

## A PRIMARY ACCOUNTABILITIES OF GOVERNING BODIES

### STRATEGIC PLANNING

Governing bodies have a duty to enable their institutions to achieve and develop their mission and primary objectives for learning, teaching and research.

#### *Good Practice - Development of an Institutional Strategic Plan*

*The Board of Governors of IIT Madras decided in 1996 that the Institute needed a first Strategic Plan to Guide its future operations and reach its goals. The Governors constituted a Strategic Planning Committee that was headed by a prominent Board Member from Industry, co-chaired by the Director; and included as Members a few other Board Members and senior Faculty of the Institute.*

*Good practice elements in the design process of the Strategic Plan were the development of a set of shared goals, the use of multiple sources of knowledge including external consultants, involvement of faculty and stakeholders, and the design of coordinated cross-departmental interventions. Approximately three quarters of the inputs for the Plan came from IITM leaders, departments, and faculty, and one quarter from outside.*

*The Strategic Plan covered all aspects of the Institute: Context; Vision, Mission and Goals; Educational Processes; Human Resources; Physical Resources; Governance; Building Relationships; and Financial Resources. The Strategic Plan aimed at making IITM a world-class institution – a place that provides intellectual leadership in chosen fields and is administratively and academically autonomous, with sustainable competitive advantage. The Strategic Plan was designed as a series of coordinated interventions to bring about changes in the directions, structure, processes, interfaces and performance of the Institute. The progress of implementation has been continuously monitored by the Board through presentations by the Deans and Heads of Departments at Board Meetings. As the expressed milestones were achieved, new and further aspirational goals have been articulated and adapted into a revised Plan.*

This responsibility includes considering and approving the institution's strategic plan, which should set out the academic aims and objectives of the institution and identify the financial, physical and staffing strategies necessary to achieve these objectives. Institutions should adopt a risk-based approach to strategic planning.

It is the duty of the governing body to oversee the creation and delivery of the strategic vision and direction of the institution. This will encompass the purpose and mission of the institution. However, it is the responsibility of the head of the institution and the executive to convert the strategy into detailed business planning that is delivered consistent with the values, purpose and mission of the institution.

### FINANCE

The governing body's financial responsibilities include:

- Ensuring the solvency of the institution and safeguarding its assets
- Approving the financial strategy
- Approving annual operating plans and budgets which should reflect the institution's strategic plan
- Ensuring that funds provided by funding bodies are used in accordance with the terms and conditions specified in any funding agreements/contracts/memorandum
- Ensuring that there is a clear and quantified scheme of financial delegated authority of approval and expenditure to managers at appropriate levels
- Ensuring the existence and integrity of risk management, control and internal governance systems and monitoring these through an audit committee
- Receiving and approving annual accounts (audited financial statements) and periodically monitor the capital and operating expenses (at least once in a quarter) to ensure that the finances of the institution is managed as per the approved plan and to approve genuine variations, if any.

The governing body normally delegates detailed monitoring of the financial position and prospects, together with the appropriate levels of expenditure approval to a **finance committee** or equivalent.

Regulatory bodies may require institutions to include a **statement of internal control** in the corporate governance section of the audited financial statements, explaining the risk management arrangements adopted by the governing body.

Officers of the institution, under delegation from the governing body, exercise day-to-day financial control.

Responsibility for administering the finances and advising on financial matters is delegated to a professional employee, generally designated as director of finance. That individual must have access to the head of the institution whenever he/she deems it appropriate.

An essential element of financial management is the annual budget. This quantifies expected income and plans expenditure in the context of that predicted income. In many institutions the approval of the annual budget is the responsibility reserved under the constitution to the governing body for its collective decision, without delegation. The governing body should approve the annual budget before the start of the financial year.

In conjunction with the revenue budget, a capital budget must be prepared, aggregating approved capital needs and identifying required funding sources and strategies.

Most institutions devolve the management of clearly identified elements of the annual budget to specified managers. These arrangements require the provision of accurate and timely financial information to budget holders, and hence the systems to generate such information, if they are to operate effectively.

The governing body and/or its finance committee should receive summarised performance information at regular points in the year.

Institutions must have financial regulations and procedures. Financial regulations should specify the financial responsibilities and authority of the governing body, its committees, and staff.

Financial procedures should specify processes to be followed in day-to-day financial transactions. There should be clear policies on a range of systems, including treasury management, investment management, risk management, debt management, and grants and contracts. These should be periodically reviewed to keep them up-to-date.

## PROCUREMENT

In addition to the requirements under regulatory/financial agreements, governing bodies should ensure that there is a **sound system of internal control, and be responsible for ensuring the delivery of value for money (VFM) from public and institutional funds without compromising quality, transparency and fairness to all stakeholders.** Procurement of works, goods and services is an area where VFM considerations are important.

Government and government aided Indian higher education institutions are bodies to which public procurement rules apply, in particular the relevant central and state Financial Management Rules, Stores Purchase Rules and Public Works Code. Contracts must be awarded in accordance with those rules. (For Institutions participating in the TEQIP-II project, all project expenditures incurred should follow the project's specific procurement rules).

Governing bodies should ensure that VFM in procurement is achieved through obtaining assurances that:

- Adequate internal procurement policies and procedures are in place
- Policies and procedures are consistently applied, and there is compliance with relevant legislation
- Procurement is carried out in an open and transparent manner without any entry barriers and all eligible suppliers, manufacturers and consultants are allowed to participate.

To obtain these assurances **governing bodies should ensure that their risk management framework and reporting mechanisms give adequate coverage of fairness and transparency of procurement processes; value for money achieved in the outcomes and risks.**

The institution's procurement procedures, including procedures governing conflicts of interest relating to procurement matters, should form part of the Financial Regulations, which should be approved by the governing body.

## AUDIT AND THE AUDIT COMMITTEE

The governing body should be responsible for directing and overseeing the institution's arrangements for internal and external audit.

While the responsibility for devising, developing and maintaining control systems lies with management, internal audit provides independent assurance about the adequacy and effectiveness of risk management, control and governance. The internal audit service should also advise on value for money and should be able to give valuable advice when new systems are being put in place.

Regulatory and funding bodies may require institutions to appoint an audit committee and set up internal and external audit arrangements in accordance with appropriate *Audit Codes*, as may be required by such bodies.

### MIT Audit Committee:

*The Audit Committee shall consist of five members, three of whom shall serve for a term of five years and two of whom shall serve for a term of three years.*

*The three members who shall serve for a term of five years shall be nominated by the Membership Committee from the members of the Corporation, one at each succeeding annual meeting, as vacancies occur, or at any stated or special meeting in the call for which notice has been given that a vacancy on the Audit Committee is to be filled.*

*Subject to the approval of the members of the Corporation, the Audit Committee shall employ public accountants to examine the books of MIT for the next fiscal year, and such other financial and investment records as the Audit Committee deems appropriate from time to time.*

*Extracted from Section 18 of the Massachusetts Institute of Technology Bylaws*

**The audit committee should be a small, authoritative body, which has the necessary financial expertise and the time to examine the institution's risk management control and governance under delegation from the governing body. It should not confine itself to financial systems only but should also examine risk management, control and governance independently. The audit committee should report areas of concern to the governing body.**

The committee must produce an annual report for the governing body, including its opinion on the adequacy and effectiveness of the institution's risk management, control and governance arrangements; and arrangements for promoting economy, efficiency and value for money.

In summary, the specific responsibilities of members of the governing body in respect of audit are to:

- Appoint the audit committee
- Consider and, where necessary, act on an annual report from the audit committee

- Consider the annual report of the internal audit service
- Appoint external auditors, ensuring a regular rotation of appointment
- Receive and approve the audited annual financial statements in a timely fashion (no later than 4 months after the end of the financial year). This responsibility is usually reserved by the institution's constitution to the governing body for its collective decision, without delegation.

## RISK MANAGEMENT, CONTROL AND GOVERNANCE

Risk can be defined as: *'the threat or possibility that an action or event will adversely or beneficially affect an organisation's ability to achieve its objectives'*. Higher education institutions should be expected to identify and actively manage risks, having particular regard at governing body level to risks that could threaten the sustainability of the institution. An annual disclosure about risk management should be required in audited financial statements.

Each institution's audit committee should be required to provide advice to the governing body annually on risk management, control and governance before the meeting of the governing body convened for approving the audited financial statements.

Institutions should have a sound system of risk management, control and governance. Essential elements of such a control system are:

- Effective review by governing bodies, finance and audit committees with an independent majority
- **Control systems which include policies, objectives and plans, management of key risks and opportunities, monitoring of financial and operational performance, including monitoring of investment policy for institutional endowment funds, physical safeguarding of assets, segregation of duties, authorisation and approval procedures, and information systems**
- An effective internal audit function
- The identification and management of risk embedded in all business systems.

**At the highest level, risk management, control and governance is exercised by the governing body** and its committees acting under its explicit delegation. However, the governing body should have overall responsibility for institutional activities and finances. Many institutions internationally have established a planning and resources committee to consider strategic plans and the allocation of resources to meet such plans.

## HUMAN RESOURCE MANAGEMENT

**The governing body should have responsibility for the institution's human resources and employment policy.** This includes ensuring that pay and conditions of employment are properly determined and implemented for all categories of employees. Also, ensuring that there are clear, open and transparent internal grievance and appeal procedures - that may reduce the risk of external intervention in personnel matters by agencies and courts.

### **Appointment of Vice-Chancellors in the 2009 Maharashtra Universities Act:**

*The state government re-defined the selection process and criteria for appointment of the Vice-Chancellor.*

*The new act improves governance by:*

- (i) establishing specific qualifications and experience that the recommended candidate shall possess, as well as a description of the candidate's desirable experience, expected skills and competences.*
- (ii) requiring the candidates to provide a detailed chronological resume along with a justification for fulfilling the requirements.*
- (iii) obliging the search committee to describe how the recommended candidates fulfill those criteria in order to judge the suitability of the candidate.*

*The changes are not aligned with these guidelines on the following recommendations:*

- (i) The final appointment is taken by the chancellor (the State governor), not the governing body.*
- (ii) No members of the governing body can become a member of the search committee (only nominate a member that is not associated with the governing body).*
- (iii) An open and transparent search for the suitable candidate is not required; it is only permitted.*

### **University of Warwick, UK: Appointment of Vice-Chancellor:**

- *When a vacancy arises the Council and the Senate establish a joint committee to recommend a candidate for appointment*
- *That joint committee is chaired by the Chair of Council and includes three lay members of Council, three academic staff and one current student appointed by the Senate, one non-academic member of staff appointed by Council*
- *A Recruitment Consultant Agency is hired to give advice to the joint committee*
- *A job description, person specification and selection criteria are prepared*
- *The post is widely advertised and is open internationally to all applicants*
- *Short-listed candidates are interviewed by the joint committee*
- *The joint committee makes its recommendation in the first instance to a special joint meeting of Council and the Senate*
- *If the recommendation is approved at that meeting it is submitted to Council so that it can make the appointment*
- *There is a clear emphasis throughout the appointment process on openness, transparency and fairness.*

Normally, a governing body is responsible for appointing and setting the terms and conditions for the head of the institution and such other senior positions as it may deem fit from time to time.

## **ESTATE MANAGEMENT**

The governing body should be responsible for oversight of the strategic management of the institution's land and buildings, laboratories and other physical assets. As part of this responsibility it should consider, approve and keep under review an estate strategy that identifies the property and space requirements needed to fulfill the objectives of the institution's strategic plan, and also provides for a planned programme of maintenance.

## **HEALTH AND SAFETY**

The governing body should carry ultimate responsibility for the health and safety of employees, students and other individuals while they are on the institution's premises and in other places where they may be affected by its operations. The governing body's duties include ensuring that **the institution has a written statement of policy on health and safety, and have appropriate mechanisms for the implementation of that policy.**

## **EQUALITY, DIVERSITY, AND RESERVATIONS**

The governing body should ensure that non-discriminatory systems are in place to provide equality and diversity of opportunity for staff and students.

The governing body should actively monitor that the institution implements any affirmative actions of a State and/or Government of India such as reservations of seats and staff positions to minority groups.