

# Appendix 4



## Guiding Principles for Conduct of Business

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# Preamble

These principles are far reaching and it is recognised that they may not be fully attainable. Nonetheless, the Executive Committee should seek to conduct its affairs in such a manner as the reasonable expectations are met and that progress is made towards meeting all the expectations over time. It is expected that the Executive Committee will conduct its business within the spirit of these guidelines.

# Introduction

The Australian Sports Commission (ASC) is the Australian Government's statutory authority responsible for developing and funding Australian sport. As such, the ASC is responsible for the government's funding to Australia's sporting Clubs to develop sporting excellence and increase participation in sport. It is important, therefore, that the ASC has a clearly stated position with respect to the governance of sporting Clubs.

The sporting landscape in Australia is enriched and delivered through the countless hours of service and support provided by volunteers. Volunteer Executive Committees, committees and administrators in particular carry extra responsibilities and burdens associated with the complex legal and regulatory environment within which they must operate. The contribution and commitment to ensuring Australia has a quality environment where people can participate and strive for success is of immeasurable value to the community.

These principles have been adapted from the ASC's Sports Governance Principles published in March 2012 to establish standards for the Governance of Bonnet Bay FC ("the Club"). It is an important reference document for those with responsibility for the current and future Governance and Operation of the Club.

# Purpose

The purpose of these guidelines is to:

- assist members of the Executive Committee and senior personnel of the Club to develop, implement and maintain a robust system of governance that fits the particular circumstances of the Club
- provide the mechanisms for the Club to establish and maintain an ethical culture through a committed self-regulatory approach
- provide members and stakeholders with benchmarks against which to gauge the Club's performance.

# Accountability

To optimise individual performance, flexibility must be allowed in the structures and systems that are adopted. This flexibility must be balanced against accountability, contestability and transparency. There is an obligation for the Club to explain to stakeholders if any alternative approach to the best-practice principles is adopted (the 'if not, why not' obligation).

# Governance

Governance is the system by which the Club is directed and managed. It influences how the objectives of the Club are set and achieved, spells out the rules and procedures for making decisions, and determines the means of optimising and monitoring performance, including how risk is monitored and assessed.

Effective Clubs require leadership, integrity and good judgment. Additionally, effective governance will ensure more effective decision-making, with the Club demonstrating transparency, accountability and responsibility in the activities undertaken and resources expended.

It is commonly accepted that governance structures have a significant impact on the performance of Clubs. Poor governance has a variety of causes, including Executive Committee Member inexperience, conflicts of interest, failure to manage risk, inadequate or inappropriate financial controls, and generally poor internal business systems and reporting. Ineffective governance practices not only

impact on the Club, but also undermine confidence in the Club as a whole.

Governance concerns three key issues:

- how the Club develops strategic goals and direction
- how the Executive Committee of the Club monitors the performance of the Club to ensure it achieves these strategic goals, has effective systems in place and complies with its legal and regulatory obligations
- ensuring that the Executive Committee acts in the best interests and for the mutual benefit of the members as a whole and not individual constituents.

The Governance Principles advocate strengthening structures that support good leadership and decision-making, and ensure sound and effective governance.

In keeping with best practice in Australian corporate governance, these guidelines are based on principles the Australian Sports Commission believes a sporting Club's Executive Committee members should follow to properly operate and enact their role. There are six major principles:

- **Principle 1: Executive Committee composition, roles and powers**
- **Principle 2: Executive Committee processes**
- **Principle 3: Governance systems**
- **Principle 4: Executive Committee reporting and performance**
- **Principle 5: Stakeholder relationship and reporting**
- **Principle 6: Ethical and responsible decision-making.**

# Principle 1: Executive Committee composition, roles and powers

The Club structure should be clearly documented with a clear delineation of the roles, responsibilities and powers of the Executive Committee, management and each body involved. Further, as far as is practicable, there should be no overlap in the powers of any two bodies or individuals in a governance structure.

The Club's framework of governance should:

- enable strategic guidance of the Club
  - ensure the effective monitoring of management by the Executive Committee
  - clarify the respective roles, responsibilities and powers of the Executive Committee and management
  - define the Executive Committee's accountability to the Club
  - ensure a balance of authority so that no single individual has unfettered powers.
- 1.1 That management powers be formalised, disclosed and placed in an Executive Committee which has the power to exercise all the powers of the Club, except those powers that legislation or the Club Constitution requires be exercised in a general meeting of the members.
- 1.2 The key governance role of the Club rests with the Executive Committee Members, who must act in accordance with the requirements of the relevant Act, within other federal and state laws, relevant council and association requirements and the constitution and policies of the Club.
- 1.3 That the Club has a constitution, which embodies the following key sections:
- interpretation – objects and powers
  - members – membership and meetings of members (general meetings)
  - the Executive Committee – powers (including delegations), election and appointment of Executive Committee Members, other roles (chief executive officer and secretary) and meetings of the Executive Committee
  - reporting, recording and execution of company documents
  - accounts
  - auditors
  - indemnity and insurance of Executive Committee Members
  - winding up.
- 1.4 That the members of the Club should elect the majority of the Executive Committee Members. In addition, any issue on which a vote is taken, whether at an Executive Committee or general meeting, should require a majority of votes for any proposal to be passed.
- 1.5 That, as far as is practicable, the governance structure should feature a clear separation of powers and responsibilities between the Executive Committee and specific club roles of volunteers or staff.
- 1.7 That the Executive Committee should:
- confirm the broad strategic directions of the Club
  - appoint, dismiss, direct, support professional development for, evaluate the performance and determine the remuneration of, the chief executive officer
  - approve, monitor and be accountable for the financial and non-financial performance of the Club, including setting fees
  - ensure an effective system of internal controls exists and is operating as expected, and that policies on key issues are in place and appropriate and that these can be applied effectively and legally to those participants or persons for whom they are intended
  - develop a clearly articulated and effective grievance procedure
  - ensure financial and non-financial risks are appropriately identified and managed
  - ensure the Club complies with all relevant laws, codes of conduct and appropriate standards of behaviour
  - provide an avenue for key stakeholder input into the strategic direction of the Club
  - ensure performance evaluation and professional development of the Executive Committee Members occurs regularly.

Operational policy should be developed by the chief executive. Where the Club does not have a chief executive officer or equivalent position, either paid or unpaid, management and operational tasks may be delegated to a range of people under the direction of the President, including Executive Committee members or committees. In this case, Executive Committee Members must ensure that they separate their strategic Executive Committee roles and responsibilities from their individual operational responsibilities. This can be achieved by separating Executive Committee meetings from management meetings.

To continually improve, performance evaluation should be systematic and occur at least annually. The result of performance evaluation should be tied in to professional development opportunities provided to the Executive Committee.

1.8 That the Executive Committee should be structured to reflect the complex operating environment facing the Club.

Normally, it is envisaged that the Executive Committee will:

- comprise between five and nine Executive Committee Members
- have a sufficient blend of expertise, skills and diversity necessary to effectively carry out its role
- have all Executive Committee Members being independent, regardless of whether they are elected or appointed
- have the ability to make a limited number of external appointments to the Executive Committee to fill skills gaps
- institute a staggered rotation system for Executive Committee members with a maximum term in office to encourage Executive Committee renewal while retaining corporate memory
- be broadly reflective of the Club's key stakeholders, but not at the expense of the Executive Committee's skills mix and the Club's objectives.

1.9 That the Club's objects and purpose are aligned with its governing associations.

1.10 That where two or more bodies are amalgamating, an interim Executive Committee arrangement occurs in order for all parties to be confident about the future direction and priorities of the amalgamated body.

1.11 That the Executive Committee outline the role of individual Executive Committee Members/Executive Committee members, including (at a minimum):

- the fiduciary duty of Executive Committee Members to act in the interests of the members as a whole and not to represent individual constituents. Thus, once elected, the Executive Committee should have the ability to operate independently in the interests of the Club as a whole, free from undue influence
- the legal duties of individual Executive Committee Members, including the requirement of Executive Committee Members to:
  - act in good faith and for a proper purpose
  - exercise due care and diligence
  - ensure the Club does not continue to carry on its business while insolvent
  - meet the requirements of various other federal and state laws that directly impact on the Club
- a code of conduct or policy specifying the behaviour expected of Executive Committee Members (see Principle 6)
- a conflict of interest provision that specifies:
  - an Executive Committee Member must disclose actual/potential conflicts of interest
  - the process for disclosure of real or potential conflicts of interest
  - a process that governs an Executive Committee Member's involvement in any decisions with which they have a conflict of interest
  - the requirement for a register of ongoing interest to provide a record of all potential conflicts
  - an Executive Committee Member should not hold any other official or corresponding administrative position within the Club at any level that creates a material conflict of interest. This is to ensure no actual or perceived conflicts of interest
- maintaining a register of related party transactions
- the responsibilities of Executive Committee Members for completing an induction program, undertaking continuing professional development as well as engagement in ongoing performance assessment (see Principle 4)

1.12 That the roles of key positions in the governance system are documented and understood.  
Normally these positions should include:

- Executive Committee
  - president
  - Executive Committee Members
  - secretary
  - chairs of Executive Committee sub-committees
- **management**

## Principle 2: Executive Committee processes

Each Executive Committee should agree to and document a clear set of governance policies and processes to facilitate effective governance. These processes should reflect best practice and be subject to regular review. An effective Executive Committee meeting should have the following attributes:

- a capable chair, with meetings held regularly and attended by appropriate personnel
  - Executive Committee papers for every item provided in advance so Executive Committee Members are informed and well prepared
  - clear, timely and accurate recording of decision-making and communication of outcomes to stakeholders.
- 2.1 that the Executive Committee should document its meeting process. Normally this will include:
- legal requirements
  - decision-making approach (consensus versus voting) and voting rights of attendees
  - protocol/s for meeting conduct and Executive Committee Member behaviour
  - logistical details such as meeting frequency, meeting location, timing of meetings, attendees, etc.
- 2.2 That the Executive Committee should prepare an agenda for each meeting. In addition, the Executive Committee should agree how the agenda will be developed and the items for regular inclusion.
- 2.3 That Executive Committee meetings should have appropriate documentation. This means issues submitted to the Executive Committee should be in an appropriate and agreed form (an Executive Committee paper) and be circulated sufficiently in advance of the meeting. The Executive Committee should similarly maintain a clear record of decisions made through an appropriate and agreed minuting process.
- 2.4 That the Executive Committee should be provided with all relevant information on an issue to enable proper execution of Executive Committee Members' duties. The Executive Committee, or any individual Executive Committee member, should also have the right to request any additional information from management if required (see Principle 4).
- 2.5 That the Executive Committee should plan its key annual activities and develop a corresponding Executive Committee calendar/work plan.
- 2.6 That the Executive Committee and each committee established by the Executive Committee should have terms of reference or a charter. The terms of reference or charter should include, at a minimum:
- Executive Committee/committee purpose
  - authority delegated to the Executive Committee/committee
  - Executive Committee/committee composition, including the appointment of a chair
  - reporting requirements
  - delineation of the role of the Executive Committee/committee and the role of management.

## Principle 3: Governance systems

The Executive Committee is ultimately responsible for the success of the Club it governs. Each Executive Committee should clearly define its role in discharging this responsibility.

An effective Club should have the following systems:

- a strategic planning framework identifying core Club values, goals and performance management indicators
- clearly documented Executive Committee/management interaction, including appropriate delegations and authority of all parties
- a thorough process for identifying and monitoring legal, compliance and risk management requirements
- a thorough system of audit, including internal and external processes
- a performance management system to provide evidence and ensure monitoring of legal compliance and performance against plans.

3.1 That the Executive Committee should determine the process by which it oversees and develops the strategic direction, key objectives and performance measures as well as core values and ethical framework for the Club.

3.2 That the Executive Committee should develop a protocol outlining expectations for Executive Committee–management interactions. This will normally include:

- expectations regarding the use of an Executive Committee member's networks/contacts
- expectations regarding provision of advice to management
- a protocol for individual Executive Committee Members to acquire all information required for decision-making and control (see Principle 4).

3.3 That the Executive Committee should have in place an effective and efficient monitoring and evaluation system. This will include financial and non-financial monitoring. In particular, each Executive Committee should monitor outcomes of the implementation of the strategies as the basis for the evaluation of overall performance and reporting to members (see Principle 5).

3.4 That the Executive Committee should have in place an effective risk management strategy and process.

This will require the Executive Committee to take actions to identify key risks facing the Club and ensure that risk management strategies are developed and actioned. Ideally, the risk management system should comply with the Australian/New Zealand Risk Management Standard AS/NZS ISO 31000:2009.

3.5 That the Executive Committee should implement an effective compliance system. It is recommended that this system comply with Australian Standard AS3806:2006 and require, at a minimum, that:

- the Club complies with all relevant statutes, regulations and other requirements placed on it by external bodies
- effective internal controls exist and there is full and accurate reporting to the Executive Committee in all areas of compliance
- the Club is financially secure and is able to meet all its financial obligations when they fall due, in the normal process of business.

3.6 That the Executive Committee should develop and document a regular annual performance review process.

3.7 That the Executive Committee must ensure an effective audit system and process is in place. The audit process may include internal and external processes and systems.

3.8 That the Executive Committee should establish an audit committee and that its role be set out by formal charter/terms of reference.

3.9 That the Club should establish an Oversight & Nomination Committee and that its role be set out by formal Charter within the Club Policies



The Oversight & Nomination Committee should have at least 3 members who are not directly involved in the management of the Club..

The Oversight & Nomination Committee should be independent of the Executive Committee. The Oversight & Nomination Committee should take prime responsibility for, but not be limited to:

- reviewing the Executive Committee's skill mix and identifying gaps. (It is important that Executive Committee are comprised of members with a variety of skills and experience, and who act in the best interests of the Club as a whole).
- identifying potential Executive Committee Members for appointment to the Executive Committee or to be put forward as preferred nominations for elections
- reviewing Executive Committee Member nominations and providing the members with the Executive Committee's preferred nominees based on needs identified in the skill gap analysis
- Ensure the Executive Committee conducts its affairs in accordance with these Principles and other relevant legislation and policies.
- Other functions as set out in its Charter

The Oversight & Nomination Committee Charter should clearly set out the committee's role, responsibilities, composition, structure and membership requirements. The committee should be given the necessary power and resources to meet its Charter.

- 3.10 That since ultimate decision-making power rests with the Executive Committee, the Executive Committee should clearly document all delegations of authority to the President and other individuals, committees or groups as appropriate. This document, or delegations register, should be regularly reviewed and updated. It should be the subject of a formal Executive Committee resolution.

# Principle 4: Executive Committee reporting and performance

The Club should have a comprehensive reporting and performance management system in place to ensure Club effectiveness and efficiency. It is essential that Executive Committee Members are provided with timely and accurate financial accounts to ensure effective decision-making can occur.

In addition, the Executive Committee should review the Executive Committee Members' individual and collective performance, including the effectiveness of the chair, to ensure they are discharging their responsibilities against that of the stated objectives. Ensure an Executive Committee and individual Executive Committee Member development program is in place, including mechanisms to respond to non-performing Executive Committee Members.

An effective system of reporting and performance management should include:

- comprehensive and complete financial accounts
- review and consideration of the accounts by an audit committee
- ensuring the independence of the Club's external auditors
- Executive Committee Members and Executive Committee Sub-committee members being knowledgeable, well-briefed and informed, having access to the appropriate information or advice when required, and being provided with the opportunity for continuous improvement and education
- an Executive Committee and Executive Committee Member performance evaluation system
- an alignment between key performance indicators and the strategic objectives as outlined in the Club's strategic and operational plans.

4.1 That the Executive Committee should ensure its officers and Executive Committee Members have appropriate insurance cover.

4.2 That the Executive Committee should ensure all new Executive Committee Members undergo an appropriate induction process.

Continuous education and professional development programs should be made available to Executive Committee Members as necessary.

4.3 That the Executive Committee should ensure that Executive Committee Members can access independent professional advice for the benefit of the Club if required.

4.4 That the Executive Committee should receive timely reports that are presented regularly (preferably monthly), including:

- accurate financial statements, that comprise:
  - profit and loss statement
  - balance sheet
  - cash flow statement
  - written report regarding material variances from budget
  - budget versus actual report on a month and year-to-date basis as well as identifying the full-year budget
  - listing of all major outstanding debtors and creditors
  - 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 Executive Committee Members understand and take their financial responsibility on the Executive Committee seriously by ensuring they are able to comprehend and challenge the financial information presented to them by management and/or the treasurer

It is critical that the Executive Committee has detailed knowledge of the financial health of the Club, as it is illegal for an Club to trade while insolvent and the Executive Committee Members could be held personally responsible.

The Executive Committee should receive performance reporting, inclusive of lead and lag indicators against its strategic objectives, that allows the Executive Committee to monitor its performance on an ongoing basis.

- 4.5 That the full Executive Committee should annually meet and be debriefed by the external auditor on the state of the financial position and systems within the Club and any issues identified throughout the audit process.
- 4.6 That the Executive Committee should regularly review and assess its own performance and the performance of individual Executive Committee Members, including that of the chair and its sub committees.

# Principle 5: Stakeholder relationship and reporting

The Executive Committee should ensure it exercises leadership, integrity and good judgment, always acting in the best interests of the Club as a whole, demonstrating transparency, accountability and responsibility to its members and stakeholders.

An effective Club should ensure its members and key stakeholders are:

- consulted and involved in the development of the Club's strategic plan
- supportive of, and actively involved in, achieving the outcomes of the strategic plans of relevant associations and other Clubs
- well-informed and actively participating at its general meetings
- regularly provided with timely and accurate disclosures on all material matters regarding the governance and performance of the Club.

- 5.1 That the Executive Committee should strive to ascertain the interests, aspirations and requirements of members and create responses to these in the form of a strategic plan with alignment between this and member plans.
- 5.2 That members of the Club should have the ability to remove Executive Committee members (or an Executive Committee as a whole) and change the constitution, should they see fit, in accordance with applicable legislation.
- 5.3 That Executive Committee Members should have no voting rights at general meetings where articulated in the Constitution or as appropriate in the context of managing conflicts of interest.
- 5.4 That the Executive Committee should provide members and key stakeholders with a comprehensive annual report outlining how they fulfilled the governance roles, achieved strategic objectives and aspirations of the Club, and sufficient financial information so that members can make a judgment as to how effectively the Executive Committee is fulfilling its role.

# Principle 6: Ethical and responsible decision-making

The Executive Committee should ensure and actively promote ethical behaviour and decision-making within their Club. Good corporate governance ultimately requires people with integrity and leadership to ensure that the reputation of an Club is managed, protected and enhanced.

A culture of integrity and ethical behaviour is characterised by:

- an effective code of conduct
- quality decision-making processes
- people of the highest integrity and ethical standards
- an intent to put the Club ahead of individual gains.

6.1 That the Executive Committee establish a code of conduct / code of ethics to guide Executive Committee Members and other senior management as to:

- the practices necessary to maintain confidence in the Club's integrity
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

6.2 That the Executive Committee ensure key decisions and actions are based on a thorough review of all available information and are assessed against the Club's risk management framework and strategic objectives and that these are documented.

6.3 That the Executive Committee ensures a business case is developed for each major project or significant event/activity prior to the Club committing resources and that the worst-case scenario has been evaluated and can be mitigated/ managed by the Club.