

**UK Inter Professional Group**  
**Corporate Governance Group**

Minutes of a Meeting held on Monday 19<sup>th</sup> January 2009 at 1430  
at the Engineering Council UK,  
246 High Holborn, London WC1V 7EX

|   |                    |             |                  |
|---|--------------------|-------------|------------------|
| * | Kristina Ingate    | CIPD        | (Chairman)       |
|   | Colin Bendall      | HPC         |                  |
|   | Niamh O'Sullivan   | GDC         |                  |
|   | Alison Carr        | ARB         |                  |
| * | Jane Hern          | RCVS        | (UKIPG Chairman) |
| X | Kate Horne         | CRFP        |                  |
| * | Ynes Taylor        | CRFP        |                  |
|   | Kyrie James        | CRFP        |                  |
| * | Allison Howe       | NMC         |                  |
|   | Peter Taylor       | NMC         |                  |
| * | Jon Levett         | GOC         |                  |
|   | Michael Sleigh     | ACCA        |                  |
|   | Richard Marchant   | GMC         |                  |
|   | Russell Morice     | ICSA        |                  |
|   | Elaine Mullingani  | RPSGB       |                  |
| * | Sarah North        | PHR         |                  |
|   | Rowan Paterson     | CII         |                  |
|   | Mark Paulson       | Law Society |                  |
|   | Ian Pritchard      | RIBA        |                  |
|   | Michael Ralph      | CIPA        |                  |
|   | Velia Soames       | GOsC        |                  |
|   | Chris Simpson      | ECUK        |                  |
| * | Patricia Peter     | ICAEW       |                  |
| * | Margaret Thomas    | GDC         |                  |
|   | Marion Young       | Actuaries   |                  |
| * | Peter Swindlehurst | UKIPG       | (Secretary)      |

*( \* indicates those present    x indicates represented)*

Also present was Guest Speaker for Item 4, Mr Don Bawtree of BDO Stoy Hayward

**Item 1 – Introduction, Welcome and Apologies**

1. Kristina Ingate welcomed members, who then introduced themselves. She thanked the Engineering Council UK for hosting the meeting. She welcomed Don Bawtree of BDO Stoy Hayward, who would give a presentation.
2. Apologies were received from Colin Bendall (HPC), Alison Carr (ARB), Kate Horne (CRFP – represented by Ynes Taylor), Kyrie James (CRFP), Russell Morice (ICSA), Elaine Mulingani (RPSGB), Mark Paulson (Law Soc), Michael Ralph (CIPA), Chris Simpson (ECUK), Michael Sleigh (ACCA), Velia Soames (GOsC),

## **Item 2 – Minutes**

3. The Minutes of the meeting of 24<sup>th</sup> September 2008 were approved.

## **Item 3 – Matters Arising (not otherwise on agenda)**

4. There was no further action or comment on the three topics highlighted in the Agenda.

## **Item 4 – Risk and Governance – ‘Why Risk Matters’**

5. The Chairman introduced Don Bawtree, a partner in BDO Stoy Hayward, who specialized in work for charities, ‘not-for-profit’ and ‘third sector organizations’. In the present economic conditions, all UKIPG member bodies would need to assess the risk to the viability of their own organizations (in particular, direct financial risk and reputational risk). However, the current situation meant that many other organizations and people were more attuned to ‘messages’ based on the expertise of professional bodies and the positive contribution which could be made by the professional people who were members and registrants, for example with labour market and financial services expertise. She reminded those present that ‘risk’ was not all negative; it also provided an incentive to look for new opportunities, to test current practices, and to see whether everything was being done to further the aim or mission of our organizations.
6. Don Bawtree then gave a presentation, developing this theme, using Powerpoint. He kindly offered to make copies of his slides available to UKIPG; these will be placed on the web-site when received. They should be referred to, as the illustrations were particularly useful.
7. He explained that much of his recent work had been in connection with the revised PN 11 Document of the Auditing Practices Board ‘*The Audit of Charities in the United Kingdom*’, which had been amended to reflect the replacement of *Statements of Auditing Standards by ISAs*; changes resulting from implementation of the Charities Act 2006 on 1 April 2008; changes to the legal and regulatory arrangements for charities in Scotland, and the Charity Commission’s interpretation of ‘material significance’ in the context of ‘whistleblowing’ responsibilities.
8. Using an analogy from the ‘Great Escape’ film, Don stressed the importance of going back to the aim which was to be achieved by the organisation. In the film, the stated aim of the escapees was to cause mayhem among the enemy; not necessarily to make it back to the UK. Although with many recaptured it could seem like a failure, it caused an enormous diversion of effort for the Germans, and so achieved its aim. This ‘story’ reinforced the Chairman’s opening remarks. A ‘box ticking’ approach to regulation, which might apparently make most risks negligible, would achieve little if it so inhibited the work of the organisation as to make it unable to achieve its objects. This had always to be borne in mind by Trustees.

9. The discussion then focussed on those who were 'trustees', either in the meaning of Charity Trustees, or in the more general usage of those people with broadly similar 'top level' responsibility for an organisation as members of governing bodies, councils, boards, etc. For charities, the Trustees' Annual Report required the major risks to be identified and reviewed, and then for systems to be established to manage those risks. It was noted that risks did not necessarily have to be minimised or eliminated. They could be rationally accepted as a balance with what was intended to be achieved. However, ultimately this judgement was one for the Trustees – who needed to consider it broadly and with an open mind – and was not something that could be abdicated simply because professional advisors had been appointed. Advisors could too easily use jargon phrases which might be seen to 'tick the boxes' but not stimulate a thorough and balanced review. 'Managing risk', rather than just 'mitigating risk' required a different mind-set.
10. Returning to the range of UKIPG member bodies, some were formally charities (a status not excluded to statutory bodies - eg GMC and NMC were charities). At the same time, CIPFA had a Code for Public Organisations and there was the 'Combined Code' for commercial companies. In addition, the had been work done to produce '*Good Governance – A Code for Voluntary and Community Sector*', which had been taken over by the National Council for Voluntary Organisations (NCVO). The general approach adopted was to set out good practice and to require companies and organisations to "comply or explain". In the case of the voluntary and community sector code, the relative low level of adoption was thought to be a reflection of an over-detailed approach, although there was perhaps more widespread value placed on the principles set out in the code. Finally, for bodies incorporated by Royal Charter, there was not a specifically applicable Code demanded by the Privy Council Office (although those which were also Charities would have to meet the Charity Commission requirements). Some Chartered bodies chose to use the 'Combined Code' as their reporting model.
11. Dob Bawtree than went on to use a series of graphical models to illustrate a process of 'Impact Analysis. The first showed increasing 'Significance' (whether to financial viability or reputation and image) on the 'y axis' against increasing 'Likelihood' on the 'x axis'. (See PPT.) Items from the initial risk assessment could then be put into the appropriate 'box', and appropriate 'trustee-level' attention directed at those which were both 'highly probable' and 'highly significant', and towards some lateral thinking about 'unlikely but potentially catastrophic' events. Those outside of these areas were either irrelevant or amenable to routine 'housekeeping management'.
12. Once this had been done, the exercise could be repeated once a risk management strategy had been applied, particularly to identify areas where – despite best management efforts at the time – there was still a significantly high residual risk to the organisation.

13. Inevitably, there had to be some 'gut feelings' about many of the risks, as there was unlikely to be data on which a full actuarial or statistical assessment could be made. Where there were data, they should be analysed properly; on the other hand, matters difficult to deal with quantitatively must not be overlooked simply because they could not easily be measured. In many organisations judgement, rather than statistical/quantitative assessment, would be more frequent. This would be so for some particular risks – and sometimes for the risks which were most critical to organisations. Context was key, and whilst figures mattered a lot when assessing financial or technical risks, overall judgement would be paramount in other areas and sectors. Finally, it was worth repeating this exercise specifically with the concerns of the 'credit crunch / recession' in mind (eg the loss of investment income, possible loss of membership income from those becoming unemployed, the need for more intensive management effort etc).
14. This fairly simple analytical model could be employed for comparative purposes, for the sharing of evidence and views on risk among like bodies etc. Indeed, Don gave an example of how the Disasters Emergency Committee had used the model to compare approaches and experiences of risk assessment across the range of UK NGOs potentially involved in the Tsunami response. One exceptional experience in involving 'hostage taking' caused all of the others to review the presence and probability of certain risks in a different light.
15. Finally, the importance of acting in good time was illustrated, particularly where solvency was at risk. Otherwise, the opportunity for potentially useful management actions would be lost, as under-performance rapidly descended into crisis. There was an optimum time for management intervention, which could be missed both by ignoring the signs, or by waiting for so much data to get an 'accurate assessment' that the opportunity to 'do something' had been lost.
16. Following the presentation, Don kindly stayed to answer questions and join in a discussion. There were some technical issues, such as the risk posed by the new Charity Commission 'public benefit test' and the real meaning of its guidance on 'detriment' and 'private incidental benefit'. The response indicated that these risks had been rather overstated and the people had been more worried than was justified. However, there were some potential risks for charity professional bodies around the area of 'level of fees vs access to the professions'.
17. There was further discussion on matters raised previously about induction, training and motivation of new Council members in their duties both generally, and specifically in the area of risk management. It was noted that many organisations had 'legacy systems' which has broken the process down into smaller and smaller 'tick box' elements; the need was to refocus Boards onto the key strategic principles. The current economic context provided an opportunity to do this, perhaps as part of a more broadly based strategic review cycle.

18. At the end of this lively presentation and discussion, the Chairman and members expressed their thanks and appreciation to Don Bawtree for his contribution. The Chairman also reminded members that the current economic difficulties raised potentially new challenges, but also some new opportunities, for UKIPG member bodies. She returned to the opening point made by both herself and the speaker; the importance of knowing and keeping to 'the mission', and ensuring that the organisation remained focussed and not 'blown off course'.

#### **Item 5 - Chairmanship, Topics, Speakers & Hosts for Future Meetings**

19. The Chairman reminded the meeting that she was no longer employed by a UKIPG member body, and would not be able to continue as Chairman indefinitely. A replacement, or at least or two or three people willing to share the role and continue to support the development of the group, must if the Group was not to fold. The UKIPG Secretary would continue to provide assistance with Group administration. **The Chairman asked for people willing to help to contact her directly on 07717 363649 or [Kristina.ingate@ntlworld.com](mailto:Kristina.ingate@ntlworld.com).**
20. Some topics which had been suggested for further work included:
- The 'talent pool' for non-executive directors;
  - Behavioral Governance (Tavistock Institute);
  - Ethics [reference to Institute of Business Ethics, and Leeds University Inter Professional Ethics Applied (IDEA) and related Professional Ethics Network (both having been to Main Group)];
  - Making trusteeship / board membership attractive to 'good members' (good experience at CIPD);
  - Related matters of training and development.
  - The Chairman has also confirmed that Virginia Bottomley had agreed in principle to speak to the Group.
21. Jane Hern noted that there was to be a PARN Conference of 'Working with Volunteers' [See: *Governance and Volunteers: New directions in roles and responsibilities* on 4<sup>th</sup> March at Woburn House, London <http://www.parnglobal.com/productdetail.php?mn=1998&pid=1060&vid=70> ]
22. After some discussion, it was agreed that three or four meetings per year would be appropriate. Most UKIPG activities were on a quarterly cycle, although the fourth quarter was very crowded. There was also the need to ensure adequate attendance, both as a courtesy to visiting speakers and to ensure that key messages were shared as widely as possible among UKIPG member bodies. *[Please advise the Secretary of any likely members from other UKIPG members not currently represented]*

## **Item 6- Arrangements for Next Meetings**

23. It was agreed that meetings would be scheduled in the following periods, once availability of members and hosts had been confirmed:
- 20<sup>th</sup> – 24<sup>th</sup> April (not 21<sup>st</sup> says Secretary) [*See Note below*]
  - 6<sup>th</sup> – 10<sup>th</sup> July;
  - 19<sup>th</sup> – 23<sup>rd</sup> October.

## **Item 7 – Any Other Business**

24. There was no other business.

***NB: Since the meeting, that week has proven to be difficult for a number of people key to the continued success of the Group. We are now looking at 27-30 April as an alternative.***