Good Governance in Sporting Clubs

Governance is simply the framework of rules and processes by which authority in an organisation is exercised and controlled. Good governance ensures that rules are carried out, and as with any other organisation, the chief responsibility in clubs and other sporting bodies rests with the board or committee.

1. Overall obligations

The board is responsible for what is usually called strategic planning for the organisation: that is to say preserving its vision, carrying out its mission, enforcing its values and developing strategies to take the club forward.

It is also fundamental that all board members understand that their role is first and foremost to act in the interests of the club as a whole.

2. Fiduciary Duty

A person who occupies a financial position may not use that position to gain a profit or benefit for him or herself or a third party. The essential obligations of fiduciary duty are to maintain the utmost loyalty to the club and to act in good faith.

3. Confidentiality

Another essential aspect of good governance is that board members maintain confidentiality in respect of all board matters and discussions.

Board members must have the right to freely express their views without fear of being named outside the board meeting as taking a particular position.

4. Acting with care and diligence

This duty requires board members to apply reasonable care in the performance of their office.

The standard of care and diligence is determined both by the club’s circumstances and the specific member’s position, experience and responsibilities.

5. Being informed on matters under discussion

Board members are under a continuing obligation to keep up to date about the activities and affairs of the club so that they can bring informed and independent judgment to bear on the matters that come to the board for decision.

Ignorance is no defence when it comes to liability for a breach of provisions – a board member must ask questions and seek advice where necessary, in order to have a complete understanding of all issues, discussions and resolutions.

6. Not making improper use of the position on the board

A board member must not use his or her position on the board to gain a personal advantage, an advantage for a third party (for example, a board member’s family or business), or cause any detriment to the club. A board member must also refrain from using any information obtained at board meetings or divulged to the individual in the capacity as a board member to gain a personal advantage.

An individual makes improper use of the position on the board if he or she uses it to manipulate or intimidate other stakeholders.
7. Declaring any possible conflicts of interest

A board member who has a material personal interest in a matter relating to the affairs of the club must give the other board members notice of the interest.

In practice, it is inevitable that conflicts of interest may arise and, in such circumstances, a board member must be candid with all aspects of disclosure.

8. Risk Management

Risk management is the course of action you take to reduce potential legal liability. It seeks to address potential problems before they occur.

Legal claims can include the following:

- claims of negligence (including vicarious liability for the negligence of employees)
- claims for unlawful, unjust or unfair dismissal of employees
- discrimination or harassment claims
- breach of contract
- defamation
- criminal charges
- privacy claims.

9. Ensuring that the club remains solvent

A board member has an ongoing duty to ensure that the club does not incur a debt unless there is a reasonable prospect that the club will be able to repay the debt when it falls due. A board member is obliged to maintain familiarity with the financial status of the club by a regular review of financial statements.

Board Training and Governance

The team at John F. Morrissey & Company has the knowledge and experience to steer committees and boards through the legal problems that lie in wait in any modern organisation.

We can also offer insights and practical advice into what makes for good governance in the sporting sector. Call Chris Lowe on 02 9331 0266 or email Chris mailto:clowe@johnfmorrissey.com.au

More detailed information on this subject can also be found on the NSW Government website: http://www.dsr.nsw.gov.au/sportsclubs/ryc_corporate_boards.asp