

## Board Delegations

The Board of a not-for-profit organisation has responsibility for the governance of that organisation. This includes exercising control and authority over all its affairs. However the Board is unlikely to be able to perform all the activities assigned it by virtue of the relevant incorporations legislation or their constitution. Where the Board has the power to engage in an activity, it can choose to delegate that responsibility to another party, to enable the organisation to operate effectively and efficiently, whilst functioning legally.

### What are delegations of authority?

A delegate is a person or entity designated to act for, or represent another or others, in this case the Board. When a function is delegated, the Board is not absolved of the responsibility but remains accountable for what occurs.

Delegations of authority can be defined as the subdivision and sub-allocation of powers to delegates in order to achieve effective results. They are intended to ensure that an organisation operates effectively by empowering its employees or sub-committees with appropriate authority so they can carry out their responsibilities.

### Who can the Board delegate to?

A Board may delegate responsibilities to:

- A Board Sub Committee (which needs to include Board members)
- The Chief Executive Officer
- Any Board member
- Any staff member

Careful thought needs to be given to what powers and responsibilities are delegated and to whom this delegation is given.

### What can be delegated?

In most organisations, the board is responsible for the oversight of the organisation. It takes responsibility for the strategic direction delegating to staff the day to day responsibilities including a level of decision making. The board remains responsible for the organisation's activities, ensuring that it knows what is happening and taking action to ensure it stays on track. This is achieved by maintaining accountability from the staff to the board.

Delegations can be assigned across a broad range of activities. Financial delegations are part of the Board's financial accountability policy. A financial delegation occurs when the Board authorises individuals (or sub-committees) to perform financial transactions or exercise financial controls on its behalf.

Other areas that can be delegated to either an individual (eg Chief Executive Officer) or Board sub-committee include the authority to:

- Speak on behalf of the organisation to the media
- Appoint new employees
- Negotiate on behalf of the organisation with external stakeholders (eg regulators, landlords, collaborating organisation, etc)
- Monitor legislative and contractual compliance.

The Board also has the right to revoke any delegations.

## General principles concerning delegations

Delegations are generally approved under specified conditions. These include being:

- Exercised under authorised policies and procedures of the organisation
- Appropriate to the functions of the position (they need this delegation to do their job)
- Exercised with due regard to budget limitations
- Applied to particular positions within the organisation, not to particular individuals
- Given to a position where this will apply to any subsequent person who holds that position
- Where a delegate may not exercise any delegation that will result in any benefit to them personally.

## How are delegations made?

Delegations to be effective require a high level of accountability. To ensure this is in place, a board needs to set the direction and establish clear expectations of potential delegates. They also need to:

- identify the information required to assess whether these expectations are being met
- understand information presented in reports
- question effectively and receive adequate explanation
- take action when necessary.

Once a delegation has been identified, the Board needs to make a formal decision to delegate the necessary powers or functions to a particular position(s). This decision would identify the delegate, the responsibilities and any special conditions. This would be recorded in the Board meeting minutes to be dated and signed off by the Chair.

### **SAMPLE WORDING for Board Minutes:**

*This delegation is valid from the above date until such time as amended or revoked by special resolution of the Board.*

*The Board hereby delegates the following powers to the (Chief Executive Officer, etc) subject to the stated limitations:*

*Delegation*

*Limits*

A similar process would also apply when a delegation is changed or revoked.

Each resolution should be recorded in a schedule or chart of delegations. These documents need to be available to the Chief Executive Officer and staff, and should be reviewed at least annually by the Board to ensure that delegations are appropriate and up to date.

Even though a delegation has been made, the Board may still exercise its authority in this area and make a decision itself.

## Limits to delegations

The document of delegation specifies both the limits of each delegation as well as the conditions under which the delegation may be exercised. It should include:

- The position/s to whom the delegation is given (eg Chief Executive Officer, Finance Officer, etc)
- The limit for both budgeted and unbudgeted items – for example, the Chief Executive Officer may be able to spend up to \$15,000 on a budgeted item without special approval but only \$5,000 if the expenditure is outside the budget
- The delegation may exempt specific items from needing approval (eg salaries, rent, audits, insurance, travel, training, employment of casual staff, etc) if they are within budget. Other areas that may be exempted include media releases and interviews, preliminary negotiations with stakeholders, etc)
- Conditions under which special approval is needed from the Chair, Treasurer or Board
- Payments. Responsibility for payment of accounts is generally delegated. A clear process (for example one that requires authorisation by the Chief Executive Officer and two signatures for each cheque) needs to be defined.

## Risks of delegation

To avoid confusion and potentially placing either the organisation or the delegate at risk, the delegations must clearly state their intent. For example, any limitations must be clearly stated to ensure clarity for both the Board and the delegate. (Eg at what point must the Chief Executive Officer include the Board in negotiations with a stakeholder?)

The Board also needs to assess the risk to the organisation of each delegation. (Eg Is the limit of a financial delegation too high potentially impacting on the organisation's capacity to operate within budget or maintain an effective cash flow?)

Regular monitoring and reporting processes are essential. This could include internal and external reviews and audits, and risk management assessments of the Board's delegations.

## What are the responsibilities of the delegate?

The person who holds the delegation must comply with the limits and any special conditions placed on the delegation.

## Financial Delegations Schedule or Chart

A financial delegation schedule may be compiled in a number of ways, according to the activity, position of the delegate or function.

### Example A

ACTIVITY	DELEGATION	LIMIT/CONDITION
Approve payment of budgeted operating expenses	Chief Executive Officer	Payable up to budget limit plus 5%
Petty cash reimbursement	Finance Officer	Up to \$200 per item for budgeted expense

### Example B

POSITION	AUTHORITY TO TRANSFER FUNDS	AUTHORITY TO SIGN CHEQUES	AUTHORITY TO CHARGE FEES	AUTHORITY TO SECURE NEW FUNDING
Chief Executive Officer				
Financial Officer				
Administrator				

### Example C (Adopted from Community Door: Delegations Chart)

AREA (e.g. Financial Management, Client Service, Staffing)			
FUNCTION	PREPARATION	PROCESS	APPROVAL
<i>This describes the particular item that decisions need to be made about</i>	<i>This identifies who will prepare any documents or gather any information needed</i>	<i>This describes any process of discussion, or checking that the item will go through</i>	<i>This identifies who can approve the item</i>
Eg: Annual Budget	Eg: Bookkeeper	Eg: Bookkeeper discusses with Treasurer & staff	Eg: Board

## Resources

### Network of Alcohol and Other Drug Agencies (NADA)

- [Functions and Delegations Matrix](#)

### Community Door

- [Governance delegations, monitoring and reporting](#)
- [Guide to financial management and delegations policy – Template](#)

### Institute of Community Directors Australia

- [Delegations Policy](#)

### Victorian Public Service Commission

- [Committees and Delegations](#)

### NCOSS Sector Support

- [Templates and Resources](#)
  - [Managing Risk](#)
  - [A guide to Ethical Decision Making](#)
  - [Good Governance](#)
  - [Protecting your organisation against fraud](#)
  - [Roles and Responsibilities of Board Members of NSW Incorporated Associations](#)

NB: The above websites were accessible on 22 December 2015. If the links do not work search on the title of the document or go directly to the organisation's website.