitor the reporting and investigation processes.

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

Warren Buffett

Develop a strong ethical culture

If the organisation's expectations and standards are not clearly communicated then people will have an excuse not to follow them. A code of ethics will not become part of the culture if it is a document that no one reads or lives by. To make it a living document that people understand and respect you should:

- 1 Recruit board members, employees and volunteers who demonstrate integrity and good ethical conduct.
- 2 Include training about ethical practice when you induct new employees and board members.
- 3 Provide board members and employees with a checklist to guide them when facing ethical dilemmas.
- 4 Design the code of ethics into a user-friendly pamphlet or package as a handy reference guide for board members and employees.
- 5 Reward and recognise good practice and regularly communicate times when people have demonstrated good ethical conduct and decision making.
- 6 Regularly promote your grievance and whistleblower policies so reporting misconduct becomes an expected norm.
- 7 Deliver training across the organisation (including the board) that informs people about ethical standards and expectations. This training should involve group discussions, case studies and experiential learning.
- 8 Deliver specific leadership training that teaches board members, supervisors and team leaders about their role and responsibilities in ethical practice and decision making.
- 9 Ask supervisors to discuss ethical practice when conducting employee supervision and team meetings.
- 10 Hold a special annual team meeting to reinforce the organisation's values and code of ethics.
- 11 Develop good risk management policies and procedures and minimise opportunities for people to do the wrong thing by having stringent monitoring processes and being transparent.
- 12 Follow through on disciplining ethical misconduct or noncompliance, however small. Do not let people lose trust in your management of misconduct as it will make your code of ethics meaningless.
- 13 Survey the board and employees every year to obtain feedback on whether the code of ethics is working well and what parts need to be reviewed or redesigned.