

## Overview of your financial obligations

When you join a Board you accept the obligation to look after your organisation's finances. In some cases, a Board's financial responsibilities may be quite extensive (for example, for a Board that is responsible for overseeing a large organisation with debts, income, staff, etc.). In other cases (say, for a small community group Board that does not perform many or any financial transactions) these responsibilities might be simple or non-existent.

Any Board that oversees a budget, no matter how small, needs to have a good understanding of its financial duties and take them very seriously.

- **Financial Competence**  
Although Board members are not generally required to have particular qualifications to be appointed, the law does impose standards of financial competence. This is particularly relevant to the laws of insolvent trading (discussed in the [Overview of Your Legal Responsibilities](#) help sheet).

The Board is expected to be capable of understanding the affairs of the organisation or facilities it is governing well enough to reach a well-informed opinion of its financial capacity. And it must be sufficiently up-to-date with the organisation's dealings to allow it to respond properly to the organisation's changing financial capacity. Naturally, this requires some familiarity with financial reports.

Every year, most Boards will prepare a financial report. The preparation of such reports is not always simple and many Boards seek professional help in doing so. Generally, these reports will include:

1. A review of the year's operations and details of any important changes;
2. Information regarding the organisation's primary activities;
3. Details of any circumstances that have affected, or could affect, the organisation's operations or likely developments in future years;
4. Names of Board members and the period for which they have filled the position;
5. Information regarding Board members' fees;
6. All earnings from the organisation and related organisations;
7. Information regarding the solvency of the organisation, including income and expenditure.

Different or additional reporting requirements may exist for your particular Board, depending on the law or rules under which it operates.

It is worth noting that individual Board members are not required by law to attend to the financial affairs of the organisation personally, but they must ensure that they engage people who are competent enough to handle the requirements of the specific situation. It is not sufficient to appoint someone qualified only to do basic accounting where only the resources of a large accounting firm could cope with the task at hand.

You should also know enough about financial matters to be able to understand the workings of the budgets and accounts. If you do not know what words like "revenue," "assets" and "income" mean, you will need to do a lot more homework before taking on any Board role that requires overseeing a budget.

## Keeping you and your Board safe

- Directors and Officers Liability Insurance

Some Boards will take out directors and officers' liability insurance to provide protection for Board members sued individually for acts of negligence by the Board. It is important that you find out what sort of insurance is provided for you as a Board member, the level of cover and whether or not you will continue to be covered after you have left the Board.

- Professional Indemnity  
Professional indemnity insurance covers individuals against claims for breach of "professional duty" arising out of any negligent act, error or omission committed or alleged to have been committed by the insured in the conduct of his/her professional activities. Again, find out if you need this sort of coverage and if your Board will provide it.
- Fidelity (Fraud) Insurance  
Fidelity insurance provides cover for your organisation against misappropriation of funds by employees or committee members. The need for such insurance is generally weighed up against the cost, the level of the budget and the level of risk.

## Board Committees

Many Boards set up committees (or sub-committees) to help streamline their decision-making process.

Committees concentrate on and develop expertise in specific areas, ensuring that the full Board can concentrate more on the "big picture". Usually their role will involve examining and debating an issue and then preparing a recommendation for the full Board. They may also be set up to take on a major project or task – finding a new CEO, for example.

In some organisations, committees comprise only of Board members. Others involve outside people, often those with particular industry or technical knowledge of a particular area.

Not all Boards have committees and not all Boards have the same committees. However, there are some common ones.

- **The Executive Committee**  
Where there is a need for rapid or flexible decision-making, or where the Board's meetings are infrequent, there can be a need for an executive committee to fill the gaps. The committee might, for example, handle urgent decisions over a holiday period.

Executive Committees are usually made up of the office bearers, the CEO and perhaps one or two members elected by the Board.

It is necessary to formally delegate powers to the Executive Committee between meetings. Decisions should then be reported to and endorsed by the full Board at the next ordinary meeting.

- **The Governance Committee**  
Probably the most important of all committees, the Governance Committee (sometimes called the Board Development Committee) concentrates on ensuring the Board's performance is subject to ongoing scrutiny. Tasks may include:
  1. Preparing priorities for Board composition.
  2. Developing a prospect list to identify new Board members.
  3. Meeting with prospective Board members and recommending candidates to the Board.
  4. Conducting orientation sessions for new Board members.
  5. Organising training sessions for the Board, including Board retreats.
  6. Suggesting new, non-Board individuals for committee membership.
  7. Organising training and development activities for committees.
  8. Establishing appropriate Board evaluation processes.
- **The Budget and Finance Committee**  
This committee oversees the preparation and review of the budget and keeps track of all financial transactions for accountability purposes. More particularly, tasks can include:
  1. Establishing appropriate processes for budget preparations.
  2. Identifying and advising staff on financial priorities for the group.
  3. Recommending financial guidelines and processes to the Board.
  4. Reporting any financial irregularities or concerns to the Board.
  5. Working with staff to design financial reports that are accurate and timely.
  6. Identifying any opportunities for income generation (e.g. major grants, product sales, investments, etc.).

7. Overseeing the management of short and long-term investments.
8. Recommending selection of an auditor, working with the auditor and responding to the auditor's recommendations.

- Fundraising/Development Committee

This committee is responsible for overseeing the group's overall fundraising strategy and what role Board members will undertake in this regards. Generally this includes:

1. Working with staff to establish a fundraising plan that incorporates a suite of fundraising activities.
2. Taking the lead in certain types of fundraising efforts, such as chairing a dinner/dance committee or hosting fundraising functions.
3. Involving all Board members in fundraising, such as having them make telephone calls to ask for support, and monitoring fundraising activities to ensure they are cost efficient.
4. Establishing and monitoring ethical guidelines for all fundraising to be sure that ethical procedures are followed.
5. Maintaining links with donors, granting agencies and sponsors, and ensuring that they are acknowledged appropriately.
6. Identifying potential sources for funds and other resources.

- The Remuneration/People Development Committee

Where Boards are overseeing organisations with paid staff, they will usually be responsible for selecting the CEO, fixing his or her salary and monitoring his or her performance. A committee may be put in place to manage this process.

Boards usually do not have responsibility for staffing matters other than those relating directly to the CEO. However, some Boards may also use a committee to guide the development, review and authorisation of personnel policies and procedures. This can include establishing a salary structure, and annually reviewing staff salaries and benefits packages.

- Product/Program Development Committee

This committee is the link between the Board and the staff on programs or activities. The most common responsibilities of a Product or Program Development Committee are:

1. Overseeing the development of new programs and monitoring and assessing existing programs.
2. Initiating and guiding program evaluations.
3. Facilitating discussions about program priorities for the group.

- Marketing and Public Relations Committee

This committee works to promote the group and its activities to the broader community. This will usually include working with staff to develop a marketing plan for the group that:

1. Identifies potential new markets for the group's services or products.
2. Promotes the group's services to the community.
3. Builds a good relationship with the media.

- Ad Hoc Committees

Ad hoc committees oversee special tasks that come along from time to time. Examples can include:

1. Major Events Committee – plans and coordinates major fundraisers and other events, such as conferences or seminars.
2. Ethics Committee – establishes and applies guidelines for ensuring ethical behaviour and works to resolve ethical conflicts.

3. Research Committee – conducts specific research and makes recommendations to the Board on a particular issue or trend that may impact on the group, including possible joint projects, changes in legislation, potential relocation or cuts in welfare.
4. CEO Transition or Search Committee – works on finding a new CEO, including developing guidelines and a search process and developing a shortlist of candidates.
5. Site Relocation Committee – assists in the relocation of the group from its existing premises to another site.
6. Capital Campaign Committee – plans, coordinates and executes a campaign to raise a significant amount of money above and beyond the usual year's activities, often for building or expansion projects.