

## Good Governance: Legal aspects

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### What is a Board of Directors for?

The Directors of a Company (often called 'Trustees' if the company is charitable) are appointed by the company's Members to run the company on their behalf. This means that Company Directors have ultimate legal responsibility for the running of a Company (in some cases they can be sued if they are negligent).

### How does the Board do this?

Company Directors can discharge many of their duties 'diligently' by responsible delegation. This means that they appoint senior staff to be in charge of the day to day running of the Company (including most further staff appointments).

Most Boards meet four times a year to take an overview of the Company's progress. They must be kept up to date on what has been happening, particularly financially, so that they can consider and, if appropriate, approve financial, artistic and other plans.

Some Boards appoint specialist committees to keep a closer eye on key areas such as finance. These groups will meet more frequently, work closely with relevant staff and report back to the main Board meetings.

Company Directors are also held responsible for compliance with Companies House rules: ensuring that annual returns are made and accounts submitted on time, that changes to Director's circumstances or the Company office are notified promptly. In practice these duties are usually delegated to a designated Company Secretary or to an Administrator.

Directors should ensure that they are involved in the drawing up of Company policy documents, since they can also be in the firing line for breaches of Health & Safety Law, for employment issues and other day to day matters.

### The law says that Company Directors must:

- Act in accordance with the Company's governing document and ensure that the Company works in line with this.
- Only exercise their powers for the purposes for which they were conferred – for the benefit of the Company not the individual.
- Exercise independent judgment: Company Directors are advised to take independent legal or financial advice, if in doubt. This will protect them from fines, disqualification from being a director, personal liability for the company's debts or a criminal conviction.
- Exercise reasonable care and skill: when acting on the Company's behalf a Director should show the skill expected of a person with their knowledge and experience and act as a reasonable person would do looking after their own business.
- Act in good faith: Avoid conflicts of interest including not accepting benefits from third parties and declaring any personal interest in the Company's transactions or arrangements.
- Take ultimate responsibility for health and safety matters, (useful guidance for Company Directors is at [www.hse.gov.uk/leadership/index.htm](http://www.hse.gov.uk/leadership/index.htm)).
- Check that the correct amount of tax, VAT and National Insurance contributions are paid and on time.


### The Charity Commission recommends that Charity Trustees should regularly ask the following questions to ensure that they are discharging their duties diligently:

- What effect is the current economic climate having on our charity and its activities?
- Are we financially strong enough to sustain our operations?
- Do we know what impact the economic climate is having on our donors and support for our charity?
- Do we have any reserves?
- Have we reviewed our banking arrangements and, where relevant, our investments?
- Have we reviewed our contractual commitments, for example office leases, rental agreements, equipment hire?
- Have we reviewed any contracts to deliver public services?
- If we have a pension scheme, have we reviewed it recently?
- How can we make best use of any permanent endowment investments we hold?
- Are we an effective trustee body?
- Do we have adequate safeguards in place to prevent fraud?
- Are we making the best use of the financial benefits we have as a charity?
- Are we making the best use of our staff and volunteers?
- Have we considered collaborating with other charities?
- Are we making the best use we can of our property?

Jackie Elliman © Independent Theatre Council

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### File Attachments:

 [Good\\_Governance.docx \(https://itc-arts-s3.studiocoucou.com/uploads/helpsheet\\_attachment/file/111/Good\\_Governance.docx\)](https://itc-arts-s3.studiocoucou.com/uploads/helpsheet_attachment/file/111/Good_Governance.docx)

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