

## **Good Governance. A Guide. Resource Pack**

### **Section Four. Notes on board duties, roles and procedures**

#### **4.1 Why have a board?**

The rules of an organisation are usually set out in a written governing document (usually a constitution). The constitution is the source document from which the board and its powers are derived.

The constitution of an organisation usually states

- The objects or purposes of the organisation. That is what it is established for
- Who is eligible to apply to become a member of the organisation
- The rights of the members of the organisation (eg the right to vote)
- How the organisation's board of management is to be selected
- How and when General Meetings of the whole membership may be called, and what business is to be conducted at Annual General Meetings
- How the organisation's finances are to be controlled
- How the constitution can be altered
- How the organisation might be dissolved

A constitution normally recognises:

- That it's not practical for all the members of a group to run that group (except perhaps in a very small group)
- That the members' powers are, therefore, delegated to a board made up of some members, and that the board acts in the name of and on behalf of all the members
- That some powers are not delegated to a board, but are retained by the whole membership, eg election of a board, altering the constitution, deciding to dissolve the organisation
- That the board is answerable to the members meeting together at an Annual or Special General Meeting

A board may be called simply 'the board' or it may have another title as laid down in the constitution, such as:

- Board of Trustees
- Executive Council
- Executive Board
- Management Board

- Central Board
- Management Board
- Board of Directors (the 'board' of a charitable company may be called 'the directors')

#### **4.2 Responsibilities (and rights) of board members**

You are a member of a board. Here is a list of the things that are expected of you (and what you are entitled to expect):

- Attend regularly - send an apology if you can't
- Find out if the board has rules/regulations - are these written down in your group?
- Participate in decisions - don't be shy
- Carry out any tasks you agree to take on - say beforehand if you are unable or unwilling
- Offer to lead if you have special skills
- Understand your legal responsibilities, especially in regard to:
  - Employment of paid staff, legal and good practice requirements regarding child protection and protecting any vulnerable people
  - Health and Safety regulations
  - Protecting against liability, and having adequate insurance
  - Monitoring finances (if insolvency results, you may be personally liable)
- Be loyal to the board - respect confidentiality
- Remember you are accountable to the membership as a whole

You have rights to match your responsibilities:

- The right to correct information
- The right to be heard
- The right to be consulted
- The right to respect and loyalty from colleagues

#### **4.3 Roles of office bearers**

##### **(i) Honorary officers**

Honorary officers (or office-bearers) are unpaid people acting in a voluntary capacity, as distinct from the employees of the organisation, who are sometimes called 'the officers'. The key members of a board are:

- The Chairperson (also called Chairman, Chairperson or Moderator)
- The Honorary Secretary (or just Secretary)
- The Honorary Treasurer (or just Treasurer)

In larger groups it may be helpful if these office-bearers have deputies, eg Assistant Treasurer. A board may have other titles for the office-bearers, such as Minutes Secretary, Press Officer, etc

## **(ii) Election of officers**

The constitution will say whether office-bearers:

- Are elected at and by an Annual General Meeting.
- Are elected by and from among the members of the elected board.

## **4.4 Roles of the office-bearers of a board**

The Role of the Chairperson is:

- To ensure the agenda and minutes are prepared
- To ensure that the agenda is followed
- To ensure everyone has a chance to speak
- To keep speakers to the point
- To promote fairness and to resist the opportunity to put own opinion first
- To sum up discussion preparatory to decision
- To strive for consensus - use voting as a last resort
- To ensure tasks allocated are carried out
- To speak for group publicly, unless otherwise agreed

The Role of the Secretary is:

- To prepare venue and arrive early
- To prepare agenda and minutes
- To record decisions of meeting clearly and briefly
- To ensure the Chair is fully briefed
- To handle and file all correspondence
- To order stationery supplies, etc
- To prepare an annual report for board approval, and then submission to the Annual General Meeting

The role of the Treasurer is:

- To open a bank account for the group
- To keep records of all income and expenses
- To give or obtain receipts for all income and expenses
- To lodge all monies (except for a small cash float) in the bank
- To report state of finances at all meetings, and to invite questions
- To ensure the organisation's annual accounts are audited, or at least are examined by an independent person (ie someone not connected with the group)
- To prepare the annual statement of accounts for approval by the board first, and then for submission to the Annual General Meeting
- To preserve the accounts for at least seven years

#### **4.5 The relationship of paid employees and the board**

In all charities, employees are prohibited from being members of the board (and board members from being employees) unless the constitution provides otherwise (and the Inland Revenue approves of this provision). Where the prohibition applies, a member of the board who becomes employed by a charity, even for a short time, must resign.

Some organisations state in the constitution that employee representatives can attend and have a full voice in board meetings. If so, there should be a clear policy for situations where a conflict of interest arises, eg conditions of employment affecting the member of staff present at the meeting. Employee representatives in this kind of situation should declare an interest and withdraw from that part of the meeting.

Any board member who is likely to become employed by the charity or who is applying for a job, or might apply for a job with the organisation should not take part in discussions or decisions about the job description, person specification or terms of employment, etc.

#### **4.6 Remuneration of board members of a charity**

Board members of a charity (charity trustees) can never be paid a wage or rewarded for acting as trustees. Charity law requires trustees not to profit from his/her trust, so charity trustees cannot receive remuneration even though the time they devote to serving as a trustee may be significant. Trustees are entitled to claim out of pocket expenses incurred in the course of their work on the charity's behalf.

#### **4.7 Remuneration for specific services provided to a charity by a board member**

Remuneration for services involves being paid for work done for the organisation, whether as an employee or on a self-employed basis. Many payments of this kind which are seen as 'payment for expenses' are in fact remuneration and must be treated as such.

Ordinary members of an organisation - those who are not members of the board - may be paid by the organisation unless this is prohibited by the governing document of the organisation.

Charity law requires trustees to act altruistically - not to profit from his/her trust, so charity trustees cannot receive remuneration unless the constitution of the charity allows it. It is very rare that the Inland Revenue will accept a group as a charity for tax purposes if the group's constitution allows payments to be made to the board.

In some cases, if there are very strong reasons for permitting some of the trustees to be paid for services, the Inland Revenue may accept the necessity for including a rule in the constitution to allow this, or for amending the constitution to include such a rule. However, even then, the Revenue would expect to see firm checks and balances in place to prevent the trustees from exploiting this situation to the detriment of the charity or its beneficiaries.

At the time of going to print, the Trustee Bill - a proposed piece of legislation which aims to clarify the circumstances in which Northern Ireland charity trustees could be remunerated - is being considered by the NI Assembly.