

# Committees of the Board

## By Beth Deazeley

### The Question:

*What committees should our board have? What is their role?*

### The Answer:

In Industry Canada's *Primer for Directors of Not-for-Profit Corporations*, Peter Broder writes,

Committees are an essential tool for the effective and efficient functioning of a not-for-profit corporation's board of directors. An appropriate committee structure allows a board to focus expertise where it can best be used, and manage the flow of information so directors are not burdened with unnecessary material that can hinder rather than facilitate good decision making.<sup>1</sup>

Committees receive delegation of a specific issue or area of responsibility from the board. The committee generally assumes responsibility for seeking and reviewing information, forming an opinion and making a recommendation to the board.

Good use of committees can greatly increase the board's ability to effectively address the diverse areas of its mandate. However, it is important to remember that while the board may delegate some responsibilities to committees, the board retains ultimate oversight responsibility for the organization.

### *Committee Types*

The appropriate committee structure will vary depending on the organization, the size of the board and its governance model.

**Standing committees** are permanent board committees which address ongoing issues. They are generally provided for in the organization's bylaws. Typical standing committees which exist in many not-for-profit organizations include:

- Audit or Finance Committee - oversight over the organization's assets, financial structure, investments, internal controls, preparation and audit of financial statements
- Governance and Nominating Committee - board process and performance, including the selection and assessment of directors, recommendation of board policies and review of by-laws
- Compensation / Human Resources Committee - selection, compensation and succession of the CEO and other senior staff

Others standing committees may include fundraising, membership, community relations, etc.

Some organizations have **executive committees**, which may be used to handle important board matters and provide general oversight of the organization, particularly between board meetings. These committees may have powers to bind the corporation and carry out decisions without consulting the full board. As a result, it is important that the board be advised of decisions made by the executive committee as soon as possible. While executive committees can be useful to help boards (particularly

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<sup>1</sup> Broder, Peter, Ed. *Primer for Directors of Not-for-Profit Corporations*. Industry Canada, 2002 at p. 53

large boards) respond quickly to important issues, there is a risk of creating tension between the “in” directors, who have the inside knowledge and influence and the “out” directors, who do not, but who are still responsible (and may be liable) for the activities of the organization.

**Ad hoc** or **special committees** are temporary committees struck to address a specific issue. Special committees may be used to address issues such as personnel or human resources issues, or the development or review of program policies.

Board members may also be asked to join or chair **working committees** which generally involve staff and/or volunteers and contribute to the operations of the organization, for example by coordinating a major fundraising event. The challenge for directors involved in working committees is that when the work of the committee is reviewed by the board, they may be in the position of overseeing work in which they directly participated.

### *Size and Membership*

The optimum number of members will depend on the purpose of the committee and any guidelines set out in the bylaws of the organization. There must be sufficient membership to provide the expertise and resources to complete the committee’s work, without involving so many people that the committee loses its ability to meet and work effectively. Many standing committees are composed of 3-5 members.

Many not-for-profit organizations require that directors sit on at least one board committee. Committee needs should be taken into account when recruiting directors, and expectations regarding committee membership made clear to potential directors during the recruitment process.

In addition to directors, committees may also include staff, volunteers or other external members recruited to provide their expertise on a specific issue. The exception is the executive committee, which should be made up exclusively of directors of the organization. If the organization has directors’ and officers’ liability insurance, it would be wise to ensure that non-director members of board committees are covered.

### *Charter / Terms of Reference*

The key to effective use of committees is having clear mandates or terms of reference approved by the full board. Committee terms of reference should address:

- the purpose of the committee
- composition (including size and method of selection)
- chair selection
- powers and limitations on authority
- responsibilities
- reporting obligations
- resources / staff support

A detailed committee charter is an invaluable tool for use when selecting committee members and also in assessing the committee’s performance.

### *Evaluations*

The effectiveness of board committees can be evaluated in largely the same way that the board as a whole is evaluated. The committee's performance can be assessed against its charter and other criteria which may be established by the board. The directors who sit on the committee can provide valuable insights into the effectiveness of its processes, procedures and chair. Directors who are not members of the committee may also be involved in its evaluation based on their observations of the output and reporting of the committee.

Standing committees can be evaluated on a regular basis. Assessment of the performance of an ad hoc committee at the completion of its mandate can also provide valuable insights to inform future committees.

Further information can be found in the following CICA publications:

*20 Questions Directors of Not-for-Profit Organizations Should Ask about Risk*, Hugh Lindsay

*20 Questions Directors of Not-for-Profit Organizations Should Ask about Fiduciary Duty*, Jane Burke-Robertson

*20 Questions Directors of Not-for-Profit Organizations Should Ask about Board Recruitment and Assessment*, (upcoming publication) Richard Leblanc and Hugh Lindsay.

Much of this discussion is based on those publications. In addition, Industry Canada's *Primer for Directors of Not-for-Profit Corporations* has an excellent discussion of committees in chapter 5.

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