



Financial Management Recap 2023

NSW State Sporting Organisations
Professional Development Webinar

Carl Millington | Consultant - Business Advisory

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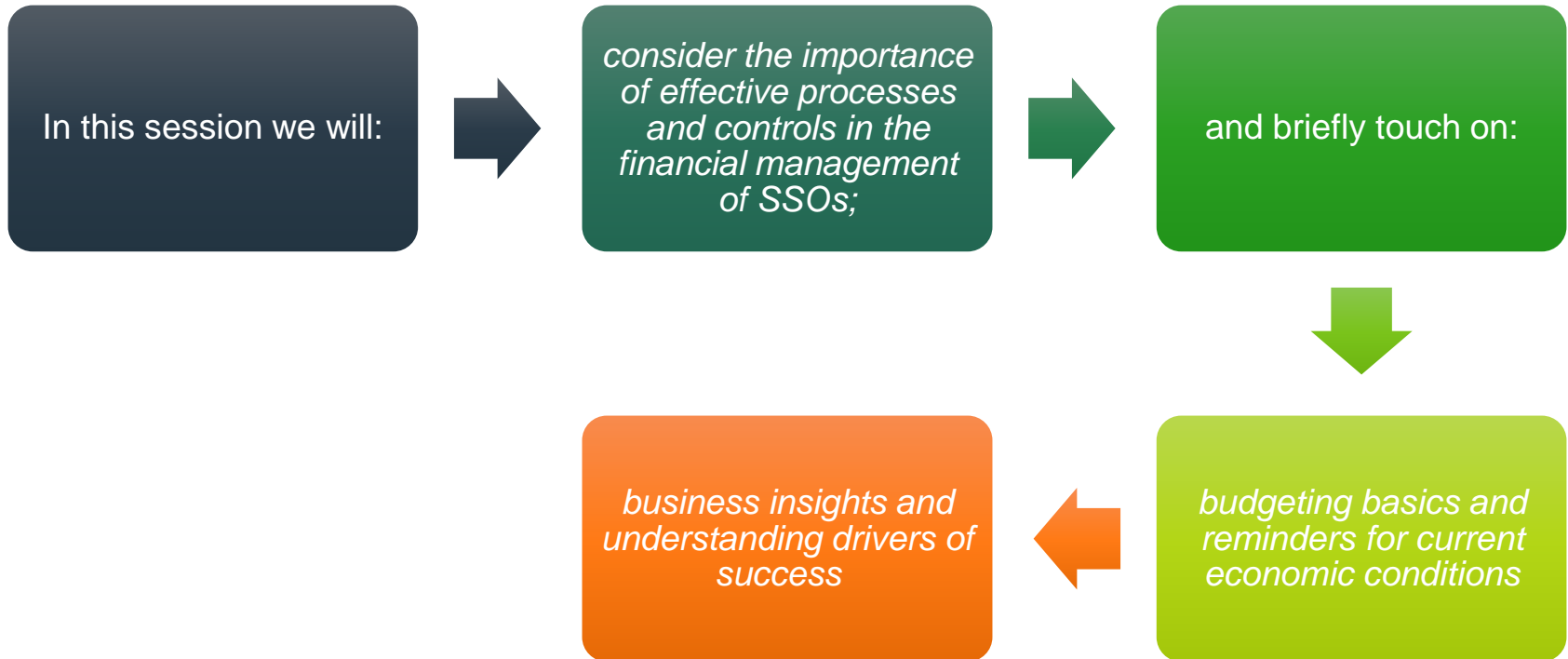
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Opening Comments

- The type of organisation is irrelevant when it comes to the need for an effective control environment.
- The opportunity to implement an effective control environment will be determined by the size and resources available to an organisation.
- Smaller organisations, including SSOs, face a number of challenges:
 - Ready access to adequately skilled and experienced personnel
 - Poorly designed or implemented control environments
 - Lack of adequate understanding of financial statements, financial management and risk management at Board and/or management level
 - Operating in a highly competitive market

Opening comments

Today's topics





Processes and controls for financial management

Are processes and controls the same thing?

Simple definitions

- The series of activities or steps taken to achieve an outcome is a **process**.
- Performing a check on the quality, accuracy, safety or compliance of the process is a **control**.
- A simple example:
 - Your SSO receives subscriptions and other receipts which are banked in the organisation's bank account and recorded in the financial records. **PROCESS**
 - On a regular basis the bank account is reconciled with the financial records of your SSO. **CONTROL**
 - The regularly prepared bank reconciliation is reviewed by a person not responsible for the reconciliation. **CONTROL**

What are internal controls?

In simple terms

- Keeping an eye on your SSO's assets and resources.
- Finding ways to make sure people don't "do the wrong thing".
- Providing a level of protection for people doing the "right thing."
- Protecting your SSO from being accused of doing "bad" things.
- Good, sound business practice.
- Common sense!



Internal control failure

Why controls don't always work

- Inadequate knowledge of policies or governing regulations.
“I didn't know that!”
- Inadequate segregation of duties.
“We trust ‘A’ who does all those things.”
- Inappropriate access to assets.
Passwords shared, cash not secured...
- Form over substance.
“You mean I'm supposed to do something besides initial/sign it?”
- Control override.
“I know that's the policy, but we do it this way.” and “Just get it done; I don't care how!”
- Inherent limitations.
People are people and mistakes happen. You cannot foresee or eliminate all risk.



***The importance of
internal controls
in the financial
management of
your SSO.***

Why are internal controls important?

Internal controls are important as they:

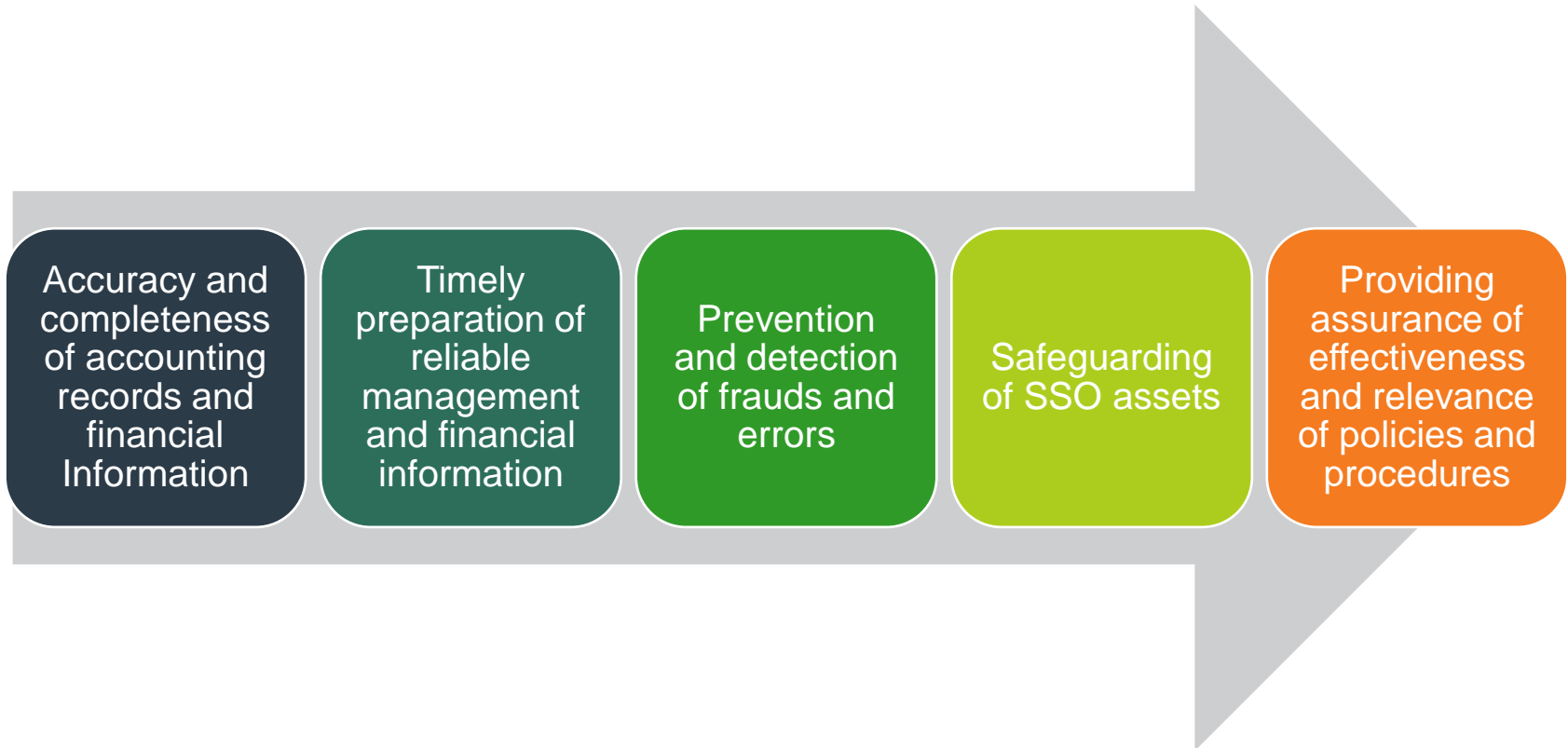
- help to ensure that your SSO's financial resources are used **efficiently, effectively, and ethically.**

In other words they can:

- help to prevent fraud, errors, and mismanagement of your SSO's funds and assets.

Internal controls in action

Typical objectives...



Reminder from past webinar...



The financial reporting formula



Timely + **R**elevant + **A**ccurate + **C**omplete =
Quality **F**inancial **R**eporting

TRAC = QFR

Practical outcomes

- **Management and maintenance of cash flows**
 - Strong financial controls have a significant impact on your SSO's cash flows.
 - How? With an effective control mechanism operating, cash inflows and outflows are monitored and planned, resulting in more efficient operations.
- **Improved management of your SSO's financial resources**
 - Your financial resources are the bedrock of your operational efficiency.
 - Without adequate financial capacity, your SSO will struggle to achieve your strategic objectives.
 - Effective financial controls are crucial to ensure your financial resources are adequately protected.

Practical applications

- **Operating efficiency**

- Academic research suggests that operational efficiency is significantly lower among organisations with material weaknesses in internal control relative to organisations without such weaknesses.
- The research also identified that the remediation of material weaknesses in internal controls leads to an improvement in operational efficiency.

- **Profitability**

- Improving operating efficiency improves the overall functional performance of your SSO.
- The combination of improved operating efficiency, strong cash flow management and effective utilisation of cash and other resources, all improve the bottom line.



Budgeting basics recap

Reminder from past webinar...

Basics of budgeting

Things to consider when preparing budgets:

- Look at past revenues, and assess if they are recurring or one off in nature;
- Look at past expenses, and assess if they are recurring or one off in nature;
- Consider if any of your goals will drive more revenue opportunities;
- Consider what will be required to be spent to achieve your goals; and
- Understand the timing of your receipts, remember you cannot spend what you don't have.

Budgeting during difficult times

Context

- The impact of inflation is felt across all industries, including SSOs.
- All organisations need to identify and analyse the potential impact of not only inflation, but all external influences on successful implementation of their strategic plan.
- By being aware of the impact areas and by taking proactive steps to evaluate your SSO's current state and future challenges, organisations can position themselves for success in 2023 and beyond.

Budgeting tips for tough times



Take a conservative approach to budget setting.



Analyse the drivers of your SSO's financials from the top down and from the bottom up.



Obtain relevant operating and financial data from as many sources as possible.



Annual budgeting/forecasting may need to be replaced with shorter time horizons.



Be agile! Shorter budget time frames provide the ability to adjust to changes in economic and environmental inputs.



Don't just rely on the numbers. Supplement quantitative (numerical) budgeting data with qualitative (judgemental) data.



Part 3 – Business drivers for success

Understanding business drivers

What makes your SSO tick?

- The key drivers of a successful business are the inputs and activities that impact the operational and financial results of a business.
- To determine what the main drivers are for your SSO, start by analysing your financial statements and identifying what drives specific line items.
- For example:
 - cash balances are impacted by the timing and quantum of receipts and payments.
 - revenues may be driven by the number of participants, regularity of events, cost of participation, etc.
- When the main drivers have been identified, decide which are the most important to focus on and in which timeframe.

Common business drivers



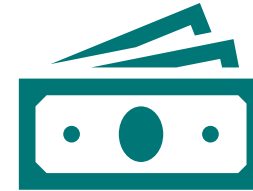
Understanding business drivers



People

The most important asset of any organisation.

It's important to invest in your people by providing them with training and development opportunities that will help them grow professionally.



Cash

Essential for business survival

Understanding the three key components of cash – current cash position, cash flow, and overall liquidity – is essential.

Understanding business drivers



Profit (Surplus)

Essential for long term viability, maintenance and replacement of assets, and ensuring your SSO's ability to achieve strategic objectives.



Assets

Understand the relationship between adequacy of assets and the ability to generate income streams to support and fund your SSO's strategic objectives.



Growth

Growth is good, but it should not be the goal.

Successful growth requires a plan for your people, an effective operating framework, a strong financial position, robust governance and sound systems of internal controls.

Thank you

Carl Millington



p. +61 2 9228 2249

e. carl.millington@pitcher.com.au

Professional Background

Carl provides business advisory, assurance, and risk management services to Not-for-Profit organisations, NSW local government, including sports administration organisations, charities, and community-based organisations.

His understanding of the unique environment that NFPs operate in allows him to identify opportunities to better manage risks, improve governance and consistently achieve compliance with financial reporting obligations.

Carl's long-standing dedication to the sporting industry has seen him involved with organisations such as Cricket NSW, Basketball NSW, Surf Life Saving NSW, Bicycle NSW, Dragon Boats NSW, the NSW Office of Sport and NSW Sports Federation.

He worked closely with sporting, member based and other NFP organisations for over 40 years providing business advisory and assurance services that have supported their growth and the achievement of the corporate objectives.

Carl's NFP experience, particularly in the sporting and government sectors, has provided him with industry insights beyond those normally acquired by providing auditing services. His involvement in the industry extends to undertaking IT reviews, internal control reviews and compliance audits.

This experience has helped him develop strong credentials in assisting clients to identify opportunities to improve business processes, fine-tune strategic plans and advise on ways to manage and mitigate business risks.

Industry Experience

- Sports administration
- Not-for-Profit (NFP)
- Education
- Charitable institutions
- Local government
- Listed Investment Companies

Areas of Expertise

- External audit and assurance
- Business advisory
- Internal audit and reviews
- Compliance audits
- Internal control reviews
- Diagnostic business reviews
- Governance and risk
- Board and committee member



Get in touch with us



Visit us

Level 16, Tower 2 Darling Park
201 Sussex Street
Sydney NSW 2000



Email

sydneypartners@pitcher.com.au



Phone

+61 2 9221 2099



Website

www.pitcher.com.au

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