

Governance & Disclosure Practices

Learning Series for Voluntary Organisations, Vol.-II, Issue - V, 2013-14

Delegating Role of the Board



A joint initiative of Credibility Alliance & Oxfam India



**CREDIBILITY
ALLIANCE**

Improving Governance Building Trust

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Delegating Role 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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Delegating Role of the Board

Introduction

- 1.1.1** Any individual or group of individuals cannot conduct all the task by itself unless the work assigned is a small specific duty. All important, large and multifaceted work have to be done by a group of persons working as a team. A manager or a management body has to delegate its powers and authority to its sub-ordinates. The process of allocation and sub-allocation of powers to various downward persons and Committees is called delegation of authority.
- 1.1.2** In this chapter we will try to understand various aspects related to delegation of authority. This chapter may be read with the chapter “Oversight Functions of the Board” (Vol. I Issue V, 2012) for greater clarity on the subject.

Understanding Delegation of Authority and its Nuances

- 1.2.1** **What is Authority :** In case of an NPO and particularly the Board of an NPO the term ‘Authority’ can be defined as the inherent ability of a person or a body to take decision, direct people and Committees, to pass orders and to hold and manage resources in order to attain the organisation’s mission. A person may or may not delegate the power or authority he/she may possess, but he/she should be the ultimate point for such power or authority or should be drawing direct mandate from the ultimate point of authority. For example, a King has the power to pardon or punish a criminal; if he gives a death sentence to a criminal, then it is not necessary that he himself will kill or execute the criminal.
- 1.2.2** All individuals and bodies should understand the domain and scope of authority

they possess. The term 'Authority' in some sense denotes absolute powers (within the defined limits) to command over the sub-ordinates, it normally has a top down flow. The delegation of authority normally does not imply that the responsibility or the onus has also shifted. In other words, the person who delegates will remain liable for the outcome even if the work is not done through him/her but if somebody else is executing the work.

- 1.2.3** In this context, we should also understand that when a work is delegated the responsibility to execute shifts to the sub-ordinate to whom the work is delegated but the accountability of the work still remains with the delegating authority.

Overview of Board Level Delegation

- 1.3.1** The delegation of authority by the Board of an NPO has to be designed and implemented, based on specific facts and circumstances of each NPO. In case of smaller NPOs, the delegation function might be more simple and minimal, and in case of large NPOs the delegation function can be multifaceted and complex. A general overview of the delegation of authority of the Board has been provided which may be internalised and finely tuned according to the requirements of each individual NPO.
- 1.3.2** A Board may decide to delegate responsibility for the operation and execution of various functions. The Board may have two broad divisions of its delegation of authority :
- i) Delegation of authority to various Committees, Sub Committees & Advisors.
 - ii) Delegation of authority to the CEO and the Executive Team.
- 1.3.3** The delegation of authority has a direct relationship with size and nature of an NPO. In smaller NPOs, delegation can happen on adhoc basis, but as the organisation becomes bigger the Board looks for supporting hands in its own decision making processes. As a result, the delegation of authority to Executive team and various Committees, Sub-Committees and Advisors becomes important. Such delegation is more systemic rather than as command over the subordinates.
- 1.3.4** All large organisations should build appropriate policies and strategies regarding the delegation of authority to Executive team and various Committees, Sub-Committees other persons or positions as might be needed. Many organisation have the guidelines of such delegation in the bye laws itself, by defining various Committees, Sub Committees etc. and also defining the scope of their authority and how the reporting to be made to the Board.

- 1.3.5** The delegation of authority to the CEO and the Executive Team is a very delicate issue because Board is not supposed to execute the work or engage in the operations. Therefore, there has to be a well defined mechanism of delegation of authority to the executive team and the accountability and responsibility of both the Board and the executive thereof.
- 1.3.6** It may be noted if discretion is required to be exercised then, normally, discretionary powers should not be delegated or should be delegated under predefined mechanism or policy.

Overview of the Various Areas which the Board could Delegate

- 1.4.1** The Board may, generally, delegate the following type of functions to the executive or sub-ordinates :
- ◆ Planning for various programmes and services, except long term plan related with the mission and vision.
 - ◆ Annual Planning & Budgeting functions may be delegated wherein all material amounts or financial estimation should be subject to Board's approval.
 - ◆ Preparation and signing of most of the Contracts can be delegated to the CEO and the executive, subject to the limits and policies laid down by the Board.
 - ◆ All system related policy documents such as Finance Policy, Procurement Policy, Staff Policy etc. should be prepared by the management and approved by the Board.
 - ◆ All expenditure approval and operational decisions may be delegated to the CEO and the executive, subject to the limits and policies laid by the Board.
 - ◆ The accounting & management of funds and assets can be delegated to the CEO and the executive.
 - ◆ The monitoring and inspection for various processes and systems may be delegated to the CEO and the executive.
 - ◆ The entire process of appointing, appraisal & promotion of staff may be delegated to the CEO and the executive, except may be the CEO and some key positions as the Board may decide.

- ◆ The entire process of training and capacity building of staff may be delegated to the CEO and the executive, except may be the CEO and some key positions as the Board may decide.
- ◆ The stakeholder & donor engagement may be delegated to the CEO and the executive.

1.4.2 However, it may be noted that the Trustees or the Board should always maintain oversight in all the delegated matters.

Overview of the Various Areas which the Board should not Delegate

1.5.1 The Board **should not**, generally, delegate the following type of functions to the executive or sub-ordinates :

- ◆ The long term and perspective planning which is analogous to the mission and revision in the mission of an organisation. The executive should support in such exercise.
- ◆ All enduring and constitutional policies or bye laws such as :
 - ◆ Changes in the Objects, Trust Deed or Memorandum of Association
 - ◆ Changes in the Administrative aspect of the Trust Deed or Rules and Bye laws
 - ◆ Vision Statements
 - ◆ Mission Statements
 - ◆ Governance Policy
 - ◆ Conflict of Interest Policy
 - ◆ Transparency and Disclosure Policy
 - ◆ Gender Policy
 - ◆ Risk management policy
 - ◆ Crisis management policy
 - ◆ Change management policy
- ◆ The overall evaluation and impact analysis of the programmes should be carried on by the Board, the executive should support such exercises.
- ◆ The appointment of internal and statutory auditor should always remain with the Board.
- ◆ All legal obligation and legislative issues ?

Defining the Delegation in the Bye law or Trust Deeds

1.6.1 It is very important that the bye-laws or trust deed of the organisation should clearly define the mandate and limits of the Board. The executives and the subordinate bodies should also have a clear understanding about the authority and the powers to delegate available with the Board. If the bye-laws or the trust deeds are drafted with clarity then there will be clarity and protection to all the persons involved in management and execution.

1.6.2 Some issues which should be provided in the Bye-laws or Trust Deeds are as under :

- ◆ The definition, authority, role and responsibility of each key functionary such as the Chairperson, Secretary, Treasurer, CEO etc. should be provided.
- ◆ The manner of appointment/selection/election of each key functional position should be provided.
- ◆ The various Committee and the manner of appointment of such Committee should be provided.
- ◆ There should be a policy about delegation and further delegation. Normally, further delegation is not permissible unless it is done as a part of predefined policy.
- ◆ The scope and limits of delegation should be articulated and the remedial measure or the authority for conflict resolution should also be provided.
- ◆ The basis and criteria for various policies should be laid down based on the local laws and various comparable national and international standards.
- ◆ Procedure regarding reconsideration of decision and grievance redressal, should also be provided.

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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