



Standards Program Interpretation Guide

Board Oversight of the Most Senior Staff Person: A3, A4, A5

Standard A3:

The board is accountable for the recruitment and orientation of the most senior staff person in the organization. The recruitment process is fair and transparent, and managed in a professional manner by the board. The board is accountable to ensure that the most senior staff person receives the appropriate orientation required to assume his/her responsibilities.

Standard A4:

The most senior staff person reports to the board, has a detailed job description or terms of reference, annual performance objectives and an annual performance review.

Standard A5:

The total compensation package of the most senior staff person is approved by the board or a board committee and expenses are reviewed at least annually by a member(s) of the board.

Issue that creates challenges for some organizations:

The most senior staff person is an employee of another organization (usually a related one).

Standards A3, A4 and A5 cover a key set of responsibilities of any charity or nonprofit board: to recruit, orient and manage the organization's most senior staff person, set that person's compensation, and approve his/her expenses. For most organizations, demonstrating compliance with these standards is straightforward. Some charities and nonprofits, however, rely on the employees of another organization to carry out their operations. This creates uncertainty about how the organization can demonstrate compliance with Standards A3, A4 and A5.

This situation usually arises when an organization is closely linked with another organization. For example, a foundation may have a very close link with the operating charity for which the foundation has been established to raise charitable donations. In this situation, the people carrying out the work of the foundation are sometimes employees of the operating charity.

In these situations, there is sometimes a lack of clarity with respect to who the actual employer is. It is critical that organizations determine who is the legal employer of the most senior staff person and ensure that all documentation and reporting (e.g., financial statements, Charitable Information Return - T3010) are consistent with that determination.

If the most senior staff person is determined to be the employee of an organization other than the one for which they perform work, the relationship should be documented in a contract. The contract should provide that the board of the organization that is contracting to receive the services of this individual has the final authority with respect to the following:

- ▶ Entering into and terminating the contract;
- ▶ Managing the relationship with the individual, including setting objectives and providing performance feedback;
- ▶ Identifying the person or people who will fulfill the requirement under the contract;
- ▶ Establishing the services that are to be provided; and
- ▶ Agreeing to the fees charged for the services.

A further matter that could be covered in the contract is that the service provider must make all statutory remittances.

When the most senior staff person is the employee of another organization, the organization applying for accreditation will be required to provide a copy of the contract that governs the relationship between the organizations and sets out the responsibilities of the parties.

Interpretation Guide

This paper is one in a series that aims to provide clarity and guidance to organizations seeking to strengthen their governance practices and/or work toward achieving accreditation through Imagine Canada's Standards Program.

Imagine Canada's Standards Program was developed to elevate the excellence of Canada's charitable and non-profit organizations through common standards of practice in five foundational areas; and to strengthen public confidence in the sector through a voluntary peer-review-based accreditation process. Organizations wishing to be accredited must demonstrate they comply with all standards. Visit www.imaginecanada.ca or contact standards@imaginecanada.ca for more information.

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