

THE FA CLUB
FOOTBALL FORUM

FREE PODCAST



**FOR
ALL**

Managing your Money

Exploring the main responsibilities when it comes to managing money as well as the valuable internal controls which can be used to support this

WHAT WILL BE COVERED;

By the end of this podcast you should ...

- 1) Have an overview of the financial responsibilities of committee members
- 2) Be aware of what internal financial controls are and why they are important
- 3) Know about some basic controls to help with day to day management of money

FINANCIAL RESPONSIBILITIES OF A CLUB COMMITTEE MEMBER (Unincorporated association)

- Many football clubs will be unincorporated e.g. no separate legal entity
- The members will normally entrust a committee to manage the club guided by a governing document (rules/constitution)
- The committee still have responsibilities to manage money for the club's benefit, not their own (fiduciary duties)
- Although there is no registrar, there is a large amount of case law to indicate what might happen if problems arise
- Depending on the size of the club/responsibilities it may be worth adding extra rules or policies (e.g. an expenses policy) or considering to incorporate

FINANCIAL RESPONSIBILITIES OF A CLUB COMMITTEE MEMBER (Incorporated association)

- If you are a committee member of an incorporated club, then you will have certain financial responsibilities under company law. These are as follows:
 1. Keeping adequate accounting records
 2. Safeguarding the club's assets
 3. Preparing the annual accounts
 4. Submitting certain documents on time
- Although directors are responsible for the above, it doesn't necessarily mean that directors need to do the tasks themselves and can employ someone else to do it.

FINANCIAL RESPONSIBILITIES DESCRIBED

1. Keeping adequate accounting records

- Disclose with reasonable accuracy, at any time, the club's financial position
- Enable the directors to ensure that annual accounts can be prepared (see point 3)
- Contain entries and descriptions of all sums of money received and paid
- Contain a record of assets and liabilities

2. Safeguarding the club's assets

- This means the protection and maintenance of the physical and non-physical assets, and the minimisation of losses from both internal and external events
- Safeguarding assets begins with the implementation of appropriate internal controls (described later)

FINANCIAL RESPONSIBILITIES DESCRIBED

3. Preparing the annual accounts

These need to comply with requirements of:

- Company: Companies Act
- Society: Co-operative and Community Benefit Societies Act
- Charity: Charity Commission

4. Submitting documents on time

Company:

- Confirmation statement to Companies' House
- Annual accounts to Companies' House
- Tax Return to HMRC

Society:

- Annual return to Financial Conduct Authority (FCA)
- Annual accounts to FCA
- Tax Return to HMRC

Charity:

- Annual return to Charity Commission
- Annual accounts to Charity Commission

INTERNAL CONTROLS

What are they?

Methods or procedures adopted in an organisation to:

- Ensure financial information is accurate and reliable
- Ensure compliance with all financial and operational requirements
- Prevent and detect fraudulent behaviour
- Generally assist in achieving the club's objectives

It is recommended that directors review annually which controls are in place, whether they are effective, and whether additional controls are required.

INTERNAL CONTROLS – COMMON TYPES

Type	Example
Physical	<ul style="list-style-type: none">• Storing unbanked cash in a secure location such as a safe.
Authorisation and approval limits	<ul style="list-style-type: none">• Having a bank account which requires two independent signatories for payments (Tier 1 Sport England requirement).• Payments above a certain limit (e.g. £5,000) require three signatories.
Segregation of duties	<ul style="list-style-type: none">• The person who collects and records cash income from players is different from the person who checks it.• If cash payments are made by one person, then a different person reviews them.
Arithmetic and accounting	<ul style="list-style-type: none">• An appropriate accounting system is used, which enables reconciliations.• Bar receipts are cashed up daily.
Management controls	<ul style="list-style-type: none">• Set up a budget and monitor it for differences.• Directors receive and discuss financial information regularly.• Prepare annual accounts, have them reviewed independently of the person responsible for finance (e.g. treasurer) and make them available to members to describe how money has been spent (Tier 1 Sport England requirement).

INTERNAL CONTROLS – HOW TO IMPLEMENT

1. Review the types of assets, income and expenditure in the club.
2. Assess the risks related to each one. For example:
 - Assets: Cash could be stolen.
 - Income: Member subs could be collected and forgotten about, then lost.
 - Expenditure: A payment for pitch hire could be made for the wrong amount and nobody notices.
3. Assess and document controls which would mitigate these risks.
4. Communicate the controls with relevant staff.
5. Review at least annually.

SOLVENCY

What does this mean?

Solvency means that a club is:

- Able to pay its debts when they come due and
- Able to continue in business

Solvency tests

Two of the key tests for solvency are:

- Cash Flow test – do you have the money to meet your commitments as they fall due? Can you pay the people you owe money to?
- Assets test – does what you own match what you owe? This requires realistic valuation of your assets, because the accounts values and practical values may differ.

The law expects club directors to be proactive, and not to make contracts that they know that the club may not be able to meet; this is wrongful trading, and is an offence. Directors could become personally liable for club debts if they allow the club to trade while it is (or is likely to become) insolvent.

REGULAR ACTIONS

Regular actions that directors should take to make sure they are fulfilling all their responsibilities:

Actions	When
Review of budget	Annually before financial year starts
Review of management accounts	Monthly or quarterly
Review of statutory accounts	Annually, before statutory accounts are submitted
Review of internal controls	Annually, at any point
Ensure documents submitted	Annually

**Directors can delegate some of these actions,
however they are still ultimately responsible for them.**

BASIC ACCOUNTS AND BUDGET CHECKS

Section	What used for	Key Questions
Budget (before start of financial year)	The budget is set before the start of the year, and is an estimate of expected income and expense for the year ahead. Is it used to plan for the year ahead, and track how the club is doing during the year.	<ul style="list-style-type: none">• How does it compare to the actual figures of the previous year? What are the differences due to?• For any new income or expenditure, what are the underlying assumptions, and are they realistic?
Profit and Loss Account	This measures your club's performance over a given period of time, usually compared to the budget set at the beginning of the year.	<ul style="list-style-type: none">• What are the main changes year to year? Why?• Is there anything obvious missing or anything that looks wrong?
Cash flow forecasts	Cashflow forecasts enables you to predict peaks and troughs in your cash balance, and how much available cash you're likely to have at a given time.	<ul style="list-style-type: none">• How does the cash flow for the next 12 months look? Are there any potential shortfalls?• Can the club pay its debts as they fall due for payment?
Balance sheet	This is a snapshot of your club's assets (what you own or are owed) and your liabilities (what you owe) on a particular day.	<ul style="list-style-type: none">• Are our total assets more than our total liabilities? What is the overall financial health of the club?• Are our current assets more than our current liabilities? Can the club pay its debts as they fall due?

TOP TIPS

- 1) Perform an annual review of internal controls** – what is needed will change year to year
- 2) Prepare a budget and monitor it throughout the year** - a simple budget which is monitored and updated regularly is more useful than one which is too detailed for people to understand

ADDITIONAL GUIDANCE

1. Sport England Governance Code

<https://www.sportengland.org/about-us/governance/a-code-for-sports-governance/>

There are two basic financial controls that are recommended for all sports clubs, as described earlier (banking and annual accounts), plus additional controls for larger clubs.

2. Charity Commission

<https://www.gov.uk/government/publications/internal-financial-controls-for-charities-cc8>

Although not all clubs are charities, this is a useful resource as there is a checklist covering the most common types of controls for different types of income and expenditure.



THANK YOU

Next podcast –

‘How to work best with budgets’

*-Understand budgets you have how you can prepare and review budgets
with confidence and work within your club or leagues means*