

Financial Management

Managing the finances of a sporting club can be a complex operation. The application of financial resources has a significant bearing on the success of your club. Clubs need to be able to account for their financial resources, and effectively use their financial resources to support their strategy. The Treasurer has a key role to play in the effective management of financial resources, but it is the management committee or board which has ultimate accountability for how funds are used by organisations.

As in all management activities, a club should aim to adopt best practices in financial management. The size and complexity of a club, as well as in some instances its jurisdiction (State or Territory location) will influence what is finally put in place.

The following are recommended:

- Constitutional requirement for an annual financial report.
- A suitably experienced Treasurer.
- Appropriate accounting system e.g. Cash book/ledgers/journal. There are many suitable accounting software programs now available on the market. A club should seek professional advice before reviewing which accounting package they should buy.
- Existence of approved bank accounts.
- Cheque signing authorities - at least three registered with two signatories required at all times.
- Set reporting practices for the management committee – standing agenda item for financial reporting.
- Asset register and management of assets.
- Auditor.
- Adopt an annual board approved budget process incorporating multiyear forecasts.

It is recommended that the Treasurer prepare for the managing committee or board timely reports that are presented regularly (preferably monthly), including:

- accurate financial statements, that comprise:
 - profit and loss statement
 - balance sheet
 - cash flow statement
 - written financial management report explaining material variances from budget
 - budget versus actual report on a month-to-date and year-to-date basis as well as a comparison between the forecast and full-year budget
 - listing of all major outstanding debtors and creditors showing number of outstanding days.
 - bank reconciliation (including bank account evidence)
- performance reporting against the club's strategic objectives.

The club should have a one-year fully costed operational plan, as well as having a more strategic 3-5 year financial plan that should link the financial objectives of the club with that of its strategic objectives.

It is critical that all managing committee members understand and take their financial responsibility on the board seriously by ensuring they are able to comprehend and challenge the financial information presented to them.

It is good practice that the full board meets with the external auditor (should they require one) annually to discuss the findings of the audit and any identified issues that may have arisen from the audit.

This open and frank discussion allows managing committee members the opportunity to receive further clarification of any particular issues to ensure they fully understand the financial operations and health of the club.

Financial responsibilities

Good financial management is essential for your club's survival and is an important part of good governance. It involves being able to review financial information, effectively manage funds, implement sound financial practices and understand your club's financial position and obligations.

Often clubs appoint a Treasurer with some accounting experience to take on this responsibility. However, every board member should have an understanding of a club's accounts and financial reports. This knowledge will help with strategic planning, accountability, corporate governance and effective risk management.

Sporting clubs and associations have certain legal obligations in relation to financial management. There are also corporate governance issues that need to be taken into consideration when administering a club's finances. Whether you're a club director, a committee/board member or the Treasurer it is important you understand your responsibilities in this area.

Here is a summary of the key issues. For further information, it is recommended that you talk to your association or sporting body and/or obtain professional advice.

Common law duties

Committee or board members of all sport and recreation clubs have common law duties. These require each individual to act competently, honestly, in good faith and in what they consider to be the best interests of the club.

The broader principles of common law that directors should follow include:

- Monitor the management of the club.
- Understand the fundamentals of the club's business.
- Keep informed of the club's activities and assess appropriateness of management's business practices.
- Monitor the club's policies.
- Be familiar with the club's financial status by regularly reviewing financial statements.
- Enquire into matters where necessary.

Your club's situation needs to be taken into consideration when applying these duties. This includes the type of organisation, the club's size and nature, the composition of the board and the distribution of work between directors and other officers.

Corporate governance requirements

Committee or board members are required to understand the needs of their sport or association in relation to statutory and common law requirements and corporate governance issues.

Role of the Treasurer

The role of Treasurer varies depending on the size of your club; whether you have a volunteer or paid workforce; the range of activities offered; and whether your club is affiliated or not.

Clearly for a club with no paid staff, the role will be much more hands-on than the overseeing role of a Treasurer with staff. The level of responsibility is different. For this reason, the information below has been separated into these categories. Choose the relevant checklist to help you better identify the roles and responsibilities of your finance director:

- [Clubs with no paid staff](#)
- [Clubs with paid staff](#)

Clubs with no paid staff

Cash controls

- Do you ensure that all cash that comes into the club is collected, receipted if necessary and subsequently banked?
- Do you have records that identify which cash comes from members, canteen sales etc. and which is from a sponsor or from fundraising?
- The signatories for cheques are authorised by the committee or board. Do you retain receipts and documentation for funds expended?

Financial statements

- Are the financial statements for your club prepared and provided to appropriate members regularly?
- Do you or someone else in the organisation have the skills to review and analyse the financial statements to identify significant issues?

Budgets and cash flow management

- Does your club have a budget and has it been approved by the committee/board?
- If a large purchase/expenditure is going to occur, have the cash flow implications on the club been considered (i.e. given the timing of the expense, will the club run out of money?)
- At year end, is the budgeted result compared with the actual result?
- Do you have a process for managing and monitoring accounts payable and accounts receivable?

Statutory matters

- Are you aware of any rules and requirements governing your club in relation to when you produce financial statements, what needs to be produced, and who requires/is entitled to a copy?
- Have you arranged for an audit of the financial statements (if required) and notified the auditor as to when they will receive the work, and when it is due?
- Do you understand the extent of any personal liability you may have if you enter into transactions on behalf of the club which the club cannot pay for?
- Are you required to be registered for GST? If so do you know the paperwork obligations relating to GST such as BAS completion and tax invoices?

Clubs with paid staff

Cash controls

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- Do you have records that identify which cash comes from members, canteen sales etc. and which is from a sponsor or from fundraising?
- The signatories for cheques are authorised by the committee or board. Do you retain receipts and documentation for funds expended?
- Is there separation of duties where possible? For example, if possible, the employee who collects cash should not be the same person who prepares the accounting entries recording it or the same person who subsequently banks the money.

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- Is there a process to review the accuracy of the bookkeeping work?

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Overview of your financial obligations

When you join a committee or board you accept the obligation to look after your clubs finances. In some cases, your financial responsibilities may be quite extensive (for example, for a committee or board that is responsible for overseeing a large club with debts, income, staff, etc.). In other cases (say, for a small community club that does not perform many or any financial transactions) these responsibilities might be simple or non-existent.

Any committee or board that oversees a budget, no matter how small, needs to have a good understanding of its financial duties and take them very seriously. It is important therefore that all incoming members are provided with a financial briefing outlining their duties.

This help sheet is offered not as a definitive guide to your financial responsibilities – these will differ from club to club. You should seek legal or financial advice whenever you are in doubt about your roles and obligations.

Financial competence

Although committee/board members are not generally required to have particular qualifications to be appointed, the law does impose standards of financial competence.

The committee or board is expected to be capable of understanding the affairs of the club or facilities it is governing well enough to reach a well-informed opinion of its financial capacity. And it must be sufficiently up-to-date with the club's dealings to allow it to respond properly to the club's changing financial capacity. Naturally, this requires some familiarity with financial reports.

Every year, clubs will prepare an annual report. The preparation of such reports is not always simple and many clubs seek professional help in doing so. Generally, these reports will include:

- A review of the year's operations and details of any important changes;
- Information regarding the club's primary activities;
- Details of any circumstances that have affected, or could affect, the club's operations or likely developments in future years;
- Names of committee/board members and the period for which they have filled the position;
- Information regarding committee/board members' fees (if applicable);
- All earnings from the club;
- Information regarding the solvency of the club, including income and expenditure.

Different or additional reporting requirements may exist for your particular club, depending on the law or rules under which it operates.

It is worth noting that individual committee/board members are not required by law to attend to the financial affairs of the club personally, but they must ensure that they engage people who are competent enough to handle the requirements of the specific situation. It is not sufficient to appoint someone qualified only to do basic accounting where only the resources of a large accounting firm could cope with the task at hand.

You should also know enough about financial matters to be able to understand the workings of the budgets and accounts. If you do not know what words like 'revenue', 'assets' and 'income' mean, you will need to do a lot more homework before taking on any role that requires overseeing a budget.