



The information conduit

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- Very helpful for boards to have calendar of events to schedule key time frames for meetings, auditing and other important events, and to allocate responsibility
- Reality is that follow-up action is taken between meetings and should be recorded, but separately from minutes
- Company secretaries with support from the chair should be proactive in ensuring non-executive directors full information in a digestible format about organisation activities and action taken to implement board decisions

This article relates some anecdotal practical experience that may be useful for other company secretaries for their organisations. The main thrust is to facilitate non-executive directors of small and medium-sized enterprises (SMEs) to monitor activity and action on board decisions.

First, a calendar of events is suggested as a regular agenda item to update the full board on current activity; second, a standard procedure is suggested to record follow-up action on the minutes of the previous board meeting.

Board calendar

The calendar of events is suggested as an overall control tool: it provides a perspective of significant events and activities for directors for the current financial year. Actual implementation dates are recorded as the current year progresses. A simplified example is set out in Table 1. The procedure is found to be helpful for non-executive directors in particular, as a recurring reminder of progress and deadlines through the year, and I have included this as agenda item 3 for board meetings, following matters arising from the previous minutes.

It is recommended that a board calendar be kept to a single A4 page for ease of reference, and updated during the year by the company secretary for each board meeting.

Follow-up since previous board meeting

A second general procedure for providing information to the board is the feedback to the board by the company secretary on action taken on board discussions and decisions in the previous board meeting.

Action since a board meeting is listed alongside the draft minutes of the last meeting, as information for the board in confirming the minutes of the last meeting, and a summary of action not yet taken is provided. The procedure borrows from standard engineering practice on major construction projects. In more detail, it involves the company secretary taking the following steps.

1. Prepare minutes as soon as possible after a board meeting, as a first draft.
2. Agree first draft with the chair, as soon as possible.
3. Subsequently, and before the next board meeting, research the matters discussed and agree with corporation executives the follow-up action actually taken on those matters.
4. Record the actions taken alongside the relevant paragraphs of the minutes, so that the actions do not form part of the minutes. For every Minute there should be follow-up as 'noted', or a reference to a separate agenda item at the next meeting, or a summary of action taken.
5. Summarise below the minutes (but not as part of them) the follow-up action outstanding (that is, to be completed in the future) in cases where follow-up has been incomplete

Table 1: Sample board calendar

ABC Corp calendar of activities for 2011–2012 as at 31 December 2011			
Date	Scheduled activity	Responsibility	Actual completion
5 July 2011	Property agent quarterly accounts	Agent, Company Secretary	5 July 2011
10 July 2011	Property management meeting		10 July 2011
15 July 2011	ABC annual accounts 2010–2011 and budget 2011–2012	CEO, CFO, Company Secretary	20 July 2011
15 August 2011	Annual audit 2010–2011	Auditor	15 August 2011
22 August 2011	ABC board meeting	Chair, Company Secretary	22 August 2011
15 September 2011	Building essential services audits	Company Secretary, Agent	30 September 2011
5 October 2011	Property agent quarterly accounts	Agent	5 October 2011
10 October 2011	Property management meeting	Company Secretary	15 October 2011
15 October 2011	ABC quarterly accounts	CFO, Company Secretary	10 November 2011
30 October 2011	ABC income tax return	CFO, Company Secretary	5 November 2011
15 November 2011	ABC board meeting	Chair, Company Secretary	20 November 2011
15 December 2011	Staff performance reviews	CEO	10 December 2011
22 December 2011	Christmas shutdown	CEO, Company Secretary	22 December 2011
15 January 2012	Plant maintenance	CEO	
22 January 2012	Reopen for business	CEO, Company Secretary	
22 January 2012	Property agent quarterly accounts	Agent	
27 January 2012	Property management meeting	Company Secretary	
31 January 2012	ABC quarterly accounts	CFO, Company Secretary	
15 February 2012	OHS Report	CEO, Company Secretary	
22 February 2012	ABC board meeting	Chair, Company Secretary	
15 March 2012	Replace selected car fleet vehicles	Company Secretary	
30 March 2012	Briefing paper on not-for-profit legislation	Company Secretary	
5 April 2012	Property agent quarterly accounts	Agent	
10 April 2012	Property management meeting	Company Secretary	
15 April 2012	ABC quarterly accounts	CFO, Company Secretary	
15 May 2012	ABC board meeting	Chair, Company Secretary	
15 June 2012	Marketing strategy for 2012–2013	CEO	

- or unsatisfactory. This whole document now forms the second draft minutes.
- Distribute the second draft of the minutes to the full board before the next board meeting at which it is intended that the minutes will be confirmed.
 - As item 1 (Confirmation of minutes) at that next board meeting, record confirmation, or adjustments and confirmation, of the minutes included in the second draft document, in the usual way.

- As item 2 (Matters arising from the minutes not specifically appearing as separate items on the agenda) at that board meeting, raise the list of action outstanding ('Summary of action items outstanding and yet to be completed' shown after the draft minutes) with the chair as part of the agenda.
- At the next meeting the company secretary thereby provides the board with a record of decisions taken at the last board meeting, and notes of the action taken on those decisions since the last meeting, and a summary of items where action has been

incomplete or inadequate. The company secretary has the opportunity to iron out miscommunications as to action required and actually taken, and may need to delve into any or all of the operating divisions of a corporation to clarify situations.

It is likely that some executives may choose to report to the board directly, or write a specific report for the board as a separate agenda item, on follow-up action on significant issues. In this latter case the company secretary may simply note 'Separate report by XYZ at agenda item X below' as the follow-up.

Table 2: Sample of second draft of minutes with matters outstanding follow-up action

Extract from ABC board papers for meeting on 22 February 2012: Extract from draft minutes of meeting held on 15 November 2011	
Minutes on agenda item	Follow-up action (not part of minutes)
<p>3. PROPERTY MANAGEMENT MEETINGS</p> <p>The directors reviewed the minutes of the property management meeting of 10 October 2011, and the Secretary reported that the agent XYZ had been asked to correct three duplications in payments from the XYZ Trust Account during the previous quarter of July to September.</p> <p>It was resolved that: 'The Secretary will advise the Chair by 15 December 2011 as to the countermeasures taken by XYZ to prevent further payment duplications.'</p> <p>CARRIED</p>	<p>Outstanding: Company Secretary advised the Chair on 30 October 2011 that XYZ financial controller had agreed: (a) reversal of the duplications in the next quarter, and (b) XYZ staff would use the date of the invoice as a number in future in computer data input, when the invoice is not numbered.</p>
<p>4. TENANCY: EFH, LEVEL 1</p> <p>The Secretary advised that this tenant had left and that finalisation of the tenancy account was awaiting Agent XYZ completion of recharge reconciliations, that is balancing expenses incurred on behalf of tenants with charges invoiced to the tenants; currently a net balance of \$10,000 appears as owing from tenants as at 30 September 2011. Recharges had not been completely reconciled for six months due to XYZ staff turnover.</p> <p>It was resolved that: 'The Secretary will table a correct reconciliation by XYZ of all recharges in respect of all tenants for the next board meeting.'</p> <p>CARRIED</p>	<p>Outstanding: XYZ staff turnover continued and recharge differences oscillated significantly from one quarter to the next. The Company Secretary suggested temporary accounting assistance but no action was taken. Company Secretary asked for a summary for the last 12 months, by 31 December 2011.</p>
<p>13. QUARTERLY MANAGEMENT ACCOUNTS FOR ABC</p> <p>The Directors reviewed the accounts presented for all ABC operations for the quarter ended 30 September 2011. The Chairman questioned the forecast cash position of ABC as at 30 June 2012, and the Secretary reported that forecasts were not yet updated to cover new tenants on Levels 4 and 5.</p> <p>It was resolved that: 'The Secretary will table updated forecasts of the cash position of ABC at 30 June 2012 for the next board meeting.'</p> <p>CARRIED</p>	<p>Updated cash flow forecasts to 30 June 2012 have been completed and are included as agenda item 13 for the board meeting on 22 February 2012.</p>

Table 2 sets out an example of an extract of the second draft of the board minutes of corporation ABC, with follow-up action shown. Three matters are tabled on which the Board has discussed issues and made decisions, and notes by the company secretary of follow-up action subsequently. I have used my experience with real estate agents for corporation properties as a basis, and the example refers to some practical issues encountered. I have been amazed at how little attention appears to have been given by corporation executives to critically reviewing estate agent

accounts of their leasing and building management stewardship.

Then at the end of the draft minutes, after the space where the chair signs that the minutes have been confirmed as correct at the subsequent meeting, Table 3 sets out a summary for inclusion by the company secretary as information for the board.

These are usefully discussed in matters arising, if not scheduled as separate Agenda items.

I believe this approach is consistent with the trend of current governance practice in progressive companies in Australia, and consistent with legal and professional thinking on the subject. For example, Richard Willcock FCIS wrote of the changing role of the company secretary in 2007, and considered the expanding responsibilities of the company secretary in acting as a information conduit.

Where it appears that the information is incomplete or inaccurate, the company secretary ought to highlight that this is the case.¹



Table 3: Sample of additional progressed since previous board meeting

SUMMARY OF ACTION ITEMS OUTSTANDING AND TO BE COMPLETED (Not part of company minutes)

3. XYZ payment duplications: Company Secretary to report to board if XYZ actions have been properly undertaken in next quarter ending 31 December 2011.

4. EFH tenancy and recharge reconciliations: Company Secretary to table options to board to obtain XYZ corrective action.

Conclusion

The above suggestions are presented as having been found helpful to the author as company secretary in SMEs. Other organisations may have similar procedures to these for company secretaries, but I am not aware of publication of such material previously.

The above procedures have been appreciated by non-executive directors as helpful to them to periodically step in and reorientate themselves to the organisation's environment, from outside and very different situations. The calendar of activities provides a high-level summary of where the organisation is in terms of its annual activities, at the time of each board meeting. The written summaries of feedback on follow-up action provide a useful link and discussion point on activities since the last board meeting, and the effectiveness of that meeting.

The views expressed in this article represent my personal views, and are based on procedures that I have found to be helpful.

The procedures are not held out to be automatically or necessarily appropriate to other situations or other organisations of which the author has no knowledge. The author accepts no responsibility whatsoever for actions by other company officers attempting to implement the procedures herein suggested.

I do advocate that company secretaries as far as possible in their own particular circumstances, and with the support of the chair, adopt their own proactive approach to ensure non-executive directors in particular have full information in a digestible format about organisation activities and action taken to implement board decisions.

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Note

- 1 Willcock R, 2007, 'Adviser, counsel, conduit — wearing many different hats', *Keeping good companies*, Vol 59 No 8, pp 471–474, at p 473 ■