

NPO FACING GOVERNANCE DOWNGRADE

BACKGROUND

- Our client was a respected UK-based NPO with an annual turnover of £30 million, dedicated to providing good quality housing.
- Following significant governance issues raised by its regulator, Nestor Advisors was asked to perform a governance review, including a facilitated board evaluation, to identify how the client could adjust its governance to ease the regulator's concerns.

APPROACH

- We analysed relevant documents and conducted interviews with directors, executives and key stakeholders, to understand the underlying reasons behind governance failures identified by the regulator.
- We observed meetings of the board and its governance working group.
- We benchmarked the characteristics of the board with those of peer NPO boards.

ISSUES

- Our analysis identified a gap in sector-relevant knowledge and experience on the client's board.
- There was an asymmetry between strong executive leadership and inadequate director challenge on the NPO's activities.
- While internal controls were well described in written board-approved policies, these policies were not fully embedded across the organisation and the board did not oversee the compliance culture.

OUTCOMES

- We guided the client to appoint more directors with relevant sector experience, strengthen the board's continuous education programme, and ensure board members are regularly updated on regulatory developments.
- We provided more structure to the board's oversight of the executive team's performance.
- Our recommendations assisted in clarifying the board's role on culture, introducing a board-sponsored staff communications plan to ensure heightened staff awareness on internal controls, and enhancing the regulator's confidence.