

AGB

**Effective
Committee
Series**

The Finance Committee

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Effective Committees

This publication is part of an AGB series devoted to strengthening the role of key standing committees of governing boards. While there is no optimal committee system for institutions of higher education, certain principles, practices, and procedures prevail. The best practices outlined below support the objectives of board committees: focused effort, informed decision making, and self-management.

A. FOCUS THE WORK OF COMMITTEES

The work of boards should be grounded in the work of its committees. Working in tandem, committees enhance the purpose and advance the productivity of the full board.

1. Committee charges or charters should clearly declare the governance purpose of each committee.
2. Committee work should be aligned with the institution's strategic vision, goals, and priorities.
3. Committees should translate their charges into annual goals and work plans that align with the board's governance responsibilities and the institution's strategic plan.
4. Committees should focus on monitoring the institution's strategic progress and the committee's accomplishments.
5. Committee meeting agendas should be concise, developed in consultation

with the committee chair and designated staff member, clearly state desired meeting outcomes, and they should be distributed—with appropriate supporting documents—well in advance.

6. Committee members should strike an appropriate balance between “too much” and “too little” information. They must guard against requesting overly detailed information to avoid becoming embroiled in administration or overburdening staff. At the same time, they need sufficient supporting materials to make sound recommendations and ensure adequate oversight.

B. FACILITATE INFORMED AND PARTICIPATORY DECISION MAKING

Committees are responsible for recommending decisions and actions to the full board. They should serve as models of good governance, where issues are debated and recommendations are framed openly, inclusively, and with full transparency.

1. Committees should deliberately include constituents whose voices have legitimate bearing on the topics under consideration.
2. Board members and constituents should have an active and reciprocal understanding of their respective roles and responsibilities within the institution’s governance structure.
3. Through committees, board members and the institution’s constituents should engage in a dialogue that demands facts and explores critical issues within the appropriate boundaries. Jointly and based on mutual trust, they should learn to ask the right questions that honor governance prerogatives and advance the institution’s strategic direction.
4. When making formal recommendations to the full board, committees should present conclusions that summarize relevant data and findings, including constituent voices and diverse perspectives.

C. ORGANIZE THE WORK OF COMMITTEES

While board bylaws often define the committee structure, the needs of each committee vary depending on the committee’s purpose and the institution’s changing circumstances. Within the division of labor between committees and the board, committees have responsibility for managing their own policies and practices.

Protecting and Renewing Institutional Resources

The finance committee performs two roles of paramount importance in college and university governance. The first role is to help carry out the governing board's basic fiduciary responsibility to ensure that the mission and purposes for which its institution was founded are fulfilled. The fulfillment of that mission requires resources—human, physical, technological, and financial. Working with other committees, the finance committee makes certain that resources are secured, that they are appropriately allocated between long-term and short-term needs, and that they are adequately protected, maintained, and renewed. The committee also ensures that all of those activities are accurately reported and understood by the entire board of trustees, as well as the public at large.

The second role is to provide financial guidance to the full board of trustees for fulfilling its fiduciary responsibilities. Broad societal challenges in health care, environmental sustainability, and economic success all rely upon continued investment in an informed and highly skilled citizenry. Higher education provides this foundation, and in fact, the diverse and accessible American higher education system remains the best-regarded postsecondary system in the world.

Today, however, colleges are under great stress as they work to sustain and expand the resources needed to fulfill their missions—and that, in turn, requires

Purpose of the Committee

Sound institutional governance requires every board committee to have a clearly stated purpose that all board members understand. As a result of the diversity of colleges and universities, varying responsibilities may be assigned to the finance committee. However, all committees dealing with financial matters have a common mission: *To ensure the institution is operating in a financially sustainable manner, balancing its long-term and short-term financial obligations.*

The degree of formal authority that a finance committee has in overseeing the financial conduct of the college or university varies with each institution's board bylaws or statutorily granted authority. Depending on the size of the institution, and whether it is public or private, the finance committee may have oversight of audit, budget, finance, investment, property, and facilities functions—typically monitored through subcommittees. (See box on page 10.)

At institutions that have separate committees for such functions, ensuring effective committee relationships requires careful membership and agenda planning by institutional leadership (usually the president and board secretary) and board leadership. Clear statements of each committee's roles and responsibilities, as agreed upon by the board, are essential. Committee membership often overlaps in order to assist in coordinating agendas and sharing information. The finance committee should meet jointly with other committees at appropriate times when the institution has significant issues to address. For instance, it should