



**NADA**  
network of alcohol & other drugs agencies



# GOVERNANCE TOOLKIT

A resource to help  
improve governance  
knowledge and practice

**This Governance Toolkit has been developed as a partnership between the Network of Alcohol and Drug Agencies (NADA) and Matrix on Board**

## NADA

NADA is the peak organisation for the non government drug and alcohol sector in NSW.

NADA represents over 100 organisational members that provide a broad range of services including drug and alcohol health promotion, early intervention, treatment, and after-care programs. These community based organisations operate throughout NSW. They comprise both large and small services that are diverse in their structure, philosophy and approach to drug and alcohol service delivery.

NADA's goal is to advance and support non government drug and alcohol organisations in NSW to reduce drug and alcohol related harm to individuals, families and the community.

NADA provides a range of programs and services that focus on sector representation and advocacy, workforce development, information management and data collection, governance and management support plus a range of capacity development initiatives.

NADA is governed by a Board of Directors primarily elected from the NADA membership. It holds accreditation with the Australian Council on Health Care Standards (ACHS) until 2014.

NADA is primarily funded by the NSW Ministry of Health.

Further information about NADA, its programs and services is available on the NADA website at [www.nada.org.au](http://www.nada.org.au).

## Matrix on Board

Matrix on Board provides management support, program consultancy services, and financial management to non-profit organisations across Australia. Services include business and strategic planning, evaluation, policies and procedure development, governance support, leadership coaching, organisational review, salary benchmarking, financial system review, accounting, budgeting and financial reporting. More information: [www.mob.com.au](http://www.mob.com.au).

Thank you to NADA member organisations for contributing examples of effective governance practice in the non government drug and alcohol sector:

- ACON Drug and Alcohol Program
- Kamira
- Kedesh Rehabilitation Services
- Namatjira Haven Drug and Alcohol Healing Centre
- Weave

## NADA

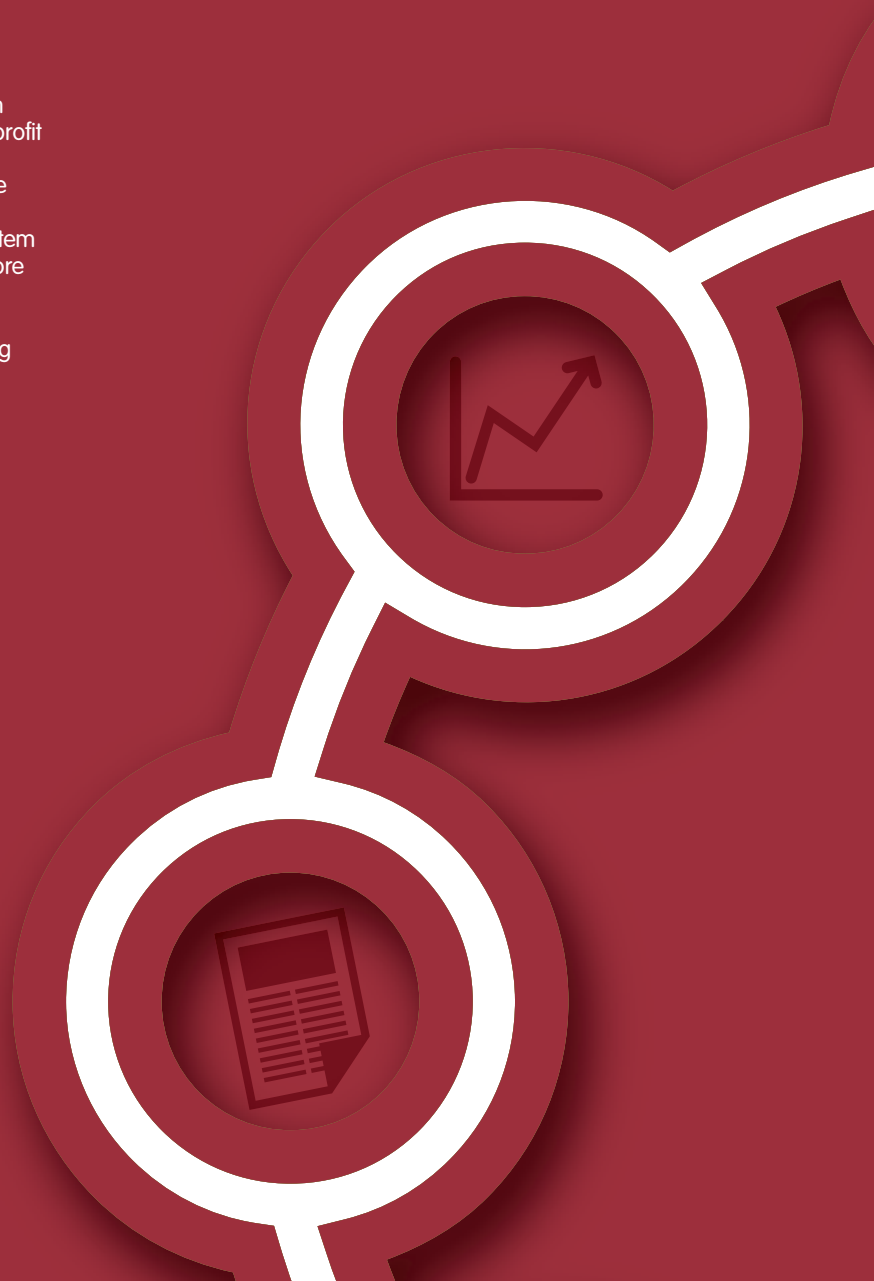
PO Box 2345  
Strawberry Hills NSW 2012  
Australia

Telephone: 02 9698 8669  
Email: [admin@nada.org.au](mailto:admin@nada.org.au)  
[feedback@nada.org.au](mailto:feedback@nada.org.au)  
Web: [www.nada.org.au](http://www.nada.org.au)

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NADA welcomes feedback on this Toolkit, including further member practice examples to include in future versions. Contact NADA by emailing your feedback to [feedback@nada.org.au](mailto:feedback@nada.org.au).



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# GOVERNANCE TOOLKIT OVERVIEW

This Toolkit has been developed to assist organisations within the NSW non government drug and alcohol sector to improve governance knowledge and practice.

The Toolkit is aimed at voluntary Board members, paid CEOs, and other staff working at NADA member organisations, however is applicable across the range of non government and community service sectors.

'Governance' can be defined as how people in organisations, groups, and communities organise themselves collectively to achieve their visions or goals. More specific definitions of "governance" are:

- » The rules, processes and systems that set out how an organisation (or corporation) is governed
- » The structures and processes of the governing body, or the Board.

The Toolkit is divided into three sections:

## **1. Board responsibilities**

What has to be done - provides an overview of the legal and other responsibilities of Boards.

## **2. Governance processes**

How it is done - looks at how the Board works including committees, meetings, conflict of interest procedures, and managing the CEO.

## **3. Characteristics of an effective Board**

How to do it better - provides tips on making the Board more effective.

The Toolkit also highlights governance practice from the non government drug and alcohol sector, provides practical resources, and refers readers to external sites for further information and other resources.

A glossary provides a list of key words and their meaning as used in this Toolkit.



# SECTION 1:

## What has to be done: Board responsibilities

### 1.1 The role of the Board

#### What is the Board?

A group of people that meet and associate with each other for a common purpose – such as improving community knowledge about drug and alcohol use and prevention – might decide that they want to employ staff, or seek funding, or gain insurance for the work they are doing. ‘Incorporation’ is the process in which a group of people create a new legal body separate from the individual group members, thereby providing protection to the group members in legal transactions. The new legal body created then needs a governing body – a ‘brain’ which makes and implements decisions and speaks on behalf of the organisation. In this Toolkit, the governing body is called a Board, but it might also be called a management committee. Individuals on the Board are called Board members but might also be called committee members or directors (refer to Glossary at the end of the Toolkit).

#### What is the role of the Board?

The three fundamental roles of the Board are to:

- strategically plan for the future so that the organisation is in a better position to achieve its mission;
- ensure the organisation is currently viable – that it is legally compliant, financially solvent, and that risks are managed well; and
- manage and represent the organisation’s membership.

The Board delegates many of the responsibilities of running the organisation to the Chief Executive Officer (CEO) or equivalent position – sometimes called the General Manager, Service Manager, Executive Director or similar.

The following table sets out these roles and summarises the processes that can be used to fulfil these roles - full details on roles are provided in [Section 2 - Governance processes](#).

ROLE OF THE BOARD	STRATEGIC PLANNING	ORGANISATIONAL VIABILITY	MEMBERSHIP MANAGEMENT AND REPRESENTATION
Processes for achieving these roles (Detailed in Section 2)	<ul style="list-style-type: none"> <li>» Develop and approve the organisations’ vision, mission and strategic plan</li> <li>» Hold the CEO accountable for implementing the strategic plan</li> </ul>	<ul style="list-style-type: none"> <li>» Take legal responsibility for the organisation and ensure legal compliance</li> <li>» Manage risks</li> <li>» Oversee financial management and budgeting</li> <li>» Appoint and support the CEO</li> <li>» Make decisions about new activities</li> <li>» Develop and approve key policies that guide the way the organisation operates.</li> </ul>	<ul style="list-style-type: none"> <li>» Represent members to the government and broader community</li> <li>» Resolve conflicting interests between stakeholder or membership groups</li> <li>» Resolve complaints from members.</li> </ul>

## 1.2 Legal responsibilities of the Board

### The organisation's constitution

The role and responsibilities of the Board are set out in the organisation's constitution (sometimes called Rules and Objects or Memorandum of Articles). The constitution is the first place to look to determine the legal duties of the Board; however if it was written many years ago, it is also important to look at relevant incorporation laws which may have come into place since the organisation was first set up.

For example, the *Associations Incorporation Act 2009* (NSW), which came into force on 1 July 2010, brought new requirements for constitutions relating to the use of postal votes and the organisation's financial year. Existing constitutions continue to be valid, but if the organisation wants to make any changes, those changes must be in line with the new laws.

#### More information:

- Information about the *Associations Incorporations Act 2009* (NSW) and how it affects the constitutions of organisations incorporated under previous Associations Incorporations laws: *NCOSS MSU, Q&A Associations Incorporations Act 2009* [http://www.ncoss.org.au/component/option,com\\_docman/task,doc\\_download/gid,555/Itemid,158/](http://www.ncoss.org.au/component/option,com_docman/task,doc_download/gid,555/Itemid,158/)
- Model constitution under the NSW *Associations Incorporations Act 2009* which can be adapted for use: NSW Fair Trading, [http://www.fairtrading.nsw.gov.au/docs/Cooperatives\\_and\\_associations/Model\\_constitution.rtf](http://www.fairtrading.nsw.gov.au/docs/Cooperatives_and_associations/Model_constitution.rtf)
- Non-profit organisations in NSW can apply for free legal advice and assistance – for example in drafting a new constitution or checking compliance with incorporation laws - through the Public Interest Law Clearing House NSW: [www.pilchnsw.org.au](http://www.pilchnsw.org.au)

### Incorporation laws

Organisations in NSW can be incorporated under different laws, the main laws being the *Associations Incorporation Act 2009* (NSW), which covers many NSW community organisations, particularly small local organisations, and the national *Corporations Act 2001* (Cth), which covers all Australian companies including public companies "limited by guarantee". A third law is the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* which covers many Aboriginal organisations (see 'More information' for links to resources designed specifically for Indigenous organisations).

For non-profit organisations, complying with the *Corporations Act 2001* (Cth) can be more onerous and more expensive than the *Association Incorporation Act 2009* (NSW), however much of the basics are the same. Compliance with the NSW Act is administered by the Office of Fair Trading, while compliance with the Commonwealth Act is administered by the Australian Securities Investment Commission (ASIC).

Legal obligations of incorporating a non-profit organisation – whether a company or a incorporated association – include the requirements to:

- Establish a committee responsible for managing the association
- Have a public officer and notify any changes in that position to the compliance body
- Have a registered office in its state of incorporation (or somewhere in Australia if it's a company)
- Act in accordance with the organisation's constitution, objects and rules
- Hold an annual general meeting (AGM)
- Lodge an annual statement with the compliance body (ASIC or NSW Office of Fair Trading)
- Keep proper accounting records
- Have annual financial statements audited (note that under the *Associations Incorporation Act 2009* (NSW) some small organisations with annual income less than \$250,000 income or assets less than \$500,000 are not required to undertake an audit, see 'More information' below)
- Keep minutes of all committee and general meetings
- Maintain registers of members.



Each incorporation law sets out penalties for failing to comply with the law, and the powers of the regulatory watchdog – the Office of Fair Trading or ASIC - that can take action against an organisation in breach of the law.

#### More information:

- Outline of obligations under the *Associations Incorporation Act 2009* (NSW): NSW Fair Trading, Incorporated associations, [http://www.fairtrading.nsw.gov.au/Cooperatives\\_and\\_associations/Associations/Incorporated\\_associations.html](http://www.fairtrading.nsw.gov.au/Cooperatives_and_associations/Associations/Incorporated_associations.html)
- Common questions relating to the 2009 revisions to the *Associations Incorporations Act* NSW and how they affect existing organisations: NCOSS MSU, Q&A *Associations Incorporations Act 2009* [http://www.ncoss.org.au/component/option,com\\_docman/task,doc\\_download/gid,555/Itemid,158/](http://www.ncoss.org.au/component/option,com_docman/task,doc_download/gid,555/Itemid,158/)
- Part 4 of the *Associations Incorporation Act 2009* (NSW) deals with the management of incorporated associations: [http://www.austlii.edu.au/au/legis/nsw/consol\\_act/aia2009307/](http://www.austlii.edu.au/au/legis/nsw/consol_act/aia2009307/)
- Clear and detailed information about the legal duties of community organisations in Victoria (which has a similar but not identical *Associations Incorporation Act*): PILCHConnect, *Guide to the legal duties of not-for-profit committee members in Victoria*, <http://www.pilch.org.au/govguide/>
- Information for organisations incorporated under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (Cth): Office of the Registrar of Indigenous Corporations, <http://www.oric.gov.au/Content.aspx?content=CATSI-Act/default.htm&menu=catsi&class=catsi&selected=About%20the%20CATSI%20Act>
- Plain English, comprehensive governance information aimed at Indigenous organisations, whether covered by the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* (Cth) or other laws (also very useful for non-Indigenous organisations): Reconciliation Australia, *Indigenous Governance Toolkit*, <http://www.reconciliation.org.au/governance>
- Chapter 2D of the *Corporations Act 2001* (Cth) sets out the duties and powers of directors: [http://www.austlii.edu.au/au/legis/cth/consol\\_act/ca2001172/](http://www.austlii.edu.au/au/legis/cth/consol_act/ca2001172/)
- Differences between a company structure and an incorporated association: ASIC, *Registering not-for-profit or charitable organisations*, <http://www.asic.gov.au/asic/asic.nsf/byheadline/Registering+not-for-profit+or+charitable+organisations?openDocument>
- Governance responsibilities under the *Corporations Act* and an overview of similar responsibilities under state and territory *Associations Incorporations Acts*: FAHCSIA, *Corporate Governance: Handbook for the Board, Roles and Responsibilities of Board members*, [http://www.fahcsia.gov.au/sa/disability/pubs/general/CorporateGovernanceHandbook/Pages/RolesResponsibilities.aspx#3\\_2\\_2](http://www.fahcsia.gov.au/sa/disability/pubs/general/CorporateGovernanceHandbook/Pages/RolesResponsibilities.aspx#3_2_2)

## Employment laws

The Board must ensure the organisation complies with laws relating to employment, remuneration, workers compensation, anti-discrimination and occupational health and safety.

In practice the Board delegates much of the employment process to the CEO (in relation to all staff except obviously the CEO themselves). However, because the Board is ultimately responsible if laws are broken, there are some employment responsibilities that the Board should pay attention to. These include:

- Ensuring that employment policies and procedures are transparent and fair, comply with relevant laws, and are being followed by the CEO and other senior managers
- Signing off on Enterprise Agreements and remuneration decisions
- Selecting and managing the CEO
- Being informed of major employment decisions and issues, particularly where there is a potential for legal action (for example in terminations due to disciplinary matters).

To ensure the Board remains in touch with these responsibilities, at least one Board member should be involved in any Staff / Human Resources Committee (see [Section 2.3 – Board Committees](#)). Depending on the size of the organisation and the number of employees, Board members might also be involved in selection panels and the induction of new employees.



The employment and discrimination laws covering a particular organisation are not always clear: they can depend on how the organisation was incorporated, for example whether it was incorporated under federal law such as the Corporations Act 2001 (Cth) or state law such as the *Associations Incorporations Act 2009* (NSW). If the organisation is unsure which employment or discrimination laws apply, Fair Work Australia may be contacted or seek independent legal advice.

Once it is clear which laws apply, the safest way for the Board to ensure the organisation operates in compliance with relevant laws is to implement clear employment policies and procedures. Common policies and procedures cover issues such as:

- Recruitment
- Orientation
- Staff code of conduct
- Anti-discrimination and harassment
- Grievance handling
- Discipline and termination
- Travel and accommodation
- Use of internet, email and social media
- Mobile phones
- Drug and alcohol use
- Occupational health and safety.

#### More information:

There are several employer associations that can provide employment information, advice and assistance to non-profit organisations, although annual membership fees apply. These include Jobs Australia [ja.com.au](http://ja.com.au), the Australian Community Services Employers Association [www.acsea.org](http://www.acsea.org) and the Australian Federation of Employment and Industries [www.afei.org.au](http://www.afei.org.au).

Non-profit organisations in NSW may also be able to receive free employment law advice through the Public Interest Law Clearing House NSW: [www.pilchnsw.org.au](http://www.pilchnsw.org.au)

NADA's template policy and procedure relating to managing human resources: NADA, Human Resources Management Policy, <http://www.nada.org.au/downloads/PolicyToolkit/HumanResourcesManagementPolicy.doc>

National employment laws and the Fair Work system: Australian Government, Fair Work Ombudsman, <http://www.fairwork.gov.au/employment/pages/default.aspx>

Clear and simple examples of workplace policies and procedures: Industrial Relations NSW, [http://www.industrialrelations.nsw.gov.au/Employment\\_info/Managing\\_employees/Workplace\\_policies\\_and\\_procedures.html](http://www.industrialrelations.nsw.gov.au/Employment_info/Managing_employees/Workplace_policies_and_procedures.html)

## Contracts with funding bodies and others

The Board ensures the organisation meets the responsibilities set out in contracts with funding bodies. Funding agreements are legal contracts which can be enforced: for example, if the organisation fails to provide progress reports or financial statements in the right format or at the right time, they may risk losing further funding or having to return funding already received.

Boards may also be responsible for signing off on, and ensuring compliance with, contracts with other people (e.g. IT consultants, management consultants) or agreements with other organisations (e.g. MOUs or partnership agreements).

## Insurance, taxation and other legal responsibilities

The Board must also ensure the organisation complies with all other state and federal laws, including:

- **Insurance obligations** – typically a non-profit organisation will need public liability insurance, property insurance, Director and Officer's insurance, Workers Compensation, and professional indemnity insurance
- **Taxation obligations** – for example, compliance with the ATO rules relating to charities, public benevolent institutions (PBI) and deductible gift recipient (DGR) status
- **Copyright and publishing obligations** – if an organisation uses the writing or artwork belonging to someone else without permission they can face legal action
- **Funding agreement obligations** – these are contracts with sometimes onerous enforcement provisions, for example seeking recovery of funds already paid
- **Fund-raising requirements** – organisations considering fund-raising appeals need to comply with the Charitable Fundraising Act 1991 (NSW)
- **Working with Children checks** – where an organisation employs staff or volunteers to work with children, they must undertake a 'Working with Children' check to see whether a potential staff or volunteer has a police record relating to child offences.

#### More information:

- Non-profit organisations in NSW can apply for free legal advice and assistance on most matters affecting the operation of the organisation through the Public Interest Law Clearing House NSW: [www.pilchnsw.org.au](http://www.pilchnsw.org.au)
- NCOSS offers discounted insurance for non-profit organisations through its bulk-buying insurance program: NCOSS Community Cover, <http://www.ncoss.org.au/content/category/9/156/127/>
- Comprehensive discussion about insurance, risk management strategies, managing volunteers, and Working with Children checks: OurCommunity, General Risk Management & Insurance Help Sheets, [http://www.ourcommunity.com.au/insurance/insurance\\_article.jsp?articleId=1246](http://www.ourcommunity.com.au/insurance/insurance_article.jsp?articleId=1246)
- Outline of taxation issues affecting non-profits (aimed at treasurers) including salary packaging, income tax exemption, and other charitable tax exemptions: OurCommunity, Tax facts and legal structures, [http://www.ourcommunity.com.au/financial/financial\\_article.jsp?articleId=2906](http://www.ourcommunity.com.au/financial/financial_article.jsp?articleId=2906)
- Taxation checklist that helps non-profit organisations review their tax status and obligations: Australian Taxation Office, Self-governance checklist for non-profit organisations, <http://www.ato.gov.au/nonprofit/content.aspx?doc=/content/00292727.htm>
- Information about how charities can legally conduct fundraising: NSW Office of Liquor, Gaming and Racing, Charitable fundraising, [http://www.olgr.nsw.gov.au/charitable\\_home.asp](http://www.olgr.nsw.gov.au/charitable_home.asp)
- How to do a Working with Children check: NSW Commission for Children and Young People, <https://check.kids.nsw.gov.au/>

## 1.3 Personal legal duties of Board members

Board members of all organisations (including non profit organisations) have a range of personal legal duties arising from:

- Legislation – most relevantly the Associations Incorporation Act 2009 (NSW) and the Corporations Act 2001 (Cth);
- Law established by cases heard by courts ('common law') – which for example often make the point that Board directors of all companies under the Corporations Act, whether they are non-profit or for-profit, have the same legal duties; and
- The organisation's constitution.

A Board member who breaches his or her duties may face civil or criminal penalties imposed by ASIC, the Office of Fair Trading, or the police.

These personal legal duties are often framed in legalistic language (e.g. "exercise powers for proper purpose" or "act with due care") but they can be summarised in the following figure.

**Figure 1:** Board member legal duties

#### Board member legal duties

Board members must ensure they:

1. Put the interests of the organisation above all else
2. Act with care
3. Are always honest
4. Avoid any conflict of interest by being up-front about likely conflicts and withdrawing from any discussion or decisions where this is an issue
5. Do not gain in a personal way from being a Board member
6. Do not divulge any confidential information outside of the Board.

Source: NCOSS, *Roles and responsibilities of Board members*

Although most of these duties are obvious, two of these duties, 'act with care' and 'avoid conflicts of interest' require particular description.

## Act with care and 'due diligence'

The law has established that Board members have a "duty of care" to the organisation's members which requires them to act with the "degree of care and diligence that a reasonable person" in that position would exercise. (s 180 Corporations Act)

Under the 'business judgment rule', a Board member will be held to have fulfilled their duty of care if they:

- Make the judgment in good faith for a proper purpose; and
- Do not have a material personal interest in the subject matter of the judgment; and
- Inform themselves about the subject matter of the judgment to the extent they reasonably believe to be appropriate; and
- Rationally believe that the judgment is in the best interests of the corporation.

At a practical level, this means a Board member must be fully up-to-date with the organisation's activities and take an active role in decision-making. Board members need to:

- Attend all, or the majority of Board meetings; and
- Obtain sufficient information and advice about major activities or proposals put to the Board, before deciding whether to approve them - not just rubber-stamping recommendations of other Board members or the CEO.

## Conflicts of interest

Board members are required to put the interests of the organisation above all other interests, including their own. A conflict of interest situation arises when a Board member's duty to the organisation conflicts with their duties, obligations or interests elsewhere – for example the interests of their private business, own workplace or family.

Examples of real or potential conflicts of interest are:

- A Board member is on a job selection panel and one of the candidates is a personal friend
- A Board member works for a government agency that also provides funding to the organisation
- An organisation gives a drug treatment place to the daughter of a Board member ahead of other people who had been waiting longer

- A Board member receives a gift from a firm that provides office equipment to the organisation
- A Board Member sits on the Board of another organisation and the two organisations are competing for the same funds.

The potential for a conflict of interest does not have to develop into a real conflict of interest. In real life, conflicts of interests exist all the time, so all an organisation can do is to effectively manage these interests in a transparent way that maintains the confidence and trust of members of the organisation or the public.

It is a legal requirement, in both the Associations Incorporation Act 2009 (NSW) (section 31) and the Corporations Act 2001 (Cth) (Division 2 sections 191 – 194) that members of Boards with real, potential or perceived conflicts of interest should:

- Disclose these interests to the Board (the NSW Act additionally requires the conflict to be set out in a conflict of interest book or register which must be stored at the main office of the organisation); and then
- Remove themselves from making decisions involving these conflicting interests; however
- While they are absent, the Board can resolve that the Board member can take part in the discussion and decisions, and can bring them back into the meeting – this decision must be noted in the minutes.

### More information:

- Suggested strategies and processes to manage conflicts of interest: Section B10 – Managing conflicts of interest.
- Section 31 of the *Associations Incorporation Act 2009* (NSW), [http://www.austlii.edu.au/au/legis/nsw/consol\\_act/aia2009307/](http://www.austlii.edu.au/au/legis/nsw/consol_act/aia2009307/)
- Division 2 of the *Corporations Act 2001* (Cth), [http://www.austlii.edu.au/au/legis/cth/consol\\_act/ca2001172/index.html#s192](http://www.austlii.edu.au/au/legis/cth/consol_act/ca2001172/index.html#s192)
- Simple explanation of the responsibilities of Board members: NCOSS, Management Support Unit, *Information Sheet No 3: Roles and Responsibilities of office bearers and general members of Board of Management of Incorporated Associations*, [http://www.ncoss.org.au/component/option,com\\_docman/task,doc\\_download/gid,158/Itemid,78/](http://www.ncoss.org.au/component/option,com_docman/task,doc_download/gid,158/Itemid,78/)

- Information about company directors' personal responsibilities (apply to non-profits incorporated under the *Corporations Law*): ASIC, *Company Office-holder duties*, <http://www.asic.gov.au/asic/asic.nsf/byheadline/Your+company+and+the+law?openDocument>
- Clear and simple discussion about what conflict of interest is, examples of real or potential conflicts of interest, and strategies to avoid conflicts: OurCommunity, *Handling conflicts of interest*, [http://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1346](http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1346)
- Broad discussion of legal duties of Board members, BoardConnect, *Legal Duties of Board members (new)*, <http://www.boardconnect.com.au/resources/articles/legal/258-legalduties.html>

## 1.4 Behaviour expected of Board members

In addition to the specific responsibilities under the law, organisations expect Board members to behave in a way that reflects well on the organisation. These ethical responsibilities or expected conduct can be set out in key governance documents such as a Board Code of Conduct: for more information see [Section 2.1 – Governance policies](#) and [Section 3.2 – Use effective governance structures](#). Expected conduct may also be outlined to prospective Board members during recruitment processes, and discussed with new Board members during their orientation: see [Section 3.4 – Find and keep great Board members](#).

### More information:

- Code of conduct for Board members: BoardConnect, *Code of Conduct Template*, <http://www.boardconnect.com.au/resources/articles/duties/253-code-conduct.html>
- Corporate Governance best practice principles and guidelines for all companies under the Corporation Act 2001 (relevant to non-profit companies also): Australian Securities Exchange, *Corporate Governance*, <http://www.asx.com.au/governance/corporate-governance.htm>
- A set of good practice principles to help community organisations draft their own Board Code of Conduct or Board Charter: *OurCommunity.com.au*, *Draft Code of Governance for the Australian Community Sector (2008)* [https://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=3221](https://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=3221)
- Tips on making ethical decisions:
- The St James Ethics Centre provides free confidential (non-legal) advice on ethical dilemmas to anybody, including Board members facing conflicts of interest: St James Ethics Centre, *Ethi-call*, ph 1800 672 303, <http://www.ethics.org.au/content/ethics-counselling-service>



## NADA member practice: Board responsibilities

In May 2011, Namatjira Haven Drug and Alcohol Healing Centre developed a Board of Directors Policy and Procedures Manual. This Manual is used as an orientation for new Board members as well as a guide for all Board members on the organisation's operations and specifically their legal and behavioural responsibilities. In lieu of formal external governance training, this Manual includes all legal, behaviour and practice requirements for Board Directors.

The section titled 'Board roles and responsibilities' addresses shared, individual and legal responsibilities for all positions that make up the governing body. Specific legal requirements under the Corporations Act and ASIC Regulations are clearly defined to ensure all Board members know and understand their incorporation requirements. Guidance on the expectation of Board members' conduct; including confidentiality, conflicts of interest, and receiving gifts, is discussed with hyperlinks to relevant Board and organisational policies, procedures and forms.

The Board of Directors Policy and Procedures Manual is given to all Board members in both hard and electronic copy for their continued reference. The electronic copy forms part of a broader organisational orientation and is included on a CD with other resources such as the organisation's constitution, delegations register, current funding sources, Human Resources Management Manual, OH&S Manual, Operations Manual, Therapeutic Staff Manual and annual action plan.

Namatjira Haven Drug and Alcohol Healing Centre, [www.namatjirahaven.com](http://www.namatjirahaven.com).

## 1.5 Responsibilities of particular Board positions

### The Chair

The Chair (or President) is the leader of the Board, the primary spokesperson for the organisation (unless delegated otherwise) and often the direct supervisor of the CEO.

The Chair role is important for good governance. The Chair needs to be prepared to devote more time than that required of an ordinary Board member. In addition to the responsibilities of general Board members, the chair needs to:

- Act as a spokesperson and representative for the organisation to the members and external stakeholders
- Steer the direction and performance of the organisation
- Facilitate strong relationships between Board members, between the Board and organisation members, and with the CEO (*see Section 2.14 – The Board/CEO relationship and Section 3.6 – Create strong working relationships*)
- Model and promote high standards of behaviour and practice
- Chair Board meetings and act as final decision-maker when the vote is tied
- Develop agenda and minutes with the CEO
- Prepare for the AGM.

Given this leadership role, it is important for the Chair to have (or to quickly gain through training, support or mentoring) the following skills:

- Chairing or facilitating meetings
- Liaison and negotiation with the government and corporate sector particularly funding agencies or foundations
- Staff supervision or human resource management skills
- Media interaction
- Financial management.

A Deputy or Vice Chair supports the Chair in his or her tasks and fills in when the Chair is absent. Often the Deputy Chair is seen as being in training to succeed the Chair.

#### More information:

- Template Duty Statement for Chair: *Glossary and Resources, Resource 2.*
- Discussion of the responsibilities of individual Board positions including the Chair and Vice Chair: OurCommunity, *Who's Who on the Board*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1315](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1315)

### Treasurer

The Treasurer's job is to monitor the organisation's financial processes and keep on top of reporting obligations. A person serving as a Treasurer needs to have sound knowledge of financial matters. The constitution may set out specific responsibilities of the Treasurer, sometimes taken from the relevant incorporation law.

The Treasurer generally chairs the finance committee if there is one, and works with staff to ensure that regular financial reports are provided to the Board. The Treasurer is also responsible for:

- Developing and updating financial policies and procedures
- Preparing or co-preparing budgets
- Monitoring monthly accounts
- Signing off on the creation of new bank accounts, cheque facilities and credit cards
- Liaising with auditors in relation to annual financial statements
- Ensuring the Board is aware of the group's financial situation and performance.

Although the Treasurer has specific financial management tasks, it is important to note that if the organisation is in financial difficulty, all Board members are responsible, not just the Treasurer.

#### More information:

- Template Duty Statement for Treasurer: *Glossary and Resources, Resource 3.*
- Detailed discussion of the Treasurer position: OurCommunity, *The Role of the Treasurer*, [http://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=70](http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=70)

### Public Officer and Secretary

The Public Officer is a position required by incorporation laws. The Public Officer is the official point of contact for regulatory authorities. The specific responsibilities are set out in the relevant incorporation laws and the organisations' constitution, and include signing documents to be lodged with the relevant regulatory body (for example ASIC or the NSW Office of Fair Trading) and maintaining registers of the organisation's members.

The Public Officer is an appointed position, not an elected position. It can be, but does not need to be, a Board member. Some organisations make the CEO or the Finance Officer the Public Officer, while others prefer to ask the Board Secretary to be the Public Officer.

The Secretary position also has specific legal duties in the Corporations Act 2001 (Cth) (where it is called the Company Secretary); interestingly the Associations Incorporation Act 2009 (NSW) does not mention the Secretary position within the Act itself, but does recommend the creation of a Secretary position in its Model Constitution.

In organisations with no or very few paid employees, the Secretary generally prepares agendas, sends out notices of meetings, and takes the minutes of Board meetings. However, in staffed organisations these tasks are often delegated to a staff member.

The role of the Secretary position therefore usually consists of:

- Ensuring meeting agendas are prepared and distributed according to the constitution
- Ensuring meeting minutes are taken (eg through delegation to a staff member) and properly stored
- Ensuring all the legal requirements of incorporation are carried out
- Maintaining up-to-date contact details for Board members
- Assisting in the organisation of Board meetings, AGMs, and special general meetings.

#### Further information:

Discussion and template job description for Secretary (American website): NEO Law Group, <http://www.nonprofitlawblog.com/home/2008/12/duties-of-the-secretary-of-a-nonprofit-corporation.html>

Details of the role of the Board Secretary, BoardConnect, *Role of the Secretary*, <http://www.boardconnect.com.au/resources/articles/duties/329-role-of-the-secretary.html>



# SECTION 2:

## How it is done: Governance processes

### 2.1 Governance policies

Roles and responsibilities relating to governance of a particular organisation can be set out in a number of different documents:

- The constitution
- Governance Policies and Procedures, including delegations of particular committees or individuals
- Governance Charters, Handbooks or Packs
- Functions and delegations matrix
- A Board Code of Conduct which sets out the legal and ethical standards of behaviour expected of Board members
- Board Position Descriptions which describe in detail the tasks and commitments of individual Board members, much like a job description
- A combination of any or all of the above.

#### More information:

- Benefits and disadvantages of various types of documents in setting out the Board's roles and responsibilities: [Section 3.2 – Use effective governance structures](#).
- Examples of governance documents: [Resource 6 – Template governance statement](#) and [Resource 7 – Template Functions and Delegations Matrix](#)
- Template Governance policy and procedure: NADA, Governance and Management Policy, <http://www.nada.org.au/downloads/PolicyToolkit/GovernanceManagementPolicy.doc>

### 2.2 Structuring the Board

The composition of the governing body and the use of other bodies such as Board committees can vary widely from organisation to organisation.

The most common governance structure is one in which members of an organisation (either individuals or if a peak body, other organisations) collectively elect individual members to a Board at an Annual General Meeting (AGM). This type of Board is known as an elected and representative Board. The Board then governs on behalf of the membership. This is the structure of most organisations incorporated under the *Associations Incorporations Act NSW*.

Some Boards however appoint their own new Board members whenever vacancies arise – this is known as a self-selecting Board. In this structure, often the Board members are also the only organisational members of the organisation. This company-like structure is permitted under the *Corporations Law* but not under the *Associations Incorporation Act*.

Some Board members might be appointed or nominated by a third party such as the government or another organisation.

Some Boards have 'ex officio' ('by right of office') members, one of the most common of which is the CEO. Unless the constitution specifies otherwise, ex officio members have full voting rights along with the other Board members.

Many Boards have a combination of the above, for example, the constitution sets out that one member is a Government nominee, the CEO is an ex officio member, and the rest of the Board is elected by membership.

Most Boards inherit a structure through the organisation's constitution; usually the structures chosen reflect the aims and mission of the organisation at the time it was established. [Section 3.2 – Use effective governance structures](#) provides some examples of structures which may suit particular types of organisations and outlines the benefits and disadvantages of the different types of Board structures.

## 2.3 Board committees

Although the Board retains overall legal responsibility for the conduct of an organisation, it can delegate some of its work to Board committees. Common Board committees are:

- **Staff / Human Resources Committee:** providing oversight of employment policies and procedures, negotiating Enterprise Agreements and salary levels. This committee is particularly useful if the CEO is new to staff management. The Chair, another Board member with human resource expertise, and the CEO are common members of these committees.
- **Finance / Budget Committee:** overseeing preparation of budgets, reviewing performance against budget and scrutinising major capital expenditures. The CEO, Finance Officer/Accountant and Treasurer are usually involved. This committee is an effective way to skill up a new Treasurer.
- **Fundraising / PR Committee:** overseeing fundraising, marketing and public relations strategies. Board members with skills in these areas can work with relevant staff to build skill across the organisation.
- **Governance / Board Development Committee:** overseeing applications for membership, Board succession planning and Board development processes (also see [\*Section 3.4 – Find and keep great Board members\*](#))
- **Remuneration Committee:** established to review CEO salary, benefits and performance.

A discussion on considerations when creating committees is provided in [\*Section 3.2 – Use effective governance structures\*](#).

## 2.4 Steering, advisory or ad hoc committees

There may be some organisational areas or projects in which the Board wants expert advice, although they do not want to delegate their authority. In this case the Board may create working groups, advisory groups, taskforces or steering committees (although it is wise to steer away from calling these 'committees to avoid confusion with any formal Board committees that have clear governance responsibilities). Examples are:

- **Information and Communications Technology Advisory Group:** consisting of a Board member, volunteers with IT nous, IT staff, and senior management
- **Annual Conference Organising Group:** consisting of one or two Board members, key stakeholders, and relevant staff
- **Client Reference Group:** A group of clients which provide input and advice about the services provided by the organisation
- **Aboriginal Advisory/Consultative Group:** A group of Aboriginal stakeholders, staff, clients, volunteers and/or Board members which provides advice on and input into the issues facing the organisation and/or Aboriginal clients.

Client Reference Groups or other consultative groups should be properly resourced; for example provided with meeting space, meals, and a staff member to record minutes and prepare papers. Reports from these groups – verbal or written – should be provided to the Board through a regular agenda item and the advice should be respected and acted upon. If the Board consistently declines to act on the advice of particular groups, it may reconsider the reasons for creating the groups in the first place.

## 2.5 Delegations

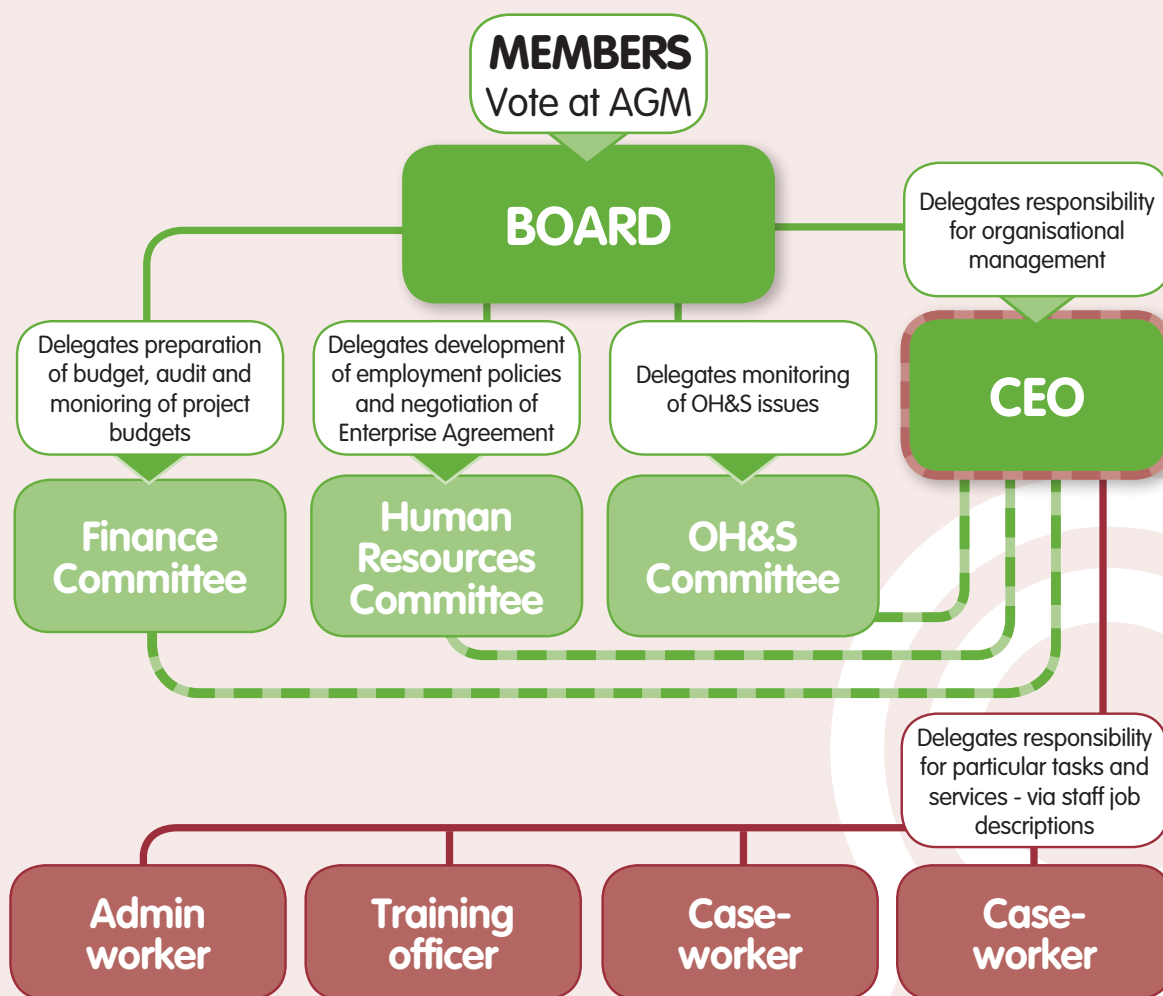
Whatever the structure of an organisation's governance, it is important to clearly set out the delegations and responsibilities of the Board, committees and staff. Although detail can be written into policies and procedures, a diagram can provide a quick overview. Below is an example of a governance structure.

### More information:

Template Functions and Delegations Matrix:  
*Glossary and Resources, Resource 7.*

Another template 'delegation chart' which can be placed within policies and procedures: Bradfield Nyland Group and Spall Watters Group for CommunityDoor (QCOSS/Qld Department of Communities), <http://www.communitydoor.org.au/node/30>

**Figure 2:** Sample delegations diagram or governance structure



## 2.6 Strategic planning

The strategic planning process is a way for organisations to think through and document what they are doing, for whom, and why they are doing it. Questions that the strategic planning process seeks to answer include:

- Is our mission valid or do we need to change it?
- Has our target community shifted its focus or needs?
- Should we abandon existing programs that have outlived their usefulness and move resources elsewhere?
- Is there enough capacity and commitment within our present staff and Board to achieve our goals?

“

**“Strategic planning can be defined as a disciplined, creative process for determining how to take your organisation from where it is today to where you wish it to be in the future. It describes the means of achieving the desired results.”**

*Source: NCOSS, Information Sheet 25: Strategic Planning, details in 'More information' below*

”

The importance of a strategic plan cannot be overstated. In analysing the failure of the HIH insurance group in the HIH Royal Commission in 2003, Justice Owen said:

“

**“A long-term strategy or plan was never submitted formally to the Board for critical analysis. Nor did one emerge or evolve informally. In the absence of a framework within which investment and other decisions could be evaluated, the growth of the group was opportunistic and lacking in direction.**

**There is a related problem. A board that does not understand the strategy may not appreciate the risks. And if it does not appreciate the risks it will probably not ask the right questions to ensure that the strategy is properly executed. This occurred in the governance of HIH.”**

”

Once a strategic plan has been developed, the Board needs to ensure it actually works as a guiding plan for the organisation. This often means delegating to the CEO and staff the task of creating work plans or operational plans to implement the strategic plan. The CEO is then held accountable by the Board for the organisation's performance against these plans.

### More information:

- Detailed information sheet outlining concerns and barriers to strategic planning, benefits, principals, steps to take, and a list of further resources: NCOSS MSU, *Information Sheet 25: Strategic Planning*, [http://www.ncoss.org.au/component/option,com\\_docman/task,doc\\_download/gid,517/Itemid,158/](http://www.ncoss.org.au/component/option,com_docman/task,doc_download/gid,517/Itemid,158/)
- Series of information sheets about strategic planning and risk management: OurCommunity, Boards Help Sheets Part 8: *Strategic Planning – Mapping your Group's Future*, [https://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1306](https://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1306)
- Report on the Royal Commission into the collapse of the HIH insurance group: Commonwealth of Australia, *The Failure of HIH Insurance, 2003*, <http://www.hihroyalcom.gov.au/finalreport/index.htm>

## 2.7 Risk management

Risk can be defined as “the effect of uncertainty on an organisation's objectives.” [*International Organisation for Standardisation, ISO 31000:2009*]

Risk management is the process of thinking systematically about all the possible risks, problems or disasters that could happen as a result of a particular activity, and setting up procedures that will avoid the risk, minimise its impact, or cope with its impact. With every new activity undertaken by an organisation, the Board should identify potential risks.

A risk management plan identifies all risks, rates each risk in terms of likelihood to occur and the potential effect on program, and proposes strategies to deal with the risks.

### More information:

- Simple step-by-step guide to conducting risk management, including use of a risk matrix: Board Connect, *Steps in a Risk Management Strategy*, <http://www.boardconnect.com.au/resources/articles/legal/136-stepsriskman.html>
- Discussion about risk management including a risk matrix, OurCommunity, *Risk Management: 10 steps to a safer organisation*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1363](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1363)
- Information about risk management, including a checklist for Board members to ensure they understand their obligations to manage risk: NSW Department of Family and Community Services (Ageing, Disability and Home Care), *It's Your Business, Chapter 6: Risk Management*, [http://www.adhc.nsw.gov.au/sp/training\\_and\\_development/good\\_governance](http://www.adhc.nsw.gov.au/sp/training_and_development/good_governance)

## HYPOTHETICAL CASE-STUDY: DRUG AND ALCOHOL SUPPORT ORGANISATION

At a Board meeting, the CEO asks the Board to approve a new counselling program involving small groups facilitated by voluntary facilitators who are former drug and/or alcohol users.

Board members ask the CEO about possible risks. The CEO has not formally considered the various risks and is unable to address their questions and concerns. The Board requests the CEO to prepare a risk management plan and bring the proposal back to the Board. The CEO revises the project plan to include the following risk table:

RISK	RATING	MITIGATION STRATEGY
The program will fail to attract participants	High probability / high impact	Build a 3-month lead-in before the program starts, with the project coordinator marketing the program through inter-agencies, meetings with key referral points, and posters/flyers.
The program will be unable to recruit sufficient volunteer facilitators	Low probability / high impact	Already had interest from four facilitators but require those interested to formally register for training program prior during the 3-month lead-in period
The facilitators, being unpaid, may be sporadic in their attendance	Medium probability / high impact	» Facilitators to sign a contract relating to commitments and expectations » Emphasise their important role in the success of the program » Provide certificate after receiving the training and facilitating a minimum number of sessions » Provide financial support for travel expenses
Voluntary facilitators not sufficiently skilled to facilitate groups	High probability / medium impact	Provide a training program of at least six sessions led by experienced facilitators covering key issues
Facilitators may draw from their personal experience and assume it best that group participants follow a similar path	Medium probability / medium impact	Dealt with during training program
Insurance risks relating to voluntary workers	High probability / high impact	Extend insurance policy to cover volunteers.
Risk to reputation with the funding body if the program is not successful	Low probability / medium impact	» Establish as a pilot program in the first instance » Provide project plan including this risk management plan to funding body » Project coordinator to evaluate program against clear objectives » Re-design the program when seeking ongoing funding.

At the next Board meeting, the Board approves the project plan after only a short (10 minute) discussion.



## 2.8 Providing financial oversight

The Board is responsible for oversight of the organisation's financial viability. It may delegate the detail of financial monitoring to a Finance and/or Audit Committee, but is still required to actively consider financial matters at every Board meeting. The duty of Board members to pay 'due diligence' to the organisation (see [\*Section 1.3 – Personal legal duties of Board members\*](#)) means that all individual Board members – not just the Treasurer – must understand the financial status of the organisation and work to ensure the organisation is financially viable.

The main ways that Boards can provide financial oversight are:

- Ensuring the organisation has effective financial policies and procedures, including risk management systems which reduce the risk of fraud
- Approval of the annual budget – done before the commencement of the relevant financial year
- Analysis and approval of financial statements and reports of expenditure against budget at every Board meeting
- Commission of an external audit where this is a legal requirement under incorporation laws (see [\*Section 1.2 – Legal responsibilities of the Board\*](#)) or a requirement of funding agreements
- Oversee the preparation for the audit (or delegate this to an Audit Committee or Finance Officer)
- Approve the audit report and/or the financial statements (usually at the AGM).

Boards should also consider fund-raising strategies and long-range financial/sustainability planning, in line with the broader strategic planning process, which might identify:

- A fund-raising strategy (if the organisation has the authority to fundraise) – perhaps to be implemented through a fund-raising committee
- Identify new funding sources to avoid over-reliance on one funding source
- Investments such as long-term deposits
- Future accommodation needs, for example purchasing a property or move to larger premises.

More information:

- Detailed information on the financial management issues that Board members should understand and be involved in, specifically relevant to NSW organisations: NSW Department of Family and Community Services (Ageing, Disability and Home Care), *It's Your Business*, Chapter 4 – Financial Management, [http://www.adhc.nsw.gov.au/sp/training\\_and\\_development/good\\_governance](http://www.adhc.nsw.gov.au/sp/training_and_development/good_governance)
- Clear, jargon-free information on how to prepare a budget and performing other financial obligations: OurCommunity, *Financial Management and your Community Group*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1798](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1798)
- Good practice in financial reporting for companies under the Corporations Act: The Institute of Chartered Accountants in Australia, *Enhancing not-for-profit annual and financial reporting*, <http://www.charteredaccountants.com.au/~media/Files/Industry%20topics/Reporting/Not%20for%20profit/NFP%20Report%20March%202011.ashx>
- Governance development training resources relating to financial management for Boards: Bradfield Nyland Group and Spall Watters Group for CommunityDoor (QCOSS/Qld Department of Communities), *Financial management for boards and management committees*, <http://www.communitydoor.org.au/node/32>
- Training toolkit on improving an organisation's long-term viability or sustainability, including a template identifying and improving their position within their 'market': Bradfield Nyland Group and Spall Watters Group for CommunityDoor (QCOSS/Qld Department of Communities), *Sustainability of the organisation*, <http://www.communitydoor.org.au/node/33>



## 2.9 Organisational policies and procedures

The Board's responsibility for oversight of the organisation and its viability includes ensuring the organisation has relevant policies and procedures.

'Policies' are high-level rules which set out what an organisation wants to achieve. For example: "The organisation is committed to a fair and democratic workplace that treats all staff with respect, without discrimination, and according to the law".

'Procedures' are the rules which set the way in how these policies are going to be achieved.

Good policies and procedures which are actually used by the organisation underpin successful operation of all organisations.

**Figure 3:** What do policies do?



Source: Reconciliation Australia, *Indigenous Toolkit*, details in 'More information' below.

Organisations typically have policies and procedures in relation to four main areas:

- Governance
- Human resources
- Financial and organisational management
- Service delivery.

The policies and procedures need to conform to the law (for example employment law or corporations law), service standards and formal quality improvement program standards required by funding agencies. They also need to be specific to the actual organisation so that new staff members, Board members, volunteers and (where relevant) service users are able to clearly understand them.

- The Board need not be involved in the actual writing of policies and procedures but does need to be sure that they are appropriate. It can do this through a number of mechanisms, such as:
- Delegating the development of all policies to an ad hoc Board committee such as a Policy and Procedure Working Group
- Delegating the development or revision of relevant policies and procedures to existing Board committees, for example the Staffing Committee, Finance Committee, etc
- Requiring the CEO (with other staff) to revise particular policies and procedures, with a regular agenda item at Board meetings to review and approve particular policies and procedures
- Commissioning a consultant to revise policies and procedures with the Board to approve entire set.

Once policies and procedures are in place and up-to-date, the Board delegates to the CEO the responsibility of ensuring staff understand and apply them, and make sure the Board has the governance policies and procedures available during Board meetings.

### More information:

List of common policies and procedures: OurCommunity, *Tips for Developing and Using Policies*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1521](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1521)

Plain English outline of what policies are, and what should be in Governance policies: Reconciliation Australia, *Indigenous Governance Toolkit*, <http://www.reconciliation.org.au/governance/governance-rules-and-policies/6-3-policies>

## 2.10 Managing conflicts of interest

To manage Board conflicts of interest, an organisation should have a conflict of interest policy and procedure which can be contained in a Governance Charter. Figure 4 below sets out the main issues to be covered in a conflicts of interest policy and provides possible strategies or policies for dealing with conflicts.

### More information:

- A template Conflict of Interest policy and procedure which organisations can adapt for their own use: [\*Resource 4 - Template Board Conflict of Interest Policy\*](#)
- Another example of a conflict of interest policy: CommunityDoor (QCOSS/Qld Department of Communities), [http://www.communitydoor.org.au/documents/VOICE/gov\\_accountability/policies\\_procedures/ConflictofInterest.rtf](http://www.communitydoor.org.au/documents/VOICE/gov_accountability/policies_procedures/ConflictofInterest.rtf)

**Figure 4:** Possible strategies to manage conflicts of Interest

When and how does the Board member need to disclose their personal and financial interests?	Once the conflict has been declared, what needs to happen?	How should Board members deal with gifts to them in the course of their Board role?
<ul style="list-style-type: none"> <li>» Complete the conflict of interest declaration form when first joining the Board – to be filed in Conflict of Interest register</li> <li>» Notify the Board in writing / email as soon as becoming aware of the conflict</li> <li>» Inform the Board before the Board meeting at which the issue is being discussed</li> <li>» Inform the Board before the agenda item discussing the issue</li> </ul>	<ul style="list-style-type: none"> <li>» Conflict to be noted in Board minutes, an excerpt of which to be filed in Conflict of Interest register</li> <li>» Relevant Board member leave the room / meeting while the issue is being discussed</li> <li>» Board member does not participate in discussion, vote or contribute to decision making on the issue</li> </ul>	<ul style="list-style-type: none"> <li>» All gifts, or those worth over a certain amount, to be refused / returned</li> <li>» Gifts to be entered in a gift register and declared at a Board meeting</li> <li>» Gifts to be given to the organisation and not retained by the Board member</li> </ul>

## 2.11 Payment to Board members

Many organisations reimburse their Board members for out-of-pocket expenses incurred in attending Board meetings, for items such as travel, accommodation and meals.

It is much less common in Australia for non-profit organisations to pay Board members a stipend, fee, honorarium, or compensation for being a Board member. Although the process varies according to the relevant incorporation law and the organisation's constitution, an organisation can pay Board members a reasonable fee for performing their Board duties. The organisation's Governance Charter, Board Code of Conduct or Policies and Procedures should set out clearly the process for setting and approving payments to Board members.

Boards should be aware that there may be taxation implications in the payment of Board members. For example, under taxation law, a non-profit company must not generate profit or gain for individual members. The Australian Taxation Office says "A non-profit company can make payment to its members [including Board members] as bona fide remuneration for services they have provided to it, and as reasonable compensation for expenses incurred on behalf of the organisation."

Given the vagueness of the terms "bona fide" and "reasonable", it is suggested that organisations considering making payments to Board members seek legal advice of the possible legal and taxation consequences of making these payments. Even if a decision to pay Board members might technically be legal, organisations may consider the organisation's mission, financial position, and how such a decision might be perceived by the public, funding bodies and members.

### More information:

- Free legal advice for non-profits is available through the Public Interest Law Clearing House NSW: [www.pilchnsw.org.au](http://www.pilchnsw.org.au)
- Section 202A of the *Corporations Act 2001* (Cth) sets out the process a public company must follow when deciding to make payments to Board directors: [http://www.austlii.edu.au/au/legis/cth/consol\\_act/ca2001172/index.html#s192](http://www.austlii.edu.au/au/legis/cth/consol_act/ca2001172/index.html#s192)
- An Australian Taxation Office publication which explains amongst other things the definition of "non-profit" (p 72): ATO, *Income tax guide for non-profit organisations* (NAT 7967), <http://www.ato.gov.au/content/34335.htm>

## 2.12 Board meetings

Participating in Board meetings is the most important activity of Board members. This section sets out basic processes for Board meetings; running effective meetings is further discussed in [Section 3.4 - Run great Board meetings](#).

### Frequency

Boards should meet as often as is necessary to fulfil the Board's responsibilities. The minimum number of times Boards must meet in a year is governed by the organisation's constitution and the relevant law – for example the model constitution in the *Associations Incorporation Act 2009* (NSW) recommends a minimum of 3 ordinary meetings a year. Monthly meetings are usually more common for Boards performing a hands-on management role, while more strategic Boards – particularly those that delegate some or the majority of obligations such as staffing and financial management – meet less frequently – and in some cases only quarterly.

### Duration

The agenda should set out the time the meeting is expected to take. Long meetings test the patience of voluntary Board members and are probably the clearest indicator that the Board needs to shift some decisions to Board committees or improve their decision-making procedures.

### Location

Usually Boards meet in a suitably sized room in the office of the organisation. However in some cases Boards might prefer to meet off the premises, particularly if:

- the organisation does not have a room of suitable size
- the Board also wants to engage in some training or strategic planning and needs better facilities
- the organisation is a peak body and wants to hold its Board meetings at the same time and venue as a network meeting
- the Board is discussing staff issues and feels uncomfortable discussing this with staff in the building.

Other locations for Board meetings may be a room provided by another community organisation, local council, TAFE, university, school, or pro bono law firm.

Incorporation laws now allow organisations to specify in their constitution that Board meetings can take place through teleconferencing, video-conferencing or online. An increasing number of online Board support services are being developed to cater for this.

## Notification of meetings

Incorporation laws specify that Board members need to be notified of all Board meetings, and usually the constitution will set out more detail of how this notification should occur. As long as Board members are given a reasonable amount of notice to attend the meeting, it usually does not matter in what form the notice is provided. Best practice is to set the date and venue for the subsequent meeting during the Board meeting, or to schedule meetings for the year from one AGM to the next.

## Agenda

The Agenda is the list of things that will be discussed during the meeting. It should be sent to Board members at least one week in advance of the meeting to ensure all Board members have the opportunity to prepare for the meeting. A strategic meeting agenda is provided as an Appendix (see 'More information' below).

## Reports to be sent with the Agenda

For the Board to fulfil their legal responsibilities to act with due diligence, they need to receive information from the organisation about its work. The information needs to be sufficiently detailed so Board members can understand the activity or issue and can make informed decisions; but not so much that they are overwhelmed with detail. For this reason it is usual for reports and discussion papers to be sent out with the Board agenda. It is helpful to have a standard layout and format for reports to the Board, so Board members can easily identify information crucial to their decision-making processes.

Common reports tabled at Board meetings are:

- Report from the CEO (also see [Section 2.14 – The Board/CEO relationship](#))

- Financial Report - from the Finance Officer, Treasurer, or Finance Committee (also see [Section 2.8 – Providing financial oversight](#))
- Reports from Board committees – these do not necessarily need to come to every Board meeting but perhaps might alternate with dates for reports set out in a Board calendar.

Other documents might also be sent out with the Agenda, for example draft position papers, submissions, or project proposals, or risk management plans (see [Section 2.7 – Risk management](#)).

## NADA member practice: Document distribution and meeting location

Kamira has implemented a few practices to support effective Board meetings.

All governance documents, including constitution, insurance policies, financial budgets, meeting agendas, minutes and briefing papers are distributed using cloud computing, with each Board member provided with individual secure access. All members use electronic devices, such as tablets, to read and download the documents when convenient for them and have available at Board meetings. This makes a significant difference to the amount of time and resources required by both staff and Board members in preparing for meetings – no printing, less collation, less paper used.

Kamira has also determined that Board meetings are more effective when conducted off site, away from the every-day operations of the organisation, and in a central location between Board members homes and place of work. Meetings are held once per month, beginning at 4.30pm. Board members typically leave their place of work a little early on these days to attend the meeting and are home in time without interfering too much with personal and family commitments.

Kamira, [www.kamira.com.au](http://www.kamira.com.au)

## Quorum

An organisation's constitution sets out the minimum number of Board members that must be present before a meeting can legally be valid.

## Declaration of conflicts of interest

If a Board member identifies that an issue for discussion raises a potential, actual or perceived conflict of interest for them, they should declare this conflict prior to the meeting or at the commencement of the meeting so the Chair can if necessary, re-order the agenda or the Board can make a decision about how to deal with the conflict.

## Running the meeting

The Chair is usually responsible for chairing all Board meetings, or the Vice-Chair in their absence. If the meeting agenda is well-prepared, running the meeting is usually an exercise in time-management and facilitation of discussion. Speaking lists are useful where debate becomes heated. If an agenda item is spilling over its allotted time, the Chair must decide whether to hold over the discussion and any decision until the next meeting, or whether to cut debate short and move to a decision.

## Making decisions

The main purpose of Board meetings is to make decisions on proposals brought to the meeting. Decision-making can be through a formal process – where motions (proposals) are 'moved' by one person and 'seconded' by another, and if passed, become a resolution – or a more informal process where a proposal is just generally discussed.

The actual decision can be made by consensus or by taking a vote. Some organisations have a strong commitment to consensus decision-making and only take a vote in exceptional circumstances; others routinely use a formal process ending in a vote.

The organisation's constitution can set out procedure for voting – for example whether proxy or postal votes can be allowed, and what sort of majority is required for a motion to pass. If the constitution is vague about meeting processes, the Board may want to set out procedures in any governance documents.

Where a formal voting process is followed, those who are in the minority are required to abide with the decision of the majority. (Also see [Section 3.5 – Run effective Board meetings](#)).

Resolutions or decisions agreed by the Board are binding on the actions of the Board and the organisation, and must be accurately recorded in the minutes.

## Minutes

Taking minutes of Board meetings is a legal responsibility of the Board (see [Section 1.5 – Responsibilities of particular Board positions](#)). The constitution usually sets out required information for minutes – generally it includes the text of relevant motions, movers and seconders. In addition to this, minutes usually contain a brief discussion of the details surrounding particular decisions and an Action and Decision list. This Action and Decision List sets out:

- What was decided
- What needs to be done
- Who should do it
- When it should be done.

## 'In camera' or private discussions

If an issue raises conflicts of interest with a particular Board member, or the Board wants to discuss issues without the presence of the CEO or staff members, the Board can go into a private or 'in camera' discussion. Usually minutes of these private discussions are kept separate from the normal Board minutes and only circulated to those members of the Board who do not have a conflict. If decisions are made which need to be communicated to the organisation or the CEO, then only the decision is recorded in the formal minutes. Regular 'in camera' time at Board meetings allows the Board to fulfil crucial parts of its role, including reviewing CEO performance and performing governance roles independently of paid staff.



## After the Board meeting

The minutes need to be drafted, checked with the Chair, and distributed to Board members with the agenda for the next Board meeting. If there is an extended gap between Board meetings but there are actions required to be undertaken between meetings, the draft Action and Decision list on its own can be circulated to Board members.

### More information:

- A template Board agenda is provided in Glossary and Resources: [Resource 9](#).
- A 2004 guide to running Board meetings (prepared for Certificate III in Active Volunteering) including agendas, conducting the meeting, handling conflict taking minutes, and a detailed list of resources: National Skills Resource Centre, *Manage a Board meeting* (BSBATSIL408A), [http://www.volunteeringaustralia.org/html/s02\\_article/article\\_view.asp?id=425&nav\\_cat\\_id=169&nav\\_top\\_id=61&dsb=13736](http://www.volunteeringaustralia.org/html/s02_article/article_view.asp?id=425&nav_cat_id=169&nav_top_id=61&dsb=13736)
- Detailed outline of the legal requirements of Board minutes for companies under the Corporations Law, including whether minutes can be tendered in court and whether there should be minutes of "in-camera" meetings: Australian Institute of Company Directors, *Minutes of Director's Meetings*, <http://www.companydirectors.com.au/Director-Resource-Centre/Director-QA/Board-Meetings/Minutes-of-Directors-Meetings>
- Details about one online Board 'portal', as well as links to a list of other online Board 'portals': Matrix on Board, *BoardEffect*, <http://www.mob.com.au/boardsupport>

## 2.13 AGMs and other general meetings

General meetings are meetings of all the members of an incorporated organisation. These include Annual General Meetings, Special Meetings and Extraordinary Meetings.

While all general meetings have to follow the same rules, Annual General Meetings have additional functions. The following outlines the function and rules of AGMs – for information on other General Meetings, refer to the constitution or incorporation legislation.

The AGM is the Board's major opportunity to explain to members the major issues and activities affecting the organisation throughout the year. It provides a chance to recap on the year's progress through a published or verbal Annual report; approves the annual audit and the auditor for the following year; and may elect new Board members and/or office bearers.

The relevant incorporation law and the organisation's constitution set out legal requirements of running an AGM. Generally these include:

- Providing a number of weeks notice of the meeting to all the organisation's members
- Calling the AGM within a certain time-frame after the close of the organisation's financial year
- AGMs can be held at more than one venue or using technology
- Requiring a certain majority of votes for resolutions to pass, for example, ordinary resolutions usually require 50% of members present to approve, whereas special resolutions (e.g. those that seek to change the constitution) might require 75% to approve
- Whether proxy votes or postal ballots are permitted and the form they must take.

Special or Extraordinary General Meetings which are held between AGMs in order to deal with important business such as changes to the constitution, follow the same rules as set out above.

### More information:

- Practical skills and training on planning and running Board or committee meetings: Volunteering Australia, *Guide to managing a board or committee meeting*, [http://www.volunteeringaustralia.org/html/s02\\_article/article\\_view.asp?id=425&nav\\_cat\\_id=169&nav\\_top\\_id=61](http://www.volunteeringaustralia.org/html/s02_article/article_view.asp?id=425&nav_cat_id=169&nav_top_id=61)
- Detailed information about organising and running an AGM: OurCommunity, *Organising a great AGM*, [http://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1375](http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1375)



## 2.14 The Board / CEO relationship

The relationship between a Board and the CEO is two-way. The Board appoints the CEO, determines their salary and benefits, and manages their performance. The Board is in turn reliant on the CEO to effectively manage the organisation and implement vision and strategies.

Both the Board and the CEO must understand where their roles begin and end. If there is any confusion in an organisation about roles and responsibilities, it can lead to conflict, inefficiency and low morale.

Details about the roles, responsibilities and delegations of the CEO and the Board should be set out in a Board Charter, Governance Policies and Procedures, a functions and delegations matrix (see [\*Resource 7 – Template Functions and Delegations Matrix\*](#)), and the CEO's job description.

### The CEO at Board meetings

Where the constitution specifies that the CEO is a Board member, they have the same legal duties, rights and responsibilities as all other Board members. If the Board wants the CEO position to be non-voting they must set this out in the constitution. The CEO, like all Board members, must declare conflicts of interest whenever relevant issues arise.

Having the CEO as a Board member can lead to ongoing conflicts of interest or confusion of roles, which is further discussed at [\*Section 3.2 – Use effective governance structures\*](#).

Even where the CEO is not a Board member, one of their major tasks is to resource and speak to Board meetings. The CEO is usually required to present a CEO report which commonly covers issues such as:

- Significant issues arising since the last Board meeting
- Matters that require the Board's approval (i.e. those not within CEO's delegation)
- Report against Strategic Plan
- Report against CEO performance indicators or work plan
- Risk and legal compliance update (e.g. OHS, risk assessments, employment law issues, funding contract compliance).

On occasion there will be discussions the Board needs to have without the CEO's presence. The Board can take these discussions into private ('in camera') – see [\*Section 2.12 – Board meetings\*](#).

## NADA member practice: Role of the CEO and Board

Getting the relationship right between the Board and the CEO/Manager/Director is critical to a functioning organisation. Both the Board and the CEO are in positions of power, yet have different roles and responsibilities. They need each other in order to align the strategic vision of the organisation (the 'where to') with the operational practice (the 'how to').

To support both roles and a shared understanding, there are a number of strategies that can be implemented:

- Develop and revisit the vision, goals and purpose of the organisation in partnership
- Develop Strategic and Operational Plans in partnership
- Clearly identify and document the Board and CEO roles, responsibilities and delegations
- Make the distinction between 'governance' and 'management'
- Recognise the skills and experience of the CEO and that they have been employed to lead the management of the organisation
- Recognise the skills and experience of Board members and their opportunity for contribution.

"It must also be noted that the Board is the employer or 'boss', yet they are volunteers. There is potential for some tension in that relationship, with the CEO presumably having high level skills and experience, and the Board having a range of skills and experience, not necessarily in the community sector. Allow the CEO to do their job, not just make the Board happy.

*Anonymous NADA member organisation.*

## Performance management and evaluation

In order to ensure the CEO is carrying out his/her responsibilities, the Board needs to manage the CEO and regularly evaluate their performance. The process and policy of performance evaluation of the CEO can be covered by the organisation's general performance management policies and procedures, with the exception that the Chair is usually responsible for providing the supervisory/management role. Alternatively, some Boards use 360-degree feedback mechanisms to review CEO performance. Because of the importance of the CEO to the successful operations of the organisation, the whole Board needs to be satisfied that the CEO has been properly evaluated and therefore needs to approve / sign off on any evaluation.

## Remuneration

The Board is also responsible for setting the CEO salary and benefits. Given the importance of the CEO in leading the organisation to success, it is important the salary package is able to attract and retain good candidates. The Board should research the salaries being offered in organisations of similar size or profile as well as equivalent positions in the public sector. While market-competitive salaries may be difficult for smaller community organisations, often other benefits can attract the right person, for example, tax-free salary packaging, flexible hours and work-practices, access to external supervision, and/or a commitment to supporting their training, career development, and/or education with generous study leave entitlements.

### More information:

- Tips on recruiting and keeping a good CEO: *Section 3.6 – Create great working relationships*.
- Information on the CEO's job description, the Board's role in overseeing the CEO, CEO remuneration, and recruiting a good CEO: OurCommunity, *Boards Help Sheets Part 10 - Board/Staff/Volunteers - Managing the Relationships*, [https://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1308](https://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1308)
- Article providing tips in relation to CEO performance management: Third Sector Magazine, 15/02/2011, *Seven factors in CEO performance management*, [http://thirdsectormagazine.com.au/news/seven\\_factors\\_in\\_ceo\\_performance\\_management/054656/](http://thirdsectormagazine.com.au/news/seven_factors_in_ceo_performance_management/054656/)
- Article which argues that performance management of the CEO is too often neglected, considered boring, or resented by both Board and CEO, yet it is absolutely crucial – article also contains links to CEO evaluation tools: (American website) Blue Avocado, *Evaluating the Executive Director*, <http://blueavocado.org/node/708>

## 2.15 Complaint resolution

The Board, as the legal entity responsible for the organisation, has an important role to play in the resolution of complaints from staff, members, volunteers, clients or other Board members.

The Board ensures the organisation has a written complaints policy and procedure which covers:

- Internal complaints made by a staff member, Board member or organisational member about another person within the organisation, and
- External complaints made against the organisation or its staff from clients, contractors or other stakeholders.

Examples of complaints or disputes that may arise amongst drug and alcohol service providers are:

- A client has been rejected for a treatment program and wants to appeal the decision
- A Board member consistently fails to turn up to meetings
- Two staff members in a job-share have an ongoing conflict in relation to various project responsibilities
- Another organisation under an MOU with the service claims the service has reneged on part of its contract.

Although organisations will have their own policies or procedures, as a general rule of thumb, a complaint or dispute should first be dealt with operationally by the CEO or relevant staff member. However at some point in the procedure, the Board's involvement may be required as the ultimate legal decision-maker. The Board might establish an ad hoc Complaints Committee, or might also wish to bring in a mediator, to resolve the dispute.

In relation to disputes or complaints involving impropriety of a Board member, or a failure to fulfil their legal or ethical responsibilities, the policy and procedure should refer back to the constitution which generally gives the Board the power to dismiss Board members. If the Board fails to act when one of their members is breaching the law, then all Board members could ultimately be held responsible. Tips for effectively managing problems with individual Board members are provided in *Section 3.6 – Create strong working relationships*.

### More information:

- Template policy and separate procedure relating to resolution of internal grievances and disputes: NADA, *Grievance and Dispute Settling Policy and Dispute Management Procedure*, [http://www.nada.org.au/index.php?option=com\\_content&task=view&id=236&Itemid=44](http://www.nada.org.au/index.php?option=com_content&task=view&id=236&Itemid=44)
- Information specifically for the Board relating to dealing with conflict and resolving disputes: Reconciliation Australia, *Indigenous Governance Toolkit*, <http://www.reconciliation.org.au/governance/dealing-with-disputes-and-complaints/8-2-how-to-deal-with-disputes-and-complaints>

## 2.16 External relationships, advocacy, representation and marketing

As the elected or appointed representative of the members of the organisation, the Board is responsible for ensuring the organisation effectively promotes its mission and presents itself well to external stakeholders. It is also the role of individual Board members to be the public face of the organisation, to represent the organisation to external stakeholders, to advocate in relation to the interests of their clients or members, and to promote the work of the organisation to funding agencies and the public.

One way to actively increase the organisation's profile is through the creation of a marketing or communications plan which aims to improve the visibility and profile of the organisation.

Sometimes there can be confusion about when it is appropriate for the Chair (or another Board member) to represent the organisation, and when it is appropriate for the CEO to do so. For example, should the Chair, another Board member, and/or the CEO represent the organisation:

- In meetings with members of Parliament
- When speaking to the media
- At meetings with current or future funding agencies
- When launching new projects or running public events
- When meeting with potential new members (particularly where membership is organisational, as with peak bodies)?

The organisation can set out general rules about representation in their Governance Charter/s, functions and delegations matrix, the CEO's job description and/or the organisation's general policies and procedures.

### More information:

- What the Board can do to improve the profile of the organisation: OurCommunity, *Carrying your group's message to the community*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1366](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1366)
- General information about marketing community organisations (not pitched specifically at Board members): OurCommunity, *Marketing and your community group*, [http://www.ourcommunity.com.au/marketing/marketing\\_article.jsp?articleId=1415](http://www.ourcommunity.com.au/marketing/marketing_article.jsp?articleId=1415)
- Kit to assist community organisations to advocate to members of parliament and election candidates: CommunityDoor (QCOSS), *Advocacy*, <http://www.communitydoor.org.au/advocacy>

# SECTION 3:

## How to do it better: improving the Board's effectiveness

The previous two sections of the Toolkit set out what Boards need to do and how to do it. This third section of the Governance Toolkit discusses how to do it better – tips to assist Boards become more effective and move from a merely compliant Board to a highly effective Board.

### 3.1 Focus on the big picture

Effective Boards focus on the organisation's vision, mission and goals, and not day-to-day management.

Sometimes the strategic approach that a Board takes is called a 'helicopter' approach, meaning they scan the horizon, watching for opportunities and risks that could affect the organisation, and make strategic decisions to move the organisation into a better position.

Another approach describes 'true governance' as making genuine choices that creates the future for the communities served by the organisation, as opposed to merely good governance, which is seen as simply having the right sorts of processes, procedures, charters and policies to ensure compliance with its responsibilities. [Source: Steve Bowman, reference in 'More information' below].

A strategic approach to governance requires the organisation to:

- Review the organisation's vision, mission and goals to ensure they are appropriate and clearly understood: Board members and staff will find it hard to work towards a mission that is inappropriate or too vague
- Create a strategic plan that works towards achieving the mission and goals: such a plan clear sets out outcomes or results, and has appropriate indicators to measure whether the results have been achieved
- Require the CEO to report the work of the organisation to the Board against the strategic plan, rather than being just a narrative of everything that happened since the last Board meeting
- Not waste time micro-managing the CEO (see [Section 2.14 – The Board / CEO relationship](#)), projects or activities.

#### More Information:

- How to conduct strategic planning: OurCommunity.com.au, *Board Help Sheets Part 8 - Strategic Planning - Mapping your Group's Future*, [http://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1306](http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1306)
- Benefits of doing a strategic plan, details of what should be in it, and a checklist of actions to undertake when preparing a strategic plan: BoardConnect, <http://www.boardconnect.com.au/resources/fact-sheets/stratplan.html>
- The difference between "true" and merely "good" governance, including practical steps to being an effective strategic Board: Steve Bowman, "The True Role of the Board - How Governance has been Hijacked," <http://www.conscious-governance.com/Nonprofit-Executive-Articles/e-Zine-Archive/ezone-issue-013-the-true-role-of-the-board-how-governance-has-been-hijacked.html>



## 3.2 Use effective governance structures

The Board must meet obligations set out in state and federal laws as well as in its own constitution. Given the many different obligations there are (see [Section 1.2 – Legal responsibilities of the Board](#)), an effective Board develops structures and uses tools which provides certainty to Board members that these obligations have been met.

### Structure the Board to meet the mission

To be effective in achieving its mission and goals, an organisation needs the right Board structure and Board selection process. Common types of Board composition structures are detailed in [Section 2.2 – Structuring the Board](#) and include elected / representative Boards, self-selecting Boards, and appointed Boards.

A Board structure ideally should reflect the mission and philosophy of the particular organisation. For example:

- An organisation with a community development philosophy might use an elected and representative structure that seeks organisational membership from the local community or service users, with the Board then elected from membership at the Annual General Meeting

- A national organisation tasked with representing a particular community sector might take the form of a federated peak body in which state and territory peak bodies nominate individuals for a national Board
- An organisation which is the service delivery arm of a religious charity might have its Board appointed by church leaders
- An organisation providing services to women only might specify in their constitution that only women are eligible for election to the Board
- An organisation that prioritises Aboriginal people in its service delivery might have identified positions on its Board for Aboriginal representatives.

If a Board identifies structural problems that are undermining the organisation's effectiveness or mission, consideration may be given to changing the board structure. The following table sets out benefits and disadvantages to some common Board composition structures.

**Figure 5:** Common Board composition structures - their benefits and disadvantages

GOVERNANCE STRUCTURE	BENEFITS	DISADVANTAGES
Elected and representative: the organisation's membership elects Board members	<ul style="list-style-type: none"> <li>» Democratic and transparent</li> <li>» Representative of membership</li> <li>» If nomination forms seek information about skills and experience, can lead to the right mix of Board members</li> </ul>	<ul style="list-style-type: none"> <li>» Members might not recognise the importance of particular skills or expertise when selecting Board members</li> <li>» Can be open to "stacking" where existing Board members or staff sign up new members then get them to vote for a particular Board member</li> <li>» If membership lacks diversity then the Board will lack diversity</li> </ul>
Self-selecting: Board selects its own members	<ul style="list-style-type: none"> <li>» Board is often in the best position to identify the skills and expertise required of new Board members</li> <li>» Can bring in new Board members whenever a vacancy occurs, no need to wait until AGM</li> </ul>	<ul style="list-style-type: none"> <li>» Lack of transparency</li> <li>» Can undermine the organisation's legitimacy in the eyes of the community it seeks to serve as there is no process for community involvement in governance</li> <li>» Risk of a culture of "jobs for the boys" or girls</li> <li>» Can lead to a Board without diversity as Board members may unconsciously select people like themselves</li> </ul>



GOVERNANCE STRUCTURE	BENEFITS	DISADVANTAGES
Appointed: Board members appointed by government or other organisations	<ul style="list-style-type: none"> <li>» Ensures buy-in of relevant governments or organisations – they will be more likely to support organisation if it falls on hard times</li> <li>» Consolidates important networks and influence</li> <li>» Institutionalises the origin and perhaps mission of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>» Can jeopardise, or be seen as a threat to, the organisation's autonomy</li> <li>» Conflicts of interest between the organisation and government representative (for example if government is a funding body) or other organisation (for example if it is also a competitor for funding)</li> </ul>
Board includes the CEO as a member	<ul style="list-style-type: none"> <li>» Improves Board's decision-making processes as CEO has best knowledge of the organisation</li> <li>» Makes it clear the CEO acts for management rather than staff, which can assist in conflicts between the Board's and the staffs' interests, for example enterprise bargaining</li> <li>» Brings a level of respect and equality to the CEO position which can improve stakeholder perception of CEO</li> </ul>	<ul style="list-style-type: none"> <li>» Can blur governance (Board's role) and management (CEO's role)</li> <li>» Other Board members might defer to a strong CEO rather than exercising their own judgment</li> <li>» Increases potential for conflicts of interest – for example the Board sets the CEO's salary and monitors performance and yet the CEO is part of the Board</li> <li>» CEO can influence the selection of new Board members which could lead to a "stacking" of the Board by the CEO and create a climate ripe for fraud or mismanagement</li> </ul>

#### More information:

- Information on selecting the right Board structure and composition: NSW Department of Family and Community Services (Ageing, Disability and Home Care), *It's Your Business*, Section 1.4.2: Board composition, [http://www.adhc.nsw.gov.au/sp/training\\_and\\_development/good\\_governance](http://www.adhc.nsw.gov.au/sp/training_and_development/good_governance)
- Article which helps non-profit Boards consider the advantages and limitations of having the organisation's CEO on the board: Philanthropy Australia, PhilanthropyWiki: *Board Briefing: CEOs on Board* [http://philanthropywiki.org.au/index.php/Board\\_Briefing:\\_CEOs\\_on\\_the\\_Board](http://philanthropywiki.org.au/index.php/Board_Briefing:_CEOs_on_the_Board)
- Details about the different Board structures: Mike Hudson, *Managing without Profit*, UNSW 2009.

## NADA governance practice: Board structure and recruitment

As a peak body for the non government drug and alcohol sector in NSW, the organisation exists to serve and represent its members. The NADA Constitution (2009) requires the governing body, known as the Board of Directors, to be "representatives of member agencies and at least two (2) Director positions being independent of the membership. These non-member Director positions will be selected by the Board at a properly constituted Board of Directors meeting after the Annual General Meeting."

So the NADA governance structure is both elected and representative with members nominating and voting for member representatives; and self selecting, with the Board of Directors identifying additional skills and expertise required and selecting two individuals from outside the membership.

## Not too big, not too small: choose the right Board size

The size of a Board can influence its effectiveness and its governance structures. Boards typically range in size from 5-15 members. Larger Boards of more than 15 people might be needed to represent a range of membership groups. However a Board of this size can be difficult to manage, with the likelihood of long meetings and a lesser chance of reaching consensus. A large Board might therefore have a broad policy function while delegating other governance responsibilities to other governance structures, such as a smaller Executive, a management committee, or series of Board committees (see below).

A small Board, for example with fewer than 7 people, can be nimble in terms of meeting more regularly and reaching decisions, and can have a much greater role in working with the management of the organisation. However such a small Board might also lack diversity or key skills.

### More information:

- Brief discussion about the trend towards smaller Boards, BoardConnect, *Recruitment 1: ready to Recruit*, <http://www.boardconnect.com.au/resources/fact-sheets/boardrecind/239-recruit-1.html>
- Issues to consider when determining size, including “the size of the room at your organization where the board meets”: Blue Avocado, <http://www.blueavocado.org/content/ten-myths-about-nonprofit-boards>

## Rejuvenate the Board through fixed tenures

The length of time a member can be on the Board can affect a Board's efficiency. Having short tenures (one or two years) may create instability, as new Board members need to be continually inducted, trained, and brought up to speed on key issues. Having tenures that are too long, such as 5 years or more, may lead the Board to become ‘stale’, with difficulty in moving unproductive Board members prior to the end of their term.

Options that allow an organisation to find the right balance are to:

- Restrict the number of times an individual can renominate for the Board in general or for particular positions such as the Chair
- Allow tenure of several years but then require individuals to take a break of one year before being eligible to re-nominate for the Board
- Have two year tenures with only half the Board up for nomination at each AGM.

## Use Board committees to increase efficiency

Effective Boards often delegate some business to an Executive or other Board committee/s. In some cases the Board identifies the need for the committee as a way of meeting its mission or conforming to its values. In most cases however, the Board realises they cannot adequately address particular responsibilities and activities in full Board meetings due to time constraints. Delegation to committees streamlines the decision-making process and allows the full Board to spend their limited time on higher-level issues.

Common Board committees and ad hoc committees are listed in this Governance Toolkit in *Section 2.3 – Board Committees* and *Section 2.4 – Steering, advisory or ad hoc committees*. When deciding whether to create a committee - what it should look like, who should be on it, how often it should meet – or whether existing committees are effective, the Board considers the following issues:

- Whether delegation to a committee genuinely frees up Board time or just results in an issue being discussed twice. To avoid this, committee delegations should be written clearly (see *Section 2.5 – Delegations* and *Resource 7 – Template functions and delegations matrix*) so the Board feels confident noting and approving committee decisions
- The expertise of current Board members – committees can tap into the expertise of individual Board members by bringing them to work directly with relevant staff. However if there are no Board members with that area of expertise, the value of a Board committee is questionable
- The involvement of non-Board members in committees, for example volunteers with technical expertise and non-CEO staff members such as the Business Manager or Finance Officer. These people are not responsible for governance, so it is important that Board members in these committees maintain governance responsibilities
- The effect of the committee on the workload of key individuals such as the Chair or the CEO – it is wise to spread Board members across committees
- The effect of the committee on the workload of other staff in the organisation – some committees or groups (for example Client Reference Groups) require proper resourcing to be effective, so the value of the committee needs to be weighed up against the resources required to make them work and the work load that comes from them

- Whether mission creep has occurred, with greater focus being given to one issue of a committee rather than the issues the committee was originally set up to deal with.

#### More information:

- A description of different Board and ad hoc committees: OurCommunity, *Help Sheet: Board Committees*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1348](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1348)
- Comprehensive arguments for and against Board committees, including a checklist for reviewing existing committees to determine if they are still needed: OurCommunity, *Committee Ups and Downs: Weighing up the arguments for and against setting up committees*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1355](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1355)
- An argument against Board committees and in favour of ad hoc committees (American website): Blue Avocado, <http://www.blueavocado.org/content/abolish-board-committees>

### Prepare good governance documents

An effective Board knows exactly what it can and cannot do. A lack of clarity about the roles of the various governance bodies can at best create inefficiencies, and at worst result in legal or financial responsibilities being overlooked.

A Board's responsibilities can be set out in a range of different documents. Some of the ways they can be set out, and possible issues to consider, include:

- **The constitution:** The organisation's constitution is the source of legal duties of the Board and it is essential that all Board members are familiar with it; however sometimes they can be hard to read, legalistic, or omit information about Board processes or ethical responsibilities;
- **Governance Policies and Procedures:** These bring together information on the what and how of governance structures, responsibilities, and delegations; many policies and procedures suffer from being too long, which means Board members may not trawl their way through them;
- **A Board Charter:** A Board Charter distils information about the roles, responsibilities and delegations of the Board and management into one, easy-to-read document which could be publicly available (for example, provided to prospective Board members or available on the website) – a Charter provides clarity for all Board members on what they should do but may lack the finite detail on the way things should be done;

- **A Board Code of Conduct:** Not as wide as a Charter, this sets out the ethical responsibilities of Board members – why Board members should behave in a particular way;
- **Delegations:** The detail of powers delegated by the Board to committees or the CEO - these can be set out in the Board Charter or Governance Policies and Procedures or a functions and delegations matrix;
- **Organisational diagram** showing the structure and delegations of the organisation – see below;
- **Board calendar** setting out key dates (financial reporting, AGM, CEO performance review, Board meetings, Executive or other committee meetings) – this is only useful if it is constantly updated and easily accessible.

#### More information:

- Information about writing governance policies: *Section 2.1 – Governance policies*
- Template delegations in relation to finance matters: NADA Policy Toolkit, *Template Financial Management Policy*, <http://www.nada.org.au/downloads/PolicyToolkit/FinancialManagementPolicy.doc>
- Template delegations relating to staff management: NADA Policy Toolkit, *Template Human Resources Management Policy*, <http://www.nada.org.au/downloads/PolicyToolkit/HumanResourcesManagementPolicy.doc>
- Information for a Board Charter: Conscious Governance, *Nonprofit Board Charters*, <http://www.conscious-governance.com/nonprofit-board-charters.html>
- Code of conduct for Board members: BoardConnect, *Code of Conduct Template*, <http://www.boardconnect.com.au/resources/articles/duties/253-code-conduct.html>
- A set of good practice principles to help community organisations draft their own Board Code of Conduct or Board Charter: OurCommunity.com.au, *Draft Code of Governance for the Australian Community Sector (2008)* [https://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=3221](https://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=3221)
- Contents of a Board Manual: OurCommunity.com.au, *Compiling a Board Manual*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1339](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1339)
- Tools for fraud prevention and control including a fraud risk assessment tool: NSW Department of Family and Community Services (Ageing, Disability and Home Care), *It's Your Business*, [http://www.adhc.nsw.gov.au/sp/training\\_and\\_development/good\\_governance](http://www.adhc.nsw.gov.au/sp/training_and_development/good_governance)

### 3.3 Future-proof the organisation

It is the Board's role to ensure the organisation is viable. However, an effective Board moves its vision beyond current viability towards future planning to create a sustainable, healthy organisation.

Effective Boards achieve current viability and future sustainability through:

- Having active Treasurers closely monitor the organisation's finances and do not blindly trust in the CEO or the Finance Officer
- Overseeing a rigorous budget preparation process that anticipates risk and plans for various scenarios
- Having a long-term fund-raising or fund-sourcing strategy
- Asking "Where do we want to be in 10-15 years time?" and considering infrastructure and financial issues such as accommodation, growth in current services and projects, potential for new and different services, diversification of funding sources, and potential business partnerships.

#### More information:

- What the Board can do to secure philanthropic funding and form business relationships: BoardConnect, *Fundraising factsheets*, <http://www.boardconnect.com.au/resources/factsheets/fundraising.html>
- Some good tips for Board members on determining if the organisation is in financial trouble, OurCommunity, *Reading the warning signs: Knowing when your groups finances may be ailing*, [http://www.ourcommunity.com.au/boards/boards\\_helpsheet.jsp?articleId=1354](http://www.ourcommunity.com.au/boards/boards_helpsheet.jsp?articleId=1354)

### 3.4 Find and keep great Board members

Boards need people who can make a real contribution to the current and future needs of the organisation. Planning how to get and keep such people into the future is known as Board succession planning. An effective succession plan includes:

- Board skills audit
- Board recruitment process
- Induction process and
- Ongoing support of new Board members.

### Audit the Board's skills, experience and diversity

An effective Board that is seeking to broaden its skills base will conduct some form of Board skills audit or profile either as part of a broader Board review (see *Section 3.7 – Develop the Board*) or as a stand-alone activity.

A typical Board skills audit asks existing Board members to indicate from a pre-prepared list their skills, knowledge and experience. Some audits also seek information about the personal characteristics of Board members. An audit is important if the Board wants to strive for diversity within itself, or wants to reflect the diversity of the community it seeks to serve. For example, a Board might decide:

- There should be a balanced number of females and males (except for gender-specific organisations)
- Members should span a range of ages
- Members should include various cultural groups, particularly those who are a priority group for the organisation
- People with disabilities who have the relevant skills/experience should be prioritised and given additional support to apply for Board membership and meet Board responsibilities.

If an audit reveals skills or experience to be missing, the Board might determine that these skills can be developed by providing professional development to existing Board members. However, if this appears unlikely to meet the Board's needs or if diversity is an issue, the Board should consider recruiting new Board members.

#### More Information:

- A template for conducting Board Skills Profiling which includes identifying the personal background of Board members: Board Connect, *Board Profiling*, <http://www.boardconnect.com.au/resources/fact-sheets/boardrecind.html?start=4>
- A range of different templates for Board Skills Audits: Association for Research in the Voluntary and Community Sector (UK), *Skills Audit*, <http://www.governancepages.org.uk/sample-documents/skills-audit/>
- Some good practice principles for increasing the diversity of Boards: OurCommunity, *Draft Code of Governance for the Australian Community Sector (2008)* [https://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=3221](https://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=3221)



## Find the right people

Once a skills audit has been completed, an effective Board will undergo a recruitment process which is clearly documented, transparent, and spreads the net wide in order to attract people with the required skills and background. The following figure sets out possible recruitment strategies.

**Figure 6:** Board recruitment strategies

### Board recruitment strategies:

- Word of mouth – Board members tell people in their networks they are seeking new Board members
- Ask peak bodies to assist – peaks may advertise Board vacancies to/for members
- Access websites that provide Board matching services (listed below in 'More information')
- Place an advertisement in the organisation's newsletter, website, or in community sections of local newspapers, or in sector-relevant media such as ADCA Update
- Approach existing volunteers who have the right skills
- Provide a presentation of your service at inter-agency meetings
- Ask funding bodies for suggestions
- Contact the local university, college or TAFE for any staff with the required skills, experience and interest
- Seek staff suggestion for people who may be interested and have the identified skills or background.

Once people have expressed an interest, the Chair should meet them face-to-face and provide the prospective Board members with an abridged version of the Board orientation pack (described in the next section) and provide a written Board membership application form which complies with any requirements set out in the Constitution. The Chair should be careful to explain Board membership so as to appeal to prospective members but also not gloss over any difficulties. Discussion should explain:

- Value and mission of the organisation
- Backgrounds and networks of existing Board members
- Strength or otherwise of the organisation's financial position
- Current issues facing the organisation and how they are being addressed
- Commitment required – number and length of Board meetings, expectation of involvement in other committees relevant to their expertise, and requirement that all papers are read in advance.

## NADA member practice: Board recruitment

Previous Board member recruitment for Kedesh had generally been word of mouth. In 2011, without much success in the preceding 12 month period, Kedesh advertised Board vacancies through volunteer sections of several community sector websites. This attracted a number of people who were provided with an information pack about the organisation and the Board. They were asked to submit their curriculum vitae, outline their interest in becoming a Kedesh Board member and be prepared for a criminal record check.

As the Board had already undertaken a self assessment of their efficacy, efficiency, existing skills and what additional expertise was required, it was easy to identify how the interested applicants could contribute to the organisation's governance practice.

As is usual practice, several Board members met with the applicants to provide details of the organisation's work, history and direction, the broader drug and alcohol sector, and the requirements of becoming a Kedesh Board member. Applicant's experience and support needs for becoming a Board member were identified.

Recommendations for new members are made to the full Board for a vote. Once there is agreement, the new Board members are accepted onto the Board at the next scheduled Board meeting and they commence their Board orientation and signing of required documents.

Kedesh CEO says: "It is not easy to find good Board members with the skills, passion and understanding that this is governance and not management. We rely on people's good will and commitment. It's important to get the balance right between loading them up with work and just using them to rubber stamp things. But if you go through a thorough recruitment process, it usually pays off for all parties".

Kedesh Rehabilitation Services,  
[www.kedesh.com.au](http://www.kedesh.com.au)



### More Information:

- The following websites provide Board matching services:  
[www.volunteer.com.au](http://www.volunteer.com.au)  
[www.ourcommunity.com.au/boardmatch](http://www.ourcommunity.com.au/boardmatch)  
[www.probonoaustralia.com.au/volunteer](http://www.probonoaustralia.com.au/volunteer)  
[www.govolunteer.com.au](http://www.govolunteer.com.au)  
[www.companydirectors.com.au](http://www.companydirectors.com.au)  
[www.ncoss.org.au](http://www.ncoss.org.au)
- Ten fact-sheets on finding new Board members including 'Top 10 mistakes in recruiting new Board members': OurCommunity, *Boards Help Sheets Part 2 - Board Building - Recruitment, Induction, Training & Succession*, [http://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1300](http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1300)

### Provide a thorough Board induction

- An effective Board provides new Board members with a thorough induction as soon as possible after commencing. The investment of time and energy in the induction process pays off as the organisation gains a diligent, committed Board member ready to take on their responsibilities.

An effective Board will:

- Have an up-to-date Board induction policy and procedure as part of the organisation's governance policy or charter
- Set aside time before the new member's first Board meeting for an orientation session involving all Board members if possible – this helps build a sense of team and allow re-elected or long-time members to revisit their roles and responsibilities
- Have a Board Induction Kit which contains all information the Board member needs to allow them to function – see example below.

#### Sample Board Induction Kit Contents

Cover letter .....	2
<i>Welcome to the Board</i>	
<i>Appointment term</i>	
<i>Date of next Board meeting</i>	
Board member position description .....	4
Constitution.....	6
Board Charter / governance policies .....	10
Current funding arrangements.....	12
Annual Report .....	13
Strategic plan .....	15
Board members, positions and contact details .....	17
Organisation diagram .....	18
Staff members and positions.....	19
Last Board meeting minutes.....	20
Board meeting calendar / schedule .....	22

## NADA member practice: Board induction

In 2011 ACON developed a Board Governance Pack for new Board members consisting of:

- Guiding Principles of the Board
- Board Charter
  - 28 clauses on topics such as: Legal nature of ACON, Objects, Role of the Board, Board Committees, Board Working Groups, Size of the Board, Required qualifications and experience of individual Board members, Expectations and Independence of Directors, Induction, Board meeting processes, Board performance review, Delegations with respect to signing of contracts, Board reporting processes
  - Each clause in the Charter refers to relevant sections of ACON's constitution and the Corporations Act 2001
- Board calendar
- Standard meeting agenda
- Board member commitment and code of conduct - to be signed by individual Board members
- Conflict of Interest Policy
- Charter of individual Board committees.

ACON Drug and Alcohol Program,  
[www.acon.org.au/alcohol-and-other-drugs](http://www.acon.org.au/alcohol-and-other-drugs)

### More information:

NADA's template governance policy includes information about an induction kit: NADA, *Governance and Management Policy*, <http://www.nada.org.au/downloads/PolicyToolkit/GovernanceManagementPolicy.doc>

List of items that might be in a template Induction Kit: Board Connect, *Specimen Induction Pack for New Board members*, <http://www.boardconnect.com.au/resources/fact-sheets/boardrecind/117-specinduct.html>

Information on what might be in a "Director Induction Pack" (not specifically for non-profit Boards but good tips nevertheless): Company Secretaries Australia, *Good Governance Guide: Director Induction Packs: content*, [http://www.csaust.com/AM/Template.cfm?Section=Board\\_structure&Template=/CM/ContentDisplay.cfm&ContentID=10719](http://www.csaust.com/AM/Template.cfm?Section=Board_structure&Template=/CM/ContentDisplay.cfm&ContentID=10719)

## Provide all Board members with ongoing support

Effective Boards not only provide a good orientation process for new Board members, they also make available ongoing support and development for all Board members. Strategies to support new and current Board members include:

- Ensuring the organisation's training budget includes a specific line item for Board member training
- Matching a new Board member with an experienced Board member to provide support, information and mentoring during the first six months
- Governance training sessions for the whole Board, ideally not long after the AGM or the recruitment of new Board member/s
- Opportunity to access specific training and skills development through private training providers
- Invited speakers on specific topics to assist the Board in their role.

### More information:

Training opportunities for Board members provided by a range of public, private and community trainers are collated and advertised by the NCOS Management Support Unit, <http://www.ncoss.org.au/content/view/954/156/>

## 3.5 Run effective Board meetings

Effective Boards have well-planned and well-executed Board meetings. Ways to ensure meetings are effective include:

- Ensuring agendas and papers are well structured and easy to read
- Providing proposed resolutions and their background with the papers
- Providing Board members with papers within the time frame specified in the constitution or elsewhere, to ensure sufficient time to read, clarify and take action if required
- Expecting the Chair to manage the meeting to end on time
- Providing an inexperienced Chair with training in meeting management skills
- Expecting Board members to engage in robust discussion on proposals that pose risks to the organisation or are a significant departure from current practice or services
- Respecting decisions made in previous Board meetings, and be vigilant against attempts to revisit issues previously decided unless new information is available which may alter the Board's opinion on the matter
- Providing clear and succinct minutes with documented decisions, actions and deadlines, and just enough detail of discussions to make sure the Board is clear on their decisions or strategic positions
- Prioritising strategic issues, not leaving them to the end of the agenda:

"Invert your meeting agenda. Start with the important 'thinking it through' stuff while people are fresh and both physically and mentally present. Schedule the receipt of monitoring reports and other matters relating to compliance at the back end (say the last third) of the meeting. If the board runs out of time - because of the importance of the earlier matters - those reports can be taken as read. If necessary, they can be postponed until the next meeting." [Source: Boardworks International, details in 'More information' below]

**Figure 7:** Good meetings



Source: Reconciliation Australia, *Indigenous Governance Toolkit*, details in 'More information' below.

#### More information:

- The characteristics of a really effective meeting, how Board meetings should be run, diagnosing and fixing meeting problems, tips for the Chair, and organising the AGM: OurCommunity, *Boards Help Sheets Part Nine - Board Business - Towards More Effective Meetings*, [https://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1307](https://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1307)
- Templates and text about Meeting Agendas, model resolutions, procedures for decision making, and Progress reports on actions: Reconciliation Australia, *Indigenous Governance Toolkit*, 5.3 Running Effective Meetings, <http://www.reconciliation.org.au/governance/the-business-of-governing-organisations/5-3-running-effective-meetings>
- Article about making meetings more strategic: *Boardworks*, Issue 9, 2011 <http://www.boardworksinternational.com/periodical/2011nine/article2>

## 3.6 Create strong working relationships

An effective Board has strong working relationships between Board members and between the Board and staff.

### Strengthen relationships between Board members

An effective Board fosters strong relationships between Board members through strategies such as the mentoring of new Board members (see *Section 3.4 – Find and keep great Board members*), governance training, strategic planning sessions, Board retreats, and social occasions.

However, problems with individual Board members can happen even on the best Boards, for example:

- Conflict between Board members
- Conflicts of interest
- Allegations of impropriety
- Board members that consistently fail their legal or ethical responsibilities – for example not turning up, refusing to read Board documents, or being disruptive.

Effective Boards realise that they cannot shy away from their dispute management role (see *Section 2.15 – Complaint resolution*) and that problems on the Board can have significant organisational impact so need to be dealt with quickly and efficiently. At first sign of a problem, the Board (often through the Chair unless they are part of the problem) approaches the problematic Board member to outline the issues, seek clarification, and remind them of the organisation's Board Code of Conduct or relevant policies. If the problem does not resolve, an effective Board invokes the relevant performance management processes set out in their constitution or policies and procedures.

In the long-term, a Board can limit the potential for troublesome behaviour by individual Board members by putting in place structural measures such as limited tenures, strong constitutional processes, and clear written policies such as Board codes of conduct (see *Section 3.2 – Use effective governance structures*).

### More information:

- Identifying and dealing with particular types of difficult Board members including the Dominator, the Bludger, the Absentee, the Non-Contributor, the Empire-Builder, the White-Anter, the Bore, the Dinosaur: OurCommunity, *Dealing with Difficult Board Members (Part 1)*, [http://www.ourcommunity.com.au/boards/boards\\_article.jsp?articleId=1349](http://www.ourcommunity.com.au/boards/boards_article.jsp?articleId=1349)
- Ways to remove a Board member, including scripts for a conversation with the trouble-maker, Blue Avocado, *Four Ways to Remove a Board Member*, <http://www.blueavocado.org/content/four-ways-remove-board-member>

### Recruit and keep a good CEO

A good CEO is crucial to achieving the organisation's mission. Getting and keeping a good CEO involves:

- A thorough recruitment process with a well-defined job description, clear selection criteria, a good interview process, thorough referee checks, and the best salary package your organisation can afford
- A good orientation managed by the Chair
- Access to mentoring or external supervision for the CEO
- A job description, work-plan and performance management process that has clear results, targets or indicators so the CEO knows what is expected
- Clear delegations setting out the CEO's responsibilities and the Board's responsibilities.

The relationship between the Chair and the CEO is particularly important. This can be fostered by having regular times between meetings to catch up and to prepare papers for upcoming meetings.

One of the greatest sources of conflict between a Board and its CEO relates to micro-managing. The Board must allow the CEO to manage; if the Board actively involves itself in day-to-day issues, it is undermining not just the CEO but also its own effectiveness.

As soon as problems arise between the CEO and the Board, an effective Board takes steps to manage performance and does not just complain about or 'white-ant' the CEO.

#### More information:

- Information about the relationship between the Board and the CEO: *Section 2.14 – The Board/CEO relationship*.
- Discussion of how a CEO might feel micro-managed while a Board thinks they are just providing diligent oversight: Blue Avocado, *What is Micromanagement and What Isn't?* <http://blueavocado.org/content/what-micromanagement-and-what-isnt>
- Tips on managing the performance of CEOs: Conscious Governance, *Six Key Factors in Nonprofit CEO Performance Management*, <http://www.conscious-governance.com/Nonprofit-Executive-Articles/e-Zine-Article-Archive/six-key-factors-in-nonprofit-ceo-performance-management.html>
- Australian not-for-profit remuneration reports (access to content is fee-based): Enterprise Care, [http://www.enterprisecare.com.au/human\\_resources](http://www.enterprisecare.com.au/human_resources)
- Information on remuneration including summary of remuneration surveys (free – search the site using 'remuneration'): Third Sector Magazine, <http://thirdsectormagazine.com.au/>

### Forge good relationships with external stakeholders

An effective Board takes an active role in representing and promoting the organisation to stakeholders - they do not rely solely on the CEO to create and maintain these connections. Active Board members may be out and about:

- Organising and attending meetings with Government representatives (often with the CEO)
- Consulting stakeholders when conducting strategic planning
- Helping the marketing and promotion of the organisation
- Using personal networks to obtain financial or in-kind contributions to the work of the organisation.

### NADA member practice: Relationships with external stakeholders

Board members of Weave (formerly South Sydney Youth Services) support the organisation not only through their governance role, but they also are involved as ambassadors and contribute to fundraising efforts. Knowing the Board member's skills through self assessment and audits means the organisation can utilise those skills in working toward the vision and mission.

Weave Director comments "We currently have Board members with IT and fundraising expertise, as well as someone with connection to universities. This is developing our relationships with workplace giving and fundraising, and our ability to access pro-bono program evaluation."

Weave, [www.weave.org.au](http://www.weave.org.au).

#### More information:

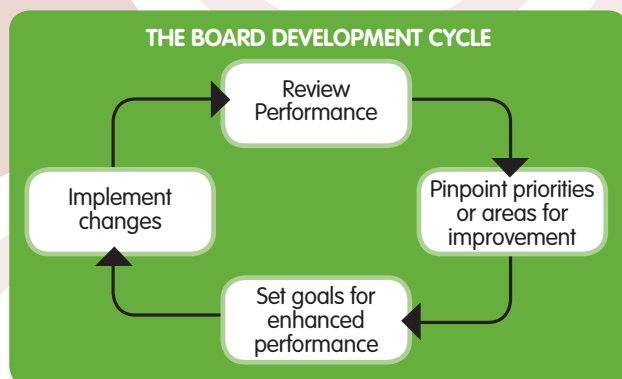
- Information about why networks and relationships are important; resources to assist in mapping key stakeholders and networks; and tips on improving consultation and managing different stakeholder interests: Reconciliation Australia, *Indigenous Governance Toolkit*, Section 9: Networks and Relationships, <http://www.reconciliation.org.au/governance/networks-and-relationships>
- Information about advocacy, not specifically aimed at Boards: OurCommunity, *Advocacy Help Sheets*, [http://www.ourcommunity.com.au/advocacy/advocacy\\_article.jsp?articleId=2384](http://www.ourcommunity.com.au/advocacy/advocacy_article.jsp?articleId=2384)
- Information about marketing, not specifically aimed at Boards: OurCommunity.com.au, *Marketing and Your Community Group*, [http://www.ourcommunity.com.au/marketing/marketing\\_article.jsp?articleId=1415](http://www.ourcommunity.com.au/marketing/marketing_article.jsp?articleId=1415)



## 3.7 Develop the Board

An effective Board regularly assesses its performance and reviews governance arrangements to ensure the organisation has the best structures, systems and policies in place to help it achieve its mission. Assessing the Board is not an end itself but is part of the cyclical process of developing the Board. The following figure describes this cycle.

**Figure 8:** The Board Development Cycle



[Adapted from Mike Hudson, *Managing Without Profit*, p 98, details in 'More information' below.]

It is particularly important for the Board to review governance arrangements when there are indicators of trouble, such as:

- Conflicts between Board members or between Board and staff members
- Poor service performance
- Complaints by organisational members
- Complaints by funding bodies – for example that progress reports are late or incomplete
- Poor financial or other audits
- Inability to respond to change
- Low staff morale and high staff turnover
- A poor working relationship between the CEO and the Board
- High Board member turnover.

[Source: Reconciliation Australia, *Indigenous Governance Toolkit*, details in 'More information' below]

There are a number of ways a Board can review its performance:

- End-of-meeting discussion by the Board members reviewing how the meeting went
- A Board retreat or planning day / weekend designed to allow Board members to take part in deeper discussions about the Board's needs
- Review of legal and regulatory documents and board agendas and minutes
- Observation of a Board meeting by an independent expert
- Self-assessment questionnaires and online tools
- A full independent review, including interviews of members and a selection of the above approaches.

[Source: Mike Hudson, *Managing Without Profit*, details in 'More information' below]

Once a Board assessment or review has taken place, an effective Board will pinpoint missing skills, experience or activities, and identify or prioritise areas in which governance can be improved. It will then develop a plan listing key areas for improvement, and sets goals or performance measures over a time period.

The Board should regularly review how they perform against the Board development plan. This can be done as a short agenda item at each meeting, or every 3 months, and again after a year.

The Board should report annually on performance against the Board development plan to their members – for example at an AGM or in the Annual Report.

When all goals of the Board development plan have been achieved, the Board does not rest on its laurels, but makes time to again review the Board. Having done it once, tools and processes are easier to implement again.

### More information:

- Template for conducting a simple Board review: *Resource 5 – Simple Board Review Questions*
- Just one format for a Board development plan: *Resource 8 – Example of a Board Development Plan*
- A tool which evaluates the Board's performance from the perspective of the CEO and the perspective of individual Board members: NADA, *Policy Toolkit, Board Performance Assessment Tool* <http://www.nada.org.au/downloads/PolicyToolkit/BoardPerformanceAssessmentTool.doc>
- Plain English discussion of why and how to evaluate Board performance: Reconciliation Australia, *Indigenous Governance Toolkit, Assessing your Governance*, <http://www.reconciliation.org.au/governance/getting-started-on-building-your-governance/3-1-assessing-your-governance>
- Tools to run a governance development session including facilitator's notes and worksheets for self-assessment of Board members: Bradfield Nyland Group and Spall Watters Group for CommunityDoor (QCOSS/Qld Department of Communities), *Governance performance review*, <http://www.communitydoor.org.au/node/31>
- Principles for effective Board reviews and some practical information for Boards seeking to evaluate their work: NCOSS, *Resources for Good Governance: Board Performance Review*, [http://www.ncoss.org.au/component/option,com\\_docman/task,cat\\_view/Itemid,78/gid,246/orderby,dmdate\\_published/](http://www.ncoss.org.au/component/option,com_docman/task,cat_view/Itemid,78/gid,246/orderby,dmdate_published/)
- Very detailed book about governance issues in general, with information around reviewing board performance at page 99: Mike Hudson, *Managing Without Profit*, UNSW Press, 2009.
- Comprehensive Board self-assessment tool, McKinsey and Company, *Nonprofit Board Self Assessment Tool*, <http://www.mckinsey.com/client-service/nonprofit/resources/governance.asp>
- A tool for Board members to use which asks them to agree or disagree with statements about the governance of the organisation, and then to note how big a priority it is to deal with the issue: Reconciliation Australia, *Indigenous Governance Toolkit, Resource 3.2 Check-up—Quick governance health check-up*, <http://www.reconciliation.org.au/extras/file.php?id=1006&file=Resource+3.2+Check-up-Quick+governance+health+check-up.docx>
- A collection of non-profit governance resources and tools including board evaluation surveys: Australian Centre for Philanthropy and Nonprofit Studies, Queensland University of Technology, *Developing your Board Wiki*, <https://wiki.qut.edu.au/display/CPNS/DYB+Home>

# GLOSSARY AND RESOURCES

## Glossary

PHRASE OR WORD	ABBREVIATION	DEFINITION OR USAGE WITHIN THIS GOVERNANCE TOOLKIT
<b>Board</b>		The managing body of the organisation
<b>Chief Executive Officer</b>	CEO	The most senior paid staff member in the organisation
<b>Chair</b>		Chairperson or President of the organisation with roles and responsibilities set out in the constitution.
<b>Commonwealth</b>	Cth	When used in the context of laws, this means it is a federal or national law which is passed by the federal government
<b>Ex officio member</b>		A member of a body (a Board or committee) who is part of it by virtue of holding another office. The Latin terms means “from the office” or “by right of office”.
<b>Governance</b>		The rules and structures that set out how an organisation is managed. Governance can be defined as how people in organisations, groups, and communities organise themselves collectively to achieve their visions or goals.
<b>Memorandum of Understanding</b>	MOU	A document describing an agreement between parties, often used in cases where parties either do not imply a legal commitment or in situations where the parties cannot create a legally enforceable agreement.
<b>Network of Alcohol and Drugs Agencies</b>	NADA	The peak organisation for the non government drug and alcohol sector in NSW
<b>Non-profit organisation</b>		Entities whose principal objective is not the generation of profit or to provide any form of financial benefit to shareholders or members
<b>Council of Social Services NSW</b>	NCOSS	The peak body for the social and community sector in NSW which provides a range of management support services to members but also has a number of resources available for free
<b>Ordinary Board member</b>		A Board member who does not have a formal title such as Chair, Treasurer or Secretary.
<b>Organisation</b>		Non-profit organisation: generic term for all NADA members
<b>Stakeholders</b>		Stakeholders are the people and groups that have an interest or ‘stake’ in the success and legitimacy of an organisation, for example: other community or regional organisations, key leaders, clients, government departments/officers, partners, private companies
<b>Tenure</b>		Term limit, for example, the number of years a Board member can stay on the Board or in a particular position.

# RESOURCE 1:

## Template Position Description for an Ordinary Board member

These template job descriptions have been adapted from BoardConnect, <http://www.boardconnect.com.au/resources/articles/duties/67-member.html>, United Way, [www.boarddevelopment.org](http://www.boarddevelopment.org), and David Fishel, *The Book of the Board*, 2nd Edition, Federation Press, 2008

[insert organisation name and logo]

BOARD MEMBER POSITION	ORDINARY BOARD MEMBER
Function	Governance of [organisation], optimise its performance and ensure compliance with legal requirements
Term	X years commencing on X date (date of AGM or date appointed by the Board)
Date of this Position Description	
Date of next review (to be reviewed every 2 years)	

### Position requirements

1. Attendance at Board meetings and at events of the organisation
2. A time commitment of X [ask existing Ordinary Board members to monitor the hours they spend over a 6-month period then average out] hours per month, which includes Board preparation, meeting and committee meeting time
3. Attendance at the Annual General Meeting
4. Knowledge and skills in one or more areas of board governance: policy, programs, finance and/or personnel [list others as identified in Skills Audit]
5. Willingness to serve on at least one sub-committee and participate actively in its work
6. High level of commitment to the work of [organisation]
7. Willingness to invest in developing his/her own governance skills
8. Be informed of the services provided by the [organisation] and support them publicly
9. Prepare for and participate in the discussions and the deliberations of the Board
10. Be aware of and abstain from any conflict of interest.

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## **Position Responsibilities:**

### **Planning**

11. Approve the mission and values of *[organisation]*
12. Review and approve the strategic plan designed to ensure the *[organisation]* is meeting objectives and business risk is managed
13. Approve organisational policies, and monitor the organisation's performance against policies and strategic plan
14. Review and approve the marketing and fundraising plan annually
15. Review and approve the organisation's budget annually.

### **Organisational**

16. Select, monitor, appraise, advise, support, reward and, when necessary, change CEO
17. Contribute to effective Board recruitment and succession planning
18. Foster a positive working relationship with other Board members and organisation staff
19. Review the performance of the Board annually and take steps to improve its performance.

### **Operations**

20. Review results achieved by management compared with the organisation's mission and strategic plan
21. Provide candid and constructive criticism, advice and comments
22. Approve major decisions such as major program and service changes, and capital expenditure.

### **Financial operations**

23. Monitor financial performance
24. Ensure the financial structure is adequate for the organisation's current needs and long-range strategy
25. Be assured that the board and its committees are properly and adequately informed of the condition of the organisation and its operations
26. Be assured that published reports properly reflect the operating results and financial condition of the organisation
27. Ascertain that appropriate conflict of interest policies are in place and that they are monitored and enforced
28. Appoint independent auditors, subject to approval by members
29. Review compliance with relevant legal requirements
30. Ensure appropriate risk assessment and risk management procedures are in place.

### **Advocacy and marketing**

31. Review and endorse the marketing and fundraising plan annually
32. Promote the organisation's interests actively within the broader community.



# RESOURCE 2:

## Template Duty Statement for Chair

[insert organisation name and logo]

BOARD MEMBER POSITION	CHAIR
Function	Lead the governance of [organisation], optimise its performance and ensure compliance with legal requirements
Term	X years commencing on X date (date of AGM or date appointed by the Board)
Date of this Position Description	
Date of next review (to be reviewed every 2 years)	

[As for Template Duty Statement for Ordinary Board member, with the following changes]

Replace 1-3 of Requirements with the following:

- Chairing of Board meetings and events of the organisation
- A time commitment of [X] hours per month [approximately 50% more hours than for general Board member], which includes time spent meeting with CEO outside Board meeting dates, overseeing preparation of Board agenda and minutes, Board meetings, and committee meetings
- Chairing of the Annual General Meeting

Replace 12 with the following:

- Lead the strategic planning process to ensure AAA is meeting objectives and managing risk

Replace 16, 17, 18 with the following:

- Manage the relationship with the CEO, including the process to select, monitor, appraise, advise, support, reward and, when necessary, change CEO
- Put in place management succession plans
- Lead Board succession planning processes including board recruitment and induction of new board members

Add new 33:

- Represent the organisation to key agencies and sectors such as government, funding bodies, the community sector, and the media.

# RESOURCE 3:

## Template Duty Statement for Treasurer

[insert organisation name and logo]

BOARD MEMBER POSITION	CHAIR
<b>Function</b>	Lead the governance of [organisation], optimise its performance and ensure compliance with legal requirements
<b>Term</b>	X years commencing on X date (date of AGM or date appointed by the Board)
<b>Date of this Position Description</b>	
<b>Date of next review</b> (to be reviewed every 2 years)	

[As for Template Duty Statement for Ordinary Board member, with the following changes]

Replace 2 with the following:

- A time commitment of [X] hours per month [approximately 25% more hours than for general Board member]

Replace 4 with the following:

- Knowledge and skills in finance

Replace 5 with the following:

- Willingness to participate in the Finance & Audit Committee [insert appropriate name]

Replace 21 with the following:

- Review the financial structure and long-term planning through the Finance & Audit Committee to ensure it is adequate for the organisation's current needs and long-range strategy

Replace all points under Financial Operations with the following:

- 23.** Closely monitor financial performance through the Financial & Audit Committee
- 24.** Ensure that the financial structure is adequate for the organisation's current needs and long-range strategy
- 25.** Ensure that the board is properly and adequately informed of the financial status of the organisation and its operations
- 26.** Ensure that published reports properly reflect the financial status of the organisation
- 27.** Ascertain that appropriate conflict of interest policies are in place and that they are monitored and enforced
- 28.** Recommend an independent auditor to the Board for appointment at the AGM, subject to approval by members
- 29.** Through the Finance & Audit Committee, review compliance with relevant legal requirements
- 30.** Ensure appropriate risk assessment and risk management procedures are in place.

# RESOURCE 4:

## Template Board Conflict of Interest Policy

[insert organisation name and logo]

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The Board is committed to high standards of ethical conduct. Great importance is placed on making clear any existing or potential conflict of interest. This policy has been developed to provide a framework for all Board Members in declaring conflicts of interest.

### Conflict of Interest Declaration Form

All Board members will be required to complete a Conflict Of Interest Declaration form which lists the Board member's employer, membership of other Boards or organisations, and interests or affiliations with private companies. This form must be updated annually after every AGM.

### Conflict of Interest Register

The Board will maintain a register disclosing a direct or indirect interest of any member that could stop a member from performing their duties. This register will consist of:

- Conflicts of Interest Declaration forms by each Board member
- Excerpts from Board minutes in which Board members declare a Conflict of Interest.

### Disclosing a Conflict of Interest

Board members have a public duty to declare any private interest that may impinge upon a Board discussion. Members of the Board who have an interest in a matter under consideration by the Board must:

- As soon as reasonably practicable, prior to and/or at commencement of the Board meeting, disclose to the Board full and accurate details of the interest
- Not take part in any discussion by the Board relating to the matters and
- Be absent from the room when any such discussion or voting is taking place.

Disclosure of this information should be recorded in the minutes of the Board.

If there is any doubt as to whether a conflict of interest exists, the relevant member should err on the side of caution and declare the interest.

If a conflict of interest has been identified, the Board can decide - by unanimous agreement by other members present - that the Board member does not need to absent themselves from the room during the discussion. The Board might however express an undertaking from the relevant Board member to respect confidentiality in relation to the matter (for example, not pass on the information to the Board of a competing organisation).

If a person alleges that another person has a conflict of interest, whether existing or potential, and if the Board cannot resolve this allegation to the satisfaction of both parties, the matter shall be referred to a delegated [Ethics Subcommittee or similar Board committee]. This Subcommittee will make a recommendation to the Board as to what action shall be taken. The Board may also seek legal advice.

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## Examples of conflict of interest

Examples of conflict of interest include, but are not limited to:

- A Board member is on a job selection panel and one of the candidates is a personal friend
- A Board member works for a government agency that also provides funding to the organisation
- An organisation gives a drug treatment place to the daughter of a Board member ahead of other people who had been waiting longer
- A Board member receives a gift from a firm that provides office equipment to the organisation
- A Board Member sits on the Board of another organisation and the two organisations are competing for the same funds.

## Disclosing gifts

Where a Board member is offered a gift made to them by a third party (unrelated to the organisation) in the course of their Board role, and that gift is worth less than \$20 (eg flowers, a card, chocolates), they can choose to accept that gift. However they should record details of the gift in the Conflict of Interest Register (in a separate section marked 'Gifts').

If the gift is worth more than \$20, the Board member should refuse the gift but inform the giver that they will notify the Board of the offer. The Board member should then raise the matter at the next Board meeting.

In general, the Board should refuse large gifts where they could be clearly perceived to pose a conflict of interest. However there may be situations where the Board decides that accepting the gift for use of the entire organisation does not create a perception of conflict of interest. It should then record the details of the gift (who offered it, why, and its approximate value) in the Board minutes, and in the Conflict of Interest Register, with the conflict to be recorded against the whole organisation.

The Board should ensure the gift is then made available to the organisation's staff and that they, and the giver, are aware that a conflict of interest has been noted in the Conflict of Interest Register.

## Accountability/Responsibility

The Chairperson is responsible for maintaining the conflict of interest register and ensuring Board members comply with this policy.

## Relevant legislation

- *Corporations Act 2001* (Cth)
- *Associations Incorporation Act 2009* (NSW)

## Related Documents

- Constitution
- Governance Charter

# RESOURCE 5:

## Simple Board Review Questions

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### 1. Audit of existing Board members

- What are the skills, experience and background of current Board members?
- What are the skills or experience the Board wishes to have?
- If skills or experience are missing across the Board, can these be brought in through providing professional development to individual Board members, or by recruiting new Board members?
- Is there diversity in the background of the Board members?

### 2. Review of Board's compliance with legal, financial and strategic matters

- Do Board members understand the legal, financial and other obligations of being a Board member?
- Does the Board effectively manage risk?
- Are Board members aware of all contracts, services and projects of the organisation?
- Do Board members understand the vision, mission and objectives of the organisation?
- Do Board members understand the strategic plan, and is the Board involved in its development?
- Does the Board effectively monitor the work of the organisation against the strategic plan?

### 3. Review of Board processes:

- Are Board papers clear, easy to understand, and provided to Board members ahead of time?
- Are there written policies and procedures about how the Board works?
- Are Board members familiar with these policies and procedures?
- How is conflict between Board members dealt with?
- Are Board decisions effectively communicated to the CEO?



# RESOURCE 6:

## Template governance statement

[insert organisation name and logo]

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[organisation] is a [company limited by guarantee/incorporated association], incorporated under the [Association Incorporations Act/ Corporations Act 2001]. Ultimate responsibility for the governance of the organisation rests with the Board of Directors. This governance statement outlines how the Board meets that responsibility.

### Achieving the mission

The Board's primary role is to ensure that [organisation]'s activities are directed towards achieving its mission of .... The Board must ensure that this mission is achieved in the most efficient and effective way possible, while preserving and promoting [organisation]'s reputation.

### Specific responsibilities of the Board

The Board fulfils its primary role by:

- Formulating [organisation]'s strategic plan in conjunction with the CEO and senior management
- Selecting, appointing, guiding and monitoring the performance of the CEO
- Developing and maintaining [organisation]'s ethical standards
- Ensuring optimal succession planning is in place for the role of CEO and senior management positions
- Approving operating and capital budgets formulated by the chief executive and management
- Monitoring management's progress in achieving the strategic plan
- Monitoring [organisation]'s financial performance, including management's adherence to operating and capital budgets
- Ensuring the integrity of internal control, risk management and management information systems
- Putting in place a suite of delegations, policies and procedures
- Ensuring [organisation]'s financial viability, solvency and sustainability
- Ensuring stakeholders receive regular reports, including financial reports
- Ensuring the efforts of volunteers and staff are properly recognised
- Ensuring the company complies with relevant legislation and regulations
- Acting as an advocate for [organisation] whenever and wherever necessary.

These responsibilities are set out in the Board's Charter, which can be viewed on the company's website, [www.xx.org.au](http://www.xx.org.au)

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## Management's responsibility

The Board has formally delegated responsibility for [organisation]'s day-to-day operations and administration to the CEO and executive management. [organisation]'s management team comprises the CEO, [Business Manager or Finance Officer] and [Director of Planning or other key staff positions]. The CEO provides the leadership of the management team and the organisation. The CEO is also responsible for achieving the results set out in the strategic plan and is authorised by the Board to put in place policies and practices, take decisions and actions and initiate activities to achieve those results.

The Board Nominations and Remunerations Committee is responsible for setting the CEO's remuneration and guidelines for the remuneration of the management team. The CEO sets the remuneration for the management team within those guidelines. Details of key management personnel remuneration for the year can be found at Note 17 in the Finance Report.

## Board oversight

The Board oversees and monitors management's performance by:

- Meeting at least 10 times during the year
- Receiving detailed financial and other reports from management at these meetings
- Receiving additional information and input from management when necessary
- Assigning to the [list Board committees] Committees of the Board responsibility to oversee particular aspects of [organisation]'s operations and administration.

Each Board committee operates under a Charter approved by the Board. These Charters are reviewed annually and updated as necessary. Copies of the Charters can be viewed on the organisation's website [www.XX.org.au](http://www.XX.org.au)

## Board members

All Board members are non-executive directors and receive no remuneration for their services. [organisation]'s constitution provides an indemnity to directors. Appropriate directors' indemnity insurance has been put in place. The company's constitution specifies:

- There must be no less than five and no more than 11 directors
- No employees of the organisation, including the CEO, can be a director of the organisation
- Directors are appointed for a maximum of two terms of three years each.

The Governance Committee oversees the appointment and induction process for Board and committee members. Recommendations for appointment are made to ensure the Board has the right mix of skills, experience and expertise. The Governance Committee is also responsible for succession planning.

Board and Committee members receive written advice of the terms and conditions of their appointment and complete a structured induction program when first appointed. Board and committee members' knowledge of the work of the organisation, and governance skills, are maintained by regular visits to [organisation]'s operations, management presentation and access to training programs as necessary.

The performance of individual Board and committee members and the Board and Board committees is assessed annually.

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## The Chair

The Chair of the Board is elected by the Board. The key internal roles of the Chair are to:

- Ensure the Board provides vision and guidance to the organisation
- Ensure Board meetings are effective
- Ensure the Board considers matters in a timely, transparent basis
- Guide the ongoing effectiveness and development of Board members
- Provides line-management of the CEO.
- Externally, the Chair acts as spokesperson for [organisation] in conjunction with the CEO and consults and communicates with stakeholders.

## Risk management

The Board oversees the establishment, implementation and annual review of [organisation]’s risk management system, which is designed to protect the organisation’s reputation and manage those risks that might preclude it from achieving its goals.

Management is responsible for establishing and implementing the risk management system, which assesses, monitors and manages operational, financial reporting and compliance risks. The [relevant Board committee] is responsible for monitoring the effectiveness of the risk management system between annual reviews.

## Ethical standards and code of conduct

Board members and staff are expected to comply with relevant laws and the codes of conduct of relevant professional bodies, and to act with integrity, compassion, fairness and honesty at all times when dealing with colleagues, clients and others who are stakeholders in our mission. Board and committee members and staff are made aware of [organisation]’s ethical standards, code of conduct and conflicts of interest policy during their induction to the organisation and are provided with a copy of both documents at that time.

## Involving stakeholders

[organisation] has many stakeholders, including clients, members, funding bodies, staff and volunteers, the broader community, government agencies who provide funds and regulate operations, and suppliers. These stakeholders are important to [organisation] and their feedback and input is actively sought. Stakeholders have the right to complain about XX services or management through the Feedback and Complaints Policy and Procedures, and stakeholders will be consulted or surveyed as part of [organisation]’s regular strategic planning process.

# RESOURCE 7:

## Template Functions and Delegations Matrix

[insert organisation name and logo]

### FUNCTION AREA: [organisation] BOARD OF DIRECTORS

[organisation] is governed by a Board of Directors elected from the membership under the rules of the [organisation] constitution. The Board of Directors is the legal entity of the organisation and is therefore responsible for [organisation]'s overall strategic direction and the effective and transparent management of its resources. The Board's governance role requires the Board to provide leadership, safeguard the organisation's interests and ensure accountability and long-term viability.

The [organisation] Board meets every [insert schedule] months and the Executive meets [insert schedule]

The [organisation] Board has approved [insert schedule] Board committees, these are set out below.

#### [name] Committee

Purpose:

#### [name] Committee

Purpose:

*Note: Under the position of Ordinary Board Director in the table below, the key functions and delegations of the [organisation] Board of Directors are detailed. Functions and delegations for specific office bearers are detailed separately.*

Position	Core responsibilities	Financial delegations	Human Resources	Media	OHS
<b>Chair</b>	<ul style="list-style-type: none"> <li>» Responsible for providing overall leadership to XX</li> <li>» Chair each Annual General meeting, Board of Directors meeting and Executive meeting</li> <li>» Plan the agenda of Board meetings with CEO before each meeting</li> <li>» Ratify Board meeting minutes</li> <li>» Prepare report for XX Annual Reports and Annual General Meetings</li> <li>» Member of Executive and Business Review subcommittee</li> </ul>	<ul style="list-style-type: none"> <li>» Co-authorise the Annual Audit Report</li> <li>» Co-signatory for XX funding and performance agreements as required (with CEO)</li> <li>» Co-authorise cheques on behalf of the organisation</li> </ul>	Administer performance appraisal process for the CEO	Support CEO in representing XX in the media.	Refer to Ordinary Board Director

Position	Core responsibilities	Financial delegations	Human Resources	Media	OHS
<b>Treasurer</b>	<ul style="list-style-type: none"> <li>» Overall responsibility and oversight for the finances of the organisation</li> <li>» Chair of Business Review subcommittee</li> <li>» Member of Executive and Business Review subcommittee</li> </ul>	<ul style="list-style-type: none"> <li>» Prepare for external audit with Business Manager including co-authorise Bank Audit Request</li> <li>» Co-authorise the Committee Report (Annual Audit Report)</li> <li>» Recommend the Annual Audited Finance Report to the Membership at the AGM</li> <li>» Co-authorise Certificate of Compliance (Annual Statement to Fair Trading)</li> <li>» Co-signatory for XX funding and performance agreements as required (with CEO)</li> <li>» Co-authorise cheques on behalf of the organisation</li> </ul>	Refer to Ordinary Board Director	Refer to Ordinary Board Director	Refer to Ordinary Board Director
<b>Deputy Chair</b>	<ul style="list-style-type: none"> <li>» Chair Board meetings in absence of the Chair</li> <li>» Member of Executive</li> </ul>	Refer to 'Ordinary Board Director'	Refer to 'Ordinary Board Director'	Refer to 'Ordinary Board Director'	Refer to 'Ordinary Board Director'
<b>Secretary</b>	<ul style="list-style-type: none"> <li>» Overall responsibility for minutes, membership and other incorporation compliance</li> <li>» Member of Executive</li> </ul>	<ul style="list-style-type: none"> <li>» Co-authorise Certificate of Compliance (Annual Statement to Fair Trading)</li> <li>» Co-signatory for XXX funding and performance agreements as required (with CEO)</li> </ul>	Refer to 'Ordinary Board Director'	Refer to 'Ordinary Board Director'	Refer to 'Ordinary Board Director'



Position	Core responsibilities	Financial delegations	Human Resources	Media	OHS
<b>Ordinary Board Director and Office Bearers</b>	<ul style="list-style-type: none"> <li>» Represent XX</li> <li>» Set the strategic direction, objectives and define critical policies</li> <li>» Approve strategic plan</li> <li>» Monitor the performance of the organisation against the approved plans, reports and budgets</li> <li>» Define the management delegations</li> <li>» Approve membership applications for XX</li> <li>» Endorse XX Operational Policies</li> <li>» Endorse proposed constitutional changes</li> <li>» Ensure compliance with legislation, policies and regulations</li> <li>» Ensure the Board's own governance structure and processes are effective</li> </ul>	<ul style="list-style-type: none"> <li>» Ratification of budgets and forecasts for XX</li> <li>» Ratification of monthly financial reporting</li> <li>» Ratification of Annual Audited Financial Accounts</li> </ul>	<ul style="list-style-type: none"> <li>» Recruit the CEO and monitor their performance</li> <li>» Endorse CEO's recommendations for employment of staff members</li> <li>» Ensure compliance with HR legislation and regulations</li> </ul>	No media comment unless endorsed by Chair or Board	Ensure compliance with OH&S legislation and regulations

## FUNCTION AREA/PROGRAM: STAFF EXECUTIVE

The Staff Executive consists of the 3 senior positions of the CEO, [insert other positions] This team is involved in program and budget development, strategic liaison with stakeholders and developing and implementing operational systems to ensure the effective management of the organisation.

Position	Core responsibilities	Financial delegations	Human Resources	Media	OHS
<b>Chief Executive Officer</b>	<p>The Board delegates day-to-day management of the organisation to the CEO.</p> <p>The CEO has responsibility for management of the organisation, including:</p> <ul style="list-style-type: none"> <li>» Implementation of Strategic Plan, including development of and reporting against Operational Plan</li> <li>» Preparing and delivering reports to Board</li> <li>» Establishing and maintaining strategic alliances and partnerships for [organisation] and the sector and feeding back partnership information to [organisation] staff</li> <li>» Advocacy for the NSW non government drug and alcohol sector</li> <li>» Sector representation and contribution to policy development that affects the sector</li> <li>» Identify opportunities for enhancing the services and support to members through submission, tenders and other plans and reports that are within the direction and goals established by the Strategic Plan</li> <li>» Ensure compliance with legislation, policies and regulations</li> <li>» Participate in team planning and quality improvement initiatives</li> <li>» Attends Board meetings, Executive meetings and Business Review subcommittee</li> </ul>	<ul style="list-style-type: none"> <li>» Overseeing financial management of the organisation</li> <li>» Approval to incur expenditure on behalf of the organisation</li> <li>» Develop draft budget and forecasts</li> <li>» Co-authorise bank audit request</li> <li>» Co-authorise Management Representation Letter (Annual Audit)</li> <li>» Authority to hold Business credit card for XX expenditure</li> <li>» Sign off (with Board signatory) on all external funding and performance agreements</li> <li>» Sign all contractual relationships (e.g. consultancy agreements)</li> <li>» Variation to approved budget expenditure as determined by the Board</li> <li>» Co-authorise cheques on behalf of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>» Recruitment of staff</li> <li>» Approve and enter into employment contracts for staff</li> <li>» Administer and vary existing employment contracts</li> <li>» HR delegations for Director Sector Development and Business Manager</li> <li>» Recruit to vacancies and lead hiring process as relevant</li> <li>» Orientation and induction of new staff as relevant</li> <li>» Identify relevant staff members to take on HR responsibilities for casual staff</li> <li>» To approve student placements and ensure adequate supervision is available</li> <li>» Participate in staff performance development and appraisal processes</li> <li>» Comply with HR policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>» Public spokesperson for XX as agreed with the Chair</li> <li>» Delegate authority for representing XX in the media to other staff or Board of Directors as appropriate</li> <li>» Comply with HR policies and procedures</li> </ul>	<ul style="list-style-type: none"> <li>» Provide OHS reports to the Board</li> <li>» Nominate a safety officer</li> <li>» Act upon any identified OH&amp;S risk</li> <li>» Develop OH&amp;S plan</li> <li>» Ensure relevant safety mechanisms are in place</li> <li>» Ensure completion of incident reports</li> <li>» Comply with OH&amp;S policies and procedures</li> </ul>

Position	Core responsibilities	Financial delegations	Human Resources	Media	OHS
<b>[e.g. Director of Planning]</b>	<ul style="list-style-type: none"> <li>» Acting CEO delegation in absence of the CEO</li> <li>» Support CEO to identify opportunities for enhancing the services and support to members through submission, tenders and other plans and reports that are within the direction and goals established by the Strategic Plan</li> <li>» Work with CEO on strategic alliances and partnerships for [organisation]</li> <li>» Attends Board meetings, Executive meetings and Business Review subcommittee</li> </ul>	<ul style="list-style-type: none"> <li>» Assist development of draft budget and forecasts</li> <li>» Approve budgeted Core and project expenditure</li> </ul>	<ul style="list-style-type: none"> <li>» Overall management of [organisation] HR policies and systems</li> <li>» Identify and lead compliance with HR legislation</li> <li>» HR delegations as identified</li> <li>» Recruit to vacancies and lead hiring process as relevant</li> <li>» Orientation and induction of new staff as relevant</li> <li>» Participate in staff performance development and appraisal processes</li> </ul>		
<b>[e.g. Business Manager]</b>	<ul style="list-style-type: none"> <li>» Provide accounting and other financial information and advice to assist the Board, CEO and programs to meet financial and compliance goals.</li> <li>» Provide timely, accurate and relevant budgets that ensure effective monitoring of finances.</li> <li>» Attend Board meetings, Executive meetings and Business Review Subcommittee</li> </ul>	<ul style="list-style-type: none"> <li>» Identify and lead compliance with financial, tax and associations legislation</li> <li>» Develop and provide advice on draft budget and forecasts</li> <li>» Approval to incur expenditure on behalf of the organisation</li> <li>» Recommend variation to approved budget expenditure to CEO</li> <li>» Co-authorise Management Representation Letter (Annual Audit)</li> <li>» Approve administration of budgeted Core and project expenditure</li> <li>» Co-authorise cheques on behalf of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>» HR delegations as identified</li> <li>» Recruit to vacancies and lead hiring process as relevant</li> <li>» Orientation and induction of new staff as relevant</li> <li>» Participate in staff performance development and appraisal processes</li> </ul>		

# RESOURCE 8:

## Example of a Board Development Plan

AREA IDENTIFIED FOR IMPROVEMENT	GOAL	ACTIVITIES	PERSON RESPONSIBLE	TIMELINE
1. Low number of Board members	Have a minimum of 9 of the 10 positions filled at any one time.	Advertise for Board members and approach people with right skill-set	Chair and CEO. All Board members to do word-of-mouth	June 2012
		Prepare Prospective Board membership pack	CEO	June 2012
		Interview prospective Board members and provide with membership pack	Chair	June-August 2012
		Ensure prospective Board members attend AGM	Chair	October 2012
2. Board members have similar backgrounds	Increase diversity of Board members	In advertising for and approaching prospective Board members, encourage CALD and Aboriginal applicants	Chair and CEO. All Board members to do word-of-mouth	October 2012
3. No Board members with qualification or experience in human resources or staff management	Have at least 2 Board members with human resources/ staff management experience/skills	In advertising for and approaching prospective Board members, seek people with relevant training/ experience	Chair and CEO. All Board members to do word-of-mouth	October 2012
4. Low confidence in understanding the legal obligations of Board Directors	High confidence amongst all Board members about the legal obligations of Board members	Provide full-day training to all Board members on corporate governance, focusing on legal obligations	CEO to organise	March 2012 then every year after AGM
5. Meetings are too long, there are too many papers, and never get to finish discussion	Limit meetings to 2 hours and have standard agenda and papers.	Bring in consultant to observe meeting and provide advice.	CEO to organise	April 2012
		Establish templates and develop new procedure based on consultant's advice	CEO and Secretary	June 2012
		Review new procedure	CEO and Secretary	November 2012
6. CEO and Chair relationship could be better	High confidence in CEO/Chair relationship from both CEO and Chair	Implement face-to-face meetings between CEO and Chair mid-month, in between Board meetings	CEO and Chair	Monthly

# RESOURCE 9: Template Board Agenda

[Organisation name and logo]

## Board Meeting Agenda

[Date and time] (1.5hr)  
[venue]

ITEM	RELEVANT DOCUMENTS (to be attached)	ALLOCATED TIME
OPENING		
1. Welcome, apologies, quorum	Chair	1 min
2. Conflict of interest declarations	Verbal	1 min (10 if disclosures)
3. Previous Minutes Confirmation Matters arising / action list	A. Board MinutesDate.doc	5 mins
STRATEGIC ISSUES FOR DISCUSSION OR DECISION		
4. Item / Report	B. StrategyTopic1.doc	15 mins
5. Item / Report	C. StrategyTopic2.doc	15 mins
GENERAL BUSINESS – MATTERS FOR DISCUSSION OR APPROVAL		
6. CEO Report Significant issues arising in past month Matters for approval (above delegation) Report against Strategic Plan Report against CEO performance indicators Risk and compliance update	D. CEOReportDate.doc	10 mins
7. Finance Report Report of Finance Subcommittee Financial papers	E. FinanceReportDate.doc	10 mins
8. Other committee reports	F. Committee1ReportDate.doc G. Committee2ReportDate.doc	5 mins
MATTERS FOR NOTING (discussed only if required; can also shift reports from above to this section if no major decisions required)		
9. Major correspondence		2 mins
10. New members		2 mins
11. Updated Board calendar		2 mins
12. Other		2 mins
MEETING FINALISATION		
13. Review actions to be taken		
14. x		
15. Meeting close		



# RESOURCE 10:

## Example Board Calendar

MONTH	DATE AND TIME	MEETINGS AND EVENTS	VENUE
September 2011	26th 4 – 6pm	AGM	Community Hall
October	20th 6 – 7.30pm	Board Meeting including: » Orientation of new Board » Overview of current strategic plan	Office Meeting Room
November	22nd 1 – 2.30pm	Board meeting including » Report from Business Committee	Teleconference
December	TBC	No Board Meeting Christmas party – Board and staff	Community Hall
January	28th 6 – 7.30pm	Board Meeting including: » Report from Human Resources Committee » Guest speaker to talk on changes to charities law	Office Meeting Room
February	21st 1 – 2.30pm	Board Meeting including: » Report from Business Committee	Teleconference
March	22nd	Board Meeting including: » Report from Human Resources Committee » Govt speaker to talk about changes to funding agreement regime	Office Meeting Room
April	23rd 1 – 2.30pm	Board Meeting including: » Report from Finance Committee » Draft budget for following year	Teleconference
May	22nd 6 – 7.30pm	Board Meeting including: » Report from Human Resources Committee » Speaker from peak body to talk about Governance support and resources	Office Meeting room
June	25th 1 – 2.30pm	Board Meeting including: » Report from Business Committee » Finalise budget for following year » Board members' performance reviews (survey/self-assessment)	Teleconference
July	20th 6 – 8pm	Board Meeting including » CEO Performance Review » Report from Audit Committee » Annual Report	Office meeting room
August	25th 1 – 2.30pm	Board meeting including » Finalise preparations for AGM » Approve audit	Teleconference
September 2012	22nd 4pm	AGM	Community Hall





**NADA**  
network of alcohol & other drugs agencies

PO Box 2345  
STRAWBERRY HILLS  
NSW 2012 Australia

02 9698 8669

[admin@nada.org.au](mailto:admin@nada.org.au)  
[feedback@nada.org.au](mailto:feedback@nada.org.au)

[www.nada.org.au](http://www.nada.org.au)

