

Some typical roles and responsibilities of ...

Directors

- Directors of corporations:
- control and set the direction of the corporation
 - call and attend directors' meetings
 - employ and supervise the manager/CEO (make sure there's a performance agreement and an employment contract in place)
 - determine the staffing structure
 - make the overall big decisions
 - ensure the corporation follows its rule book and the law
 - check that the corporation's records are maintained and safe
 - approve the strategic, business and risk management plans
 - assess and approve membership applications
 - ensure reports are correct and submitted to ORIC
 - follow the corporation's policies and procedures and, where necessary, update or arrange to make new ones
 - understand and agree to the budget, and make sure that money is only spent in ways that meet the corporation's objectives
 - know the corporation's financial position (money story) and ensure it has enough money to pay its bills
 - and, **most importantly, always act in the best interests of the corporation and its members.**

For more information about these roles call ORIC on 1800 622 431 (not free from mobiles) or go to ORIC's website at www.oric.gov.au

Managers/CEOs

- Each corporation is slightly different but generally managers/CEOs:
- inform the directors at the earliest opportunity if something looks like going wrong
 - make practical day-to-day decisions about running the corporation in line with instructions (or delegations) given to them by the directors—mainly this means managing the administrative functions of the office
 - support the directors as required—for example, prepare reports, offer advice and attend meetings
 - implement the strategic plan and/or business plan and the risk management plan, as directed by the directors
 - implement policies and procedures as agreed by the directors
 - hire and fire employees in accordance with the staffing structure approved by the directors.

ORIC Oracle

November 2014

Separation of roles

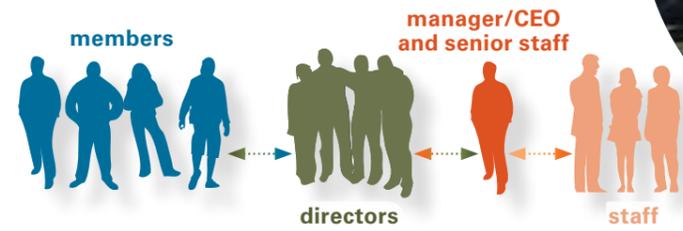
It is rarely the intention but sometimes people in corporations 'blur the edges' or 'overstep the mark' when it comes to their role.

In this edition of the *ORIC Oracle* we look at the differences between the roles of corporation members, directors and staff—and how to keep them separate.



A corporation runs smoothly and effectively when the directors understand that they are in charge. They are at the helm setting its direction while the senior staff manage the day-to-day business of the corporation.

Left: Djelk rangers of Maningrida survey the coastline of the Northern Territory (Bawinanga Aboriginal Corporation).



Wearing the right hat

Directors are not just directors—they are corporation members, part of the community, have their own families and their own friends. In other words, directors wear several hats and sometimes it's difficult to know which one should be on when circumstances vary. ORIC's corporate governance training teaches directors which hat is right for which occasion (and how not to muddle them up).

Western Australia: Some months ago ORIC's Deputy Registrar, Joe Mastrolemba, was in Kalgoorlie. The directors from the **Goldfields Land and Sea Council Aboriginal Corporation** showed him into the corporation's boardroom. There on the wall, beautifully framed and proudly displayed, were the four directors' hats used in ORIC's training. The inscription underneath reads, 'If the hat fits then wear it—but only for the right occasion'.



MEMBERS and DIRECTORS

Directors of a corporation are usually elected by the members at the annual general meeting (AGM). Their task is to govern the corporation on behalf of the members. In electing a new board of directors the members are, in effect, giving control of the corporation to this new board—but only for a set term. Corporation rule books vary but it is usually for one or two years.

DIRECTORS and SENIOR STAFF

While the directors must work hard to govern the corporation properly, it's unreasonable to expect them to do everything themselves. They need assistance. This is where the corporation's staff come in—particularly the manager/CEO but also the chief financial officer (if applicable) and other administrative staff.

The corporation staff support the directors by carrying out the day-to-day administrative functions which are a normal part of an active corporation. Staff, such as managers/CEOs and chief financial officers, have expertise in their given fields so it is right that the directors call on them for advice. Often these senior staff also play an important guiding role but—and this is a big but—they always take their instructions from the directors. Managers/CEOs typically report to the directors (not the other way round).

Respect and trust between the directors and the manager/CEO are essential for a corporation to succeed. This means that managers/CEOs must be given the space to do their job without constant interference from the directors.

The directors work closely with the corporation's manager/CEO (and other senior staff) but their roles are quite distinct.

Clear lines

Earlier this year ORIC's Coffs Harbour regional manager, Christian Lugnan, presented governance training at **Ngurrula Aboriginal Corporation**, located in the hills near Bowraville, New South Wales. The topic was 'roles and responsibilities of directors' and the 'separation of roles between the directors and the operational arm of the corporation'.

'I found that the directors had an excellent, respectful working relationship with the CEO,' says Christian. 'It had developed through maintaining strong communication lines and an independence from each other's roles. I was able to emphasise the importance of keeping to these clear boundaries.'



The directors: (front left to right) Martin Ballangarry, Sandra Buchanan, Violet Jarrett, Brian Flanders, (back left to right) Beryl Wilson (CEO), Christian Lugnan (ORIC), Rhonda Donovan, Janette Ballangarry and Max Johnson

REMINDERS!

HAVE YOU CALLED YOUR AGM?

All corporations must hold an annual general meeting (AGM) before 30 November

Time is running out to lodge your 2013-14 reports

Reports must be lodged with ORIC by **31 December 2014**.

Don't risk prosecution

If you need help filling in your reports or are not sure what to lodge contact ORIC—we can help.

LOGDE ONLINE <https://online.oric.gov.au>



“**Know your boundaries is the best tip I've heard about separation of roles,**” says the Registrar, Anthony Beven. ”

In very small corporations, which often don't have the means to employ a manager/CEO, the practical everyday tasks that are usually carried out by a manager/CEO are performed by the directors. In such cases the directors take on the responsibilities of senior staff. However, as the corporation grows and its activities expand, there will be a need to employ a manager/CEO and it will be necessary to draw boundaries between the responsibilities of the directors and those of the manager/CEO.

Directors: If there is an issue with the manager/CEO or other senior staff it is up to the directors to deal with it.

Members who have concerns about the directors—for example, about the way the directors govern the corporation and/or manage senior staff—can consider replacing them with others whose approach may be more in keeping with their own. A general meeting needs to be specially called for the purpose.

ORIC's fact sheets *Members' rights* and *What's in the corporation's rule book* deal with members' requests for meetings and the removal of directors. Go to www.oric.gov.au/resources.

Separation of roles

Separation of roles is a model of governance.

Under this model or 'organisational structure', the responsibilities of being part of a corporation are divided among different groups. It means that no one group can gain too much power. This is because each group has ways it can review or limit the action of another group—in other words, checks and balances are built in.

Separating the pandanus for weaving, Ramingining, Arnhem Land, Northern Territory.
Photo: Penny Tweedie/Getty images

Need help with corporate governance training?

ORIC can tailor workshops to suit the needs of individual corporations. If you have questions about the **separation of roles** or any other aspect of corporate governance phone ORIC for advice. You can also register your interest in an ORIC corporation specific training course. Go to www.oric.gov.au/about-training/corporation-specific-training.