

# Is There a Difference Between Policies and By-Laws?



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The Boards of voluntary and non-profit organizations normally govern by establishing policies. A policy is any written statement approved by the board or by the membership that:

1. Articulates and defines important objectives, principles or values
2. Limits or prescribes what kind of action will be taken in different situations
3. Defines roles, responsibilities and authority

## **By-Laws**

All organizations, as a requirement of incorporation, are required to establish by-laws in respect to specific matters. These are usually matters that relate to the functioning of the Board and its relationship to members. Under the Societies Act of Nova Scotia<sup>1</sup>, for example, the by-laws must address eleven (11) matters. These are listed in Schedule B of the Act (below). The by-laws of the society are those policies that cannot be adopted or changed without approval of the membership at a general meeting and any changes must be reported to the appropriate government department.

## **Board Policies**

General policies should also be set that are subject to change by the Board of Directors at any time. Indeed, it is in the interest of most voluntary and non-profit organizations to limit the number of policies designated as formal “by-laws” and focus their attention on creating other key policies. This gives the board of directors the flexibility and opportunity to identify the organizational practices that are important to them in such a way that they can be easily modified when the need arises. This is often referred to as “governing by policy”.

All boards should consider setting policy in the following areas:

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1. Nova Scotia, R.S.N.S. 1989, c 435 as amended. An Act to Provide for the Incorporation of Non-profit Societies, Halifax, Nova Scotia. The Act requires the registration of two documents: The Memorandum of Association and By-Laws. The Registry of Joint Stock Companies provides sample documents which, in terms of by-laws, include more detail than is required by the Act.

- ◆ Organizational mission, objectives and values
- ◆ Role and responsibilities of the board
- ◆ Board decision-making and meeting practices (usually covered partially by by-laws)
- ◆ Conflict of interest
- ◆ Board member conduct
- ◆ Role, responsibilities, and authority of the executive director or CEO
- ◆ Financial management
- ◆ Personnel, hiring and other human resource practices
- ◆ Treatment and protection of consumers, customers, clients or users
- ◆ Fundraising (including ethical considerations)
- ◆ Advocacy and public education
- ◆ Accountability to members, stakeholders and community (may be partially addressed by by-laws in references to annual general meeting and annual financial report)

### **Operational Policies**

Some organizations also try to distinguish between board or governing policies and management or operational policies. This encourages board members to focus their attention on the organization's overall mission and core practices and mandates staff, usually the executive director or CEO, to create the more detailed policies and procedures that are necessary to implement the direction given to them by the Board.

#### **Schedule B**

#### **Societies Act of Nova Scotia**

(Schedule A is the Memorandum of Association)

- 1) Terms of Admission of members and their rights and obligations
- 2) Conditions under which membership ceases and manner (if any) in which a member may be expelled.
- 3) Mode and time of calling general and special meetings of the society, number constituting a quorum at such meeting and rights of voting.
- 4) Approval and removal of directors and other officers and their duties, powers and remuneration
- 5) Exercise of borrowing powers
- 6) Audit of accounts
- 7) Custody and use of the seal of the society
- 8) Manner of making, altering and rescinding by-laws
- 9) Preparation and custody of minutes and proceedings of meetings of the society and of the director and other books and records of the society
- 10) Time and place at which the books and records of the society may be inspected by members
- 11) Execution of contracts, deeds, bills of exchange and other instruments and documents on behalf of the society