The Standards of Transparency and Best Practices

The 9 Standards of Transparency and Best Practices are the result of a process which took approximately one year and involved consulting sessions with entities that were directly or indirectly involved in the non-profit sector (central and local public authorities, charities, academic world, business environment, etc.). To develop the Standards, Fundación Lealtad also took into account Spanish legislation, the specific characteristics of the Spanish non-profit sector, and a quality survey carried out with the first round of monitored NGOs and representatives of the non-profit sector.

The ultimate goal of the project was to provide donors with useful information regarding charities that would help them make informed choices. To do so, Fundación Lealtad first found out what sort of information was available at the time on charities and how this information could be accessed by donors, not only in Spain, but also in the United States and the United Kingdom. Throughout the development process the foundation constantly considered the importance of the fact that any NGO should be able to- notwithstanding the area they worked in, size (in terms of budget) or their national/international character- comply with the Standards.

1-The running and regulation of the Governing Board

This principle is based on the importance for Governing Board to take on its responsibilities. Its members are entrusted with the safeguarding of the organization’s goals, as well as its efficient and honest management. The Principle therefore recommends an active participation of its members in the meetings and in the planning and strategy design.

A. The Governing Board will consist of at least 5 members.
B. The Governing Board will meet at least twice a year with the physical attendance or by video conference of more than the 50% of the members of the Governing Board.
C. All members of the Board will attend physically or by video conference at least one meeting per year.
D. With regard to the members of the Governing Board, names, profession, public posts and blood and affinity relationship with other members of the Governing Board and with the management team of the organization will be public. The curriculum vitae of the members of the management team will be public. The organization will publicize the relations that exist among members of the Governing Board and the suppliers and co-organizers of the activity.
E. Only a limited number of the members of the Governing Board will receive income of any kind, either from the organization in itself or from other linked entities. This percentage will be lower than 40 % of the members.
F. The members of the Governing Board will be renewed regularly within a predetermined period of time.
G. There will exist mechanisms to avoid conflict of interest within the Governing Board.
2-The clarity and publicity of the organization’s mission

A public interest and clearly defined goal will have a decisive influence on the strategic decisions of the NGO, its programmes, the motivation of its employees and volunteers and its capacity to attract new partnerships. All activities carried out by the NGO should be in line with its mission and therefore be included in its bylaws.

A. The mission of public interest will be clearly defined. It will reflect the activities it carries out and the beneficiaries it works for.
B. All the activities that the organization carries out will be aimed at attaining the mission, so that the organization does not carry out activities that are not explicitly contemplated in its bylaws.
C. The mission will be easily accessible to the general public.

3-The planning and monitoring of the activities

It is vital that an NGO is capable of setting out in writing what its aims are and how it plans to reach these aims. This principle also implies the existence of internal evaluation and quality assessment procedures as well as the formal monitoring of the beneficiaries. These documents are important instruments which help quantify and qualify the NGO’s impact on society.

A. There will be a strategic or annual plan that encompasses the whole organization and which will include quantifiable objectives, a chronogram and the persons in charge of each objective. The objectives related to the projects will be accessible to the general public.
B. The planning will have to be approved by the Governing Board.
C. The programmes will have followed a specific line of action for a period of at least three years. (Does not apply)
D. The organization will have formally defined systems of control and follow-up of the activity and of the beneficiaries.
E. The institution will elaborate follow-up and final reports of the projects and these will be available to the donors. (Does not apply)
F. The organization will have a set of criteria and selection processes for its projects and counterparts approved by the Governing Board. (Does not apply)

4-Communication and truthfulness of the information provided

All NGOs must have specific channels of communication with society and will look for means of obtaining responses. This principle is one of the clearest indicators of the organization’s capacity to communicate with society and its needs. Moreover, the accuracy and detail of the information provided to the public will reflect the NGOs ambition to carry out its activities in a transparent and responsible manner. Concerning the new technologies, it is essential to have a web page with complete and updated information of the NGO.
A. The advertising campaigns, the fundraising and the information given to the public will accurately reflect what the objectives and the reality of the organization are and will in no way be misleading.

B. At least once a year donors and collaborators will be informed of the activities of the organization.

C. In order to carry out an efficient communication, the organization will have an institutional e-mail address and its own web page, with information about all its activities and updated at least once a year.

D. The organization will make available upon request both the annual report and Financial report. The annual report and the financial statements with its audit report will be available through the organization website.

5-Transparency of Funding

One of the main concerns of society with respect to NGOs is knowing how and by whom they are being financed. It is also essential to protect private data provided by donors. In order to set up collaborations with companies and private entities, the NGO must count on criteria and selection processes.

A. The fundraising activities related to private and public donors, their cost and their annual takings (donations, memberships and other forms of collaboration) will be available to the public. (Does not apply)

B. The sources of finance, including details regarding the main contributors, both public and private, as well as the amounts contributed by the same will be available to the public. (Does not apply)

C. The allocation to each year’s activities of the funds obtained will be adequately documented and broken down by funders.

D. The organization will respect private data provided by donors.

E. The organization will have a set of criteria and selection processes for companies and collaborating entities.

F. Agreements which include the logo of the entity surrender to companies and institutions will have to be formalized in writing. These clauses will not be confidential. (Does not apply)

6-Plurality of Funding

This principle requires the organization to have a diversified source of funding in order to guarantee its independence and continuity.

A. The organization must diversify its finance including both public and private contributions. Under no circumstance may the private funding be less than 10% of the total income.

B. The organization will benefit from a variety of external funding which will guarantee the continuity of its activities. No single source of funding will represent more than 50% of the organization’s total income during the past two years.
7-Control of spending of the funds

One of the most heard excuses for not collaborating with NGOs is that there is a lack of true control in the spending of the funds. One of the objectives sought with this principle is to ensure information is available to the public about the break down of expenses by management and administration, programmes, and fundraising. It is also important to have a policy of approval of expenses, as well as criteria of selection of suppliers will contribute to control the use of funds.

Furthermore, the NGO must prepare a budget as it is considered to be a key management tool to estimate necessary future income and expense to carry out its planned activities. Both the budget and the Income and Expense Liquidation are documents which have to reflect an organization’s real priorities.

In the case of having financial investments, the NGO must comply with the principle of prudence and not to put at risk the organization’s funds.

If the organization requests for restricted funds (emergencies, projects, child sponsorship, etc.) it must ensure that funds have been applied to the purpose they were requested for.

A. The classification of the operating expenses into the following categories: Fundraising, Programmes-Activities and Operation-Administration will be available to the public. Expenses related to commercial transactions, if any, will be reflected separately. The allocation of funds broken down per project and line of activity will also be available to the public.

B. A list of the main suppliers and co-organizers of the activity will be available. The organization will have a policy of approval of expenses, as well as criteria of selection of suppliers.

C. The organization will prepare an annual budget for the next year with its corresponding Directors’ Report and analytical review including variances corresponding to the prior year’s budget. The budget and the liquidation will be approved by the Governing Board and will be available to the public.

D. The organization will not accumulate excessive available funds in the last two years.

E. The organization will persistently show a balanced financial structure during the last three years.

F. Financial investments will comply with the principle of prudence

G. In the case of having financial investments, the organization will have some standards of investment approved by the Governing Board. (Does not apply)

H. The investments in non-quoted companies will be related to the organization mission and will help in attaining its mission. (Does not apply)

I. The organization will respect the donor’s wishes and systems of monitoring of restricted funds will be put into place in order to verify this. The sponsorship funds will be considered as restricted funds themselves.

8-Annual reporting and the compliance with legal requirement

Under Spanish legislation NGOs are subject to numerous and thorough controls carried out by the Public Administration, including: tax authorities, social security and relevant registry of charities.

A. The organization will show proof of its fulfillment of its legal obligations in relation to the tax authorities, social security and relevant registry of charities.
B. The organization will prepare the annual accounts according to general accounting plan for non-profit organizations, which will be submitted external auditing and approved by the general assembly or the Governing Board.

9-Promotion of volunteering

The number of volunteers an organization has is one of the main indicators of its impact on society. Volunteers are involved in the daily activities of the organization and guarantee that the contributions and donations made to the same are dedicated to its stated mission. Moreover, they give meaning to one of the main reasons underlying the existence of NGOs: education in values.

In order to integrate volunteers in the organization, it is necessary to set up the activities to be carried out by volunteers, to develop training activities and to take out an insurance policy to cover the risk of the activity they carry out.

A. The organization will promote the participation of volunteers in its activities.
B. The organization will define the activities which may be carried out by volunteers.
C. The organization will carry out training activities for volunteers.
D. The volunteers will be insured in accordance with the risk of the activity they carry out.

Standards applied to NGOs of budget under 300,000 euros

1- The running and regulation of the Governing Board

This principle is based on the importance for Governing Board to take on its responsibilities. Its members are entrusted with the safeguarding of the organization's goals, as well as its efficient and honest management. The Principle therefore recommends an active participation of its members in the meetings and in the planning and strategy design.

A. The Governing Board will consist of at least 5 members.
B. The Governing Board will meet at least twice a year with the physical attendance or by video conference of more than the 50% of the members of the Governing Board.
C. All members of the Board will attend physically or by video conference at least one meeting per year.
D. Regarding the members of the Governing Board, their names, profession, public positions and blood and affinity relationships with other members of the Governing Board and with the management team of the organization will be public, as well as, the relations that exist among members of the Governing Board and the suppliers and co-organizers of the activity. The curriculum vitae of the members of the management team will be public.
E. Only a limited number of the members of the Governing Board will receive income of any kind, either from the organization in itself or from other linked entities. This percentage will be lower than 40 % of the members.
F. The members of the Governing Board will be renewed regularly within a predetermined period of time.
G. There will exist mechanisms to avoid conflict of interest within the Governing Board.
2-The clarity and publicity of the organization’s mission
   A. The mission of public interest will be clearly defined. It will reflect the activities it carries out and the beneficiaries it works for.
   B. All the activities that the organization carries out will be aimed at attaining the mission, so that the organization does not carry out activities that are not explicitly contemplated in its bylaws.
   C. The mission of public interest will be easily accessible to the general public.

3-The planning and monitoring of the activities
   A. There will be a strategic or annual plan that encompasses the entire organization and which establishes quantifiable objectives.
   B. The planning will have to be approved by the Governing Board.
   C. The programmes will have followed a specific line of action for a period of at least three years. (Does not apply)
   D. The organization will have formally defined systems of control and follow-up of the activity and of the beneficiaries.
   E. The institution will elaborate follow-up and final reports of the projects and these will be available to the donors. (Does not apply)
   F. The organization will have a set of criteria and selection processes for its projects and counterparts approved by the Governing Board. (Does not apply)

4-Communication and truthfulness of the information provided
   A. The advertising campaigns, the fundraising and the information given to the public will accurately reflect what the objectives and the reality of the organization are and will in no way be misleading.
   B. At least once a year donors and collaborators will be informed of the activities of the organization.
   C. In order to carry out an efficient communication, the organization will have an institutional e-mail address and its own web page, with information about all its activities and updated at least once a year.
   D. The organization’s annual report and financial statements will be made available upon request. The annual report and the financial statements with its audit report will be available through the organization website.

5-Transparency of Funding
   A. The fundraising activities related to private and public donors, their cost and their annual takings (donations, memberships and other forms of collaboration) will be available to the public. (Does not apply)
   B. The sources of finance, including details regarding the main contributors, both public and private, as well as the amounts contributed by the same will be available to the public. (Does not apply)
   C. The allocation to each year’s activities of the funds obtained will be adequately documented and broken down by funders.
   D. The organization will respect private data provided by donors.
E. The organization will have a set of criteria and selection processes for companies and collaborating entities.
F. Agreements which include the logo of the entity surrender to companies and institutions will have to be formalized in writing. These clauses will not be confidential. (Does not apply)

6-Plurality of Funding

A. The organization must diversify its finance including both public and private contributions. Under no circumstance may the private funding be less than 10% of the total income.
B. The organization will benefit from a variety of external funding which will guarantee the continuity of its activities. No single source of funding will represent more than 50% of the organization’s total income during the past two years.

7-Control of spending of the funds

A. The classification of the operating expenses into the following categories: Fundraising, Programmes-Activities and Operation-Administration and Economic Activity, if any, will be available to the public. The allocation of funds broken down per project and line of activity will also be available to the public.
B. A list of the main suppliers and co-organizers of the activity will be available. The organization will have a policy of approval of expenses, as well as criteria of selection of suppliers.
C. The organization will prepare an annual budget for the next year with its corresponding Directors’ Report and analytical review including variances corresponding to the prior year’s budget. The budget and the liquidation will be approved by the Governing Board and will be available to the public.
D. The organization will not accumulate excessive available funds in the last two years.
E. The organization will present a balanced financial structure.
F. Financial investments will comply with the principle of prudence.
G. In the case of having financial investments, the organization will have some standards of investment approved by the Governing Board. (Does not apply)
H. The investments in non-quoted companies and the links to related entities will be aligned with the organization’s mission and will help in attaining it. (Does not apply)
I. The organization will respect the donor’s wishes and systems of monitoring of restricted funds will be put into place in order to verify this. The sponsorship funds will be considered as restricted funds themselves.

8-Annual reporting and the compliance with legal requirement

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B. The organization will define the activities which may be carried out by volunteers.
C. The organization will carry out training activities for volunteers.
D. The volunteers will be insured in accordance with the risk of the activity they carry out.

The Standards of Transparency and Best Practices by Fundación Lealtad