

Registered Club – Fraud, Insolvency and Turnaround

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One frequent but not so common reason for corporate failure is fraud. Fraud levels in the Australian business scene are unfortunately quite high in number but much of this is at levels that allow the business to survive notwithstanding its occurrence. The need for strong internal controls and proper monitoring are paramount.

In this example the Club had been in operation for in excess of 90 years and like many clubs operated both a Club business and a sporting activity, the funds from the Club intended to support and fund the sporting activities. The Board predominately being made up of a group of well meaning ‘sporties’ and community minded individuals.

Whilst this is a quite common situation it is the perfect environment within which fraud can blossom, as in this case it did. The Club Secretary/Manager successfully extracted almost \$200,000 from the business over a relatively short period of time. The blade had been fatally struck.

In order to deal with the situation the individual was terminated and handed to the police and the Directors realising they needed a quick fix levied every member with a once off fee of \$500. You guessed it, some paid certainly, but the majority of members simply took their custom elsewhere, effectively doing nothing more than making the situation worse.

Decisions by the management of the organisation continued in a similar vane and with circumstances not improving the Directors had little option other than to ultimately appoint a Provisional Liquidator. This is where our involvement with the club commenced.

As Provisional Liquidator, we quickly assessed operations, examined existing contracts, reviewed potential and finally called a meeting of interested parties which included Directors, club members, local community, sporting players and other relevant parties. With input from industry specialists and support from the local community it was perceived that it was possible that operations could in some way be sustained at least at a better than break-even level, and ultimately this was the decision we moved forward with.

To enable change to be effected, appropriate control to be maintained and new opportunities and processes to be implemented the club remained in provisional liquidation for a period of 18 months during which significant changes were made to the clubs method of operation and its approach to its members, yes the initial decision being the cancellation of the \$500 the Directors had earlier levied on members. Interestingly, in the reported financial year contained within the provisional liquidation period the club succeeded in generating its largest profit since its inception.

Ultimately a group of life members was identified to form the basis of a new Board and steps were taken to move the business out of provisional liquidation and into administration for a further period of 12 months enabling payments to be made to existing creditors and the business to be returned to the full control of its Board and members. This was ultimately achieved.

The club continued to survive and ultimately passed its centenary simply because a focus was put on the available potential, poor and negative business practices were removed and all parties were forced to focus on a singular constructive and commercial aim.

Concentration of force or possibly better expressed, effort, is a significant contributor to success in any endeavour you pursue; particularly relevant to turnaround.