

THE FRII QUALITY CODE – UPDATE MAY 2017

Introduction

The purpose of the FRII quality code is to show how FRII members work with internal control and good quality in the organization's governance. The reporting linked to the FRII quality code will strengthen FRII members' work on internal control and governance, thereby contributing to a high level of long-term trust in charitable organizations in Sweden. A high level of trust contributes to increased donor willingness, which in turn creates resources for achieving the organizations' objectives.

Following and reporting on the quality code

Complying with the code, and enabling the organization's auditor to certify that the requirements have been met, is a FRII membership requirement, and the fundamental principle is that all members shall comply with all the requirements of the code. If there are particular reasons for departing from the code, these can be explained. That FRII members follow the code and how they do so will be clarified through the reporting process. The reporting process is a fundamental part of the FRII quality code.

Impact Reporting (requirement G1) takes place annually. This means that an impact report is written each year, and published on the organization's own website. The link is then sent to FRII. This shall be carried out no later than on September 30 **each year**. The impact report requirement is mandatory for all FRII members, and no departure from this requirement can be granted.

The Annual Report (requirement G2) must be drawn up annually and shall be published on the organization's own website.

Reporting on the entire code (requirement G3) takes place every two years, commencing the year after FRII membership has been granted. Reporting is implemented by the organization writing an account of how to comply with the requirements of the code, as well as the inspecting auditor writing an assurance report. The account and the assurance report must subsequently be sent to FRII, no later than on September 30.

The quality code requires that some documents are made available on the organization's website. The applicable documents are as follows:

A1	Charter.
B1	The most recent minutes from the highest executive body (not applicable to foundations).
B5	Governing documents describing board appointments (only applicable to foundations).
C6	Information regarding the remuneration of the senior executive.
D2	Governing documents governing investment of capital.
D10	Governing documents showing how the organisation works to prevent irregularities.
	Reporting (applicable to level 3 organisations)
E1	Governing documents governing the organisation's fundraising activities.
F1	Code of Conduct.
G1	Impact Report.
G2	The Annual Report.

Departures, delays and supplementary information

In the event of a departure from the FRII quality code, the FRII Board of Directors will decide whether a departure is to be approved or if the organization must supplement its reporting.

The member organization then has 6 months to correct the departures and submit supplementary information to FRII by March 31 of the following year. If supplementary information has not been received by March 31, a decision may be taken at the annual general meeting to exclude the organisation from FRII.

Reminder fee

In the event of late reporting, a reminder fee will be charged. The reminder fee will come into effect as of October 1 in the year the report must be submitted. The reminder fee will be charged as follows:

Total revenue of SEK 15 million or less:	SEK 2,500
Total revenue between SEK 15-50 million:	SEK 5,000
Total revenue of SEK 50 million or more:	SEK 10,000

Differentiated requirements

In order to capture differences between large and small organizations, regarding both expectations and conditions for certain formal governing processes, the requirements in the code are partly differentiated depending on the size of the organization.

The organisations are categorized into one of three levels. These levels are based on the size of the organization measured in total operating revenue calculated as an average for the last two financial years.

Total operating revenue	
Level 1	< SEK 15 million
Level 2	SEK 15 – 50 million
Level 3	> SEK 50 million

Breakdown of the code and sample documents

The FRII quality code is divided into six sections that concern different parts of the organisation. The header for each section contains an introduction explaining its purpose. Sections A-G apply in turn:

- A: Objectives
- B: Board and nominating committee
- C: Governance
- D: Internal controls
- E: Fundraising
- F: Employees and volunteers
- G: Reporting

A separate document on frii.se contains examples of the documents that may be needed for each requirement, what they may contain and in some cases sample documents.

The requirements that apply to all organizations regardless of size extend right across the entire row. The requirements that apply to large or medium-sized organizations only, extend across 1/3 or 2/3 of the row.

Requirements that are the same or similar to those of Svensk Insamlingskontroll, and which do **not** need to be reported separately to FRIL, are marked SIK in the left-hand column.

Definitions

Documents	Documents (documentation) in this code may be in print or digital format.
Governing documents	In this code, "governing document" refers to a document that is binding on the organization's employees and volunteers. To be considered a governing document, the document shall be adopted in accordance with the organization's rules.
Volunteers	In this code, volunteer refers to a person who, without receiving remuneration, is involved in the organization's activities. In their role as volunteer, they can perform all types of tasks. The designation varies from organization to organization and may e.g. be volunteer, elected official, activist, etc. An individual who is involved solely by providing financial support is a donor and does not constitute a volunteer. Members of the organization's board do not constitute volunteers. The board's obligations are specifically regulated in the code.
Highest executive body	In this code, the highest executive body refers to the body designated in the organization's charter as the highest executive body. Common names for this are Annual General Meeting, Congress or the like. In a foundation under its own management, the board constitutes the highest executive body, unless otherwise stated by the articles of association. In a foundation under attached management (sw. "anknuten förvaltning"), the trustee is considered the highest executive body.
Stakeholders	In this code, stakeholders refer to groups of people and other organizations that are essential for the organization to achieve its objectives in an effective manner, and what constitutes a stakeholder varies from organization to organization. Examples of stakeholders include members, donors, volunteers, companies with whom the organization cooperates, private or public contributors, collaborative partners in operational endeavours, recipients/users of the organization's services etc.
Senior executive	In this code, senior executive refers to an official who operates directly under the board to perform an independent, operational, leadership role throughout the entire organization. This position is often referred to as secretary-general, federation head, director or the like.

A. Objectives

The purpose of the following requirements is to ensure that the organization operates in a transparent manner, is clear regarding its objectives, and that the organization demonstrates how it works in accordance with its objectives.

	Level 1 < SEK 15 million	Level 2 SEK 15-50 million	Level 3 > SEK 50 million
A1	The purpose of the organization shall be described in the charter/articles of association. The legal form of the organization shall be a non-profit association, foundation or registered religious community.		
	Charter or articles of association that shall be published on the website.		
A2	The organization shall draw up an administration report or equivalent document that shows that resources during the last financial year have been used mainly in accordance with the objectives described in the charter/articles of association.		
SIK	A documented administration report, annual report or equivalent. The document shall be adopted by the board or the highest executive body. Minutes of the board meeting or meeting of the highest executive body in which the aforementioned document was adopted.		
A3	The charter shall state how the remaining assets will be used in the event the organization is dissolved (not applicable to foundations).		
SIK	A charter that includes a wording that meets the requirement.		

B. The Board

The purpose of the following requirements is to ensure transparency vis-à-vis all stakeholders in order to clearly demonstrate how the board and the nominating committee work, and on what basis this work is carried out.

	Level 1 < SEK 15 million	Level 2 SEK 15-50 million	Level 3 > SEK 50 million
	The Appointment and Work of the Nominating Committee		
	<i>Requirements B1-B5 regarding the appointment and work of the nominating committee, as well as the appointment of the board, only apply to non-profit associations and registered religious communities. Requirement B6 only applies to foundations.</i>		
B1	The appointment of the nominating committee shall be governed by the organization's charter. If this is not included in the charter, it can be specified in the nominating committee guidelines.		
	Charter or nominating committee guidelines		
B2	The nominating committee shall submit proposals to the highest executive body regarding the appointment of board members, deputies and auditors, as well as any remuneration to board members and the chairperson of the board.		
	Minutes from the most recent highest executive body showing that the nominating committee has made proposals in accordance with the aforementioned requirement.		
B3	<u>Not applicable to level 1.</u>	The nominating committee's work shall be governed by the nominating committee guidelines, which describe the criteria for selecting candidates to the board as well as how the recruitment process shall be conducted.	
		Documented nominating committee guidelines or an equivalent document.	
B4	Names of nominating committee members and the contact details of the nominating committee shall be available on the organization's website.		
	A website where the contact details are available.		
	Appointment of the Board		
B5	The board shall be appointed by elections at the organization's highest executive body and shall be conducted in accordance with the organization's charter.		
	Charter and minutes of the most recent highest executive body showing that elections have taken place in accordance with the requirements laid down in the charter. The minutes of the most recent annual meeting shall be published on the website.		
B6	Foundations shall have a governing document describing how appointments to the board are carried out.		
	Documents that meet the aforementioned requirement and is published on the organization's website.		
	Requirements for Members		

	<i>For an organization that constitutes a foundation with attached management, the same requirements apply to members of the trustee's highest executive body.</i>	
B7	The organization's board shall consist of at least three board members.	
SIK	Minutes of the most recent highest executive body showing that at least three members were elected.	
B8	At least half of the members of the board shall be residents of the European Economic Area. At least one of the board members, who can accept the service of writs on behalf of the organization, shall be resident in Sweden. All members of the board should be of legal age and cannot have been declared bankrupt or been prohibited from conducting business. Nor can they have any record of non-payment of debts and/or any overdue tax liabilities.	
SIK	<p>An address list showing that at least half of the board members reside in the EEA.</p> <ul style="list-style-type: none"> If the organization has a '90 account', the requirement is already fulfilled, and special documentation is not needed. <p>Organizations that do not have a '90 account' must provide credit information for all members and any deputies who reside in Sweden. At the time of review, credit information cannot be more than four weeks old in respect of all members residing in Sweden and any deputies residing in Sweden.</p>	
B9	In the annual report or on the website, the organization shall briefly state the qualifications, background and previous experience of the board members.	
	Annual report or website where the board is presented.	
	The Working Practices of the Board	
B10	<p>The board shall draw up rules of procedure for its work. At a minimum, it shall contain:</p> <ul style="list-style-type: none"> The overall role and responsibilities of the board. The role and responsibilities of the chairperson. The role and responsibilities of the board members. Managing members' conflicts of interest and independence. Rules and management regarding the taking of minutes. <p>A plan for how new board members shall be introduced to the work of the board and how they shall perform their management and control responsibilities should also be stated.</p>	
	<ul style="list-style-type: none"> Documented rules of procedure showing that the requirements have been met. 	
B11	Not applicable to level 1.	The board shall evaluate its working practices annually.
		Minutes or other documentation certifying that the board has conducted an evaluation of its working practices.

C. Governance

The purpose of the following requirements is to specify what strategies and methods the organization has chosen to achieve its objectives, as well as the procedures and processes that are in place to ensure that the organization is managed in an efficient, safe and effective manner.

	Level 1 < SEK 15 million	Level 2 SEK 15-50 million	Level 3 > SEK 50 million
Strategic Management			
C1	The board or the highest executive body shall adopt a governing document describing the organization's objectives and interim objectives as well as an overall description of how the organization intends to work to achieve its objectives.		The board or the highest executive body shall adopt a long-term strategy describing how the organization plans to achieve its objectives. The board shall adopt a business plan based on the strategy.
	Documentation, such as a comprehensive strategy, that meets the requirements as well as minutes that show when it was adopted.		Minutes showing that: <ul style="list-style-type: none"> • the organization's long-term strategy was adopted • the business plan was adopted
C2	The board shall monitor and evaluate the organization's objectives annually and, if necessary, decide on changes to the objectives and/or activities.		
	Board minutes or other document certifying that the board has followed up and evaluated the fulfilment of its objectives and, if required, has taken the necessary decisions to bring about change.		
Senior Executive			
	<i>The section regarding the senior executive does not apply to organizations where such a role does not exist.</i>		
C3	The board is responsible for the recruitment and induction of the senior executive. When recruiting, a job specification shall be drawn up in advance.		
	If recruitment of a senior executive has taken place during the audit, there shall be a documented job specification.		
C4	The board shall adopt guidelines that govern the duties, powers and responsibilities of the senior executive.		
	Documented guidelines for the senior executive.		
C5	The board shall evaluate the senior executive's performance annually in relation to the guidelines and the organization's objectives.		
	Documentation or minutes showing that the evaluation took place as well as the date of the latest evaluation.		
C6	Salary and any other remuneration including pension terms for the senior executive shall be determined by the board. Minutes from the board showing that salary and other remuneration have been determined by the board.		
	Information regarding remuneration to the senior executive shall be published on the website, either in the annual report or as a separate function.		

D. Internal controls

The purpose of the following requirements is to ensure transparency regarding the organization's funding and to ensure good control and governance in order to provide security internally as well as externally.

	Level 1 < SEK 15 million	Level 2 SEK 15-50 million	Level 3 > SEK 50 million
	Funding and management of assets		
D1	The organization shall have governing documents specifying how their activities will be financed.		
	Governing documents describing the sources from which the organization is permitted to finance its activities, and, to clarify any constraints.		
D2	The organization shall have governing documents specifying how the organization's capital is to be invested.		
	Governing documents describing, at a minimum, the types of capital investment that the organization is allowed to make. The governing documents shall be published on the website.		
D3	Not applicable to level 1.	The organization shall have governing documents describing threshold values for the organization's equity. The documents shall state what measures are to be taken if the value exceeds or falls below the set threshold values.	
		Governing documents that meet the requirements.	
	Financial liability		
D4	The board approves an annual budget or other equivalent document for the management of the organization's finances and has a governing document that describes the procedures for following up the organization's results relative to the budget. The board reviews the results of revenue and costs in relation to the budget at least twice a year.		
SIK	Documented procedures for following up the results in relation to the budget. Board minutes/decisions in which the approval of the budget is shown, including the date of the approval. The two most recent dates on which the board, or board of directors, reviewed the results of revenue and costs.		
D5	The board shall, on an annual basis, evaluate whether the organization uses its resources effectively and, if necessary, decide on changes to its working practices.		
	Board minutes confirming that the requirement has been met, or an annual report signed by the board.		

D6	The organization must not be burdened with unreasonable costs. At least 75% of the total revenue must have been directed towards its objectives over the past three financial years.	
SIK	Financial reports showing that the requirement has been met, such as an annual report.	
D7	Not applicable to level 1.	The organization shall draw up a governing document that regulates procurement.
		Documents that meet the aforementioned requirement, such as a procurement/purchasing policy.
D8	If the organization has transferred funds to other organizations, there must be governing documents describing how follow-up and evaluation shall be conducted. This is to ensure that such funds are used appropriately. A list of organizations to which funds have been transferred shall be available.	
	Documents that comply with the aforementioned requirements. The list of recipient organizations shall refer to the last completed financial year.	
D9	The organization shall have at least one auditor who is authorized or approved by the Swedish Inspectorate of Auditors. Any registered audit firm may also be appointed as an auditor.	
SIK	Minutes of the highest executive body or board from the last completed financial year which show that the condition has been met.	
D10	The organization shall have governing documents describing the manner in which quality and reliability have been ensured in the financial reporting.	
	A job description for the person(s) responsible for financial accounting and reporting, or a description of their remit for external financial management.	Documented procedures and operating modes, e.g. a Financial Handbook.
	Risk Management	
D11	The board shall decide on a risk analysis, on an annual basis.	The board shall, on an annual basis, decide on a risk analysis and, on the basis of it, adopt an organization-wide risk management plan.
	Board minutes, or similar, showing that the requirement has been met.	Board minutes showing that the requirement has been met, as well as a documented risk management plan.
	Preventing Irregularities and Handling Complaints	
D12	The organization shall have governing documents describing how the organization works to prevent irregularities in its activities.	
	Documents complying with the aforementioned requirement.	

	The Governing document shall be published on the website.	
D13	Not applicable to level 1 and 2.	The organization shall develop processes that enable external and internal stakeholders (including employees) to anonymously report suspected irregularities without suffering negative consequences.
		A documented description that meets the aforementioned requirement. A description of this process shall be published on the website.
D14	Not applicable to level 1.	The organization shall have governing documents describing how to handle complaints about the organization and/or its activities. The governing document shall specify a deadline for responding to complaints.
		Documents showing how the organization handles complaints, such as a complaints policy.
	Other Internal Controls	
D15	The organization shall have a current delegation procedure describing which executives have the authority to make which decisions and any restrictions on their powers.	
	A documented, current delegation procedure where powers and authority are specified.	
D16	The organization shall have governing documents that regulate how potential conflicts of interest are identified and managed.	
	Documentation that verifies the aforementioned requirement, such as principles of recruitment and a procurement policy. Reference can be made to other documents, such as the board's rules of procedure.	
D17	Not applicable to level 1 and 2.	The organization shall have governing documents for crisis management. At a minimum, they shall include the definition of a crisis, how responsibility is defined in crisis management situations as well as an action plan.
	Documents showing that the requirements have been met.	

E. Fundraising

The purpose of the following requirements is to ensure that fund raising activities are well thought-out and transparent and take into account both donors and recipients, as well as guaranteeing clarity for both internal and external stakeholders.

	Level 1 < SEK 15 million	Level 2 SEK 15-50 million	Level 3 > SEK 50 million
E1	The organization shall have governing documents for its fundraising activities. At a minimum, the document shall describe how the organization handles contentious gifts, and cases where the donor wants a gift in return, as well as on what grounds the organization may refuse to receive a gift. Furthermore, the organization shall regulate how gifts in the form of securities and real estate are handled.		
	Documents that meet the aforementioned requirements, for example in the form of a fundraising policy or similar document. The governing documents shall be published on the website.		
E2	The organization shall have governing documents describing how the organization handles dedicated gifts. At a minimum, the documentation shall specify: <ul style="list-style-type: none"> • How the financial reporting is structured to show how dedicated gifts are used. • How the organization handles gifts where donors, on their own initiative, have dedicated a gift. 		
	Documentation that meets the aforementioned requirements, for example in a fundraising policy.		
E3	If the organization uses subcontractors, who collect donations from donors on behalf of the organization, written agreements shall always be drawn up. Subcontractors shall always follow FRII's fundraising guidelines.		
	A list of subcontractors in accordance with the above. Valid written agreements with all of these subcontractors.		
E4	The organization shall have governing documents describing how to work with images and text for marketing purposes so that respect for donors and recipients of donations is maintained.		
	Documents describing guidelines, working practices, etc., that meet the requirements in e.g. a fundraising policy.		

F. Employees and volunteers

The purpose of the following requirements is to ensure that the organization has a clear approach to employees and volunteers, as well as to the conditions that apply to both of these groups.

	Level 1 < SEK 15 million	Level 2 SEK 15-50 million	Level 3 > SEK 50 million
F1	The organization shall have governing documents in the form of a code of conduct that is based on the organization's vision, values, aims and objectives. These shall describe the organization's expectations of the board, employees and volunteers when they represent the organization.		
	Documentation that verifies the aforementioned requirement. The governing documents shall be published on the website.		
F2	Not applicable to level 1.	The organization shall have governing documents for its employees. These shall include terms of employment, working hours and principles for wage-setting.	
		Documentation that verifies the aforementioned requirement, for example a personnel policy.	
F3	If the organization uses commission-based remuneration, there must be a description showing to which personnel categories this type of remuneration applies and how the remuneration is structured.		
	Documentation that verifies the aforementioned requirement. An example of documentation according to F2F about principles for wage-setting.		
F4	If the organization uses volunteers in its activities, it shall have governing documents describing how the activities are regulated.		
	Documentation describing how volunteers and their activities are regulated.		

G. Reporting

The purpose of the following requirements is to ensure organizational transparency as well as relevant reporting aimed at the organization's various stakeholders.

	Level 1 < SEK 15 million	Level 2 SEK 15-50 million	Level 3 > SEK 50 million
G1	The organization shall draw up an impact report on an annual basis. It may be part of the administration report, or equivalent, or written as a separate document. The reporting shall include FRII's questions on impact reporting, and it shall be clear that it concerns impact reporting.		
	The administration report or separate impact report shall be published on the website, and a link to it shall be sent to FRII no later than September 30 each year.		
G2	The organization shall, on an annual basis, draw up an annual report in accordance with the Annual Accounts Act and based on FRII's guidelines for the annual report in accordance with K3.		
	Adopted annual report. The annual report shall be published on the website.		
G3	<p>No later than September 30 every two years, the organization shall report to FRII that the quality code is being followed. This can be achieved by sending the following to FRII:</p> <ul style="list-style-type: none"> • a report of the organization's compliance with all the requirements of the FRII quality code. (where there are particular reasons for a departure from the requirement standards, an explanation can be provided). • an auditor's assurance report verifying the organization's report. An auditor's report shall be drawn up in accordance with the FRII audit guidelines. <p>For organizations with a split financial year, the reporting date can be adjusted following agreement with FRII. The report can be submitted as a pdf attached to an email, or by post.</p>		
	A certified assurance and an auditor's report in accordance with the aforementioned requirements.		