



## ADMINISTRATING AN UNUSUAL ROLE

For 58 years, the Ramsgate RSL Memorial Club faithfully served its local community until a set of extraordinary circumstances resulted in the Independent Liquor & Gaming Authority being compelled to appoint a temporary administrator. So, what happened?

**A**t Russell Corporate Advisory, over the years we've been exposed to a wide range of interesting and unique tasks... one of our more recent examples is that for the last 15 months Greg Russell has been acting as the Administrator of Ramsgate RSL Memorial Club. This isn't an insolvency appointment but rather an appointment by the Independent Liquor & Gaming Authority to take the place of a board of directors which resigned en masse.

A *Registered Clubs Act* Administrator fulfils all the obligations of a board of directors, and is obliged to hold monthly board meetings while conducting the affairs of the club in a manner similar to that of a board of directors. The ultimate outcome of such an Administration is to place the club in a position where it can elect a competent board in circumstances where the newly-appointed board is able to function effectively and efficiently.

The role is unique in many ways as an external party fulfils the functions of the former board of directors. Interestingly, the role has no equivalent in the *Corporations Act*. Furthermore, the role of an Administrator appointed under the *Registered Clubs Act* is vastly different to that of an Administrator appointed under the *Corporations Act*.

Now, by the time this issue of *Club Life* hits the press, the Independent Liquor & Gaming Authority will have published its decision regarding complaint proceedings which have been in progress against the club for approximately two and a half years. The complaint proceedings commenced following a reasonably routine enquiry regarding a minor licensing issue...and the result? The Independent Liquor &

Gaming Authority has now fined Ramsgate RSL Memorial Club, imposed substantial costs in order of \$68,000, and as a result of the complaint proceedings themselves, the former Chief Executive Officer and former board members cannot hold office for three years.

The Independent Liquor & Gaming Authority had the power to impose severe fines and cancel the club's licence as well however the Authority accepted a submission from the current Ramsgate Group management that the club had already suffered considerably via financial hardship as a result of the actions of the previous management and board. And so it was noted that imposing a larger penalty would only serve to penalise the club members for the conduct of former directors, noting that the club was now under different management and had been for some time.

The Director issued the complaint against the Ramsgate Memorial RSL Club under *Part 6A* of the *Registered Clubs Act*, with the Authority's investigation, subsequent findings, and orders a damning indictment of the former board of directors and Chief Executive, who ran the club from 2002-2011. Concerns included excessive and inaccurately recorded travel expenses for staff visiting an amalgamated site; the use of company credit cards; a lack of internal controls on expenditure of gift vouchers and gifts in general; and, a lack of internal financial control on motor vehicle expenses, which were concealed in the general ledger as '*social entertainment – personal expenses*.' Meanwhile, other expenses were inflated, apparently to conceal these expenses.

The complaint also detailed serious concerns about financial accounts management and a failure (from 2004) to lodge fringe benefits tax returns. This resulted in an accumulated fringe benefits tax liability of \$356,053. The complaint also outlined concerns about the club's failure to meet legal, financial, and governance obligations in occupational health and safety, IT, corporate governance, and board procedures. It also stated that the club's Chief Executive failed to put into place strategic goals or business plans, and that they also allowed the club's assets to fall by 17.7% (or \$3,729,873) in four years.

The complaint also noted concerns over issues such as the board's inadequate oversight of the club's financial affairs and tax obligations, lack of corporate governance and financial controls, lack of budgets or comprehensive business plans, and inadequate staff training. It further highlighted that board members didn't implement recommendations made by the club's auditors relating to internal controls, a fixed assets register, and creditor's ledgers either while concerns about the board's inadequate due diligence on a proposal to amalgamate were not properly informed of the risks.

Above it all, perhaps most tellingly is that the complaint also noted that the governing body failed to comply with the *Club Code of Practice* which states: "*Club directors, managers, and staff are custodians of members' property and have an obligation to ensure that the administration and management of the club is conducted with efficiency, fairness, and integrity.*" This clearly didn't happen at the Ramsgate RSL Memorial Club and as a result, the Administrator along with the club's current management, staff, and members are all left to deal with the consequences.

The Independent Liquor & Gaming Authority has instructed the club to provide members with a summary of its finding after investigating the complaint against the club's former management and board, made by the Director of the Compliance Branch of the New South Wales Government's Office of Liquor, Gaming & Racing. ♣