

New to a board or committee? An introduction to your role

Legal information for community organisations

This fact sheet covers:

- ▶ role of a board or committee member
- ▶ legal obligations of board or committee members
- ▶ personal liability of board or committee members
- ▶ what board or committee members should know about their organisation



As a new board or committee member, you should understand the role of the governing body you sit on and your role as a member of that body. Understanding your role as a board or committee member is fundamental to the good governance of your organisation and, ultimately, its success.



Disclaimer

This fact sheet provides general information about the role of a board or committee member. This information is a guide only and is not legal advice. If you or your organisation has a specific legal issue, you should seek legal advice before deciding what to do.

Please refer to [the full disclaimer](#) that applies to this fact sheet.

The terms we use in this fact sheet

We use the terms ‘board’, ‘board member’ and ‘member’ in this fact sheet. These terms are used in a generic sense to refer to the decision-making body of an organisation, the people that form the decision-making body, and the group of stakeholders that the decision-making body serves.

The description of the decision-making body differs depending on the type or structure of the organisation. The principles explained in this fact sheet apply to the decision-making body and the people on the decision-making body of your organisation no matter what terms may be used.

In this fact sheet we use:	The equivalent name used by your organisation might be:
board	committee, committee of management, council
board member	committee member, director, councillor, responsible person, office holder
constitution	rules, rule book, governing document, articles of association



People involved in the running of an organisation

There are many different roles and people involved in the management of an organisation. These people may be board members, members, employees, volunteers, clients and customers.

As a board member, it's important that you understand your role and how that role differs from the roles of other people involved in your organisation. This is because, legally, you have different relationships and duties to your organisation and other people, bodies and organisations involved with your organisation. If you don't understand your role in your organisation and the legal relationships that exist between yourself, the organisation and others, it can be difficult for you to properly perform your role as a board member.

The role of a board

The board of an organisation has an important role to play. The board is made up of the board members and forms the leadership group of an organisation.

The board is primarily responsible for governing, overseeing the affairs of, and making strategic decisions for, an organisation on behalf of its members, noting that the board is appointed by the members of the organisation.

The precise role and responsibilities of a board may vary depending on the size, context and circumstances of an organisation's objectives and operations. The extent and scope of a board's role and authority is set out in the organisation's constitution (the rules under which an organisation is governed).

Generally, a board will be responsible for governing and overseeing the affairs of the organisation. This includes:

- making decisions about planning, resources, strategic direction, goals and activities of the organisation
- monitoring the performance and activities of the organisation and ensuring these align with its objects, purposes and strategic plan
- overseeing risk management for the organisation
- recruiting, overseeing and supporting the management personnel of the organisation (for example, the Chief Executive Officer if the organisation has this role)
- monitoring the performance of management personnel
- ensuring the sustainability of the organisation by monitoring its financial viability and finances
- making decisions about whether to take disciplinary action against a member
- reporting to members and stakeholders, and
- ensuring the organisation operates in accordance with its constitution and any applicable laws or regulations, including maintaining its charitable status if it is a charity or deductible gift recipient (**DGR**) status if it is a DGR endorsed charity

To properly oversee an organisation's affairs and enhance decision making, a board should consist of diverse board members that have a mix of different skill sets, expertise, knowledge and experiences.

A skills matrix can be used to identify the skills, knowledge, experience, capabilities and diversity needed for a board to meet the current and future needs of the organisation and help in identifying any skill gaps in the current board composition that should be considered when filling future board positions. A matrix may include different elements such as age, gender, experience, education and expertise.

The role of a board member

A board member has defined roles and responsibilities that they must perform. Generally, a board member is responsible for contributing to the collective decision making of the board. A board member is generally unable to make decisions for the organisation independently of other board members.

A board member is responsible for:

- understanding the business of the organisation and being aware of key developments
- attending and participating in board meetings
- being active in the organisation, such as by attending functions or events as a representative of an organisation
- attending the Annual General Meeting and members' meetings



- providing advice, opinions and independent judgment to inform board decisions
- declaring and monitoring actual or perceived conflicts of interest
- electing whether to establish committees to assist with their work, and
- governing and overseeing an organisation's operations and performance

Boards will normally specify the roles that each board member is to perform. These roles could include:

- **Chair, Chairperson or President** – responsible for the leadership of the board, runs meetings and usually represents the organisation at public events
- **Deputy chair, Vice-chair or Vice-president** – takes on the role of the Chair when that person is unavailable or unable to act (for example, due to a conflict of interest)
- **Treasurer or Financial officer** – manages the financial affairs of the organisation
- **Secretary** – reports to the relevant regulators, organises meetings, ensures the business of board meetings and members' meetings are recorded in the minutes, deals with documents and maintains records

The people who take on these positions are sometimes called 'officers', 'office bearers' or 'office holders' of the organisation. It is important to note that the people appointed to these positions are only board members if they are formally appointed to the board of your organisation. In some cases, roles such as the treasurer, financial officer or secretary are not board members and are instead employees or volunteers of the organisation.

If you are required to perform a specific role on a board, you should familiarise yourself with the responsibilities of that role and make sure you have the appropriate skills to perform the role.

You may find information about the responsibilities of a specific role in an organisation's constitution and related documents (such as board or committee charters or by-laws), external resources (such as legislation or guides published by governance bodies), and an organisation's policies and procedures.

Typical board structure and roles



President or
Chairperson



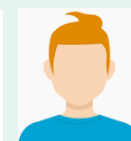
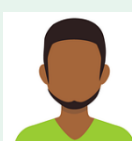
Vice-president
or Vice-chair



Treasurer



Secretary



General board
members

The difference between a board member's role and other roles

A board member's role is a strategic position in an organisation and a board member is responsible for governing their organisation. This should not be confused with the management and operational aspects of an organisation (that is, the everyday running of the organisation).

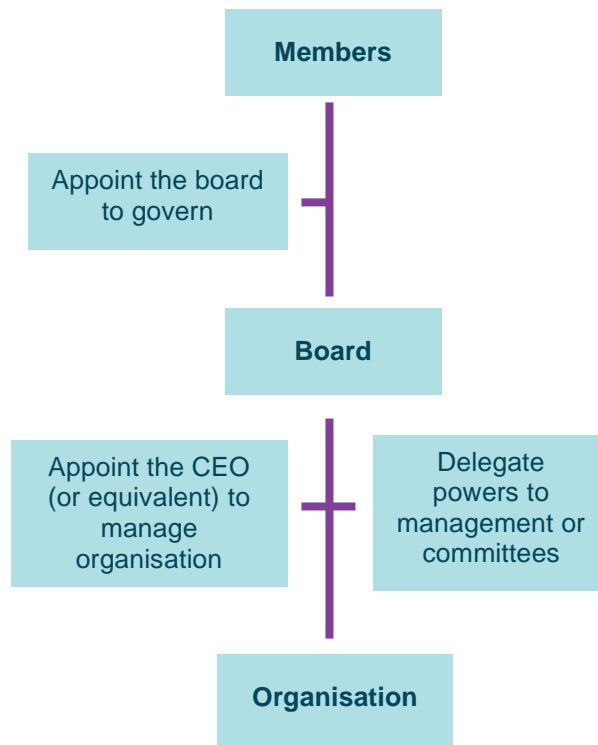
In larger organisations, operational matters are likely to be performed by employees like an Executive Director or CEO, or other staff and volunteers. Unless you also hold an executive (managerial) role, it's not your responsibility as a board member to perform or be involved in the day-to-day running of your organisation. In smaller organisations board members might be involved in day-to-day matters, but they must still be clear about their responsibility and duties as directors to provide overall governance for the organisation.

The board may delegate certain powers to senior officers, such as the CEO or Chief Financial Officer, or committees of an organisation. Delegating certain decision-making powers and responsibilities allows

routine operational matters to be dealt with by authorised individuals, on behalf of an organisation. It's important to remember, however, that the board remains ultimately responsible for the organisation and the exercise of all delegated powers by committees and authorised individuals.

'Delegations of Authority' (or documents with a similar name, such as a power of attorney) outline the powers and responsibilities that the board has delegated to individuals or roles within the organisation. This document needs to be formally approved by the board and should be reviewed and updated regularly to ensure that it is kept up to date.

The diagram below sets out the relationships between members, a board and an organisation.



Board member obligations

As a board member, you have legal obligations (or 'duties') that you must comply with and understand.

These duties arise from a fiduciary relationship (a relationship of trust and confidence) that you have with the organisation and are supported by a number of sources, including:

- legislation
- common law
- the organisation's constitution or rules, and
- the organisation's policies

There are four main legal duties that all board members must understand and comply with.

Four main legal duties of board members

1. Duty to act in good faith in the best interests of the organisation and for proper purposes

2. Duty to act with reasonable care, skill and diligence

3. Duty not to misuse position or information

4. Duty to disclose and manage conflicts of interest



We have summarised the four main legal duties below, but be aware that there are other statutory and common law duties that all board members must comply with.

Board members who breach these duties may be held personally liable (legally responsible) for their breach and may be subject to penalties (see below). It is therefore essential that you properly understand your duties and obligations as a board member.

1. Duty to act in good faith in the best interests of the organisation and for proper purposes

The duty to act in good faith requires board members to act honestly, fairly and loyally when making decisions for or on behalf of the organisation. All decisions must be based on what is in the best interests of the organisation to which they are appointed. This means you should have regard to the purpose of the organisation and you must put the interests of the organisation above your own when making board decisions.

Board members must also act only for proper purposes, using their powers for the purpose for which they were given, and not for any other purpose. This means when you make decisions, those decisions must be for the benefit of the organisation and not to obtain advantage for yourself or any other person.

An organisation's constitution sets out the scope of a board's decision-making powers. Under your organisation's constitution, the board may have the power to make decisions regarding certain matters, but not others. You should familiarise yourself with your organisation's constitution, to understand the power conferred on the board and ensure the board only makes decisions within the scope of this power.

2. Duty to act with reasonable care, skill and diligence

Board members are required to exercise a reasonable degree of care, skill and diligence at all times in the discharging of their powers and duties. This will involve monitoring and making decisions about the strategic direction of the organisation and keeping on top of financial affairs. For example, board members must ensure the organisation is trading while solvent (that is, the organisation will be able to pay its debts as and when they become due and payable). See below for details about the financial aspects of the duty.

You must take your role seriously and give sufficient time, thought and energy to the tasks you perform and the decisions you are required to make as a board member. For example, you must spend time properly preparing for board meetings and commit to attending those meetings regularly, and you must ensure you are properly informed about the organisation's operations and activities.

Board members may be appointed because they have specialised knowledge or skills. In these circumstances, the knowledge and skills a board member has should be used for the benefit of the organisation and applied when making decisions. Board members are not necessarily required to have any special expertise (unless the organisation's constitution says otherwise), however all board members should have a basic level of financial literacy so they can understand the financial operations of the organisation. For example, board members should be able to read and understand the organisation's financial statements or undergo training to develop this skill.

The duty to be diligent requires board members to be thorough in their decision-making process and demonstrate an active interest in the organisation's affairs. Diligence requires board members to keep up to date with developments in the organisation's business, to ask for more information if needed to make a decision or seek out skills or professional advice when necessary. While you are able to seek advice from experts (including multiple experts), as a board member, you must still make your own independent decisions.

As part of the duty to act with reasonable care, skill and diligence, board members should take particular care with regard to the finances of the organisation.

Board members must:

- **make sure the financial affairs of the organisation are managed responsibly**

Charitable organisations are held to a high standard and are required to have robust financial controls in place to ensure their resources are used effectively and appropriately in pursuit of their objects (as set out in the organisation's constitution). To meet this standard, it's recommended that board members:

- read and understand financial statements and make enquiries if they don't understand them or if something doesn't look right



- make sure the organisation has the resources required to carry out its work by regularly reviewing its financial position, ensure the processes for handling finances is secure and protected from financial crime and fraud
- understand and implement the organisation's requirements for proper tax treatment, fundraising and acquiring of government grants
- implement strong financial controls, having regard to the complexity and size of the organisation's resources (for example, requiring multiple signatures on payments, keeping a budget and tracking the organisation's performance against it, and, in larger organisations, establishing clear financial delegations, which might mean requiring the CEO to seek approval for any expenditure over a certain amount), and
- seek professional advice from an accountant or auditor where board members are faced with a complex financial matter or are otherwise unclear on the financial position of the organisation

- **not allow the organisation to operate while insolvent**

This means that if a board member knows or reasonably suspects that the organisation is not in a financial position to pay all its debts as and when they become due and payable, then that person should take all reasonable steps to prevent the organisation from incurring further debt and seek professional advice. Board members should be well placed to meet this duty if they are regularly reviewing and are constantly aware of their organisation's financial position.

3. Duty not to misuse position or information

Board members hold a position of power and trust in an organisation. As a board member, you will have access to confidential and important information about your organisation.

It's important that you don't use your position or information you obtain through your position to gain an advantage for yourself or any other person or organisation (for example, using information obtained at board meetings or information divulged to you in your capacity as board member to benefit a company owned by yourself or a friend or relative).

A board member is required to use their position, and all information they encounter because of their position, to benefit the organisation only. You must not use your position, or information gained from your position, to benefit yourself, someone close to you or to harm the organisation.

4. Duty to disclose and manage conflicts of interest

This legal duty requires a process for handling conflict-of-interest situations. Conflicts of interest are common and must be disclosed and managed properly.

A conflict of interest arises where a board member finds themselves in a position where their own interests, or someone else's interests (such as a friend or family member) clash with the interests of the organisation, or where the board member or someone else may improperly benefit from the board member's position on the board.

For example, if you made a decision as a board member to enter into a contract with a supplier and you or your relative owns the business, that could result in you personally benefitting from that decision. You would therefore be in breach of this duty unless you disclosed the nature and extent of the conflict to the board and the conflict is managed by the board appropriately.

It is important to note that this duty relates to actual and potential conflicts of interest. If you realise that you have or may have a conflict of interest, you must disclose the nature and extent of that interest to the board as soon as possible and avoid taking part in board decisions or discussions that relate to your actual or potential conflict of interest. Importantly, you must record the conflict and the steps you will take to avoid the risks of the conflict of interest arising. You may be able to participate in a board decision where you have a conflict of interest if you have told all the other board members about the conflict and they have agreed that you can still participate, but the better course of action is to avoid the conflict of interest by not participating in such decisions.

The organisation should keep a register of declarations of conflicts of interest and some organisations are legally required to maintain a register (for example, incorporated associations in NSW are required by law to record all disclosed conflicts in a book available for members to inspect). As a board member you must ensure the register is up to date to properly record and manage any conflicts of interest that may arise.



For more information about the four main legal duties, see our [Duties Guide](#).

Personal liability of board members

Board members are typically not personally liable (that is, legally responsible) for the debts or consequences arising from an organisation's actions, omissions or decisions.

There are some circumstances where a board member can be held personally liable for their organisation's debts or may be subject to regulatory action (or both). For example, a board member may be subject to penalties as a result of their own actions, and they may also be held liable for the actions of the organisation they govern where that organisation has breached a law.

The following information highlights some areas where board members may be held personally liable for the debts or actions of their organisation. This is not a comprehensive list.

Area of law	Description	Potential penalties
Directors' duties	<p>As discussed above:</p> <ul style="list-style-type: none"> duty to act in good faith in the best interests of the organisation and for proper purposes duty to act with reasonable care, skill and diligence duty not to misuse position or information, and duty to disclose and manage conflicts of interest 	<p>Significant fines, liability for loss suffered by the organisation, disqualification from acting as a director of a corporation or (in extreme cases) a term of imprisonment.</p> <p>These penalties vary according to the offence and whether the person is a director of a company or incorporated association.</p> <p>For company's registered as charities with the Australian Charities and Not-For-Profits Commission (ACNC), ACNC Governance Standard 5 replaces most requirements relating to directors' duties under the <i>Corporations Act 2001</i> (Cth) (Corporations Act).</p>
Employment	<p>The <i>Fair Work Act 2009</i> (Cth) (Fair Work Act) covers the rights and responsibilities of employers and employees in the workplace.</p> <p>It covers unfair dismissal, the National Employment Standards, adverse action and redundancy.</p> <p>Board members can be held personally liable for breaches where they were 'involved' in that breach. A person is involved in a breach if they have aided, abetted, counselled, procured or induced the breach, were knowingly concerned in or party to the breach, or have conspired with others to give effect to the breach.</p> <p>Board members can also be personally liable for acts committed in breach of anti-discrimination legislation if they have caused, instructed, aided, permitted,</p>	<p>Significant fines for a breach of the Fair Work Act.</p> <p>Directors found personally liable may also be exposed to orders to pay compensation or damages.</p>



authorised or assisted another person to contravene that legislation.

Tax

Organisations are required to make pay as you go (**PAYG**) payments on employee income (for example, on salary and wages paid to employees). Where an organisation fails to pay PAYG withholding payments or instalments, board members may be personally liable for these amounts. Where a director penalty notice is issued to a board member, they have 21 days in which to rectify the situation.

The PAYG withholding amounts owed by the organisation.

An organisation may be required to make goods and services tax (**GST**) payments. The GST rate in Australia is 10% and is often charged by the organisation to consumers and paid to the ATO by the organisation. A director of an organisation should be aware of their requirements and obligations in respect of making GST payments. Failure to do this may result in the board member being personally liable for unpaid GST amounts. Where a director penalty notice is issued to a board member, they have 21 days in which to rectify the situation.

The unpaid GST amount owed by the organisation.

Where an organisation commits a tax offence, including failure to produce information or making false or misleading statements, board members of the company may be deemed to have also committed that offence particularly if they were involved in the contravention.

Significant fines or a term of imprisonment.

Board members may avoid personal liability by demonstrating they did not aid, abet, counsel or procure the act or omission of the organisation and were in no way knowingly involved in or a party to the act or omission. Board members should be able to demonstrate that an effective tax control framework that managed the tax risk was established and maintained.

Superannuation

Employers must pay a compulsory superannuation contribution for salary or wage payments for all eligible employees. The contribution must be paid on time, in full and to the employee's chosen account. Payments must be made at least four times a year, by the quarterly due dates.

The SGC and financial penalties imposed by the ATO.

Where superannuation payments are underpaid, late or paid to the wrong account, the ATO will impose the superannuation guarantee charge (**SGC**). This includes the amounts owing, interest



and administration fees. Penalties may also apply. In certain circumstances board members can be personally liable for unpaid superannuation.

Insolvent trading

An organisation is insolvent when it is unable to pay its debts as and when they fall due.

When there are reasonable grounds for suspecting that the organisation is insolvent, or is likely to become insolvent as it is unable to or will be unable to pay its debts as and when they fall due, board members must prevent the organisation from incurring further debts and should immediately seek legal advice about the company's financial position.

Payment of compensation, a pecuniary penalty order, disqualification from acting as a director of a company or a term of imprisonment.

These obligations are extended, so that where a payment is made to the ATO in respect of a PAYG or superannuation guarantee charge obligation and this payment is set aside due to these insolvent trading provisions, board members can be held personally liable. This could occur if the payment is deemed a voidable transaction under insolvency laws.

Board members should keep adequate financial records so they can correctly record and explain transactions and the organisation's financial position and performance. If a board member suspects the organisation is in financial difficulty, and may be unable to pay its debts, it is important they seek professional accounting or legal advice as early as possible.

The outstanding amounts in respect of the PAYG or superannuation guarantee charge.

Work or Occupational Health & Safety

An organisation (or a person conducting a business or undertaking) must, so far as is reasonably practicable, eliminate or minimise the risk of harm to the health and safety of all workers while at work. This includes ensuring the psychosocial safety of all workers, including protecting them from psychological harm such as stress, bullying, harassment and other mental health risks.

In some states and territories of Australia, directors must exercise due diligence to ensure that the organisation is complying with its health and safety obligations. Where this obligation is breached by the organisation, a board member may be liable of an offence.

Significant fines or a term of imprisonment.

Any person involved in the management or control of the organisation must ensure, so

Significant fines or a term of imprisonment.



far as is reasonably practicable, that the workplace is safe and without risks to health. This duty is limited to matters over which they have management or control.

Environment protection

Environmental protection laws, both at Commonwealth and the states and territories levels vary significantly. Offences under these laws include the emission of ozone depleting substances, leakage or spillage of harmful substances, disposal of waste without authority and actions significantly affecting listed species.

Board members can be personally liable where:

- they knew or were reckless or negligent to whether the contravention would occur
- they were in a position to influence the conduct of the organisation, and
- they failed to take reasonable steps to prevent the contravention

Significant fines or a term of imprisonment.

Cartel conduct

A cartel is a form of anti-competitive conduct where multiple independent organisations agree to act together instead of acting in competition with one another. A cartel attempts to increase members' profits while maintaining the illusion of competition in the marketplace. Engaging in cartel conduct is illegal in Australia.

There are four main types of cartel conduct:

- price fixing – where the organisations agree to fix a price for the product or service that they are offering, rather than allowing competition to determine the price
- market allocation – where organisations agree to divide or allocate customers, suppliers or territories between themselves to reduce or eliminate competition between them
- bid-rigging – where organisations agree in advance at what prices they will submit their bids to agree who will win a tender, and at what price, and
- restricting production or supply – where organisations agree to control the amount of output of the product or service they will provide by preventing, restricting or limiting supply

Board members can be personally liable if they have

- attempted to engage in cartel conduct

Significant fines, disqualification from acting as a director of a company or a term of imprisonment.



- aided, abetted, counselled or procured others to engage in conduct
 - induced (or attempted to induce) others into engaging in cartel conduct
 - are party to or were knowingly concerned in cartel conduct, or
 - have conspired with others,
- to give effect to a breach of these provisions.

Australian Consumer Law

The Australian Consumer Law is a single, national law that governs consumer protection in Australia.

It covers false or misleading representations and conduct, defective products and warranties and guarantees in trade or commerce.

Board members can be personally liable where they have attempted to commit, have successfully carried out or have aided or abetted, a contravention of these provisions.

They will also be liable where they have induced another to commit a contravention or have conspired or been knowingly involved in such a contravention.

Significant fines, disqualification from acting as a director of a company, an action for damages or compensation orders, or a term of imprisonment.



Director & Officer Insurance

Organisations may agree to indemnify their directors and officers for liability incurred by them in their capacity as directors or officers. However, there are limits on an organisation's ability to protect board members against personal liability.

An organisation may be able to indemnify (reimburse) directors for certain penalties or legal fees incurred while acting as board members (subject to certain limitations), and incorporated associations in Victoria must do so. But certain liabilities can't be covered, for example liabilities under health and safety legislation, for engaging in dishonest, fraudulent or criminal behaviour, for any liabilities owed to the organisation or a related company, liabilities for certain pecuniary penalties or compensation orders, and liabilities owed to someone other than the organisation or a related body corporate which did not arise out of good faith conduct. An organisation might also not have sufficient resources to cover all potential liabilities of board members. It's therefore important that you consider Directors & Officers (**D&O**) insurance.

D&O insurance policies are designed to protect board members against personal liability for claims that may arise out of the decisions they make while on the board. D&O insurance policies provide varying levels of cover and can be tailored to suit your needs, so it's important that you carefully consider what policy is most appropriate for the organisation.

An organisation's constitution will usually set out indemnification rights for directors and officers and D&O insurance. Board members may also wish to enter into a deed of access, indemnity and insurance with the organisation as an organisation's constitution can be amended.



See our [risk management and insurance guide](#) for more information. Victorian incorporated organisations should also refer to our [indemnity for office holders of Victorian incorporated associations fact sheet](#).



Caution

D&O insurance will not cover board members under certain circumstances, including intentional breaches of the law, fraudulent or otherwise criminal activity, wilful breaches of duty, improper use of position or of information, or where the board member has obtained illegal remuneration or acted for personal profit.

Insured directors and officers also have a legal obligation to disclose all material facts that are reasonably relevant to the insurer's decision to provide coverage which will apply before entering into an insurance policy and at the time of any renewal, variation, extension or reinstatement of the policy. Failure to disclose relevant information could result in the insurer refusing a claim or the policy being void.

Understanding your organisation

A board member must understand the organisation they will be governing to properly discharge their duties. To understand the organisation, ask yourself the following questions:

What are the organisation's purposes?

It's important to understand the stated purposes of the organisation, as this will shape its short and long-term goals and the strategy for achieving them.

As a board member you must govern the organisation in line with its objects and purpose and always keep the reason for which the organisation exists in mind when exercising your duties and making decisions. To find information about the organisation's purposes, read the organisation's constitution and other strategic documents such as business plans, strategic goals or vision statements.

What is the organisation's legal structure?

Different legal structures are used within the not-for-profit sector – these generally include companies limited by guarantee, incorporated associations and trusts.

Generally, the obligations attached to your role as a board member are consistent across these structures. However, each of these structures brings different benefits and challenges – such as where the organisation may operate, the cost of these operations and information reporting requirements.



Tip

You may consider seeking professional advice on changing the structure of the organisation as the organisation develops – although this can be a costly and time-consuming exercise.

Is the organisation a charity?

If the organisation is registered as a charity with the ACNC:

- it may be eligible for certain Commonwealth grants and charity tax concessions from the Australian Taxation Office (ATO)



- it will have different reporting obligations to other entities and mostly report to the ACNC rather than the Australian Securities and Investments Commission (**ASIC**) (in the case of a company limited by guarantee) or a state or territory regulator (in the case of an incorporated association), and
- certain provisions under the Corporations Act will not apply to the organisation (including but not limited to provisions relating to the interests of directors, directors' duties and financial reporting)

This means the organisation may have fewer reporting obligations to ASIC or a state or territory regulator, but it will have to report annually to the ACNC (subject to a few specific exceptions). It's important that the board members are familiar with their organisation's reporting requirements.



To learn more about the obligations and exemptions for charities registered with the ACNC, see the [ASIC webpage 'Charities registered with the ACNC'](#).

Can your organisation access tax concessions?

Once an organisation is registered with the ACNC (if applicable), it may be eligible for tax concessions such as income tax exemption, GST concessions and fringe benefits tax rebates or exemptions.

Some charities, if they meet legislative requirements, can also obtain DGR status, meaning that donors can claim their donations as a deduction when filing their personal income tax. Your organisation may also receive funds from certain grant makers and philanthropic bodies which are only able to donate to organisations that have DGR status. To obtain DGR status, an entity must be endorsed (officially recognised) by the ATO and may also need to get approval from other government departments. The process of obtaining DGR status is complex and professional advice and support may be required.



To learn more about these concessions including DGR status, visit the [ACNC website](#) and [our tax webpage](#).

Who are the organisation's members?

As a board member, you need to understand who your organisation's members are and the demographics of the members.

Your organisation should maintain a register of members which complies with the legal requirements and the organisation's constitution.

This will help you determine:

- who is entitled to receive notice of meetings, voting eligibility and ensure your organisation is complying with notice and quorum requirements
- which member benefits and events are the most appropriate to offer, and
- which forms of communication are most appropriate for engaging with your members, including Annual General Meetings, newsletters, email updates and social media

What is the composition of the board?

As noted above, to be effective, a board needs the right group of people with the right set of skills – for example, financial literacy, not-for-profit or philanthropic experience, industry or management experience and, of course, passion for the cause.

It will be important to understand where the board's strengths and weaknesses lie in these areas.

This skills matrix will be particularly important in larger and growing organisations which seek to share the workload among directors and streamline board functions through sub-committees.

Common sub-committees include:



- nomination or human resources committees
- audit and risk committee, and
- fundraising committee

It's important to remember, however, that the board remains collectively responsible for the exercise of powers by the sub-committees as if it had been exercised by the board itself.

Who are other important stakeholders?

Other key individuals and entities that may be concerned with the organisation include customers, beneficiaries, employees, volunteers, organisations with a similar purpose, donors, funders, local communities, suppliers, partners, governments and regulatory bodies such as the ACNC, ASIC and the ATO.

Stakeholders may have competing interests which need to be managed effectively by the board to ensure the organisation continues to run smoothly.

Where does funding come from?

Each organisation's sources of funding can vary significantly, depending on the size and purpose of the organisation.

Common sources of funding include:

- donations from the public
- bequests from a deceased estate
- fundraising from public activities
- membership fees
- corporate sponsorship and partnership
- philanthropic foundations
- government grants, and
- fees for services

Grants, bequests and sponsorships are often made for a specific purpose. You should familiarise yourself with all obligations or conditions which attach to these funding arrangements.

What are the key contracts?

As a board member, it's important that you are aware of the main risks and obligations attached to any ongoing contracts that are central to the organisation's activities. These contracts may include funding agreements, service contracts, partnership or sponsorship agreements or leases.

Depending on the size and governance structure of the organisation, board members may be required to approve or sign high value or high risk contracts the organisation enters into. Whether this is required is a matter to be determined by the board with clear delegation policies in place.

The board should receive regular updates at its meetings regarding any significant changes to the key contracts of the organisation, as this may substantially affect its funding, financial position, operations, and its ability to engage in its ordinary activities.

What are the organisation's key risks?

As a board member, it is your responsibility to effectively manage risks to the organisation. It's critical that you put appropriate and robust risk management governance structures (such as a risk management framework and regular risk assessments) in place.

Larger organisations may also have a risk management sub-committee and designated risk management employees responsible for identifying, assessing and mitigating risks. These structures assist the board and the organisation to properly identify, monitor, manage, address and mitigate any risks to the organisation.



To learn more about running an organisation, see our webpages on [who runs the organisation](#) and [how to run the organisation](#).