



2. Facilitated development session: **Governance and the role of a board or management committee**



Introduction

The aim of this governance development session is to provide board or management committee members with an understanding of the responsibilities and duties of board or management committee members and to ensure that there is a common understanding among the group. The session will also review the way in which this board or management committee is carrying out its role, identify any changes that they may want to make to this, and develop a set of board or management committee job descriptions.

Ideally, this development session should be facilitated by a person with a good understanding of incorporation and governance. This may be an experienced person within the organisation or an external facilitator.

Timing of this program: 2–2.5 hours

FACILITATOR'S NOTES

5 min

1. Introduction: Purpose of session

Provide participants with a summary of the aim of the session and the main items to be covered:

- roles in organisations
- review of incorporation and governance
- *(if the organisation is Aboriginal or Torres Strait Islander run)* cultural terms of reference for Indigenous organisations
- participation options in organisations
- duties and tasks — what the board or committee does
- reviewing board or management committee job descriptions.

15 min

2. Roles in the organisation

Using an overhead or data projector if available, introduce the different role groupings for an organisation, talk about what each role does, and ask the questions for each grouping.



Role	Group that takes this role	Questions
Owners: legally own the organisation, like shareholders in private companies	Members	<ul style="list-style-type: none"> • How does someone get to be a member of the organisation? • How many members does your organisation have? • How active are they – do they care what happens in the organisation? • Do they take an interest in choosing the board or committee? • Do they have any sense that they own the organisation?
Custodians: look out for the organisation and protect it on behalf of the owners	Usually the board or management committee, but can be a separate group, such as an Elders group	<ul style="list-style-type: none"> • Which people are morally and culturally responsible for this organisation? • Which people really need to look after the organisation for this community? • Do they also want to take on the governance and all the legal responsibility and decision making?
Directors: are legally responsible for the governance of the organisation (lead, care and control)	The board or management committee	<ul style="list-style-type: none"> • Which people should be in this group and why? • Should the 'directors' have particular types of skills that are different from those of the 'custodians'?
Managers and administrators: carry out the work that is directed by the directors	Staff	

© Bradfield Nyland Group, *Framework for roles within an organisation*, 2005

20 min

3. Information session: Review of incorporation and governance

Give participants a copy of the *Info sheet: Board basics* and work through the key points below. Encourage questions and discussion. The following points from *Info sheet: Board basics* should be covered:

Incorporation:

- creates a **legal identity** for a group
- defines the **members** and the **governing body**
- creates **not for profit** status via the non distribution constraint
- gives all members **limited liability**
- registers a set of **operating rules** for the group: this is usually called the **constitution**. Formally, these are the memorandum and articles of association for companies, and the rules of association for associations.



- ❑ **Governance** or corporate governance, is the process by which an organisation:
 - is provided with direction
 - has its activities monitored and controlled
 - has its personnel held to account.

Governance is literally the government of an organisation.

❑ **The governance role**

The role of the board of management is to:

- **lead:** providing leadership, forward planning, and guidance to the organisation, particularly in terms of developing a strategic culture for the organisation
- **care:** custodianship or stewardship of the organisation, with the responsibility of 'shepherding' and safekeeping the organisation on behalf of *its members or constituents, particularly in terms of ensuring that the organisation pursues its stated purpose and remains viable*
- **control:** providing monitoring and oversight of the management, maintaining authority and accountability, ensuring good management practices and appropriate 'checks and balances'.

❑ **The legal responsibilities of a board of management**

- Members of the board of management need to **understand their responsibilities** and **perform their duties to the best of their abilities**.
- Members are required to **operate with due care and diligence**, in the **best interests of the organisation** and declare any personal interest that might conflict with the interests of the organisation or their fiduciary duty.
- Members of the board of management need to **ensure compliance, probity and solvency**:
 - The aims and objectives of the organisation are pursued.
 - The rules of the organisation (its constitution) are followed.
 - The business of the organisation is conducted honestly.
 - The organisation complies with all laws and any contractual obligations.
 - The organisation keeps proper financial records and can pay its debts (remains financially solvent).

The advice of the Australian Securities and Investments Commission (ASIC) is that company directors should:

- be fully **up to date** on what the company is doing
- **examine the impact** on the company's business performance of any proposal (particularly one involving financial commitment)
- **seek outside professional advice** when there is insufficient information to make a properly informed decision
- **question** management and staff about how the business is going



- **take an active part** in the directors' meetings (i.e. not 'rubber stamp')

(ASIC, *The Watchdog's Guide*, 2002)

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The following exercise is specifically for Aboriginal and Torres Strait Islander organisations.

20 min

4. Cultural terms of reference for Indigenous organisations

Remind the group that the incorporation system is a European system and that aspects of it may feel inappropriate for Indigenous community members. The Australian system of incorporation and governance (based on the British legal system) may also not take into account issues that are important to Indigenous peoples.

Ask the group what they think about the way they are expected to run the board or management committee and the types of responsibilities involved:

- Are there any aspects or requirements that conflict with their preferred ways of doing business? Are these cultural issues or practices or just comfortable ways of doing things?
- How would they like to change the way they do things? Would this conflict with any legal requirements or good governance practice?
- What principles or terms of reference would they like to operate by that reflect their values as Indigenous community members?

20 min

5. Participation options in organisations

Give participants a copy of the matrix below, or display on overhead/draw on butcher's paper. Using the matrix, ask the group to identify what level of involvement they personally want in each aspect of the organisation's functioning (copy in *worksheet one*).

People may want to discuss detail under each aspect and have different levels of involvement in different components of an aspect (for example, input into service delivery policies and final decision making on entry to service). Make notes in the matrix of any broad distinctions, but work towards a broad picture of the range of involvement they want, and particularly the level of decision making and monitoring they want.

Once this is complete, review briefly and, if patterns are obvious, give the group some feedback as to whether they appear to be either too 'hands on' for a board or management committee or are not that interested in the governance role (i.e. very little interest in monitoring and decision making).



Types of involvement and participation	Scope and type of services and activities	Delivery of services or activities	Administration matters	Finances	Staffing
Just be kept informed about significant issues and activities					
Have input/be consulted					
Set broad directions and policy					
Receive formal reports on management of organisation					
Be responsible for monitoring management of organisation					
Make final decisions					
Take legal responsibility					

© Bradfield Nyland Group, *Governance Participation Matrix*, 2003

30 min

6. Group discussion and exercises: Duties and tasks — what the board or committee does

Using the whiteboard/butcher's paper and the template below, work through the three governance roles, asking the group to identify what they currently do or have in place that relates to each of these, and what they could be doing that would strengthen their role.



Governance role	Current practice	Practice need to strengthen role
• Leadership		
• Safeguarding the organisation		
• Accountability and performance monitoring		

Then review the list below of board or management committee tasks with the group. Some of these will have been identified in the previous exercise. Use the list to identify:

- items not already mentioned that are part of current practice and working effectively, and can be added to the 'Current practice' column
- items that need to be added to the 'Practice need to strengthen role' column.

List of board or management committee tasks¹:

- provide a clear and viable direction for the organisation, agree on priorities, and oversee the development of an organisational plan
- oversee the development of an annual budget
- establish clear expectations for all board members, staff and volunteers
- make informed decisions on key issues
- establish accountability and reporting processes
- ensure that appropriate systems are in place for recruitment and the performance appraisal and management of staff
- monitor the implementation of plans, budgets, policies and decisions and be able to recognise and take action when things aren't implemented in an agreed way
- ensure sound risk management is in place by establishing and monitoring a risk management plan, including appropriate insurance cover
- oversee the signing of contracts
- monitor the performance of the board or management committee
- ensure that the board or management committee is sustainable over time and that succession is well planned
- address any conflicts of interest within the board or management committee and across the organisation.

¹ ©Bradfield Nyland Group (Breaking New Ground Pty Ltd), Management Support Online Skill Building Module, *Boards and Committees of Management*, 2006

**20 min****7. Reviewing board or management committee job descriptions**

If available, circulate copies of the organisation's current role descriptions for its board or management committee members and copies of the position descriptions from *Tool: Position descriptions for members of boards or management committees*. If possible, also show these on an overhead or data projector.

Work through each job description comparing the current role descriptions being used by the organisation with the example version. The organisation may choose to make changes to its own current documents, or adopt the example versions and make changes to them.

Reference materials

- *Info sheet: Board basics*
- *Tool: Position descriptions for members of boards or management committees*



WORKSHEET ONE

Governance participation matrix

Types of involvement and participation	Scope and type of services and activities	Delivery of services or activities	Administration matters	Finances	Staffing
Just be kept informed about significant issues and activities					
Have input/be consulted					
Set broad directions and policy					
Receive formal reports on management of organisation					
Be responsible for monitoring management of organisation					
Make final decisions					
Take legal responsibility					

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