

MSA MANAGING FINANCIAL RISK GUIDELINES

This document is intended to provide MSA Branches and MSA Clubs an outline of financial management considerations and guidance for Committee Members on their obligations in regard to management of Club's finances.

Throughout this document "Club" is taken to mean individual MSA Clubs and the Clubs State body known as "Branch".

Club Financial Management

The application of financial resources has a significant bearing on the success of your club. MSA Branches and Clubs need to be able to account for their financial resources, but also need to look at ways to effectively use their financial resources.

The Treasurer at each level of the Club has a key role to play in the effective management of financial resources, but it is the relevant Committee which has ultimate accountability for how funds are used. As in all management activities Clubs should aim to adopt best practices in financial management. The size and complexity of the Club will influence what is finally put in place.

The following are necessary:

- Constitutional requirement for an Annual Financial Report.
- A suitable treasurer (accountant or bank officer or book keeper is preferred).
- Appropriate accounting system e.g. Cash Book / Ledgers / Journal.
- Existence of approved Bank Accounts.
- Cheque signing authorities - at least three registered with two signatories required at all times or Electronic Funds Transfers protocols.
- Set reporting practices for the Management Committee - standing Agenda item for Financial Report.
- Asset Register and Management of Assets.
- Auditor (must be formally qualified in accounting or financial auditing).
- Adoption of an Annual Budget.

There are many suitable accounting software programs now available on the market so that there is no need to rely on templates or spreadsheets. Professional advice should be sought before deciding which package to buy.

The Clubs should receive timely and accurate financial statements that are presented regularly (preferably monthly). These statements should include the following:

- Profit and loss statement
- Balance sheet (if used)
- Cash flow statement
- Written report regarding material variances from budget
- Budget versus actual report on a quarterly and year-to-date basis as well as identifying the full-year budget. This is mandatory where there is a change to normal operations such as change in the way training is funded or changed and, for special or one off events)
- Listing of all major outstanding debtors and creditors

- Bank reconciliation (including bank account evidence)

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

It is critical that all Committee Members understand and take their financial responsibility seriously by ensuring they are able to comprehend and challenge the financial information presented to them. It is critical that the committee has detailed knowledge of the financial health of an organisation, as trading while insolvent is illegal.

The full Membership of a Club shall be invited to meet annually and, if there is quorum, be debriefed by the external auditor on the state of the financial position and systems within the organisation and any issues identified throughout the audit process.

Club Financial Management Responsibilities

Clubs 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 President, a Committee Member or the Treasurer, it is important you understand your financial management responsibilities.

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

1. Common law duties

Committees of all sport and recreation organisations have common law duties. These require Committee Members to act competently, honestly, in good faith and in what they consider to be the best interests of the organisation.

The broader principles of Common Law that Committee Members should follow include:

- Monitor the management of the Club (see Good Governance Checklist)
- Understand the fundamentals of the Club's business
- Keep informed of the Club's activities and assess appropriateness of Committees business practices
- Monitor the Club's policies
- Be familiar with the Club's financial status by regularly reviewing financial statements
- Enquire into matters where the information provided is unclear.

Your Club's situation needs to be taken into consideration when applying these duties. This includes the type of organisation (i.e volunteers or salaried staff), the club's size and nature, the composition of the Committee and the distribution of work between Committee Members.

2. Corporate governance requirements

The MSA Corporate Governance Checklist is provided to assist Committee Members assess the status of Corporate Governance for their Club.

The Corporate Governance check list should be completed by every Committee Member annually. The completed check lists findings should be summarised by a person independent of the Committee (for example Auditor or representative from the next highest level in the organisation) and presented to the Committee for their consideration and action.

3. 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 incorporated.

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

Have you considered these for your Club?

Cash controls	<p>Do you ensure that all cash that comes into the organisation is collected, receipted if necessary and subsequently banked?</p> <p>Do you have records that identify which cash comes from members, merchandise sales etc. and which is from a sponsor or fundraising?</p> <hr/> <p>The signatories for cheques and EFT transfers are authorised by the Committee. Do you retain receipts and documentation for funds expended?</p> <hr/>
Financial statements	<p>Are the financial statements for your Club prepared and provided to appropriate members?</p> <p>Do you or someone else in the Club have the skills to review and analyse the financial statements to identify significant issues?</p>
Budgets and cashflow management	<p>Does your organisation have a budget?</p> <p>If a large purchase/expenditure is going to occur, have the cashflow implications on the Club been considered (ie given the timing of the expense, will the club run out of money?)</p> <p>Quarterly and at year end, is the budgeted result compared with the actual result?</p> <p>Do you have a process for managing and monitoring accounts payable and accounts receivable.</p>

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

Have you considered these for your Club?

Cash controls

Do you ensure that all cash that comes into the organisation is collected, receipted if necessary and subsequently banked?

Do you have records that identify which cash comes from members, merchandise sales etc and which is from a sponsor or from fundraising?

The signatories for cheques and EFT Transfers are authorised by the Committee. Do you retain receipts and documentation for funds expended?

Is there separation of duties where possible? Eg 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.

Financial statements

Are the financial statements for your organisation prepared and provided to appropriate members?

Do you or someone else in the Club have the skills to review and analyse the financial statements to identify significant issues?

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

Budgets and cashflow management

Does your Club have a budget?

If a large purchase/expenditure is going to occur, have the cashflow implications on the club been considered (ie given the timing of the expense, will the club run out of money?)

Quarterly and 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?

Staff Are you aware of the Statutory requirements for income tax payment and reporting, penalty rates, and superannuation payment.

Do you have employment procedures and conditions documented.

Are employment records secure and backed up including personal information and records of all payments made to staff.

Is there a reporting structure and procedures that are available to relevant persons.

Overview of your financial obligations

When you join a Committee you accept the obligation to look after your Club's finances. In the case of a small sporting Club that does not perform many or any financial transactions) these responsibilities might be simple. However all Clubs that oversee a budget, no matter how small, need to have a good understanding of its financial duties and take them very seriously.

Financial Competence

Although Committee members are not generally required to have particular qualifications to be appointed, the law does impose standards of financial competence. This is particularly relevant to the laws of insolvent trading.

The Committee is expected to be capable of understanding the affairs of the Club or facilities controlling 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, most Clubs will prepare a financial report. The preparation of such reports is not always simple and Clubs may 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 members and the period for which they have filled the position;
- Information regarding Club members' fees;
- All earnings from the Club and related organisations;
- 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. Clubs should confirm which laws/rules it is required to comply with ie your State Incorporations Act.

It is worth noting that individual Committee 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.

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

Financial Management

Good financial management is essential for a 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 Committee 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.

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