



STEWARDSHIP & RISK

Committee Governance: Terms of Reference That Actually Constrain

A document that describes a committee is not the same as one that constrains it

This series has now examined several specific committees in depth, the Finance, Audit and Risk committee, the nominations committee, and the inner board risk that forms when delegation drifts without structure. This article draws the underlying discipline together into a single principle that applies to every committee a board creates, standing or temporary, financial or entirely informal: a terms of reference document is only doing its job if it constrains what the committee can do, not merely describes what it is generally expected to do.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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Why Vague Terms Of Reference Are Worse Than None At All

A terms of reference document that describes a committee's general purpose in broad, aspirational language, without specifying the actual boundary of its decision-making authority, creates a trap. It gives the committee, and everyone observing it, the appearance of proper governance structure, while leaving the actual scope of delegated power exactly as undefined as if no document existed at all. This is precisely the mechanism behind the inner board problem discussed earlier in this series: a committee established for a narrow purpose gradually expands its own remit, not through any deliberate decision, but because nothing in its founding document was specific enough to stop it.

The test for any terms of reference document is simple and worth applying directly: could a committee member point to a specific clause and know, with confidence, whether a particular decision sits inside or outside their delegated authority? If the honest answer is no, the document describes the committee. It does not constrain it.

The Five Elements An Effective Terms Of Reference Actually Needs

- A precise statement of decision-making authority, distinguishing what the committee can decide from what it can only recommend to the full board, rather than a general description of its area of interest.
- Explicit financial or operational thresholds where relevant, connecting directly to the delegations of authority discipline covered earlier in this series, so a committee's spending or commitment authority is never ambiguous.

- A clear reporting line and cadence back to the full board, since a committee that reports only when something goes wrong is functioning as an unsupervised delegation rather than an accountable one.
- Defined membership and chair selection, reviewed on the same cycle as the board composition disciplines discussed earlier in this series, so committee membership does not quietly become permanent and unexamined.
- A fixed review date for the terms of reference themselves, since a committee's appropriate scope when it was formed is not guaranteed to remain appropriate as the organisation, and the committee's own ambitions, grow.

Before drafting, confirm that the constitution allows the board to delegate the power in question, and check any constitutional rules on who may sit on committees.

Branch And Chapter Committees Deserve Particular Attention

Associations with a federated or branch structure face a specific version of this risk. A state or regional committee, established to represent local members and coordinate local activity, can gradually begin making decisions, entering into local contracts, committing the organisation's name and reputation to positions, that were never actually within its delegated authority. This connects directly to the delegation liability discussed earlier in this series. For a company limited by guarantee, section 190 of the Corporations Act makes directors responsible for how a delegate exercises board power, unless they reasonably believed the delegate would act in line with the company's duties and constitution, and believed on reasonable grounds, in good faith and after proper inquiry, that the delegate was reliable and competent. Distance from the boardroom table does not change that. Incorporated associations should check their state or territory Act and constitution. A branch that is separately incorporated is its own legal entity, so its relationship with the national body depends on the federation agreement and each constitution. A branch committee's terms of reference deserves the same precision as the Finance, Audit and Risk committee's, not a lighter, more informal version simply because the committee feels more remote from head office.

- Apply the same terms of reference discipline to every committee, standing or temporary, financial or purely advisory, rather than reserving rigour for the committees that feel obviously high-stakes.
- Give branch and chapter committees explicit financial and contractual authority limits, exactly as would be expected of a Finance, Audit and Risk committee, since the underlying delegation and liability principles do not weaken with geographic distance.
- Require every committee, without exception, to report substantively to the full board on a fixed cycle, closing off the inner board risk discussed earlier in this series before it has any chance to take hold.
- Review every committee's terms of reference on the same cycle as the constitutional review discipline established in the Foundations quarter of this series, treating scope creep as something to be caught early rather than discovered after the fact.

A committee with a precise terms of reference is not a constrained committee in any negative sense. It is a committee whose members know exactly what they are trusted to decide, and can act within that trust with real confidence, rather than operating in the ambiguity a vague founding document leaves behind. This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Committee Governance: Terms of Reference That Actually Constrain

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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