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1. INTRODUCTION

The decision taken by the UEFA Executive Committee in March 2009 to create a Club Financial Control Panel marked the start of a new era in European football in order to achieve even greater transparency and to strive to guarantee equality in UEFA club competitions.

Given the importance of the work of the Club Financial Control Panel and the challenges to be faced, the need for a body of independent experts was seen as vital in order to both enhance the credibility of the club licensing system and govern the implementation of financial fair play.

Jean-Luc Dehaene was appointed as the chairman of the Club Financial Control Panel in September 2009, with the remaining members being subsequently appointed in November 2009. Since the composition of the Club Financial Control Panel was established, it has overseen all the compliance audits that have been performed by independent experts under the coordination and supervision of the UEFA administration in the 2009/10 and 2010/11 seasons, as well as contributing to the consultation process for the development of the UEFA Club Licensing and Financial Fair Play Regulations.

The work of the Club Financial Control Panel in the 2009–11 period has been performed with the utmost professionalism and foresight, both of which are in evidence in this bulletin. It has been decided to publish this bulletin in order to provide clarity as to the work of the Club Financial Control Panel to date, as well as providing guidance to licensors and clubs alike in terms of what is expected of them by the Club Financial Control Panel both in terms of club licensing and financial fair play rules.

The bulletin will principally provide an overview and technical analysis of the Club Financial Control Panel’s role in ensuring that licences are correctly awarded by licensors and that clubs have fulfilled their obligations as defined in the UEFA Club Licensing and Financial Fair Play Regulations.

We hope that this bulletin provides a useful insight into the work of the Club Financial Control Panel and can help contribute to UEFA’s continued efforts in increasing transparency and good governance in European football.

Andrea Traverso
Head of Club Licensing and Financial Fair Play
2. CLUB FINANCIAL CONTROL PANEL’S WORK IN THE 2009–11 PERIOD

2.1 The role of the Club Financial Control Panel

Although the future role of the Club Financial Control Panel will focus heavily on the implementation of the financial fair play rules and governing the club monitoring process, the principal task of the Club Financial Control Panel from 2009 to 2011 has been to select and decide on compliance audits as defined in Article 71 of the UEFA Club Licensing and Financial Fair Play Regulations.

Compliance audits that take place during the course of the season as part of the overall compliance concept focus exclusively on the verification of the sporting, personnel and administrative, legal and financial criteria contained within the UEFA Club Licensing and Financial Fair Play Regulations. In addition, UEFA and/or the Club Financial Control Panel reserve the right to conduct compliance audits at any time should any specific cases arise.

In practice, compliance audits are performed by UEFA’s external and independent partner (usually the auditors PricewaterhouseCoopers) who is engaged locally by UEFA and charged with performing the actual controls in cooperation with and under the supervision of the UEFA administration. The auditors issue a detailed report of factual findings which then forms the basis of the compliance report that is then presented to the Club Financial Control Panel for review and assessment.

In accordance with the relevant provisions of the UEFA Organisational Regulations, the Club Financial Control Panel decides on compliance audits in order to verify whether licences are correctly awarded by the licensor and that the clubs fulfil their obligations as defined in the applicable UEFA Club Licensing and Financial Fair Play Regulations.

Following a first review of the compliance report, the Club Financial Control Panel may ask the licensor and/or club concerned to submit additional information to further prove compliance with the club licensing regulations. The additional information submitted by the licensors and/or clubs is then subsequently assessed by the Club Financial Control Panel.

If the Club Financial Control Panel considers that the licensor and/or the club were not in compliance with the club licensing criteria for the season under review, the licensor and/or club concerned are referred to the UEFA Control and Disciplinary Body for appropriate measures to be taken.

In the seasons following the compliance audit, the UEFA administration then performs a follow-up on all findings and
recommendations and reports back to the Club Financial Control Panel in order to provide it with an update on what measures may have been implemented by the licensors in order to address any finding identified during the compliance audit.

By performing follow-ups of compliance audits, UEFA aims to ensure that compliance audits also have a positive and constructive outcome by identifying weaknesses and areas for improvement in the implementation of the club licensing system by licensors.
2.2 Licensors subject to a compliance audit in 2009/10 and 2010/11

During the 2009–11 period, the Club Financial Control Panel reviewed and assessed the 25 licensors listed below.

**LICENSORS REVIEWED IN 2009/10**
- Croatian Football Federation (CRO)
- Cyprus Football Association (CYP)
- Spanish Football Federation (ESP)
- Football Association of Iceland (ISL)
- Luxembourg Football Federation (LUX)
- Football Federation of FYR of Macedonia (MKD)
- Football Association of Montenegro (MNE)
- Royal Netherlands Football Association (NED)
- Norwegian Football Association (NOR)
- Football Union of Russia (RUS)
- Turkish Football Association (TUR)

**LICENSORS REVIEWED IN 2010/11**
- Football Federation of Armenia (ARM)
- Austrian Football League (AUT)
- Belarus Football Federation (BLR)
- Bulgarian Football Union (BUL)
- Football Association of Czech Republic (CZE)
- Estonian Football Association (EST)
- German Football League (GER)
- Hungarian Football Federation (HUN)
- Lithuanian Football Federation (LTU)
- Irish Football Association (NIR)
- Romanian Football Federation (ROU)
- Scottish Football Association (SCO)
- Slovakian Football Association (SVK)
- Football Association of Slovenia (SVN)

Having completed these compliance audits, all the licensors have now been subject to at least one compliance audit since the club licensing system was first implemented back in 2004.
2.3 Overview of the compliance audits assessed by the Club Financial Control Panel

At six separate meetings during the 2009/10 and 2010/11 seasons, 25 licensors encompassing 77 clubs that participated in UEFA club competitions were assessed and reviewed by the Club Financial Control Panel.

From the compliance audits that were performed in the 2009/10 and 2010/11 seasons, 19 licensors were considered to be in compliance with the UEFA Club Licensing Regulations (ARM, AUT, BLR, CRO, GER, ISL, LTU, LUX, MKD, MNE, NED, NIR, NOR, ROU, SCO, SVK, SVN, RUS, TUR) following the Club Financial Control Panel’s first review and assessment of the compliance report. The remaining compliance audits have led to licensors and clubs either being issued with a warning, referred to the UEFA Control and Disciplinary Body or, in some cases, still being under investigation.

2.4 Cases referred to the UEFA Control and Disciplinary Body

Three cases (ESP/RCD Mallorca, CZE and HUN/Győri ETO FC) were referred to the UEFA Control and Disciplinary Body as the Club Financial Control Panel deemed that the licensors and clubs concerned were not compliant with the club licensing criteria for the seasons under review.
3. CLUB FINANCIAL CONTROL PANEL’S GUIDANCE

Before entering into the issues encountered by the Club Financial Control Panel during its review and assessment of the compliance audits, the summary below highlights the type of findings and recommendations that were identified.

The figures below clearly show that the principal issues faced by the Club Financial Control Panel have been in relation to the financial criteria (80% of all findings). Therefore, based on the review of the compliance audits, the Club Financial Control Panel has identified various issues in relation to the application of the club licensing criteria which are considered to be the most significant, in particular in view of the implementation of the club monitoring requirements that form part of the financial fair play rules.

UEFA and the Club Financial Control Panel hope that by highlighting the following issues and providing some additional guidance, licensors will be able to take all appropriate measures in order to ensure that their clubs avoid similar issues in the future by putting in place any additional guidance notes necessary to clarify the club licensing criteria.

It is important to note that non-compliance with the identified issues will be dealt with strictly by the Club Financial Control Panel in the future and could potentially lead to disciplinary measures being taken against the licensors and/or the clubs.
3.1 Reporting perimeter and ultimate controlling party

3.1.1 Non-disclosure of the ultimate controlling party

Clubs must provide the licensor with their overall legal structure as defined in Article 46 of the UEFA Club Licensing and Financial Fair Play Regulations, which includes information on any controlling entity up to the ultimate parent company and ultimate controlling party.

If clubs only provide the licensors with information on their direct shareholders or intermediate parent companies (e.g. in their financial statements) this will be deemed to be insufficient as the ultimate controlling party must be disclosed (see example below).

The disclosure of a club’s ultimate controlling party is key to ascertaining who the related parties are and this will become even more important with the introduction of the financial fair play rules. Such disclosure is equally important due to the provisions of the UEFA club competition regulations which prevent an individual or legal entity having control or influence over more than one club participating in a UEFA club competition.

Ultimate controlling party

- It is important that this party (or the party behind the ultimate controlling entity) is disclosed either in the financial statements or in a separate document provided by the club.

- It is not sufficient to disclose only the direct shareholders / intermediate parent company of the club.
3.1.2 Incorrect reporting entity and lack of consolidated financial statements

Clubs must provide the licensor with their overall legal structure, including information on any subsidiary, as defined in Article 46 of the UEFA Club Licensing and Financial Fair Play Regulations. Additionally, they must also adequately determine the reporting perimeter, which is the entity or combination of entities in respect of which financial information has to be provided to the licensor, and licensors are, in turn, responsible for assessing whether the selected reporting perimeter is appropriate for club licensing purposes.

If clubs have control of one or more subsidiaries, they must submit consolidated financial statements. As a consequence, financial information with regard to these subsidiaries, for example, owning the stadium or the football academy, must be contained within the reporting entity of the club in the form of consolidated financial statements.

Consolidating the financial statements is fundamental in order to give a fair presentation of the club’s financial situation and to provide further transparency on the real financial capacity of the club as a “football economic entity” and, additionally,
on potential financial risks that could be “transferred” onto the club from any of its subsidiaries. As such, and especially in view of the introduction of the financial fair play rules, the need to provide consolidated financial statements is considered to be of paramount importance by the Club Financial Control Panel.

It is strongly recommended that if the holding parent company has no separate activity from the club then consolidated accounts at the holding level should be submitted for the assessment of the financial criteria.

Additionally, it should also be stressed that all compensation paid to players arising from contractual or legal obligations, all costs/proceeds of/from acquiring/selling a player’s registration and all revenues arising from gate receipts must be accounted for in the books of one of the entities included in the reporting perimeter.

Examples of possible reporting perimeters

- Reporting perimeter is only the licence applicant if subsidiaries are not related to football or if they are not material.
- Reporting perimeter shall include all subsidiaries if they are related to football.
- Reporting perimeter shall include the parent company, if for example, compensation is paid to players by the parent company.
3.2 Financial statements

3.2.1 Adequate financial disclosures

Clubs must submit annual and interim (if applicable) financial statements together with supplementary information, where necessary. These financial statements must include, as a minimum, a balance sheet, a profit and loss account, a cash flow statement and notes which meet the minimum disclosure requirements and accounting principles set out in Articles 47 and 48 of the UEFA Club Licensing and Financial Fair Play Regulations.

The Club Financial Control Panel identified that some of the minimum information required in the financial statements (including supplementary information) was incomplete and did not include the appropriate disclosures with regard to the balance sheet, the profit and loss account and notes to the financial statements. The main issues encountered in relation to the completeness of clubs’ financial statements were as follows:

- accounts payable relating to player transfers were not disclosed separately in the financial statements (or supplementary information), making reconciliation with the transfer payables table impossible; a cash flow statement was not included in the financial statements;
- related party transactions were not adequately disclosed; and
- the accounting treatment of the costs of acquiring player registrations (player transfers) were not in compliance with minimum accounting requirements as outlined in Annex VII of the UEFA Club Licensing and Financial Fair Play Regulations.

The importance of complete financial statements with appropriate disclosures is fundamental, especially in view of the implementation of the financial fair play rules and, therefore, it is expected that, notwithstanding the requirements of national law and accounting practices, the clubs present the minimum financial information as specified in the UEFA Club Licensing and Financial Fair Play Regulations as part of their financial statements or as supplementary information. In the coming years, particular attention will be paid to appropriate disclosures of related party transactions, controlling parties and agents’ fees.

The preparation of complete financial statements is a fundamental and long-standing requirement of the financial criteria of the club licensing system as it helps to ensure that the licensor’s decision is based on complete and reliable financial information and it helps improve transparency and provide a more consistent approach among the licensors, as well as ensuring equal treatment among all clubs.
3.2.2 Appropriate application of minimum auditing standards

The UEFA Club Licensing and Financial Fair Play Regulations stipulate that annual and interim (if applicable) financial statements must be audited or reviewed by an independent auditor in accordance with either International Standards on Auditing (ISA) and International Standard on Review Engagements (ISRE) or relevant national standards, or practices where these comply with, as a minimum, the requirements of ISA and ISRE (Articles 47 and 48 of the UEFA Club Licensing and Financial Fair Play Regulations).

Additionally, if minimum disclosures cannot be included in annual or interim financial statements (e.g. because of national law or confidentiality) then supplementary information must be prepared. If the clubs prepare supplementary information in order to comply with the minimum requirements for content and accounting as set out in the UEFA Club Licensing and Financial Fair Play Regulations, the auditor must assess supplementary information by way of agreed upon procedures according to the International Standard on Related Services (ISRS 4400) or relevant national standards or practices where these comply with, as a minimum, the requirements of ISRS 4400.

If the financial statements and/or supplementary information submitted by the clubs are merely stamped by the auditor, this is not in compliance with the minimum assessment procedures indicated in Annex V of the UEFA Club Licensing and Financial Fair Play Regulations and is not sufficient as the ISA, ISR and ISRS 4400 require that a complete report is issued, clearly stating, among other things, the scope of the work undertaken by the auditor. It is important that the licensor verifies that the auditor’s report is in conformity with the principles of ISA, ISR and ISRS 4400.

The requirement for an independent auditor to verify the financial statements and, if applicable, supplementary information, enhances the credibility of the information prepared by clubs.

Furthermore, the importance of adequately assessed financial information is further reinforced by virtue of the fact that the going concern assumption of the club’s management, a vital aspect to be considered in respect of safeguarding the continuity of UEFA club competitions, is re-assessed by an auditor. Therefore the submission of financial information which is not adequately assessed by an auditor could be seen as a way to hide major financial problems, including going concern issues, which should lead to the refusal of the licence by the licensor or a potential referral to the UEFA Control and Disciplinary Body.
3.2.3 Going concern assessment and clubs in administration

The UEFA Club Licensing and Financial Fair Play Regulations state that in case any defined indicator is breached, the club must demonstrate to the licensor its ability to continue as a going concern until the end of the relevant season (Article 52 and Annex IX of the UEFA Club Licensing and Financial Fair Play Regulations). Additionally, according to Annex VII of the UEFA Club Licensing and Financial Fair Play Regulations, the financial statements must be prepared based on the assumption that the club is a going concern (i.e. it will continue in operation for the foreseeable future) and it has neither the intention nor the necessity to go into liquidation, cease trading or seek protection from creditors pursuant to laws or regulations.

If indicators are breached, the licensor must assess the future financial information prepared by the club more extensively in order to assess its ability to continue its operations until the end of the season for which a licence is granted. In doing so, licensors must assess the going concern assumption in conjunction with other financial information (e.g. annual financial statements, interim financial statements, written representation letter and any relevant additional documentary evidence).

Accordingly, the licence must be refused if, based on the financial information assessed by the licensor, there is doubt as to the ability of the club to continue its operations until the end of the relevant season (i.e. the club may not be able to continue as a going concern).

Should a case arise whereby a club has started insolvency proceedings, this is considered as a significant event that casts significant doubt on the ability of the club to continue as a going concern until the end of the relevant season and the licence cannot be granted.
3.3 Overdue payables

Clubs have to prove that they do not have overdue payables as defined in Articles 49 and 50 of the UEFA Club Licensing and Financial Fair Play Regulations. Payables are not considered as overdue if the club can prove it has paid the relevant amount in full, it has concluded an agreement to extend the deadline with the creditor or, under certain conditions, if there is an ongoing dispute pertaining to the amount in question (Annex VIII of the UEFA Club Licensing and Financial Fair Play Regulations).

The Club Financial Control Panel noticed that the interpretation of the “notion of overdue payables” by licensors was sometimes inconsistent. Therefore, important clarifications on specific points faced by the Club Financial Control Panel during the 2009–11 period are given below.

3.3.1 Late settlement or late deferral of overdue payables

If overdue payables exist, they are not considered as overdue for the purposes of the club licensing system if the clubs prove, among other things, by 31 March that the relevant amounts have been settled or the payment deadlines have been extended by the creditor (Articles 49 and 50 of the UEFA Club Licensing and Financial Fair Play Regulations).
Respect of the 31 March deadline is fundamental in order to ensure equal treatment among clubs of all 53 UEFA member associations. This deadline must be strictly adhered to as overdue payables which are either settled or deferred after 31 March are consistently considered to be in breach of the UEFA Club Licensing and Financial Fair Play Regulations by the Club Financial Control Panel for the purposes of the club licensing system.

The respect of deadlines in relation to overdue payables has now taken on even more importance with the implementation of the enhanced overdue payables rule which came into force in June 2011 as part of the financial fair play rules.

### 3.3.2 Lack of clarity concerning the payment date

The Club Financial Control Panel assesses case by case all the situations where the due date is not clearly stated in the relevant agreement. This is particularly relevant in cases of bonuses payable to employees (e.g. an amount to be paid at the end of a season) or in cases of contingency payments arising from transfer agreements (e.g. an amount to be paid should a club qualify for a subsequent UEFA club competition).

Therefore, it is extremely important that the relevant contracts (either transfer or employment) explicitly stipulate the exact due date of all payables. Licensors are requested to inform their clubs that all payment dates need to be explicitly stipulated in the relative contract in order to avoid any doubt as to when these payables are to be considered as overdue.
3.3.3 Inadequate settlement of overdue payables

It has been observed by the Club Financial Control Panel that clubs claim to have settled overdue payables in the following ways which are not provided for in Annex VIII of the UEFA Club Licensing and Financial Fair Play Regulations:

i. post-dated cheques submitted to the creditors in which a future date is entered and, therefore, the cheques cannot be cashed by the creditor until that day (this could be for a period of even up to six months or one year);

ii. money deposits with a notary in favour of the creditors, who have a certain time limit according to national law by which to claim the overdue amounts from the notary.

Any other methods of settling overdue payables which are not provided for in the UEFA Club Licensing and Financial Fair Play Regulations are not considered to be in compliance unless a written agreement has been concluded by 31 March demonstrating that both the club and the creditor have agreed to settle the overdue payables in such a way.

3.3.4. Difficulties in settling overdue payables

UEFA and the Club Financial Control Panel acknowledge that practical problems often result in clubs facing difficulties to settle overdue payables by the deadline of 31 March (e.g. when the bank details of the creditor are not known). Despite such difficulties, it is often clear that although a club has been unable to make a payment, the amounts are in principle still overdue and should be paid.

It is useful to analyse some potential situations:

i. The identity of the creditor is unknown or uncertain.

In case of solidarity contributions and training compensation when the identity of the creditor is unknown due to the player passport being incomplete (no records found for certain seasons) and the club can reasonably demonstrate that it did everything to get the necessary information, the amount due, while considered as a payable, should not be considered as overdue.

ii. The creditor did not communicate all information in order for the payment to be made.

In such situations it is recommended that the best approach would be for the licensor to create a blocked bank account (similar to an escrow
3.3.5 Disputed amounts

Payables might not be considered as overdue if a claim or proceedings have been opened with the competent authorities. However, it is important to distinguish between various situations:

i. **A claim made or proceedings opened by the debtor.**
   In such a situation, the claim must have been considered admissible by the competent authorities. Any claim or proceedings that are opened just for the purpose of “buying time” cannot be taken into account and the relevant amount will be considered as overdue.

ii. **A claim made or proceedings opened by the creditor.**
    In such a situation, the debtor must prove that it contested the claim or the proceedings (e.g. letters sent to the competent authorities contesting the merits of the claim). If the debtor did not contest the claim then the amount will be considered as overdue.

iii. **The creditor did not submit an invoice.**
    If the creditor does not submit an invoice (but the club disposes of all the relevant information to make the payment) the amount is considered to be due, i.e. for the avoidance of doubt, the amount has to be paid even though a formal invoice has not been sent (the fact that the creditor did not submit an invoice does not constitute an extension of deadline). That is to say, the amount would become overdue if not settled within the agreed deadline.

iii. **A claim made or proceedings opened with an authority that is not competent to deal with the case.**
    In such situations (e.g. case that has an international dimension which is disputed before national arbitration tribunals instead of FIFA or the CAS), the relevant amount will be considered as overdue.
4. LOOKING FORWARD

The above summary of the principal work of the Club Financial Control Panel during the 2009–11 period illustrates the fundamental role of the panel in the application of club licensing in UEFA’s member associations. Furthermore, it goes hand in hand with the role the panel will now have in assessing the financial fair play rules which are contained within the UEFA Club Licensing and Financial Fair Play Regulations.

Initial club monitoring requirements have already been in place since June 2011, when the enhanced rules in respect of overdue payables towards football clubs, employees and/or social/tax authorities were introduced. All 237 clubs which have qualified for the 2011/12 UEFA club competitions have been subject to additional assessments subsequent to having obtained a licence.

One of the most significant tasks of the Club Financial Control Panel in the years to come will be to oversee the full implementation of the financial fair play rules and this will represent a considerable challenge not only for the panel, but also for licensors and clubs.

As such, the Club Financial Control Panel is fully aware that in order to achieve the objectives of financial fair play, which have been agreed with all relevant stakeholders, the cooperation of licensors and clubs and the establishment of a good working relationship is fundamental.