Corporatization of Professional Bodies: A Comparative Study of the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) and Institute of Local Government Management (iLGM)

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Abstract

Corporatization of professional bodies may be seen as a new phenomenon, but it has been a call since the 1980s when many professional bodies started experiencing decline. Although corporatization, as practice, is a private sector concept, applying it in the management and administration of professional bodies is likely to provide a better turn-around in how professional bodies are managed. Part of corporatization is having corporate governance structures including ethics codes which are meant to professionalize professional bodies. This study therefore compared the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) and Institute of Local Government Management (iLGM) with a view to establish if they apply corporatization.

Keywords: Corporatization; Professional Bodies; Professionalization; Corporate Governance; Profession; Continuous Professional Development (CPD)

Introduction

Professional bodies or professional associations play an important role of ensuring that their members remain professional in providing professional services to their communities and clients. They are then responsible for social, and institutional change (Friedman and Afitska, 2024). Whilst they advocate institutional change, they are also expected to provide support to professionals who are their members who will then be agents of this social and institutional change. Professional bodies are also expected to counter populism.

Aim and Objectives of the Study

The main aim of the study was to compare the Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) and Institute of Local Government Management (iLGM) in terms of the application of corporatization. The objectives of the study were to:
• Review literature and previous studies about corporatization of professional bodies.
• Analyse and compare how the Chartered Institute of Government Finance Audit and Risk Officers and the Institute of Local Government Management apply corporatization.

**Literature Review**

**Definition of Professional Bodies**

A professional body is an organization with individual members practising a profession or occupation in which the organization maintains oversight of the knowledge, skills, conduct and practice of that profession or occupation (Science Council, 2019). The body of knowledge forms the basis of identification with a profession. This emphasis is also reflected on Paisey and Paisey’s (2018) definition of a professional body where they define it as an organization that harnesses a body of knowledge and protects it, thereby allowing the professional act as an agent of formal knowledge. There is emphasis on protection of knowledge and ensuring that professionals themselves then become agents of formal knowledge. This is in line with the assertion by Naidoo and Rajcoomer (2020) that the professional may also exist with the intention of forming local societies that offer a service to a specific group of practitioners.

Although there could be different definitions of a professional body, a working definition includes:

- Specification of the requirements for an entry into the professional body, including the essential qualification or professional qualification requirement;
- Identification of requirements for continued membership, professional development, work experience;
- A set of regulations or codes of professional ethics to be upheld by members and the necessary sanctions for failing to uphold professional ethics;
- Protection of the society that receives the service; and
- Professional indemnity.

SAQA (2018) defines a professional body as anybody of expert practitioners in an occupational field and includes an occupational body and statutory council. The importance of knowledge is emphasized through the use of the words “expert practitioners”. Practitioners can only be experts by continuously acquiring and developing knowledge. According to Speight (2014) a professional body is typically a not-for-profit organisation (NPO) whose objectives are to:

- Advance a particular profession;
- Advance the interests of individuals engaged in that profession; and
- Advance or maintain public interest in the profession.

It is also important to include the definition of a “profession”, so that it is distinctively differentiated from a professional body. A profession is a group of professionals, organized through a system of self-regulation with special knowledge and skills built on specific research, education, and training, that adheres to a set of ethical standards and that enjoys a particular social status or authority based on the status, allowing them to exercise professional judgement (Stoltz-Urban and Govender, 2014).

**Roles and Responsibilities of Professional Bodies**

Tan (2018) summarizes the roles and responsibilities of professional bodies as including safeguarding specialized knowledge, protecting, and securing boundaries and operational territories for the profession, ensuring that formal education for the profession establishes and maintains the level of prestige appropriate for the profession, certify attainment of specialised knowledge and maintaining the
integrity of the profession. In many developed countries the role of professional bodies begins at the higher education institutional level where students are recruited into professions whilst still studying. At this stage they are made to enjoy the benefits such as attending conferences, being awarded bursaries, applying for vacancies, etc.

**Benefits of Joining a Professional Body**

**Enhancing Professional Standards**

Most of the professional bodies have professional standards and are meant to ensure protection of the profession. Professional standards can be in the form of certification and professional qualifications, and these will determine the level of expert knowledge professionals have. Professional standards can be accessed by members through industry-specific resources such as journals, publications, and these help members stay abreast with the latest developments.

**Creating Networking Opportunities**

Networking is one opportunity that attracts professionals to a professional body. There are numerous networking opportunities that can be provided by professional bodies such as being members of international professional bodies, members of certain clubs, etc.

**Access to Resources**

Professionals or members of professional bodies enjoy exclusive access to a number of resources which are meant for economic growth. Some professional bodies have developed exclusive rights to certain clubs or lounges, discounts of certain services; etc. Some members are supported in research that is published in journals and also in attendance in conferences.

**Continuous Professional Development (CPD)**

Professional bodies implement continuous professional development (CPD) as part of career growth. The intention of having a CPD is to ensure that professionals keep up to date with latest developments and technological trends to enable them to provide an improved and effective service. CPD is also meant to improve the skills and knowledge of professionals to uphold high professional standards. CPD is obtained through webinars, conferences, workshops, etc. CPD has always been measured through input which counts the number of events that are points-bearing attended by the member. Bullock et al. (2020) have criticised this approach in the sense that it does not tie the participation to actual learning, to practice outcomes, or the clients impacts. This then resulted into the introduction of outputs measurements.

According to Friedman and Afistka (2023) with CPD a far higher proportion of members have come to interact with their personal body regulatory post qualification: filling out CPD records, thinking about what learning activities to undertake, and even reflecting on normal practice as part of their CPD. This does not mean that CPD does not have challenges. In fact, there are instances where members cheat or leave out certain CPD activities or just do not report at all until they are reminded by their professional bodies. Non-compliance sanctions with compulsory CPD have been formally stated as potentially severe, ultimately leading to suspension or dismissal from membership. But in practice most at first react to non-compliance with encouragement and then warnings of sanctions, as well as low-level sanctions such as fines or being barred from professional body office or from membership (Friedman, 2012)

**Challenges Facing Professional Bodies**

**Declining Revenue**

According to Ramphal and Rajcoomer (2019) professional bodies are experiencing declining revenue. This inadvertently impacts negatively on the benefits that are offered to members. It also
generally affects the level of service that is offered to members. The South African Council for Natural Scientific Professions Annual Report (SCANASP, 2016) shows a 11% decline in revenue for 2015/2016 financial year. Similarly, the Engineering Council of South Africa’s Annual Report (ECSA, 2016) shows that revenue collection decreased substantially. The Independent Regulatory Board for Auditors Annual Report (IRBA, 2016) has also suffered the same fate of revenue decrease.

Declining Membership

The current global economic challenges make it difficult for professional bodies to acquire new professional members. Competing business interests result into many professional bodies struggling to retain members. The fact that services that professional bodies provide are declining because of the economic crises also contributes towards membership decline.

Inability to Adapt to New Technology

Modern organizations need to keep abreast with new technologies to be relevant to the new global trends. Because many professional bodies are struggling financially, they find it difficult to acquire the right and effective technology that will help them run their business efficiently and effectively.

Brain-drain and Failure to Retain Talent

Many underdeveloped and developing countries are currently facing a brain-drain where professionals are poached by better-paying countries. Countries like South Africa have lost a number of professionals such as Engineers, Accountants, Doctors, etc who are attracted to countries such as New Zealand, Australia, US, UK, etc and these countries are paying better salaries which are in many times three or four times more than what is paid in South Africa. This exodus affects membership of professional bodies although it is not their making.

Lack of Administrative Resources

Many professional bodies are run by part-time officials who are employed full-time in different organizations. This then leaves professional bodies with skeleton staff that is mostly administrative staff. This then impacts negatively in the administrative effectiveness of professional bodies.

Corporatization of Professional Bodies

Historically professional bodies have always been managed by their members as volunteers which has always been the weakest point in terms of their corporatization and sustainability. Some professional bodies occasionally have their members holding elections to serve in the governing bodies such as Councils or Executive Councils or National Executive Committees, etc. Some prominent positions in these structures include Presidents, Deputy Presidents, Secretary-Generals, Treasurers, and Honorary Presidents. This then becomes a day-to-day decision-making body in-between conferences where leadership is elected. This body also monitors the implementation of the strategy of the professional body. There are a few professional bodies that have Secretaries being paid by them and almost being full-time in the professional body. In some cases, this position is held by a full-time Chief Executive Officer or Executive Director who is appointed by the professional body on a fixed-term contract which is usually 5 years.

Corporatization of professional bodies has increasingly included marketing which is not only limited to recruitment of members but also includes enticing sponsorships to the events of professional bodies. The sources that still dominate the professional bodies income are subscriptions, donations, training, and events. In fact, Friedman and Afitska (2023) confirm that member subscriptions accounted for 52% of total income on average in 2020/2021, with most of the rest of income being from training and publications.
Professionalization of administrative and support functions, transformation of governance structures and processes, and emergence of compulsory CPD are indeed corporatization of professional bodies. Whilst it is acknowledged that many professional bodies are run by members on voluntary basis, professionalization of staff where it is available, no matter how small it can be, is also part of corporatization. Corporate practices can also be infused by appointing CEOs and also hiring consultancies to support the running of the professional bodies.

Many professional bodies have developed their strategies, and these include the compulsory CPD, and this is interpreted as a move towards corporatization. Monitoring compliance and measuring the extent of its fulfilment impose transparency and accountability on learning activities of members (Friedman and Afitska, 2023). CPD has been identified as a coercive form of lifelong learning (Beighton, 2021).

Corporate Governance of Professional Bodies

The highest bodies which are Councils or National Executive Committees in some cases, comprise of elected members some of whom could be representing branches. Some can be elected directly to the positions by membership. Representation in the national structures also comes with difficulties such as lack of finances to support the functioning of the national structure. Linked to this challenge is the fact that limited finances also limited the number of meetings because professional bodies needed to pay for travelling of the members to attend meetings and this would affect the decision-making processes. Friedman and Afitska (2023) maintain that the other problem with this representation is that members are elected because of their active participation in branches not because of their skills and intellect or experience in governance.

To improve the situation some professional bodies have formed Executive Committees which are smaller in numbers and can meet more frequently improving decision-making and also improving daily operations of the professional bodies. Friedman and Afitska (2023) maintain that with transition of governing body structures there has been greater uptake of what may be regarded as good governance processes: nomination committees with transparent procedures, more serious formal induction emphasizing good practice rather than merely familiarization with the professional body, and evaluations of individual governing body members.

A number of professional bodies have established governance structures such as Audit Committees and Ethics Committees to improve governance and accountability. Accountability of governing bodies may be interpreted as a point of conflict between corporatization, at least in its more developed form, and oligarchy: toward reducing the power and untouchability of those who sit on governing bodies (Friedman and Afitska, 2023).

Continuous Professional Development (CPD)

Continuous professional development (CPD) has over the years been a prime activity for all professional bodies. CPD has always been evolutionary in nature and is meant to keep members up to date with the latest developments in their professions. With time many professional bodies have introduced policies for compulsory CPD. When it comes to implementation, CPD has always been measured by inputs that is by counting the time spent on CPD activities or a period. This approach has been criticised by Bullock, et al. (2020) in that it does not tie participation to actual learning, to practice outcomes, or to client impacts. There is now a move to measure impact as part of the improvement of modern performance management systems. According to Friedman and Afitska (2023) with CPD a far higher proportion of members have come to interact with their professional body regularly post qualification: filling out CPD records, thinking about what learning activities to undertake, and even reflecting on normal practice as part of their CPD.
Criteria for Recognition of Non-Statutory Professional Bodies in South Africa

South African professional bodies are regulated and recognised by the South African Qualifications Act (SAQA) of 2008. The following is the criteria for their recognition in terms of SAQA (2018):

- They must be legally constituted entities registered with the Companies and Intellectual Property Commission (CIPC) as a non-profit company (NPC) or with the Department of Social Development as a non-profit organization (NPO) of which membership is voluntary.
- Be governed either by a statute, a memorandum of incorporation (MOI), charter, statute or a constitution, whichever is applicable, indicating the scope of practice and be compliant with, and adhere to, good corporate governance practices;
- Have a transformation policy that guides the constitution of the Board, staff, and membership.
- Have the necessary human resources capacity to undertake its functions, which is separate from the Board, except for executive members;
- Have access to adequate premises and facilities to undertake its functions;
- Have the necessary financial resources to undertake its functions and be sustainable throughout the recognition period;
- Provide immediate past audited three-year financial statements or independently reviewed three-year financial statements.

Comparison between CIGFARO and iLGM

*CIGFARO*

Governance Structure

The highest Governance Structure of CIGFARO consists of the President, Vice President, Past President, and Chief Executive Officer. The Past President is always part of the current governing structure, and the whole team is responsible for the daily operations of the institute. The Chief Executive Officer (CEO) is responsible and accountable for the administrative functions of the Institute.

Vision

The vision of CIGFARO is to be a leading professional body for the continuous development and capacitation of finance and governance practitioners in the public sector.

Mission

The mission of the Institute is, within the statutory framework, to establish standards for effective and ethical financial management, governance, advisory support, and capacity building in the public sector, all for the benefit of the communities they serve.

Objectives

The following are the objectives of the Institute:

- To further the interests of practitioners in the financial and governance related areas;
- To be financially sustainable leading professional body;
- Advising members, institutions, commissions and other bodies;
- Harnessing and development of knowledge within the Public Sector;
- Training and upskilling of members;
- Delivering practical capacity building initiatives;
- Inculcating ethical behaviour amongst finance professionals; and
- Promoting the image and corporate branding of the Institute.
Membership

The Institute offers stimulation, professional (and personal) enrichment, and the opportunity to meet members of the profession on a provincial, national, and international level.

Professionalization

The Institute was founded in 1929 and is dedicated to establishing and maintaining high standards of professionalism among practitioners. It provides a framework for them to collectively enhance and sustain good financial management and governance in the public finance sector.

Continuous Professional Development (CPD)

A member is obligated to provide professional services with diligence, competence, and due care. They have an ongoing responsibility to keep their professional knowledge and skills up to date to ensure that clients or employers benefit from competent and current professional services in line with evolving practices, legislation, and techniques.

Knowledge and Development

This refers to post-qualification learning activities for developing the capabilities and skills of individuals to perform competently within their professional environments.

Memorandum of Incorporation (MOI)

The Institute prefers to use the term “Memorandum of Incorporation” in the place of the “Constitution”, and this articulates the objects of the Institute as follows:

- Being a financially sustainable leading professional body;
- Advising members, institutions, commissions, and other bodies;
- Harnessing and development of knowledge within the Public Sector;
- Training and upskilling of members;
- Delivering practical capacity building initiatives;
- Inculcating ethical behaviour within finance professionals; and
- Promoting the image and corporate branding of the Institute.

Code of Conduct

The main objectives of the Code of Conduct for the Institute are:

- To represent the views of the profession;
- To preserve and maintain the integrity and status of the profession;
- To take any steps which may be considered necessary to suppress dishonourable conduct and practices by members of the profession, and for this purpose to hold enquiries into the conduct of members; and
- To consider and deal with all matters affecting the professional integrity of the members of the Institute.

In terms of Professional Standards, members should at all times conduct themselves in accordance with the standards expected of members of the Institute which can be achieved through complete honesty, integrity and objectivity. Therefore, members are expected to:

- Aspire to achieve the highest standard of professional knowledge throughout their careers and encourage members in the furtherance of their professional duties;
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- Contribute to the affairs of the Institute by serving on working parties, attending meetings of the Institute, Branches and Student’s Interests Groups and submitting articles for publication in the Institute’s Journal;
- Adhere strictly to accounting standards and requirements for public sector published by the Institute from time to time;
- Adhere to all relevant provisions of the Public Sector pertaining to the Code of Conduct

ILGM

Governance Structure

The highest governing structure of the Institute is the National Executive Committee (NEC) and is the highest decision-making structure in-between conferences. The NEC consists of 13 positions which are the President, Deputy President, Treasurer, Secretary, Deputy Secretary, Branch Representatives, Immediate Past President, and the Chief Executive Officer (CEO). Branch representatives are 2 per province (Chairperson and Secretary) and it depends on how many branches (provinces) are active at the time. The NEC is responsible for the implementation of the decisions of the Institute as taken in various conferences and the CEO runs the administration on daily basis. The other governance structure is the Presidential Co-ordinating Committee (PCC) which is made up of the President, Vice President, and Immediate Past President. The main function of the PCC is to deal with the day-to-day operations of the Institute.

Vision

The iLGM aims to be the centre of excellence of local government management in South Africa and Africa.

Mission

The mission of the Institute is to promote excellence in local government management through the development and capacitation of managers in the sector and through lobbying of stakeholders and advocacy.

Motto

The motto of the Institute is developing and sustaining excellence in local government management.

Strategic Objectives

The Institute has developed a Five-Year Strategic Plan with focus on the following:

- Developing organisational and institutional capacity of the iLGM;
- Building the Institute as a knowledge resource and development practitioner in local government;
- Promoting capacity building initiatives aimed at enhancing local government management; and
- Enhancing the profile of the organisation amongst its stakeholders through effective communication.

Benefits of Members

The Institute offers the following benefits to its members:

- Belongingness;
- Personal growth and development;
- Networking with colleagues and other stakeholders;
Interactive website with links to other associations such as ICMA, SOLACE, SALGA, LGMA, SOLGM and others;

Opportunity to contribute to the transformation of local government;

Enhanced service delivery;

Training and development;

International Manager Exchange Programmes, Fellowship Programmes and others; and

University qualifications.

Constitution

The Institute has a very comprehensive Constitution which covers its objects which are:

- To research, promote research and develop the management sciences pertaining to local governance so as to promote and ensure the effective teaching and training of managerial skills for local governance;
- To promote membership of the Institute as a primary consideration for the appointment of persons in managerial positions in local government;
- To promote the image of local governance;
- To develop criteria which will guide the selection of candidates into local government managerial positions;
- To determine the admission requirements for the various membership categories;
- To deliberate on matters concerning local governance;
- To deliberate on all matters concerning the duties and responsibilities of officials in managerial posts;
- To deliberate with other associations, institutes or institutions and to act jointly in matters that may promote the purpose of the Institute;
- To establish and maintain an information centre concerning local governance, undertake investigation into all aspects of local governance, hold meetings and congresses separately or jointly with other associations, institute and institutions with reconcilable aims to promote the objects of the Institute and matters incidental thereto and when requested by the national, provincial or local government or other institution or body, give advice and assistance on matters pertaining to local government or on its own initiative make representations concerning such matters;
- To print, publish, sell, loan and distribute any communique to or for the Institute or a similar institute or association, any report of the proceedings and actions of the Institute or a similar institute or association or act, bill, circular or official document and to buy, reproduce, print, publish, or distribute, whether separately or jointly with any other institute or association, any other book, lecture, dissertation or communique regarding local government and administration.
- To promote the professionalism of its members;
- To undertake and execute any task entrusted to the Institute conducive to its objects;
- To initiate, provide technical advice, promote or challenge proposed legislation pertaining to local governance to enhance effectiveness and efficiency within the framework of the guidelines in the Constitution of the Republic of South Africa; and
- To develop or support criteria and guidelines that will promote community participation in local government.

Code of Ethics

The Institute commits to the following:

- Upholding the Republic’s and the Institute’s Constitutions and all other legislation;
- Efficient, effective and democratic local governance, believing in the worth of local government and the sense of community responsibility;
- A belief that local governments exist to serve the best interests of their communities;
- Ensure that the roles of elected representatives and officials do not overlap;
- The separate but complimentary roles of elected representatives and management; and
- A high standard of professionalism.

The values that are upheld by the Institute are:

- Honesty, Propriety, and Integrity
- Objectivity, Independence, and Impartiality
- Respect for Privacy
- Competence and Duty of Care
- Loyalty

Members are expected to conform to the following:

- Act in the best interest of the public, fellow members of the Institute, employers and colleagues;
- Promote local government as a respected and reputable profession;
- Demonstrate professional competence and management skill;
- Desist from any fraudulent and/or dishonourable practice and not to consider or accept any covert reward/s or profit; and
- Observe a strict professional detachment from electioneering or partisan political activity associated directly or indirectly with local government.

Research Methodology

The study was comparative analysis of the two professional bodies, CIGFARO and iLGM in terms of the application of corporatization (application of corporate governance principles). It used the qualitative analysis to compare and contrast the two professional bodies. Comparative analysis studies enable evaluators or researchers to make causal inferences and to assess patterns and regularities to arrive at certain conclusions.

Research Findings

Governance Structures

Both COGFARO and iLGM have highest governance structures both led by the Presidents and the Chief Executive Officers (CEOs). This is good corporate governance practice in terms of both strategic and administrative leadership of the Institute. Both Institutes have active branches or provincial structures and also actively recruit students from tertiary institutions which is good pipeline for leadership development. Both institutes recognize their Immediate Past Presidents by electing them back to the elected structure to provide guidance and support in terms of leadership. The iLGM has a unique structure called Presidential Coordinating Committee (PCC) made up of the President, Vice President and Immediate Past President to deal with the day-to-day operations of the institute. This is another governance layer that is meant to improve corporatization of the Institute.

Vision, Mission and Objectives of Institutes

The Vision and Mission of both CIGFARO and iLGM are that both want to be the best professional bodies in their respective sectors with emphasis on continuous professional development thus achieving excellence in local government. Areas of emphasis in terms of objectives vary from
developing capacity of members through capacity building initiatives, which is meant to enhance local government management, to knowledge development and management in respective sectors.

Constitution and Memorandum of Incorporation

CIGFARO has adopted a Memorandum of Incorporation (MOI) whereas iLGM has adopted a Constitution and both serve the common purpose of presenting constitutionality of the Institutes. The Memorandum of Incorporation for CIGFARO focuses on sustainability, knowledge development, capacity building initiatives and also promoting the image and corporate branding of the Institute. The Constitution of the iLGM seeks to protect local government as a sector and even includes ensuring that the right candidates are appointed in management positions in local municipalities.

Code of Conduct and Code of Ethics

CIGFARO has a Code of Conduct and iLGM has the Code of Ethics and they both ensure good conduct of the members as professionals and are instruments to ensure corporate governance is ensured. The question though would be whether these Codes have been applied effectively or applied at all. There is a concern that professional bodies do not have “teeth” to discipline their members who are involved in misconduct. Both Codes are promoting professionalism amongst the members and also outline the disciplinary process for any wrong doing. The Code of Ethics for iLGM includes values such as honesty, integrity, and competence. Integrity is such an important value given the allegations of corruption levelled against executives working in local government, the majority of whom being members of the iLGM. Emphasis on “competence” is also very important given the allegations of irregular appointments especially of the executives where some of them are employed without requisite qualifications.

Recommendations

The following recommendations are made to ensure corporatization by professional bodies:

- Professional bodies should have corporate governance structures. These may vary from one professional body to the other, however a Board and an Executive Committee have proven to be effective structures.
- They should appoint Chief Executive Officers (CEOs) or Executive Directors for the day-to-day administration of the professional body.
- They need to have Constitutions or Memoranda of Incorporation.
- They should establish committees such as Ethics Committee, Finance Committee, Events Committee, Audit Committee, etc.
- They should have Code of Conduct/Ethics to hold their members to professional conduct.

Conclusion

The study aimed at comparing two professional bodies (CIGFARO and iLGM) on corporatization. It first looked at the theoretical overview of corporatization and defined professional bodies. It then discussed the roles and responsibilities of professional bodies, benefits of joining a professional body, challenges facing professional bodies, corporatization of professional bodies, corporate governance of professional bodies, criteria for recognition of non-statutory professional bodies in South Africa and then compared CIGFARO and iLGM in terms of corporatization. This was then followed by the findings and recommendations of the study.
References


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