

Governance structures of companies

A company is a legal entity registered under commonwealth law. It is different to an association incorporated under state or territory laws and has different reporting and legal obligations.

Refer to the fact sheet: *'Are You a Committee or a Board?'* if you are unsure about the legal status of your organisation.

Boards

Boards are the central decision-making bodies of companies. They are comprised of directors who make decisions that bind the company. Directors are obligated to act in with care and diligence and in good faith in the best interests of the company.

Boards play an important role in ensuring long-term success of a company and protecting the interests of stakeholders (not only shareholders). For example, a board may make decisions regarding:

- strategic planning;
- governance;
- business performance; and
- compliance.

Committees

Committees are established to advise the board and make recommendations about specific topics and functions that concern the company.

Unlike boards, committees do not have to be comprised of directors, and they generally do not have authority to bind the organisation. They do, however, have an important role to play in providing support to the board by providing specific advice on key issues.

Committees also do not have to be permanent; they can exist on a temporary basis depending on the specific needs of the organisation. Common examples of committees include:

- Standing Committees that meet regularly to discuss certain issues;
- Fundraising Committees that meet to discuss fundraising activities, sponsorship, etc; and
- Finance Committees that help the board monitor the financial health of the organisation.