

AFUO Governance Guide - Using Sub-committees

Introduction

The work of the Board and its Directors is substantial, yet Directors are generally not fulltime employees of the organisations like its managers. Most Boards establish sub-committees to deal with important and specific tasks and free up Board meetings. For many it is the only way that Boards can get through everything they have to get through effectively. However, if not setup effectively they will work against the achievement of successful pragmatic governance.

The AFUO Board has the power within its constitution under Section 42 (3) (b) to establish sub-committees.

The purpose of this governance guide is to provide some 'dos' and 'don'ts' around sub-committees so that they can be used to their greatest impact.

Common Board sub-committees

Examples of areas that are often put to a sub-committee are:

- *Risk and audit* (sometimes in NFP organisations: finance, risk and audit) - this is the most common sub-committee used by Boards. They interact directly with the external auditor, define the internal audit schedule around internal controls. They work with management of the process of budget preparation. Most importantly they have carriage over Risk Management. At times Risk may be its own sub-committee.
- *WHS* - a WHS sub-committee helps reinforce the importance the Board should and do place on WHS.
- *Clinical governance* - for those organisations providing specialist care and subject to external scrutiny in the level of care provided.
- *Remuneration* - deals with directors, management and staff compensation, bonuses, remuneration and incentives.
- *Nominations* - this sub-committee maybe established to work on the Board's composition and the executive management selection and performance monitoring and review.

Setting the ground rules for sub-committees

Sub-committees are used for Boards to become more effective. They spread the work of the Board and Directors around, allowing the unique skills and experiences of Directors to be used effectively. They also provide opportunities for others to be brought into the work of the Board.

Most Boards use sub-committees however the ground rules must be established (they cannot become mini-Boards). They need to have their own charter or terms of reference. They make recommendations to the Board for decision-making.

They are not permitted to make their own decisions, certain standard delegation of powers of the Board can be made to a sub-committee for routine issues only but must be made specific in the charter (note the sample charter provided below). Each sub-committee should have its own chairperson, agenda and minutes which are submitted to the Board within the Board papers for the next Board meeting.

Sub-committees can be setup to be ongoing or on an adhoc temporary basis, for example; a sub-committee may be established to conduct the groundwork to recruit a consultant that will assist in recruiting a new Board member or a new CEO, or staff or Board survey, etc.

Governance experts advise that sub-committees should be used as follows¹:

- Do not have a sub-committee that simply duplicates what has been delegated to the contracted staff. This will undermine the contracted staff. A common example is the establishment of a marketing sub-committee.
- Create sub-committees that help the Board with the important areas of its work such as risk, audit, remuneration, nominations.
- Do not create a sub-committee that is a Board-within-a-Board.
- Use the expertise of Board (as sub-committee members) to inform but not as a substitute of the collective wisdom and intellect of the Board.

An important point: Directors are not relieved of their responsibilities as to Duty and Care by solely relying on a sub-committee. Sub-committees should produce well-researched papers. Directors should read the sub-committee papers provided to the Board thoroughly and prepare questions prior to a Board meeting. A reasonable amount of time (at least 3-5 days) should be provided for Board Directors to read the papers and formulate questions.

Remember Board's make decisions as a group, but Directors are held accountable as individuals. It is vital that Directors do not "go-with-the-flow" and as such Directors must make their own enquiries and ask enough questions to feel comfortable and confident in their decision making.

Key considerations for sub-committees

All Boards should consider the following questions when using sub-committees:

- Does the sub-committee have a charter or terms of reference?
- Is the outcome of the sub-committee clear?
- Is the sub-committee composed of people with suitable expertise?
- What is the timeframe for completing the task (adhoc sub-committees)?

¹ J Carver and M Carver, 1997, *Reinventing your Board: A step-by-step to implementing policy governance*, Jossey-Bass, San Francisco p 52

- Have the resources for the sub-committee to complete its objective been agreed upon and provided?
- How will the sub-committee be measured?

Who can be on a sub-committee?

The Board must 'own' the sub-committee. As described above they are used to spread the work of the Board around. Therefore, it is imperative that the Board divide the sub-committee efforts across the Directors. It is usual for each Director to be part of at least one sub-committee, with the exception in some cases of the chairperson. As also noted above it is the opportunity to utilise the expertise of each Director.

The Directors on each sub-committee are the members of that sub-committee. Others can be and are invited, (often on a standing invitation basis), to assist the sub-committee in its work.

AFUO should strive to compose its sub-committees along these guidelines. At the very least, all sub-committees should have an AFUO Director on each sub-committee and that the sub-committee chair be an AFUO Director. Please see the sample charter below.

Sub-committee charters

As discussed above, it is mandatory for a sub-committee to have a charter or terms of reference. Unlike Board charters these are relatively standard across organisations. As such, a sample charter is provided within the business guide as an example.

Whilst some may question the need for a Board charter, there can be no doubt that a charter is an absolute necessity for sub-committees to ensure the criteria above is met and the pitfalls of using sub-committees can be avoided.