

# Sports Governance Capability Framework

MARCH 2021



## Introduction

The Sports Governance Capability Framework (**Framework**) has been reviewed and updated. The first edition of the Framework (2018) was developed by the New South Wales Office of Sport (**OoS**) to assist New South Wales State Sporting Organisations (**SSOs**) and State Sporting Organisations for people with Disability to improve governance practices and skills.

This second edition (2021) of the Framework aligns with the Sports Governance Principles previously developed by Sport Australia (**SA**) in 2012 (**2012 Principles**)<sup>1</sup> and the requirements of the *Associations Incorporation Act 2009 (NSW) (Act)*<sup>2</sup> and SA's 2020 [Sports Governance Principles \(2020 Principles\)](#).

Included in the Framework is a range of information, resources and templates which address the following Governance Principles:

- Board composition, roles and powers
- Board processes
- Governance systems
- Board reporting and performance
- Stakeholder relationship and reporting
- Ethical and responsible decision making.

In applying the Framework, SSOs are also encouraged to visit, and apply within their specific context, the 2020 Principles. The 2020 Principles are less prescriptive in their approach and focus on the culture of governance. They do still capture and follow the 2012 Principles but in a somewhat less regulatory manner.

The 2020 Principles are:

- **2020 Principle: The startline.**  
Governance is the system by which organisations are directed and controlled. It is the way in which expectations are made clear and the culture of the organisation is modelled.
- **2020 Principle 1: The spirit of the game - values-driven culture and behaviours**  
An organisation's culture and behaviours should be underpinned by values which are demonstrated by the board and embedded in its decisions and actions.
- **2020 Principle 2: The team - aligned sport through collaborative governance**  
Across a sport, boards should work together to govern collaboratively and create alignment to maximise efficient use of resources and implement whole-of-sport plans.

<sup>1</sup> [https://origin.sportaus.gov.au/\\_data/assets/pdf\\_file/0011/686036/CORP\\_33978\\_Sports\\_Governance\\_Principles.pdf](https://origin.sportaus.gov.au/_data/assets/pdf_file/0011/686036/CORP_33978_Sports_Governance_Principles.pdf) and <https://www.sportaus.gov.au/governance>

<sup>2</sup> <https://www.legislation.nsw.gov.au/acts/2009-7.pdf>

- **2020 Principle 3: The gameplan - a clear vision that informs strategy**  
The board is responsible for overseeing the development of the organisation's vision and strategy as well as determining what success looks like.
- **2020 Principle 4: The players - a diverse board to enable considered decision-making**  
A board should be a diverse group of people who, collectively, provide different perspectives and experience to facilitate more considered decision-making.
- **2020 Principle 5: The rulebook - documents that outline duties, powers, roles and responsibilities**  
An organisation should clearly define and document its structure and the duties, responsibilities and powers of members, directors, committees and management.
- **2020 Principle 6: The playbook - board processes which ensure accountability and transparency**  
Through effective processes and continual review of its performance, the board is able to demonstrate accountability and transparency to its members and stakeholders.
- **2020 Principle 7: The defence - a system which protects the organisation**  
To proactively protect the organisation from harm, the board ensures the organisation has and maintains robust and systematic processes for managing risk.
- **2020 Principle 8: The best and fairest - a system for ensuring integrity**  
An organisation should have measures and protocols to ensure integrity of the sport and safeguard its participants.
- **2020 Principle 9: The scorecard - embedded systems of internal review to foster continuous improvement**  
The board must have an appropriate system of internal controls to enable it to monitor performance, track progress against strategy and address issues of concern.
- **2020 Principle: Contemporary governance structures**  
Sporting organisations should regularly consider how their governance structures allow them to best achieve their purpose and respond to the challenges of a changing environment.

All the **2020 Principles** are based on a common sense approach and update the previous Sports Governance Principles. The key matter for SSOs to consider and apply is the application of these principles and this framework in the specific operational and governance context of your SSO. The **2020 Principles** are cross referenced as appropriate throughout this Framework.

## How to use this framework

This Framework focuses on key areas of governance and aims to assist New South Wales SSOs to improve governance practices.

The Framework aims to relate SSOs to a key part of good governance as identified by SA. Given the range of governance, administrative and operational models for SSOs, different organisations will not be able to, or need to, adopt all the themes in this framework. Further, the timing of what is adopted is not necessarily prescriptive. There is no start or finish point and it is not necessary to follow any particular sequence.

The Framework may be used in two different ways:

- to address a particular requirement at any one time. For example, the board may refer to the relevant section of the Framework prior to an upcoming Annual General Meeting (**AGM**) to review its election processes; and/or
- as a model for the board to undertake a comprehensive governance review process where the board can systematically work through each stage for reflection, improvement and to ensure risk management and compliance obligations are met.

Whichever approach is chosen, SSOs should seek to review each stage at some point so a continual review, evaluation and hopefully improvement of the organisation's governance occurs.

Whilst many of the resources contained in this Framework have been tailored specifically for sport, the resources are only general in nature. The Framework draws on resources and templates from a broad range of sources. All boards operate differently and vary in size and structure, as such the OoS strongly encourages sport boards to apply the Framework in their own particular context and to reflect their own particular needs.

Membership structure, legal structure, regulatory environment, culture, members' expectations, NSO requirements, government requirements are all organisational context factors to consider which parts of the Framework apply to you and which tools you can adopt and apply.

OoS' expectation is that large category 5 and 6 SSOs who receive the largest grants should seek to adopt and/or apply (again in context) all resources referred to in the Framework and tool kit (although this not mandatory).

The adoption and application of the Framework by smaller category 1 to 4 SSOs will vary according to each organisation's context. The OoS will work with all SSOs to help them identify areas of greatest need and where resources can best be applied.

SSOs should examine the index of templates in Appendix 7 to this Framework. OoS has recommended some tools which SSOs should seek to adopt and those recommended to adopt first.

The Framework is easy to use. As Sports work through it think not just of the Sport's current situation, but where it is envisaged the organisation should be in five or ten years. The aim of the Framework is for SSOs to be governed for the present and the future and not the past. As with any legal document, this does not replace obtaining legal advice on your specific requirements and it is recommended you do so.

## Disclaimer

THE INFORMATION PROVIDED IN THIS FRAMEWORK IS FOR YOUR INFORMATION ONLY. THE AUTHORS AND THE NSW OFFICE OF SPORT ACCEPT NO RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION OR YOUR RELIANCE UPON IT.

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## 1. Structure and Purpose

For further information go to the **SA 2020 Principle 2: The team** (<https://www.sportaus.gov.au/governance/principle-2>)

Board structure and clarity of strategic purpose directly affect the effective functioning of a board and its ability to attract and retain suitably qualified and skilled directors.

Sporting organisation governance structures generally comprise a board with supporting sub-committees with a sometimes, clear separation of responsibilities and roles between the board, the Executive (for example, Chief Executive Officer (CEO)) and administration (whether paid or volunteer). Whilst governance models and board structures vary between and within SSOs, most commonly sporting organisation boards are independent with a majority of directors elected and some provision for appointed positions.

This section of the Framework aims to assist SSOs develop sound board structure and purpose, thereby assisting boards to put in place practices and systems for better governance.

### 1.1 Governance Models and Board Structure

Different SSOs operate under different governance structures.

For further information go to the **SA 2020 Principles: The startline** (<https://www.sportaus.gov.au/governance/the-startline>)

SA advocates that each structure should be clearly documented with a clear delineation of the roles, responsibilities and powers of the board, management and each body involved. There should also be no overlap in the powers of any two bodies or individuals in a governance structure.<sup>3</sup> A sporting organisation's framework of governance should:

- (a) enable strategic guidance of the entity,
- (b) ensure the effective monitoring of management by the board,
- (c) clarify the respective roles, responsibilities and powers of the board and management,
- (d) define the board's accountability to the entity, and
- (e) ensure a balance of authority so that no single individual has unfettered powers.<sup>4</sup>

While most NSW SSOs are incorporated associations, it is acknowledged that some NSW SSOs are companies limited by guarantee (CLG).<sup>4</sup>

<sup>3</sup> 2012 Principle 1

<sup>4</sup> See 2012 Principle 1.2



Given incorporated associations are corporate entities the terms board and directors are generally used as opposed to committee and committee members. In this Framework “committees” are the bodies to whom the board delegates authority in particular areas.

SA recommends that each board should be structured to reflect the complex operating environment facing the modern sporting organisation. Normally it is envisaged that a board will:

- (a) comprise between five (5) and nine (9) individuals
- (b) have a sufficient blend of expertise, skills and diversity necessary to effectively carry out its role
- (c) have all board members being independent, regardless of whether they are elected or appointed
- (d) have the ability to make a limited number of external appointments to the board in order to fill skill gaps
- (e) institute a staggered rotation system for board members with a maximum term in office to encourage board renewal while retaining corporate memory and
- (f) be broadly reflective of the organisation’s key stakeholders, but not at the expense of the board’s skills mix and the organisation’s strategic objectives.<sup>5</sup>

Ultimately, the composition of an SSO board should be driven by the context and the strategic requirements of the organisation.

## 1.2 Incorporated Associations (*Associations Incorporation Act 2009 (NSW) (Act)*)

Not-for-profit (**NFP**) sporting organisations including SSOs operating as incorporated association are legal entities that:

- (a) are separate in existence from their members
- (b) continue despite changes in membership; and
- (c) have all the legal powers and authorities of an individual person.<sup>6</sup>

The key reason for, and benefit of, incorporating as an incorporated association is that a member of an association (including a committee member and the public officer) is not, merely because of being such a member, liable in relation to:

- (a) any of the association's liabilities or
- (b) the costs, charges and expenses of the winding up of the association.

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<sup>5</sup> 2012 Principle 1.8

<sup>6</sup> Section 19 Associations Incorporation Act 2009

Notably however membership of an association does not confer on a member any right, title or interest, whether legal or equitable, in the association's assets.<sup>7</sup> NSW Fair Trading<sup>8</sup> administers the Act.

<https://www.fairtrading.nsw.gov.au/associations-and-co-operatives/associations/about-associations>

### 1.3 Constitution for an Incorporated Association

For further information go to the **SA 2020 Principle 5: The rulebook** (<https://www.sportaus.gov.au/governance/principle-5> )

Every incorporated association must have a constitution.<sup>9</sup> The constitution binds the association and its members to the same extent as if it were a contract between them under which they each agree to observe its provisions.<sup>10</sup> The constitution must be a written document and must as a minimum address the following matters<sup>11</sup>:

- (a) Membership qualifications - The qualifications **(if any)**<sup>12</sup> for membership of the association
- (b) Register of members - The register of the association's members
- (c) Fees, subscriptions etc - The entrance fees, subscriptions and other amounts **(if any)** to be paid by the association's members
- (d) Members' liabilities - The liability **(if any)** of the association's members to contribute towards the payment of the debts and liabilities of the association or the costs, charges and expenses of the winding up of the association
- (e) Disciplining of members - The procedure **(if any)** for the disciplining of the association's members and the mechanism **(if any)** for appeals by members in respect of disciplinary action taken against them
- (f) Internal disputes - The mechanism for the resolution of disputes between members **(in their capacity as members)** and between members and the association
- (g) Committee - The composition and functions of the committee, including:
  - (i) the election or appointment of the committee members, and
  - (ii) the terms of office of the committee members, and

<sup>7</sup> Section 26(2) *Associations Incorporation Act 2009*

<sup>8</sup> <http://www.fairtrading.nsw.gov.au>

<sup>9</sup> Sections 6(3)(c) and (d) and 6(5) *Associations Incorporation Act 2009*

<sup>10</sup> Section 26(1) *Associations Incorporation Act 2009*

<sup>11</sup> Section 6(5) and Schedule 1 *Associations Incorporation Act 2009*

<sup>12</sup> Please note where "(if any)" is listed means that such rules may not be required in the Constitution For example, the procedure and mechanism for discipline matters and appeals may be discretionary.

- (iii) the maximum number of consecutive terms of office of any officebearers on the committee, and
  - (iv) the grounds on which, or reasons for which, the office of a committee member is to become vacant, and
  - (v) the filling of casual vacancies occurring on the committee, and
  - (vi) the quorum and procedure at meetings of the committee
- (h) Calling of general meetings - The intervals between general meetings of the association's members and the manner of calling general meetings
  - (i) Notice of general meetings - The time within which, and the manner in which, notices of general meetings and notices of motion are to be given, published or circulated
  - (j) Procedure at general meetings - The quorum and procedure at general meetings of the association's members, and whether members are entitled to vote by proxy at general meetings
  - (k) Postal and electronic ballots - The kinds of resolution that may be voted on by means of a postal or electronic ballot
  - (l) Sources of funds - The sources from which the funds of the association are to be or may be derived
  - (m) Management of funds - The manner in which the funds of the association are to be managed and, in particular, the mode of drawing and signing cheques on behalf of the association
  - (n) Custody of books etc. - The custody of books, documents and securities of the association
  - (o) Inspection of books etc. - The inspection by the association's members of books and documents of the association
  - (p) Financial year - The association's financial year and
  - (q) Winding up - The winding up of the association.

A sporting association may use the NSW Fair Trading model rules<sup>13</sup> or create its own rules. Either way the rules must comply with the Associations Incorporation Act 2009.

The OoS has developed sport specific template constitution for NSW State and Regional sporting organisations and also sport clubs. These templates are available at: <https://www.sport.nsw.gov.au/clubs/ryssso/governance>

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<sup>13</sup>

[http://www.fairtrading.nsw.gov.au/ftw/Cooperatives\\_and\\_associations/Incorporating\\_an\\_association/About\\_the\\_constitution/Mo\\_del\\_constitution.page](http://www.fairtrading.nsw.gov.au/ftw/Cooperatives_and_associations/Incorporating_an_association/About_the_constitution/Mo_del_constitution.page)

For more information about incorporated associations follow the link below.

<https://www.fairtrading.nsw.gov.au/associations-and-co-operatives/associations/running-an-association>

## 1.4 Constitution

An incorporated body should have a constitution, which embodies the following key sections:

- (a) Interpretation - objects and powers
- (b) Members - membership and meetings of members (general meetings)
- (c) The board - powers (including delegations), election and appointment of board members, other roles (CEO and secretary) and meetings of the board
- (d) Reporting, recording and execution of company documents
- (e) Accounts
- (f) Auditors
- (g) Indemnity and insurance of board members and
- (h) Winding up.<sup>14</sup>

These recommendations reflect the mandatory requirements under the Act and set out in paragraph 1.3 above.

A constitution should be written in a clear, unambiguous and succinct manner. It should not be overburdened with items that should be in the organisation's regulations, by-laws or policies.<sup>15</sup>

These are usually items that can be expected to be changed and updated from time to time; for example, processes or other matters that require flexibility. In these circumstances the board should, through development of such "subsidiary rules", be empowered to oversee and manage the issues.

The constitution should set out that the members' powers are to elect/dismiss the board, approve/amend the constitution, and accept the financial accounts.<sup>16</sup>

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<sup>14</sup> 2012 Principle 1.3

<sup>15</sup> There is no requirement that other rules made under a constitution have a particular name; they can be regulations OR bylaws OR policies. They must however be clearly made under, and linked to, the constitution and the objects of the organisation.

<sup>16</sup> See clauses 1.13 and 1.14 below.

## 1.5 Strategy

For further information go to the **SA 2020 Principle 3: The gameplan**  
(<https://www.sportaus.gov.au/governance/principle-3> )

The board is ultimately responsible for the success of the organisation it governs. Each board should clearly define its role in discharging this responsibility. To be effective a board should have a clear vision for, and understanding of, the purpose and future direction of the organisation. An important function of the board is to plan strategy and direction and develop a strategic plan that should guide staff and members to achieve identified objectives.

The board should determine the process by which it oversees and develops the strategic direction, key objectives and performance measures as well as the core values and ethical framework for the organisation.<sup>17</sup>

All key organisational stakeholders should be consulted throughout the organisation's strategic planning process. This should ensure future strategies address the most important issues facing the organisation, its stakeholders and the wider sport sector.

## 1.6 Measuring and Reporting

For further information go to the **SA 2020 Principle 7: The defence**  
(<https://www.sportaus.gov.au/governance/principle-7> )

The board is responsible for ensuring that governance and strategic objectives are accurately measured and that reporting on progress.<sup>18</sup>

The board should regularly review its strategic priorities to ensure it maintains its competitive advantage and is clear about what it wants management to focus on. The board's agenda should reflect the strategic objectives of the organisation. It is also essential that the board ensures agenda items are linked to the strategic objectives of the organisation and that there is an alignment between the reporting from management and the key performance indicators that have been approved by the board.<sup>19</sup>

The board should have in place an effective and efficient monitoring and evaluation system. This will include financial and non-financial monitoring. In particular, each board should monitor outcomes of the implementation of the strategies as the basis for the evaluation of overall performance and reporting to members.<sup>20</sup>

It is essential that performance indicators are clear and concise and can actually be measured. They should also be aligned to strategic objectives and comprise both lead and lag indicators where possible.

<sup>17</sup> 2012 Principle 3.1

<sup>18</sup> 2012 Principle 5.4

<sup>19</sup> 2012 Principle 2.2

<sup>20</sup> 2012 Principles 3.3 and 5.4

It is also imperative that an organisation understands where it currently stands in relation to key performance indicators so a comparison can be achieved between past, current and future result targets.<sup>21</sup>

An example of a board agenda format which incorporates measuring and reporting of the strategic plan as a priority on the agenda can be found at:

## 1.7 Board Charter

For further information go to the **SA 2020 Principle 6: The playbook**  
(<https://www.sportaus.gov.au/governance/principle-6>)

The board and each committee established by the board should have clear terms of reference or charter. Such a document should include, at a minimum:

- (a) purpose
- (b) authority delegated
- (c) composition (including the appointment of a chair)
- (d) reporting requirements and
- (e) delineation of the role of the board/committee and the role of management.<sup>22</sup>

## 1.8 Committees

For further information go to the **SA 2020 Principle 4: The players**  
(<https://www.sportaus.gov.au/governance/principle-4>)

Board committees allow directors to give closer attention to important issues facing the organisation as well as strategy implementation than may be possible for the full board. Board committees are an effective way to distribute the work between directors (as well as other qualified persons appointed to committees) and should allow more detailed consideration of specific matters. The number of board committees, size and mix, will vary from organisation to organisation depending on its size, complexity and the challenges it faces. Similar to a board charter each board committee should also have clear terms of reference outlining the purpose of the committee.<sup>23</sup> Committees should exist for a specific purpose and not merely because they always have.

Board committees should and can act as a suitable pathway for board succession whilst providing an opportunity for individuals to be involved in leadership and decision making at another level.<sup>24</sup> People are more likely to apply for board positions if they have a better understanding of the organisation purpose and direction, the roles and responsibilities of the position and a clear understanding of the commitment and expectations of the position. Involvement in sub-committees provides an

<sup>21</sup> 2012 Principle 3.3

<sup>22</sup> 2012 Principles 1.5, 2.6, 3.2, 3.8-3.10

<sup>23</sup> 2012 Principle 2.6 and commentary to 2012 Principle 1.7

<sup>24</sup> VicSport Good Governance Research (2013)

excellent opportunity for individuals to apply their skills and transition into a board or committee position.<sup>25</sup>

## 1.9 Governance Committees

For further information go to the **SA 2020 Principle 7: The defence**  
(<https://www.sportaus.gov.au/governance/principle-7> )

Directors recognise the requirements and need for improved governance but are often challenged for time, skills and resources to implement change. This is very common for many SSO boards that are run by volunteers who have other work and life commitments.

Governance committees allow a board to allocate different key governance responsibilities to skilled and dedicated groups. Governance committees assist the board in its oversight and development of the strategic direction, key objectives and performance measures as well as core values and ethical framework for the organisation. Governance committees are different to technical committees such as rules of the sport or selection committees. They assist the board with the governance of the organisation. Examples, of governance committees are governance and compliance, finance, audit and risk, nomination and remuneration committees.

The following governance committee terms of reference templates outline the common purpose, responsibilities and accountability of key governance committees.<sup>26</sup>

### 1.10 Board Roles and Responsibility

For further information go to the **SA 2020 Principle 4: The players**  
(<https://www.sportaus.gov.au/governance/principle-4> )

The role of directors will vary depending on the size, resources and nature of the sport. OoS' template constitution(s) generally define the powers of the board as follows:

*Subject to the Act and this Constitution, the business of the Association shall be managed, and the powers of the Association shall be exercised, by the Board. In particular, the Board as the governing body for the Sport in New South Wales shall be responsible for acting on State and local issues in accordance with the Objects and shall operate for the benefit of the Members and the community throughout New South Wales and shall govern the Sport in New South Wales in accordance with this Constitution and in particular the Objects.<sup>27</sup>*

The board's primary responsibility is one of trusteeship on behalf of its stakeholders, ensuring that the legal entity, the organisation, remains viable and effective in the present and for the future.

The board's role includes determining the organisation's strategic direction, core values and ethical framework, as well as key objectives and performance measures.

<sup>25</sup> VicSport Good Governance Research (2013)

<sup>26</sup> 2012 Principles 2.6, 3.4, 3.5, 3.8, 3.9

<sup>27</sup> OoS SSO Template Constitution

A key critical component of this role is the board's ultimate authority and responsibility for financial operations and budgeting to ensure the achievement of strategic objectives. Another key role is developing appropriate policy.

In general, a board should:

- (a) confirm the broad strategic directions of the organisation

For further information go to the **SA 2020 Principle 3: The gameplan**  
(<https://www.sportaus.gov.au/governance/principle-3>)

- (b) appoint, dismiss, direct, support professional development for, evaluate the performance and determine the remuneration of, the chief executive officer
- (c) approve, monitor and be accountable for the financial and non-financial performance of the organisation, including setting fees
- (d) 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
- (e) develop a clearly articulated and effective grievance procedure
- (f) ensure financial and non-financial risks are appropriately identified and managed
- (g) ensure the organisation complies with all relevant laws, codes of conduct and appropriate standards of behaviour
- (h) provide an avenue for key stakeholder input into the strategic direction of the organisation
- (i) ensure director, board and chair performance evaluation and professional development occurs regularly.<sup>28</sup>

## 1.11 Director Role Description

For further information go to the **SA 2020 Principle 5: The rulebook**  
(<https://www.sportaus.gov.au/governance/principle-5>)

Individual directors influence the future direction, decision making and culture of an organisation and as members of the collective board are responsible for setting and determining strategic direction. Directors must therefore have a clear understanding of their roles and responsibilities as such understanding will directly influence board operations and performance as well as organisational direction and culture.

<sup>28</sup> 2012 Principle 1.7



Individual directors bring different skills, experiences, perceptions and expectations to a board and its operation and culture. Time spent on operational discussion versus strategic matters presents a common challenge for SSOs.<sup>29</sup>

In addition to the board charter individual director role description should be developed to clearly outline the key roles, responsibilities and expectations of directors. Such role description should be captured in an agreement with an organisation which the director will sign. This reinforces the fiduciary relationship between directors and their organisation.

## 1.12 Office Bearer Role Description

For further information go to the **SA 2020 Principle 5: The rulebook** (<https://www.sportaus.gov.au/governance/principle-5> )

A board may allocate portfolios and/or offices to directors. Subject to the organisation's constitution and any properly passed resolution of a board, the allocation of portfolios or offices does not effect the powers and duties of directors. A board operates more effectively if those directors who hold a particular office or portfolio know the duties and obligations of that office or portfolio.

The Australian Institute of Company Directors (**AICD**) has developed a "Board Office Bearer Policy" that seeks to ensure that members and office-bearers of the board know their respective duties and obligations. The policy provides position statements for:

- (a) the Chair
- (b) the Treasurer
- (c) the Secretary and
- (d) Ordinary directors.

## 1.13 Division of Powers<sup>30</sup>

As noted above, most sporting organisations are incorporated associations. As such they are artificial legal entities that cannot make decisions for themselves. For this they ultimately rely upon natural persons. These are:

- (a) the members in general meeting or
- (b) the board of directors or
- (c) other agents of the organisation.

The control of the affairs of a corporate entity depends upon the division of power between the members in general meeting and the board of directors. The members in general meeting and the board of directors are known as "organs of the company".

<sup>29</sup> 2012 Principles 1.11, 1.12, 6.1

<sup>30</sup> 2012 Principle 1.1

They are more than mere agents – an act of one or either of these organs is considered an act of the organisation itself.

The general meeting of members is one of the organs. The board, where it is granted (as is common in corporate entities but sometimes not clearly in sporting entities) wide management powers under the constitution, is the other organ of the organisation.

Whilst the *Association Incorporation Act 2009* may restrict certain powers to specific parties, there is considerable discretion over the division of powers and the internal management of an organisation. A poor division of power diminishes the effectiveness of both organs; and thus the organisation.

SSOs must avoid a poor division of power where the management powers of the organisation; that is, its governance, are retained by the general meeting or another body other than the board.

## 1.14 The Division of Power

For further information go to the **SA 2020 Principle 2: The team** (<https://www.sportaus.gov.au/governance/principle-2>)

The division of power over an organisation's affairs between the members in general meeting and the board of directors can be categorised in the following three ways.

### (a) Matters of organisation and discretion

There are matters within the affairs of an organisation which are not subject to external control under legislation. This is the internal business of the organisation. The organisation can divide the power and authority over these matters between its organs as it sees fit. The constitution will stipulate the division. The most obvious example is the power of day to day general management.

In determining which powers are to be granted to the board it is important to note that the proper exercising of the power given by the constitution to the directors is beyond any interference by the members. The members and the directors are bound in statutory contract through the constitution<sup>31</sup>. Dissatisfaction by the members with a decision of the directors cannot normally be challenged as the members would be acting outside the bounds of their jurisdiction, which has been agreed through the constitution. This issue can cause mistrust in sporting organisations between members and the board.

If the directors are breaching their fiduciary duties owed to the organisation, by perhaps using their powers improperly, the use of their granted powers could be challenged and the organisation itself would be the proper plaintiff in such a matter.

<sup>31</sup> Section 26(1) *Associations Incorporation Act 2009* and section 140 of the *Corporations Act*

(b) Matters of residual member control

Whilst members may not interfere with the exercise of powers granted to the directors, they do have certain residual powers such as altering the constitution. Thus, it is possible to influence the decisions of the directors by limiting the scope of their power. The more sensible and usual approach however is to enable replacement of the directors by dismissal and appointment. Many SSOs typically have this power in conjunction with the general management and governance powers.

If there is doubt over whether the power resides with the board of directors or the general meeting, the sensible approach is to place it before the latter. Should directors act outside their power their action could normally be ratified by the general meeting so long as it is within the power of the members. A matter that is outside the power of the organisation, such as a breach of an objects clause, is beyond the capacity of the members to rectify.

Other residual powers of the members may include:

- (i) requisitioning a general meeting
- (ii) convening a general meeting and
- (iii) determining directors' fees (if applicable).

(c) Matters restricted to member control by legislation

Certain matters are restricted to the domain of the members. These tend to be matters of a constitutional nature or those arising from public policy, for example, altering the constitution.

(d) Application to SSOs

In SSOs, the above division of power within the organisation is sometimes not clear. In many sporting organisations this is in fact made worse by the existence of a third organ with responsibilities and powers usually named "the council". The council is usually comprised of representatives or delegates from member entities. They can be and are sometimes officers of the organisations. Thus, these persons whilst in council are acting as member or member's delegate and also director. If they are an officer of the organisation and also an officer of the member entity (even if they think they are only a councillor) they have a conflict of interest. Often the council and the general meeting are one and the same.

Many SSO constitutions require the sport to be administered by the board or management committee subject to the constitution. This is satisfactory if this was all the constitution stated. Some constitutions still go on to vest all powers (management and governance) either in the general meeting and/or the council. As noted above further confusion is created if directors are often members of the general meeting as well the council.

Many sporting organisations are not aware that where the powers vest in the council or the members' delegates in general meeting, those members or their delegates are potentially liable given they have the power and the responsibility for the conduct, management and administration of the organisation. The potential liability arises as they are effectively the directors of the organisation. This is particularly so where a board or management committee must bring every decision before the council for ratification or approval.

The issue for consideration here is the blurring between ownership and control. The traditional response in sport is that the members (however described or categorised) are effectively the owners of the sporting organisation. As noted above this ownership is transient and may only last as long as the member continues to pay membership fees. Notwithstanding this transience, members, considering themselves as owners, have traditionally also demanded control over the management of the organisation. This too was a consequence or indeed a requirement of past times when the size and demands of the sport meant that it could be managed by a volunteer member or members. Sport has become more commercial and with that commercialism, obligations and duties have increased. Many SSOs can no longer be managed by volunteer members. This is not to say there are no organisations that cannot be run this way and run this way very well. Also, membership numbers have grown or activities and events have grown so the responsibilities in managing the organisation have been divested to a management committee or board. The difficulty arises in that the management committee or board, do not have the governance control or power to manage the organisation. The control is still with the members. This is poor practice governance and as stated above potentially exposes the members.

In addition to a clear division of powers noted above between the members and the board a clear separation of powers and responsibilities should exist between the board, the CEO and staff.

For further information go to the **SA 2020 Principle 7: The defence**  
(<https://www.sportaus.gov.au/governance/principle-7>)

Guidelines and documented role descriptions should provide a clear outline as to the duties of the board, along with the management and operational roles of the CEO and staff.<sup>32</sup>

The Governance Institute of Australia provides further information regarding the separation of authority between board (council) and management in the following link:

[https://goodcdn.app/memberhq/vicsport/uploads/GGT-1.13---ggg\\_separation-of-authority-between-board-council-and-management.pdf](https://goodcdn.app/memberhq/vicsport/uploads/GGT-1.13---ggg_separation-of-authority-between-board-council-and-management.pdf)

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<sup>32</sup> 2012 Principles 1.5, 3.2

## 1.15 Delegations of Authority

For further information go to the **SA 2020 Principle 5: The rulebook** (<https://www.sportaus.gov.au/governance/principle-5>) and **SA 2020 Principle 6: The playbook** (<https://www.sportaus.gov.au/governance/principle-6>)

A sporting organisation's governance structure should recognise that individual board members, the CEO (or similar), their staff, board committees and management meetings hold no authority to act on behalf of the organisation by virtue of their position alone. All authority rests with the board, which may delegate authority to any person or committee.

Each such delegation should be clearly documented in a delegation manual or similar. Normally there will be significant delegations to the CEO. In their capacity as directors, directors have no individual authority to participate in the day-to-day management of the entity, unless authority is explicitly delegated by the board.<sup>33</sup>

The Institute of Community Directors Australia has developed a series tools and help sheets relating to delegation of authority.

<https://www.communitydirectors.com.au/icda/policybank/>

## 1.16 Board Code of Conduct

For further information go to the **SA 2020 Principle 6: The playbook** (<https://www.sportaus.gov.au/governance/principle-6>)

A board code of conduct clearly describes the expectations of board members specifically relating to the behaviour, culture, values and ethical standards as agreed to by the board. Developing and committing to an agreed set of behaviours and values can have a very positive effect on board operations and culture. It can strengthen board unity and help to develop leadership, trust, integrity and transparency within the board as well as with staff, members and stakeholders.<sup>34</sup> A Code of Conduct may also assist to manage conflict or dispute should it arise.

## 1.17 Board and staff

The board is ultimately responsible for the success of the organisation it governs. Each board should clearly understand its role in discharging this responsibility. An effective organisation should have clearly documented board/management interaction, including appropriate delegations and authority of all parties.

The board should develop a protocol outlining expectations for board–management interactions. This will normally include:

- (a) expectations regarding the use of a board member's networks/contacts

<sup>33</sup> 2012 Principles 1.5, 3.10

<sup>34</sup> 2012 Principles 1.11, 6.1

- (b) expectations regarding provision of advice to the chief executive officer and management
- (c) a protocol for individual directors to acquire all information required for decision-making and control.

The relationship between management and the board is critical and must be supported by a clear segregation of responsibilities. At all times the board must be in control, however management must be accountable, operate with delegated authorities, have appropriate levels of skills, and perform against the established key performance indicators. Directors should not approach management directly, but rather should channel all additional information requests through the chair and chief executive officer, unless specially approved within the protocols.<sup>35</sup>

## **2. Election and Appointment<sup>36</sup>**

One of the biggest challenges for SSOs is to ensure that their board is both representative of its members and appropriately skilled and experienced to govern the organisation. There is some shift towards the appointment of independent board members however most SSOs still operate under a traditional representative model that is reliant on an electoral process. This model presents several challenges including little control over diversity and finding members with necessary skills. Regular changeover of board members in NFP sporting organisations is also an issue which is why it is important for boards to have a strategy to elect and appoint suitable board members.

Many SSOs continue to tap prospective directors on the shoulder to recruit board members. Investing time in the planning of the election and appointment process will allow boards to be more successful in identifying the required skills. In addition to this, improved communication of positions available will place organisations in a much stronger position moving forward.

Regardless of the above a sport's board should be structured to reflect the complex operating environment facing the modern sporting organisation. Ideally a board will be broadly reflective of the organisation's key stakeholders, but not at the expense of the board's skills mix and the organisation's objectives. The number of directors on a board should reflect the size and level of activity of the organisation. As such, the SA advocates a board with the necessary skills to carry out its governance role rather than a representative board.<sup>37</sup>

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<sup>35</sup> 2012 Principles 3.1, 3.2. See also clauses 1.13 and 1.14 above.

<sup>36</sup> 2012 Principle 1.4

<sup>37</sup> 2012 Principle 1.8

## 2.1 Board Evaluation and Skills Audit

For further information go to the **SA 2020 Principle 8: The best and the fairest** (<https://www.sportaus.gov.au/governance/principle-8>) and **SA 2020 Principle 9: The scorecard** (<https://www.sportaus.gov.au/governance/principle-9>)

An annual board evaluation and skills audit is important in the election and appointment process and should be undertaken to identify board skill and diversity gaps. This information should be used by the board to assist with the recruitment of suitably skilled board members with appropriate attributes, knowledge and qualifications.

## 2.2 Election Kit

An election kit is a useful communication tool which provides all the information required by those seeking to nominate for a board position. It should be placed on the organisation's website and distributed prior to the AGM. The following documents should be contained, along with other relevant information, in a board election kit:

- (a) Board Member Nomination Form
- (b) Board Member Role Description
- (c) Board Code of Conduct.

## 2.3 Nomination Committee<sup>38</sup>

For further information go to the **SA 2020 Principle 6: The playbook** (<https://www.sportaus.gov.au/governance/principle-6>) and **SA 2020 Principle 8: The best and fairest** (<https://www.sportaus.gov.au/governance/principle-8>)

The existence of a nomination committee is recognised as an important feature of good corporate governance. It is important that boards are comprised of members with a variety of skills and experience, and who act in the best interests of the organisation as a whole.

The committee should be structured with at least three people and may be a combination of board members and external appointments. The nomination committee should only comprise persons who are not directly involved in the management of the organisation; however, the CEO and human resources manager or equivalent should have standing invitations to provide clarification where necessary.

The Chair of the nomination committee should be independent from the Chair of the board.

The nomination committee should take prime responsibility for, but not be limited to:

- (a) reviewing the board's skill mix and identifying gaps

<sup>38</sup> 2012 Principle 3.9



- (b) identifying potential board members for appointment to the board or to be put forward as preferred nominations for elections and
- (c) reviewing board member nominations and providing organisation members with the board's preferred nominees based on needs identified in the skill gap analysis.

The nomination committee charter should clearly set out the committee's role, responsibilities, composition, structure and membership.<sup>39</sup>

## 2.4 Diversity

For further information go to the **SA 2020 Principle 4: The players** (<https://www.sportaus.gov.au/governance/principle-4>)

Gender diversity remains a key focus for many private sector and NFP organisations. Research has shown that increased gender diversity on boards can often be associated with better financial performance of the organisation.<sup>40</sup> The promotion of gender diversity can broaden the pool for recruitment of high quality employees, enhance employee retention, foster a closer connection with and better understanding of customers, and improve corporate image and reputation.

The measurable objectives the board sets in furtherance of its diversity policy should include appropriate and meaningful benchmarks that are able to be, and are, measured and monitored for effectiveness in addressing any gender imbalance issues in an organisation. These could involve, for example:

- (a) achieving specific numerical targets (e.g., a target percentage) for the proportion of women employed by the organisation generally, in senior executive roles and on the board within a specified timeframe; or
- (b) achieving specific targets for the "Gender Equality Indicators" in the *Workplace Gender Equality Act 2012 (Cth)*.

Objectives such as introducing a diversity policy or establishing a diversity committee by themselves are unlikely to be effective unless they are backed up with appropriate numerical targets.

Reporting annually on an organisation's gender diversity profile and on its progress in achieving its gender diversity objectives is important. It encourages greater transparency and accountability and, because of that, is likely to improve the effectiveness of the entity's diversity policy in achieving the outcomes the board has set.

The board may charge an appropriate board committee (such as the nomination or remuneration committee) with the task of setting the entity's measurable objectives for achieving gender diversity and annually reviewing those objectives and the entity's

<sup>39</sup> 2012 Principle 3.9

<sup>40</sup> See Reibey Institute, *ASX 500 – Women Leaders Research Note* (June 2011), available online at [http://www.reibeyinstitute.org.au/wp-content/uploads/2011/10/ASX500\\_Women-Leaders-2011.pdf](http://www.reibeyinstitute.org.au/wp-content/uploads/2011/10/ASX500_Women-Leaders-2011.pdf), and Catalyst, *The Bottom Line: Corporate Performance and Women's Representation on Boards* (October 2011), available online at [www.catalyst.org](http://www.catalyst.org)



progress towards achieving them. If it does, this should be reflected in the charter of the committee in question.

It should be noted that whilst the focus of this section is on gender diversity, diversity has a much broader dimension and includes matters of age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity. To garner the full benefits of diversity, an entity should ensure that its recruitment and selection practices at all levels (from the board downwards) are appropriately structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates.<sup>41</sup>

## 2.5 Succession Planning and Recruitment

For further information go to the **SA 2020 Principle 4: The players** (<https://www.sportaus.gov.au/governance/principle-4>) and **SA 2020 Principle 9: The scorecard** (<https://www.sportaus.gov.au/governance/principle-9>)

Recruiting board members that are representative and have appropriate skills and expertise is both important and often very challenging for many organisations.

The Institute of Community Directors Australia has developed a series tools and help sheets relating to board succession planning and recruitment. Also below is a link to an AICD resource on succession planning.

<https://www.communitydirectors.com.au/icda/board/?articleId=5731>  
[http://aicd.companymembers.com.au/~media/cd2/resources/directorresources/director-tools/pdf/05446-5-mem-director-tools-bc-successionplanning\\_a4\\_web.ashx](http://aicd.companymembers.com.au/~media/cd2/resources/directorresources/director-tools/pdf/05446-5-mem-director-tools-bc-successionplanning_a4_web.ashx)

## 3. Board Induction

For further information go to the **SA 2020 Principle 4: The players** (<https://www.sportaus.gov.au/governance/principle-4>)

A comprehensive induction to an organisation allows new board members to be properly informed, supported and welcomed from the time of their board appointment.

A well, developed and delivered board induction process can strongly influence a new board member's experience and involvement in discussion and decision making.

The board should ensure all new board members undergo an appropriate induction process.<sup>42</sup> The induction process should ensure that all board members have:

- (a) an appropriate level of knowledge of the sector in which the organisation operates
- (b) a clear understanding of an organisation's business operations

<sup>41</sup> ASX Corporate Governance Council Corporate Governance Principles and Recommendations (2014) (3<sup>rd</sup> ed)

<sup>42</sup> 2012 Principle 4.2

- (c) a clear understanding of the organisation's financial circumstances
- (d) a clear understanding of the organisation's strategy and direction
- (e) a clear understanding of what is expected of the board member in their role, including legal responsibilities
- (f) a high-level knowledge of the business risks that may affect the organisation's success and
- (g) access to relevant background information.<sup>43</sup>

Management should provide a briefing session to all new board members once they have had time to assess the information listed above. This will allow them to address any concerns or queries they may have regarding the organisation. In addition, each new board member should receive:

- (a) a letter of appointment outlining the role and expectations in their role
- (b) a copy of the director and officers' insurance and
- (c) a copy of the constitution, board charter, governance policies, strategic plan and any other key governance documents.<sup>44</sup>

Continuous education and professional development programs should be made available to board members as necessary but subject to the resources and context(s) of the board and the organisation.

### 3.2 Board Induction Policy

Your organisation may wish to adopt a board induction policy which outlines the purpose and implementation of the board induction process. The following policy template provides an outline of key board induction elements however it should be adapted to suit the specific needs of your organisation.

### 3.3 Mentoring and Support

Board behaviour and culture can be significantly enhanced by providing appropriate mentoring and support for board members. If newly appointed board members are assigned a mentor they are more likely to feel welcomed into their position, feel included in the board culture, have greater self-confidence and feel better informed to contribute to discussion and decision making sooner.

### 3.4 Board Role Description

New board members should receive a role description and code of conduct to ensure they have a clear understanding of their new role as board member. This will allow

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<sup>43</sup> 2012 Principle 4.2

<sup>44</sup> 2012 Principle 4.2

them the opportunity to review these documents and clarify any queries prior to commencing their new position.

A board role description is similar to that of a job description. It outlines the key roles of the board member and should form the basis of all board operations and discussions.

### 3.5 Board Code of Conduct

For further information go to the **SA 2020 Principle 5: The rulebook** (<https://www.sportaus.gov.au/governance/principle-5>) and **SA 2020 Principle 6: The playbook** (<https://www.sportaus.gov.au/governance/principle-6>) and **SA 2020 Principle 8: The best and fairest** (<https://www.sportaus.gov.au/governance/principle-8>)

A board code of conduct clearly describes the expectations of board members specifically relating to the behaviour, culture, values and ethical standards as agreed to by the board. Developing and committing to an agreed set of behaviours and values can have a very positive effect on board operations and culture. It can strengthen board unity and help to develop leadership, trust, integrity and transparency within the board as well as with staff, members and stakeholders. A Code of Conduct may also assist to manage conflicts or disputes should they arise.

## 4. Board Performance, Behaviour and Culture

For further information go to the **SA 2020 Principle 1: The spirit of the game** (<https://www.sportaus.gov.au/governance/principle-1>) and **SA 2020 Principle 8: The best and fairest** (<https://www.sportaus.gov.au/governance/principle-8>)

Boards must constantly seek to nurture a positive board culture to prevent conflict, ensure the most optimum performance of the board and also ensure that the board is acting in, and serving, the best interests of the organisation's members.

### 4.1 Creating a Positive Board Culture

For further information go to the **SA 2020 Principle 1: The spirit of the game** (<https://www.sportaus.gov.au/governance/principle-1>)

A board with a positive culture and an agreed set of values will underpin board and organisational unity and commitment. Boards should make ethical decisions that are in the best interests of the members and the organisation as a whole.

Boards should ensure, and actively promote, ethical behaviour and decision-making within their organisation. Good corporate governance ultimately requires people with integrity and leadership to ensure that the reputation of an organisation is managed, protected and enhanced. A culture of integrity and ethical behaviour is characterised by:

- (a) an effective code of conduct
- (b) quality decision-making processes
- (c) people of the highest integrity and ethical standards and

- (d) an intent to put the organisation ahead of individual gains.<sup>45</sup>

## 4.2 Leadership and the Role of the chair

The chair/president should generally be selected by the board.<sup>46</sup>

The chair should influence the direction and behaviour of board members and boardroom culture. The chair should lead by example and set the scene for boardroom culture that is productive, respectful and inclusive. Board meetings should be managed by the chair in a manner designed to encourage diversity of opinion, ensuring that all board members are given an opportunity to contribute to board discussion. This leadership can greatly enhance the experience for females sitting on male dominated boards.

Whilst the chair is responsible for leading the board, the chair is the chair of the board, not the chair of the organisation. The leader of the organisation is the board itself, which acts collectively in the best interests of the organisation as a whole to govern on behalf of the members. They appoint and work closely with the chief executive officer, who manages the operations of the organisation and (in most instances) acts as the organisation's public figurehead. The chair facilitates discussion among, and provides leadership to, the board. As the first among equals, it is important that the chair have the respect and confidence of their fellow directors. As such the board should select their own leader.<sup>47</sup>

## 4.3 Effective Board Meetings<sup>48</sup>

The conduct of board meetings should:

- (a) focus on governance matters affecting the control and direction of the organisation, such as policy-making and review, financial health of the organisation, legal compliance, strategic thinking and progress towards Key Result Areas, rather than on administrative and operational matters
- (b) reflect an appropriate apportionment of focus between compliance with formal requirements, for example, monitoring financial performance, and monitoring overall achievements of Key Result Areas and engaging in strategic thinking
- (c) act as the ideal forum for the board to engage in strategic thinking in order to ensure the ongoing relevance and appropriateness of its strategic plan and Key Result Areas and
- (d) be managed in a manner designed to encourage diversity of opinion, ensuring input from all board members as appropriate without prejudicing effective and efficient decision-making.

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<sup>45</sup> 2012 Principle 6

<sup>46</sup> 2012 Principle 1.6

<sup>47</sup> 2012 1.6 and <https://www.sportaus.gov.au/governance/principle-6>

<sup>48</sup> 2012 Principles 2.1, 2.2, 2.3

The board meeting templates provided throughout the following sections aim to assist board meetings being more effective by improving the decision-making process.

#### 4.4 Board Meeting Agenda<sup>49</sup>

A good meeting agenda will serve as a guide to participants, making the meeting more efficient and productive by encouraging the group to prepare and clearly think about what needs to be accomplished at the upcoming meeting.

#### 4.5 Board Paper

A board paper provides board members with information to consider, usually for approval or action, prior to the board meeting. The paper should provide a proposed resolution, all relevant information including financial and risk and recommendations.

#### 4.6 Conflict of Interest<sup>50</sup>

For further information go to the **SA 2020 Principle 1: The spirit of the game** (<https://www.sportaus.gov.au/governance/principle-1>) and **SA 2020 Principle 8: The best and the fairest** (<https://www.sportaus.gov.au/governance/principle-8>) and **SA 2020 Principle 9: The scorecard** (<https://www.sportaus.gov.au/governance/principle-9>)

Conflicts of interest for board members will arise. The key is to identify, declare, document and manage real, potential and perceived conflicts of interest in a transparent, prudent manner.

A conflict of interest provision should specify that:

- (a) A board member must disclose actual/potential conflicts of interest
- (b) The process for disclosure of real or potential conflicts of interest
- (c) A process that governs a board member's involvement in any decisions with which they have a conflict of interest
- (d) The requirement for a register of ongoing interest to provide a record of all potential conflicts and
- (e) A board member should not hold any other official or corresponding administrative position within the organisation at any level that creates a material conflict of interest. This is to ensure no actual or perceived conflicts of interest.

It is suggested that calling for a declaration of any conflicts of interest becomes part of the standard meeting opening and are documented in the minutes of the meeting and conflict of interest register.

<sup>49</sup> 2012 Principle 2.2

<sup>50</sup> 2012 Principles 1.11, 6.1

## 4.7 Board Meeting Assessment

For further information go to the **SA 2020 Principle 9: The scorecard**  
(<https://www.sportaus.gov.au/governance/principle-9>)

The board should undertake a board meeting assessment to determine areas of board meeting effectiveness and identify opportunities for further improvements.

## 4.8 Member and Stakeholder Engagement<sup>51</sup>

Effective stakeholder engagement requires a commitment from the board to actively engage with stakeholders through communication, listening to members views and building a relationship of trust and respect.

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

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

- (a) Consulted and involved in the development of the sport's strategic plan
- (b) Supportive of, and actively involved in, achieving the outcomes of the plan
- (c) Well-informed and actively participating at its general meetings and
- (d) Regularly provided with timely and accurate disclosures on all material matter regarding the governance and performance of the organisation.

Existing boards should canvass the interests, aspirations and requirements of key members. The board should have a process in place to report to and receive feedback from members.

## 4.9 Risk Management<sup>52</sup> and Compliance<sup>53</sup>

For further information go to the **SA 2020 Principle 7: The defence**  
(<https://www.sportaus.gov.au/governance/principle-7>)

Whatever the size and purpose of the organisation, managing risk is a key board responsibility. Boards should develop a risk management framework that involves a process to identify all risks facing the organisation and implement effective risk management strategies.

It is essential that an organisation regularly reviews its risk exposure across all facets of the organisation. Through this process organisations should address the likelihood and impact of all possible incidents and assess the actions required to minimise, avoid or eliminate potential risks. An organisation should ensure it also assesses the opportunities forgone as part of its risk assessment and evaluation process, as risk is

<sup>51</sup> 2012 Principle 5

<sup>52</sup> 2012 Principle 1.7, 3.4

<sup>53</sup> 2012 Principle 1.7, 3.5

not only a negative element and the cost of not doing activities should also be considered.

In addition, some events or activities often need a specific and comprehensive risk assessment to be done (e.g. the hosting of a large sporting event). In this situation a business case should be developed as part of normal risk management processes to assess the impact and potential outcomes, negative or positive, of such an event.

The vast array of risks that sport should consider includes, but is not limited to:

- (a) staff or employment issues (e.g. wrongful dismissal, harassment)
- (b) volunteers (e.g. injury to the individuals themselves and/or damage caused to others or property as a result of their inadequate training or screening)
- (c) physical spaces and equipment (e.g. fire, workplace health and safety issues, theft or misuse, public liability)
- (d) records (e.g. legal requirements to keep records, confidentiality),
- (e) cash receipts and payments (e.g. inaccurate records, lack of internal checks and balances), and
- (f) financing (e.g. grant dependent organisations).<sup>54</sup>

It can be helpful to think of risks in broad categories, such as:

- (a) compliance risks (e.g. failure to lodge statutory information in allowed time)
- (b) financial risks (e.g. loss of funding, insolvency, expense blow-out)
- (c) governance risks (e.g. ineffective oversight)
- (d) operational or program risks (e.g. poor service delivery)
- (e) environmental, including event risks (e.g. natural disasters and states of emergencies)
- (f) brand and reputational risks (e.g. due to worsened stakeholder or community perceptions, from major event failure or adverse commentary on performance via traditional and/or digital and social media channels) and
- (g) strategic risks (e.g. stakeholder behaviour change, increased competition for funding).

The board should implement an effective compliance system. It is recommended that this system comply with Australian Standard AS ISO 19600:2015 Compliance management systems – guidelines. A compliance ‘management system’ is defined as a ‘set of interrelated or interacting elements of an organisation to establish policies

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<sup>54</sup> Principle 4 of the Australian Institute of Company Directors, Good Governance Principles and Guidance for Not-for-Profit Organisations

and objectives and processes to achieve those objectives'. This Standard, refers to seven key themes each with multiple elements. The seven key themes are:

- (a) context of the organisation
- (b) leadership
- (c) planning
- (d) support
- (e) operation
- (f) performance evaluation and
- (g) improvement.

The Standard emphasises the organisational elements that are required to support compliance. In the standard:

- (a) compliance means meeting all the organisation's compliance obligations
- (b) compliance obligations mean the requirement or commitments that an organisation has to or *chooses* to comply with and
- (c) compliance risk means effect of uncertainty on compliance objectives.

See below example's of compliance and risk management tools which will provide guidance to SSOs.

<https://sportandrecreation.nsw.gov.au/sites/default/files/OoS%20Compliance%20Policy%20and%20Procedure.pdf>

<https://aicd.companydirectors.com.au/resources/not-for-profit-resources/not-for-profit-governance-principles>

## 4.10 Financial Reporting and Auditing

For further information go to the **SA 2020 Principle 6: The playbook**  
(<https://www.sportaus.gov.au/governance/principle-6>)

A requirement to provide financial reports and have your accounts audited depends on the legal structure of your organisation and your turnover.

The Board must ensure proper accounting and other records are maintained and must distribute copies of financial statements as required by the Act. The Board must:

- (a) publish annual reports consistent with the Act
- (b) report consolidated national financial accounts annually
- (c) report financial and high-performance information to the OoS as required



- (d) disclose administration expenses in accordance with the requirements of the Australian Securities and Investments Commission's requirements and
- (e) obtain Members' approval of the annual accounts NOT the budget.

Subject to below the Board must also submit the annual accounts of the SSO to a General Meeting of the SSO.

Associations who are incorporated under the Act must prepare a financial report to be presented to their members at the AGM.

Auditing requirements vary based on the gross receipts for the last financial year and are outlined below:

Tier	Gross Revenue	Current Assets	Reporting & Auditing Requirement
1	More than \$250,000	More than \$500,000	Tier 1 associations must prepare financial statements in accordance with Australian Accounting Standards.
2	Less than \$250,000	Less than \$500,000	Tier 2 associations must prepare financial statements that give a true and fair view of the association's affairs.

For more information about accounting and auditing for incorporated associations review the information provided on the NSW Fair Trading website link below.

[http://www.fairtrading.nsw.gov.au/ftw/Cooperatives\\_and\\_associations/Running\\_an\\_association/Financial\\_reporting\\_requirements.page](http://www.fairtrading.nsw.gov.au/ftw/Cooperatives_and_associations/Running_an_association/Financial_reporting_requirements.page)

#### 4.11 Board Calendar<sup>55</sup>

A board calendar should be mapped out at the start of each year and serves two important functions:

- (a) the provision of a clear outline of board member commitments for the upcoming year (i.e. How often does the board meet and for how long?) and
- (b) as a useful planning checklist to ensure that the board is carrying out all of its key roles including financial, legal, planning and risk management responsibilities.

### 5. Performance Evaluation and Board Development<sup>56</sup>

For further information go to the **SA 2020 Principle 9: The scorecard** (<https://www.sportaus.gov.au/governance/principle-9>)

A regular process of evaluation to obtain feedback on the collective performance of the board, improve understanding of the current skill set and review the contribution

<sup>55</sup> 2012 Principle 2.5

<sup>56</sup> 2012 Principle 3.3

of individual board members is necessary for effective board function, ongoing development and improvement.

Ideally an independent body facilitates the performance evaluation process to ensure that the board is performing as well as possible, provide feedback on strengths and make recommendations for future improvement. This information may also inform board development and training requirements.

## 5.1 Governance Health Check

Good governance is central to ensuring that boards and committees are effective at leading the organisation while also meeting their legal and compliance responsibilities.

The State Government of Victoria has developed a Good Governance Checklist that is a quick reference guide to ten principles of good governance to help your board or committee understand and discuss its performance.

<https://providers.dhhs.vic.gov.au/governance-community-organisations>

## 5.2 Board Performance and Evaluation Policy<sup>57</sup>

For further information go to the **SA 2020 Principle 9: The scorecard**  
(<https://www.sportaus.gov.au/governance/principle-9>)

The board performance and evaluation policy should clearly describe the purpose and process of assessing board performance. It is important that organisations introduce an evaluation process that suits the needs and interests of the organisation. If your organisation is introducing a board evaluation for the first time you may like to introduce a simple process and add complexity to the process in the future.

Surveys provide a convenient and confidential way to measure board performance. The collective performance of the board as well as the performance of individual board members should be assessed during the evaluation.

## 5.3 Performance Evaluation and Skills Audit

An evaluation which assesses the overall performance of the board is useful to identify areas of strength and highlight particular areas that require improvement from the board.

A self-assessment tool allows board members to reflect on their own personal skills, attributes and contribution to the board. It also helps to identify possible development opportunities for board members. The results can also be used to undertake a skills audit of the board. Knowledge of the current skill set of the board may be used to inform future board recruitment and communication with members.

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<sup>57</sup> 2012 Principles 3.3, 4.6

## 5.4 Skill Gap Analysis

A skill gap analysis allows the board to gain a clearer understanding of:

- (a) The relevant skills, qualifications and experience required to meet board goals
- (b) Current gaps in skills and diversity
- (c) Current strengths so that board member skills can be utilised to their full potential
- (d) Areas for professional development and
- (e) Information required to communicate with members and inform future recruitment strategies.

## 5.5 CEO Performance Review<sup>58</sup>

The board is responsible for developing and documenting a regular (usually annual or six-monthly) performance review process for the CEO.

The CEO review process should be confidential and treated as a constructive exercise to provide feedback to the CEO on their work. It should also to identify ways in which the board can assist the CEO to be more effective.

The performance indicators for the CEO should be clearly linked to the strategic goals and objectives set by the board and should be measurable.

## 6. Resources

There are a large number of organisations providing a wide variety of governance support, information, resources and templates. These are often available at no cost. Some have been designed specifically for SSOs, others tailored for NFPs and other specialising in specific areas of governance such as legal or risk management issues. Below are a number of organisations (listed in alphabetical order) that have been referenced throughout this Toolkit and may be useful to your board.

### **Australian Institute of Company Directors**

<http://www.companydirectors.com.au/goodgovernance>

### **Sport Australia: Sports Governance Principles**

<https://www.sportaus.gov.au/governance>

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<sup>58</sup> 2012 Principles 1.7, 1.13

**BoardConnect**

<https://boardconnect.org/>

**Club Help**

<https://www.clubhelp.org.au/club-management/governance>

**NSW Fair Trading**

<http://www.fairtrading.nsw.gov.au>

**Governance Institute of Australia**

<https://www.governanceinstitute.com.au>

**Institute of Community Directors Australia**

<https://www.communitydirectors.com.au/icda/>

**Justice Connect (Information Hub)**

<https://www.justiceconnect.org.au>

**State Government of Victoria: Not-For-Profit Compliance Support Centre**

<https://providers.dhhs.vic.gov.au/business-and-community>

## 7. Appendix – List of templates and links

As noted in the Introduction to this document, OoS recommends that all SSOs adopt and apply the templates in the index below shaded in **GREEN**.

As with all templates they should be tailored to the cultural, strategic and structural requirements and context of the organisation; also bearing in mind minimum compliance and risk requirements.

Item	Ref	Description	Link
1.	1.2 & 1.3	NSW Fair Trading – Fact sheet “About Associations”	<a href="https://www.fairtrading.nsw.gov.au/associations-and-co-operatives">https://www.fairtrading.nsw.gov.au/associations-and-co-operatives</a>
2.	1.3	Model State Sporting Organisation Constitution Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
3.	1.3	Model Sport Club Constitution Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
4.	1.3	Model Regional Sporting Organisation Constitution	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
5.	1.5	Strategic Plan Template – outline of strategic plan for an SSO	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
6.	1.6, 4.4, 4.5 & 4.11	Board Agenda and Work plan Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
7.	1.7 & 1.10	Board Action Plan Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
8.	1.8	Committee Charter Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
9.	1.9	Appointments and Remuneration Committee Terms of Delegation Template – draft terms of reference for an appointments and remuneration committee	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
10.	1.9	Risk Management Policy Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>

Item	Ref	Description	Link
11.	1.9 & 2.3	Nominations Committee Terms of Delegation Template - draft terms of reference for an nominations committee	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
12.	1.9	Audit Committee Terms of Reference (long form) Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
13.	1.9	FACC Terms of Delegation (short form) Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
14.	<b>1.9 &amp; 1.10</b>	Governance Procedures Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
15.	<b>1.10, 1.11 &amp; 3.4</b>	Code of Ethics Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
16.	<b>1.11</b>	Non-Executive/Independent Director (Ned) Position Description Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
17.	<b>1.12</b>	Role of Company Secretary Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
18.	<b>1.12</b>	Board Office Bearer AICD Document	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
19.	<b>1.14</b>	The Governance Institute of Australia – information regarding the separation of authority between board (council) and management	<a href="https://www.governanceinstitute.com.au/resources/resourcecentre/">https://www.governanceinstitute.com.au/resources/resourcecentre/</a>  <a href="https://goodcdn.app/memberhq/vicsport/uploads/GGT-1.13---ggg_separation-of-authority-between-board-council-and-management.pdf">https://goodcdn.app/memberhq/vicsport/uploads/GGT-1.13---ggg_separation-of-authority-between-board-council-and-management.pdf</a>
20.	<b>1.15</b>	Institute of Community Directors Australia – Policy Bank	<a href="https://www.communitydirectors.com.au/icda/policybank/">https://www.communitydirectors.com.au/icda/policybank/</a>
21.	<b>1.16</b>	Board Grievance Policy	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
22.	<b>1.17 &amp; 5.5</b>	GM/EO/CEO Recruitment Policy Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>

Item	Ref	Description	Link
23.	<b>2.1 &amp; 3.1</b>	Board Induction and Evaluation Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
24.	<b>2.1, 3.1 &amp; 5.2</b>	Board Evaluation Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
25.	<b>2.4</b>	Diversity Policy Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
26.	<b>2.5</b>	Institute of Community Directors Australia – resource on succession planning	<a href="https://www.communitydirectors.com.au/icda/board/?articleId=5731">https://www.communitydirectors.com.au/icda/board/?articleId=5731</a>
27.	<b>2.5</b>	Australian Institute of Company Directors - resource on succession planning	<a href="http://aicd.companydirectors.com.au/~media/cd2/resources/director-resources/directortools/pdf/05446-5-memdirector-tools-bc-successionplanning_a4_web.ashx">http://aicd.companydirectors.com.au/~media/cd2/resources/director-resources/directortools/pdf/05446-5-memdirector-tools-bc-successionplanning_a4_web.ashx</a>
28.	<b>3.3</b>	Role of Board Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
29.	<b>3.4</b>	Directors' Code of Conduct Tool Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
30.	<b>4.2</b>	Chair Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
31.	<b>4.4 &amp; 4.5</b>	Board Agenda Paper Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
32.	<b>4.6</b>	Conflict of Interest Template	<a href="https://sport.nsw.gov.au/clubs/ryssogovernance">https://sport.nsw.gov.au/clubs/ryssogovernance</a>
33.	<b>4.9</b>	Sport & Recreation NSW – compliance and risk management tools	<a href="https://sportandrecreation.nsw.gov.au/sites/default/files/OoS%20Compliance%20Policy%20and%20Procedure.pdf">https://sportandrecreation.nsw.gov.au/sites/default/files/OoS%20Compliance%20Policy%20and%20Procedure.pdf</a>
34.	<b>4.9</b>	Australian Institute of Company Directors – compliance and risk management tools	<a href="http://aicd.companydirectors.com.au/resources/not-for-profitresources/good-governanceprinciples-and-guidance">http://aicd.companydirectors.com.au/resources/not-for-profitresources/good-governanceprinciples-and-guidance</a>
35.	<b>4.9</b>	Justice Connect – compliance and risk management tools	<a href="https://www.nfplaw.org.au/sites/default/files/media/Insurance%20and%20Risk%20Management%20for%20Community%20Organisations%20CTH%201.pdf">https://www.nfplaw.org.au/sites/default/files/media/Insurance and Risk Management for Community Organisations CTH 1.pdf</a>

Item	Ref	Description	Link
36.	<b>4.10</b>	NSW Fair Trading – accounting and auditing	<a href="http://www.fairtrading.nsw.gov.au/ftw/Cooperatives_and_associations/Running_an_association/Financial_reporting_requirements.page">http://www.fairtrading.nsw.gov.au/ftw/Cooperatives and associations/Running an association/Financial reporting requirements.page</a>
37.	<b>5.1</b>	Centre for Community Services System Development (formerly Office for the Community Sector) – Good Governance checklist	<a href="https://providers.dhhs.vic.gov.au/business-and-community">https://providers.dhhs.vic.gov.au/business-and-community</a>
38.	<b>5.2</b>	Board Review Tool Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
39.	<b>5.3</b>	Board Skills Matrix Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
40.	<b>5.3</b>	Review of Board Member Capabilities Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
41.	<b>5.4</b>	Skills Gap Analysis Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
42.	<b>5.5</b>	CEO Role Template	<a href="https://sport.nsw.gov.au/clubs/ryssso/governance">https://sport.nsw.gov.au/clubs/ryssso/governance</a>
43.	<b>5.5</b>	Board Connect – CEO performance appraisal	<a href="https://goodcdn.app/memberhq/vicsport/uploads/GGT-5.5---CEO-Performance-Appraisal-TEMPLATE.pdf">https://goodcdn.app/memberhq/vicsport/uploads/GGT-5.5---CEO-Performance-Appraisal-TEMPLATE.pdf</a>
44.	<b>6</b>	Australian Institute of Company Directors	<a href="https://aicd.companydirectors.com.au/resources/director-tools">https://aicd.companydirectors.com.au/resources/director-tools</a>
45.	<b>6</b>	Australian Sports Commission	<a href="https://www.sportaus.gov.au/">https://www.sportaus.gov.au/</a>
46.	<b>6</b>	BoardConnect	<a href="https://boardconnect.org/">https://boardconnect.org/</a>
47.	<b>6</b>	Club Help	<a href="https://www.clubhelp.org.au/club-management/governance">https://www.clubhelp.org.au/club-management/governance</a>
48.	<b>6</b>	NSW Fair Trading	<a href="http://www.fairtrading.nsw.gov.au">http://www.fairtrading.nsw.gov.au</a>



Item	Ref	Description	Link
49.	6	Governance Institute of Australia	<a href="https://www.governanceinstitute.com.au">https://www.governanceinstitute.com.au</a>
50.	6	Institute of Community Directors Australia	<a href="https://www.communitydirectors.com.au/icda/">https://www.communitydirectors.com.au/icda/</a>
51.	6	Justice Connect (Information Hub)	<a href="https://www.nfplaw.org.au">https://www.nfplaw.org.au</a>
52.	6	State Government of Victoria: Not-For-Profit Compliance Support Centre	<a href="https://providers.dhhs.vic.gov.au/business-and-community">https://providers.dhhs.vic.gov.au/business-and-community</a>