

## Committee Member Duties Series:

### Duty to act in good faith in the best interests of the organisation\*

Committee Members and others involved in the management of an organisation are required by law to act in good faith in the best interests of the organisation when making decisions about the organisation.

In Tasmania the legislation governing Incorporated Associations is silent on duties which means knowledge about your duties comes from the common law (sometimes called 'judge made law')

#### What does act in good faith mean?

Acting in good faith means you must act honestly in what you believe to be in the best interests of the organisation. There must be a proper purpose behind decisions. You should not have an ulterior motive, misuse your position or association assets, and avoid conflicts of interests.

#### What are the best interests of the organisation?

As Committee Members, it is largely up to you to determine where the best interests of the organisation lie. It will include consideration of members' interests, and even creditors if the Association is in financial difficulty and you are faced with decisions about its future.

The best interests of the organisation are not the same as your own interests or that of some other organisation.

#### How do you meet this duty?

There are two parts to this duty relating to your state of mind and the decision itself.

- First, you must act in good faith as described above.
- Second, the decision itself must be justifiable. It does not need to be perfect.

Ask yourself whether a reasonable Committee Member in your position with your knowledge would think your decision was in the best interests of the organisation?

Some useful questions to consider when making decisions include:

- What is the stated purpose of the organisation?
- What is the purpose of the proposed decision?
- What are the interests of the organisation's members, employees or creditors?
- What are your powers and limits as a committee member?

*Practical Tip: If your not-for-profit is a company limited by guarantee, director duties will be found in the Corporations Act. They are very similar to the common law duties.*