

# Governance & Disclosure Practices

Learning Series for Voluntary Organisations, Issue - IV, 2012

## Various Committees of the Board



A joint initiative of Credibility Alliance & Oxfam India



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Improving Governance Building Trust

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## Various Committees of the Board

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\* The Advisory support members have contributed to the document, however, the entire content is not necessarily the opinion of the advisory group.

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## Foreword

We are aware that the Boards of non-profit organisations engage in much of their work as a full group and, ideally, all members work as a team to accomplish the work. The Board may at any time establish Committees to assist it in carrying out its responsibilities. Any Committee will be subject to the Board Principles and will speak or act for the Board only when and to the extent so authorised. However, we do find many Boards accomplishing their work through Committees.

Committees help to organize the most important work of the organisation formed by its Governing Board.

The size and sophistication of an organisation and the size and function of the Board tend to determine how often a Board meets and whether majority of the work of the Board is carried out through Committees.

Nonetheless, most Boards also develop Committees and Task Forces to help the Board do its work, and these entities are part of the governance system of the organization. For most Boards, some of these units are permanent or “standing” structures, while others accomplish a specific task and then disappear.

It is increasingly common for Boards to refer to the permanent structures as Committees and the limited term entities as Task Forces or Adhoc Committees, although some organizations do use the labels interchangeably. While it is common for Board Committees to be comprised entirely of Board members, it is increasingly common to also invite non-Board members with unique expertise or knowledge to serve. Often, the standing committees are specified in the organization’s bylaws, which explain their duties and responsibilities.

It is, therefore, important to develop a good understanding on the concept of forming Committees and their functions.

The Issue no. 4 of CA Learning Series discusses in depth about why Committees are formed and the Nature and Types of Committees that are generally formed. This Issue also provides information on some of the Key Issues involved in formation of such Committees which enables a wholistic understanding on this aspect for effective Governance.

CA is grateful to all its Advisory Panel Support Members and the author, for their active, prompt and valuable inputs.

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# Various Committees of the Board

## Overview

- 1.01** In this issue we shall discuss about the various committees of the board of an NPO. It is advisable to create committees for various specific function of the board, unless the NPO is too small. Committees become necessary for various reasons which may include specialised task or important matters or as per the bye laws. A committee under a Board normally denotes a smaller group of the Board members, alongwith any invited members working on a specific issue or for a specific purpose.
- 1.02** Committees are a subset of larger entity—Board or general body and they are subordinate to and report to the parent that creates them. If it is created by the statute or bylaws which lays down their functions and powers then they have an independent status. But typically, the rules are enabling; they allow the board etc to set up committees and delegate some of their own functions for a more detailed processing of proposals which are then considered by the board for final decision.

## Why it is desirable to have Committees

- 2.01** Normally, the board of an NPO meets occasionally (2 to 6 times) in a year for half a day or so. Therefore, the structure of board meeting is such that it is very difficult to provide key inputs into the decision making on crucial issues. For analysis of key issues the board normally depend on the executive force. However, all matters cannot be worked upon at the executive level only, there are certain issues which require considered view or intervention of the board, therefore, it

is necessary to have various types of Committees. NPOs form committees primarily for the following reasons :

- ◆ If the matter is complex and requires detailed study or attention of the board then a sub group can be created to look into it. For example, if there is a labour or staff problem or a grievance matter etc.
- ◆ If the matter is extensive or very detailed which requires lot of time and attention of the board then a sub group can be created to look into it. For example, carrying out due diligence of implementing partners in a large programme. Or matter related with creation of large infrastructure or systems.
- ◆ If the matter is too specialised which requires lot of time and attention of the board then a sub group can be created to look into it. For example, legal contingencies, tax issues, specialised programmes etc.
- ◆ If the constitution of such committees is provided in the bye laws. Many bye laws provide for standing or adhoc committees for specific purposes.
- ◆ The committees are also helpful in carrying out research and in depth study of various crucial projects and investments. The committees can provide various options or pros and cons regarding various important decisions, they can also provide recommendations which can help the board to take decision.
- ◆ Committees can also be provided with legislative and executive powers to work on behalf of the board.
- ◆ Constitution of a committee sometime is very helpful on issues where there is a serious difference of opinion within the board. Appropriate committee can be very useful in handling difficult and ticklish situations/decisions.
- ◆ Often Committees are also formed to tackle specialised issues where the Board members may not have sufficient expertise in the subject matter, hence a Committee is formed which includes a combination of Board members and independent experts. This way the Board benefits from expertise, which it otherwise does not possess. Hence a committee could include a combination of Board members and non-members. For example a legal issue may require legal expert or a Finance Committee may include an independent Finance Expert, if the Board does not have such expertise.

## Nature & Types of Committees

**3.01** Various types of committees should or can be constituted by the board of an NPO. The broad category of committees can be as under :

- ◆ Standing Committee for Specific purpose

- ◆ Adhoc Committee for Specific purpose
- ◆ Standing Committee for Generic purpose (Executive Committee)

**3.02** ***Standing Committee for Specific purpose*** : Such committees are formed for long term purposes. NPOs may form committees for various ongoing activities on a continuous basis. For example an NPO may have a Finance Committee for major financial decision and monitoring; or it may have a committee for purchases etc. The idea behind such committees is to provide a specialised group of people on continuous basis on very focussed areas. If a group of person are focussed on a particular issue/area then it is easier to find the appropriate type of people for that committee.

**3.03** ***Adhoc Committee for Specific purpose*** : Such committees are similar to standing committee but are formed for short term purposes. NPOs may form committees for various issues on a case to case basis, depending on the need and circumstances. Such committees are usually constituted for a specific purpose on short term basis. For example, an NPO may have a Conference Committee for major function. The idea behind such committees is to provide a specialised group of people on an adhoc basis on a very focussed area. If a group of persons is focussed on a particular issue/area then it is easier to find the appropriate type of people for that committee.

**3.04** ***Standing Committee for Generic purpose (Executive Committee)*** : A Standing Committee which is constituted to take the general executive function of the board is known as an Executive Committee. NPOs may form an Executive Committee for the general management purposes. Such committees are usually constituted on a continuous basis based on the bye laws or the constitutional documents. An Executive Committee as the name suggests has well defined 'executive powers' which are normally provided in the bye-laws. The General Body or the board may also constitute the scope and powers of the Executive Committee. An Executive Committee normally does not possess any legislative powers.

## Characteristics of Committees

**4.01** Various committees of board have certain inherent executive and legislative attributes. Some of such attributes of committees are as under :

- ◆ Committees remain on par with the board and they do not play a sub-ordinate function. However, decisions are normally taken by the Board only, unless the decision-making authority has been delegated by the Board to the Committee.
- ◆ Committees provides their inputs, recommendations or decisions to the entire board or the general body depending on the bye laws and the

mandate. The committees do not work for the Chairman, Chief Functionary or any other functionary or smaller group of the Board.

- ◆ The Committees are the extended arms of the board, in other words, through the committees, the board (as a whole) can make in depth or more considered resolutions and decisions.
- ◆ The Committees, in that sense, have a reporting role before the Board being bound by performance and accountability of the specific task. At Committee stage the decision/resolutions are recommendatory in nature unless there is a pre sanction of the Board/Bye laws.

## Key issues in Development of Committees

**5.01** All NPOs should bear in mind the various characteristics and nature of the various committees, in order to make them effective. Some of the key issues which should be considered during the formation of committees are elaborated as under :

- ◆ All committees should directly or indirectly have the sanction of the bye laws and constitution of the NPOs. Certain NPOs specifically provide for constitution of various standing and Adhoc Committees. Even in the absence of any such clause NPOs do have the power to constitute committees unless it is specifically barred in the constitutional documents. Sometimes the Chairperson of the board meeting or the members present, may decide to form an adhoc on any issue to get a more detailed and incisive understanding.
- ◆ Committees are support systems for effective governance of an organisation. Most of the committees normally add value, precision and fairness in the decision making of the board. Therefore, the committees should, ideally, work between the board meetings. For instance if a board is meeting every quarter then specific committee can meet on monthly basis and apprise the board on quarterly basis.
- ◆ The Committees are normally formed out of the board members but it is always advisable to invite specialised people from the stakeholders or society at large, to participate in various committees.
- ◆ The Committees are normally formed out of the board members but it is always also advisable to invite staff member for their considered views.
- ◆ The Committees are normally formed with a small number of people. The total number of persons in a specific committee should be between 3 to 7 members. Some times the nature and the purpose of the committees may require a large number or a very miniscule number of members. An



organisation has to decide, on case to case basis, the ideal size of the various committees.

- ◆ An NPO may consider inviting the CEO as Ex Officio member of the various committees. However, from the point of view of independent decision making the CEO may not be a part in some sensitive committees such as the audit committee or the grievance redressal committee etc. Again an organisation has to decide, on case to case basis, the committees in which the CEO should or should not participate. In some committees the CEO should participate as a invitee only without any voting power.
- ◆ All Committees should have a pre decided anchor or a facilitator to lead the process. The head of the committee should normally be declared upfront. In the absence of any resolution regarding the chair or the head of the committee, the existing committee members should elect a person as the chair.

## About Credibility Alliance

Credibility Alliance (CA) is a consortium of Voluntary Organizations committed towards enhancing Accountability and Transparency in the Voluntary Sector through good Governance. Registered in May 2004 as an independent, not-for-profit Organization, CA emerged as an initiative from within the Sector after an extensive consultative process over a period of two years involving thousands of VOs all over India. As an Organization, CA aspires to build trust among all stakeholders through improving Governance within the Voluntary Sector. As an initiative whose hallmark has been the participatory approach, CA has developed suitable Norms through wide-ranging consultation with and participation of diverse Organizations within the Sector by developing a large membership base.

With the mission 'to build credibility of the Voluntary Sector through creation and promotion of Norms of Good Governance and Public Disclosure', CA's core programme areas comprise of: Accreditation, Capacity Building, Networking and Information Dissemination.

- I. **Accreditation:** Accreditation of Voluntary Organizations refers to the certification of upholding of the quality of an organization, which adheres to the minimum norms or desirable norms set by Credibility Alliance. The main purpose of the Accreditation exercise is to develop a cost effective mechanism of periodic evaluation of VOs in the country.

'Minimum Norms' are the Norms that all VOs should follow. It is mandatory for all the Accredited Members of CA to comply with the Minimum Norms or give an undertaking that they will do so within an year, whereas 'Desirable Norms' are the next level of Norms for good Governance and public disclosure. These are the practices that are at present not mandatory and some Organizations may require time to adopt such practices.

- II. **Capacity Building:** Credibility Alliance focuses on the Capacity Building process to maximize its potential and sustain its work by adopting the existing best practices. CA plans the Capacity Building initiatives for the Voluntary Organizations by identifying and outlining the gaps in the Sector, assessing the needs and finally instituting the programs to address those needs.
- III. **Networking:** Credibility Alliance facilitates interaction between experts in different areas and promotes the sharing of ideas and information between the Voluntary Organizations and the experts. CA helps VOs to seek issue-based information in the Sector that they are working in, which helps in building the professional capacities of VOs through training, thereby enabling them to increase institutional capacities.
- IV. **Information Dissemination:** Credibility Alliance sensitizes, spreads awareness, assists, educates and appraises on the recent developments, responsibilities and other critical issues pertaining to Voluntary Sector by disseminating vital information periodically to all VOs.



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