



## ROCpod episode 34 – Good governance in practice: Compliant committees of management

### Speaker Key

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**KM** Hello and welcome to *ROCpod*. My name is Kristina Menzies and I'm the Senior Adviser in the ROC's Education and Reporting Team.

Today's podcast is about committees of management, and the officers who sit on them. Committees of management make important decisions in registered organisations and branches. Officers on the committee (or the 'COM' as it is sometimes called) are leaders. They manage finances, influence strategic direction, and oversee other governance activities.

For this episode, I am joined by Sarah Wilkin, who is a Senior Adviser in our Compliance and Protected Disclosures Team. Sarah will share with us the governance issues faced by committees of management and some best practice tips.

Welcome aboard Sarah.

**SW** Thank you for inviting me, Kristina. I'm happy to help.

Listeners may also think about committees of management like a corporate board of directors. Committees of management include senior positions like your Secretary and President, and generally a small number of other committee members.

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**KM** And in some organisations the committee of management may be called something else – so for example, “the board” or “the executive”. In fact, the lessons and examples that we’ll talk about today might also apply more generally to any decision-making group.

**SW** That’s right Kristina.

But regardless of what name they’re given under the rules of the organisation, there are requirements that must be complied with by all committee members. So I can talk a little more about them in this episode.

**KM** Excellent. This podcast is an instalment in our *Good governance in practice* series, so we’ll share some real examples along the way as well as practical governance tips.

Sarah, there is perhaps no group in a registered organisation more influential to governance and culture than the committee of management.

Now we’ve already spoken about some of their responsibilities. But what else does the committee do?

**SW** Well it depends on the rules of each registered organisation and branch. These rules are created by the organisation itself, so there are differences across the 96 or so organisations we regulate.

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**KM** Are there duties that they typically perform?

**SW** Yes, there are. So as leaders of organisations they are responsible for making decisions about the organisations’ spending. Committees approve budgets, they sign off on big purchases, and approve loans, grants and donations. So the RO Act specifies that *every* organisation’s rules need to set out the powers and duties of committees and officers, so that’s a really important place to look.

**KM** Committees also monitor the organisation’s policies and enforce the rules, don’t they?

**SW** Yes, that’s right. So, if changes to the rules or policies are required, committee members are generally involved in the drafting and voting process.

**KM** So organisations and their branches are governed by rules, which set out the responsibilities of office-holders. And there are also legal requirements in the *Fair Work (Registered Organisations) Act* (and we’ll refer to that as the RO Act for short).



Now some organisations have hundreds of officers. So you have the committee which sit at the top of the organisation as the leaders, and then other officers who sit below them to perform other duties, or to manage specific parts of the organisation, like a Branch or a Division.

Sarah, how are committee members held to a higher standard than perhaps other officers in an organisation?



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**SW** So that's a really good question. So there are requirements under the RO Act that only apply to *some* of these officers.

For example, officers with financial management duties, and they will include all of the officers on the committee of management, and they have extra disclosure requirements around material personal interests.

They are also expected to follow a high standard of conduct. So for example, officers with financial management duties can be held *personally* responsible if they don't act with care and diligence, in good faith and with a proper purpose.

And they must also complete financial management training and that training has to be conducted within 6 months of them having taking that office.

**KM** Yes so these extra requirements that you've just described, they don't just apply to officers on the committee of management, though, is that right Sarah?

**SW** Yes that's correct. They apply to all officers of organisations and branches who exercise financial duties. So in some organisations this isn't going to be limited to the committee of management. So again you'll need to refer to the organisation's rules to identify those particular officers that have financial management duties.



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**KM** But ALL members of the committee of management in *every* registered organisation and branch exercise financial management duties, and that's the case whether they're paid or in a voluntary role.

**SW** Yes, I don't think I can emphasise this enough. If you're appointed or elected to a committee of management you must be aware of those extra responsibilities.

**KM** So in our good governance in practice series we've been exploring how effective governance goes beyond following these statutory duties.

Sarah, how can committees of management promote compliance in their organisation through good governance?



**SW** Well you've routine habits and procedures and these can really make a big difference. Committees of management set the tone throughout the organisation – so these are officers are expected to take an active role in promoting high standards of behaviour.



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**KM** Let's talk about some examples, do you have one that you can share with us?

**SW** Yes I do.

So earlier I briefly mentioned the disclosure requirements. So the ROC's actually been dealing with several whistleblower complaints about conflicts of interest. Committees of management can manage conflicts of interest with policies that promote disclosures and decision-making procedures. So if leaders are transparent, then it follows officers are more likely to disclose those interests and be open about their concerns.

**KM** We spoke about how to manage conflicts of interest in episode 33 of *ROCpod*. So you can go back and take a listen for guidance about promoting disclosures.

Now policies and procedures are a great place to start but many behaviours that support good governance are often unwritten aren't they, Sarah?

**SW** Yes, that's right. But let's start with the absolute basics – so your committees should be meeting regularly, they should be meeting in a predictable fashion, and in a way that's accessible to everyone who is a member of that committee. So all committee members should get the details of when the meeting is, what is to be considered and all have enough time to attend – and that includes papers in advance about things like finances, or significant and complex issues.

It is not appropriate for senior officers to pick and choose which committee members are invited to meetings. All officers on the committee of management should be included. We have seen examples of some committee of management members being intentionally excluded from meetings, which can negatively impact on the legitimacy of decisions that are purported to be made at these meetings. So this actually can be a real problem.



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**KM** We covered good governance around meetings in episode 13, and it's important of course that you get these basics right.

**SW** Habits like reading materials in advance and encouraging questions are valuable, but as you said earlier, these are not things that are necessary written down. It's about culture. Members of effective committees of management have high levels of respect for each other and recognise the value of discussion and debate.



**KM** You've raised an important issue there – and that is to ask questions. So let's look at that issue. Can you explain why officers should ask questions?

**SW** I can.

So you have a common example of when the committee of management are considering financial statements. So you might not understand all the figures in the statements... that's okay, we all have our strengths, and our areas that we need to work at. But officers *are* expected to be inquisitive about the things they don't know. Extra care should always be taken around issues that have a higher level of risk.



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**KM** So what should a committee member do if they're unsure about something? Can you, for example, just rely on other officers to be across the detail?

**SW** No - the law expects you to make proper inquiries. You may get some comfort that you're not making decisions on your own, but you shouldn't be following the herd and voting the same as other officers even if that's convenient!

So in this example, one approach is to ask the organisation's accountant to explain the financial statements to you. If that helps you make an informed decision about the financial statements, it's probably a sensible approach. Another strategy is to maybe invite your auditor along to your committee meetings so he or she can talk about the report.



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**KM** So what you're saying there is use the experts around you in good faith to make informed decisions. But what are the potential consequences if you don't make proper enquiries?

**SW** Well there are a few things. Firstly, if committee members don't ask questions or seek expert advice, the group is unlikely to make good decisions. And that's not good for your members.

Officers can also find themselves in trouble. We spoke earlier about the statutory duties. And you can be held personally responsible for breaches.

Let me give you an example:

Let's say the committee of management (of which you are part of) are asked to sign off on the purchase of a property. So other committee members have told you the purchase was a 'good idea' and because of that you agree to vote in favour of the purchase. But what you didn't *actually* consider the organisation's financial position or whether it could afford the building.

That's what you should have considered.



Because it turns out that the organisation later defaults on the loan repayments, and eventually the bank forecloses the property.

And you didn't make enquiries about the organisation's financial position before you voted and as a result of that you can be held personally responsible for breaching your duties. A court might find that you haven't acted with care and diligence.



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**KM** That's a good example, thank Sarah. Another trap we've seen committees fall into is something called 'groupthink'. Other decision-making bodies like corporate boards can fall into this trap too.

Can you explain this concept of 'groupthink' in the context of committees of management?

**SW** So I'd define 'groupthink' as when officers follow other members of the committee to reach agreement, even when they might have a different view. So an officer might not speak up in a meeting to avoid drawing attention to themselves. Maybe they're shy, they're nervous, they're new to the group. Maybe they think they just don't understand the issue as well as everyone else does. Or maybe it's easier to agree with everyone else so you can move on.

So you have many governance failures have occurred from a dominant leader making a decision, and the people around them supporting it despite having had some concerns. That's 'groupthink' and officers should take care not to fall into that trap.



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**KM** It's not just about having the courage to ask questions, which of course we know is important. Committee members are *obliged* to ask questions to ensure that decisions are in the best interest of the organisation.

**SW** Yes, so there are procedural changes that you can make to your meetings to encourage debate. So you can intentionally ask committee members if they have questions or what their thoughts are about an idea. You could maybe actively assign someone to play devil's advocate and argue against a decision. Give people a chance to submit questions in advance to the chair, even anonymously. Bringing questions to the meeting and brainstorming a solution gives the organisation the benefit of everyone's experience and views.



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- KM** Okay, so we've spoken about the importance of asking questions. It needs to be imbedded in the organisation's culture. Do you have any practical strategies to encourage people to speak up?
- SW** I do. It must be known that the group welcomes other opinions. Senior leaders should be modelling the sharing of ideas around different options. And make it known that people who put ideas forward are listened to.

So what the chair should be doing is ensuring that when there is healthy disagreement it is aimed at the ideas under discussion, and not at the people who are giving the views. Remember, it can be hard to speak up in groups, particularly if you're new.

And even if you weren't the officer who asked the question, make sure that the person who did, gets an answer – you can do that by echoing their question. Support one another to be a better collective decision-making body.

So all of these things can help create what I would call a constructive assessment of solutions.



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- KM** Yes and it could be that while the first idea is a good one, after listening to the expertise and debate of the committee, you actually find a great idea that the organisation ends up pursuing.
- SW** That's right. And also, make sure that the function of your committee isn't just ratifying decisions that have already been made. Committees of management must be genuine decision-making bodies.
- KM** That's a good point. Let's explore that further. Do you have an example to illustrate what a genuine decision-making body looks like?
- SW** Yes, I do.

So let's say a senior employee of an organisation has been reappointed for another 3 years by the organisation's President, and the contract has been signed and it has an increase in salary and conditions. But under the rules of that organisation it's the committee of management that has the decision-making power. So the President then brings the signed contract to the committee meeting and the intention is to rubber stamp a 'yes' decision.

So just being clear. It is *not* the role of the committee of management, after the event, to legitimise important decisions that are being made by others. In this scenario, the committee should have been given the opportunity to share their views about whether that reappointment is the best option for the organisation. Maybe there are



other good candidates elsewhere? So you'd be missing out on vital discussion if the limitations are that the committee is just endorsing the decisions of others.

So you really need that committee to properly be exercising its own powers not just rubber stamping someone else's conduct.



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**KM** At the end of the day, committees of management should be striving of course for the best outcomes for members, and to achieve this, they need to consider a diverse range of views.

**SW** Yes and I know it seems really obvious to say this, but officers and committees collectively should only be making decisions that's on things within their level of authority.

So recently we've had a few situations where people are making decisions that they actually don't have the authority to make – there's one case in particular where someone was trying to make decisions that they weren't actually allowed to make under the RO Act. And you can't get around the law even if your rules might happen to be silent about something.



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**KM** Sarah, you said earlier that the everyday habits can make a big difference. So if I'm an officer on a committee of management what should I be doing?

**SW** Well one basic expectation is that you'll turn up to meetings. Your regular attendance is going to ensure the committee is productive and that any quorum requirements are met. You want your officers to be engaged. Of course, it's about more than appearances. You need to come to meetings prepared. You need to make sure you read the papers before the meeting so you can contribute to the discussion, you can ask the important questions, and you can form an independent view.

And if you're responsible for the meeting make sure it is held regularly. Also that it's accessible to everyone, that can be in person or over technology.

Providing advance notice of the agenda and the papers can also draw attention to potential conflicts of interest. So if as a committee member, you're not getting important papers in advance, ask for that to happen and get your request recorded in the minutes – so it's all part of your duty to act with care and diligence.



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**KM** Now as you mentioned earlier, committee members are individually responsible for their conduct, including the decisions they participate in. But we know it's also important that officers work effectively with each other. After all they're a group of



people. And we know that internal disputes can be a disruption to the good work of organisations.

So Sarah, how have we have seen conflicts manifest in bodies like committees of management?

**SW** So conflict can show itself in many different ways. It might be expressed through an emotional response, anger or hostility. It can also provoke physical reactions, you could leave the room, people resigning. We often see conflict behaviours described in whistleblower disclosures.

And the harmful thing about conflict is that it can shut down that creative collaboration that's required for good decision-making.

But I actually think we need to distinguish conflict – which you'd want to avoid – from tension and frank exchange of views, these can actually have benefits for the organisation's productivity.



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**KM** What do you mean by tension? Can you explain how tension can be an advantage or a positive for the organisation?

**SW** So I think of conflict is generally negative, but tension it can be positive. It can provide the opportunity to clear the air and resolve disagreements. It may be an uncomfortable place, but it can be reduced through robust discussion.

On the other hand, conflict is often aggressive and sometimes it can even escalate to unresolvable levels.

**KM** So how does an effective committee work together? How do leaders of organisations encourage that healthy tension, but discourage conflict and 'groupthink'?

**SW** Well that is a good question, and there is of course no doubt that striking a balance requires intentional effort.

The reality is that officers will bring their own expertise, goals, responsibilities and agendas. And diversity is a positive feature of organisations. It can certainly be an advantage to have people of different gender, age, industry experience, cultural and social backgrounds. After all, your committee of management are making decisions on behalf of your members and your members are also likely to also be diverse.

But you know you have situations. individual personalities can clash too.

And in your committees of management need to acknowledge concerns that are raised in meetings. You don't have to agree with them, but acknowledgement will make officers feel like they've had the chance to have their say.



And I think it's also a good idea to record dissenting views in the minutes, and the other options that have been considered, so it's on the record that a range of opinions were discussed before a decision was made. Also records can protect the organisation and officers if a decision is later questioned.

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**KM** Do you have any record-keeping tips for to our listeners, from your experience with working in compliance regulation and also dealing with those protected disclosure matters?

**SW** I do. So in some of our compliance matters we've had officers produce their own notes because they want to show evidence about their disclosures or dissenting opinions. And then we've compared their notes to the minutes there's a clear disconnect between the two documents. So I agree it may be really useful to take your own notes, but it is the minutes that are the official record and it's important that it's the minutes that are the source of truth, so to speak.

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**KM** We spoke about the impact of record-keeping on governance in episode 11 of *ROCpod*. And that is full of examples and practical strategies, and I recommend you go back and have a listen.

**SW** Another point I want to quickly make is about the value of de-personalising conversation to remove the emotion, so especially when it begins to escalate. And sometimes, well, I think we all need to be reminded of the 'greater purpose' – and in this case this is, to achieve the best outcomes for members.

So even if you have opposing views, at the end of the day the committee of management does have this common purpose they should be striving for.

**KM** That's a good point there Sarah, and probably a good part to finish today's episode – and that is around the idea that the goals of the organisation are greater than the needs of individuals.

Thank you so much for your time today, Sarah.

**SW** You're welcome.

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**KM** The governance of committees of management has an influence on the achievements of registered organisations. And the standard you walk past is the standard you accept. Committees of management are leaders who set the tone in their organisation.



**SW** You're very welcome Kristina. And just before we wrap up today's episode I want to quickly give our *ROC to You* program a plug.

**KM** Go ahead.

**SW** So if officers have questions about compliance, or even if you just want to get all of your officers on the same page about their duties, we have our *ROC to You* program is a great resource. Get in touch with the ROC, we're always happy to speak to your committee of management or you about strategies we've discussed today and any other compliance issues queries you may have.

**KM** Great thank you so much, Sarah. I know the *ROC to You* program has already received some great feedback. So there is some good advice to take on board there.

Please join us again next month for another episode of *ROCpod*. We'll be talking about the ROC's observations about the rules of registered organisation.



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