

## **IPACS Benchmark Guidelines**

**Updated 2 September 2022, version 2**

### **IPACS Benchmark E3 – The organisation has control mechanisms and external financial audit including some anti-corruption specific measures**

#### Definitions

- Control mechanisms – formal policies and procedures to meet obligations of governance, fiduciary responsibility and due diligence; examples include accounting controls such as having an expenses policy and adopting a recognised accounting standard; governance controls include conflict of interest policies and many other measures covered within the Benchmark
- External audit – an examination of the organisation’s financial report carried out by a qualified external party, independent of the organisation; depending on the country where the organisation is incorporated, there may be minimum thresholds below which a defined independent “review” rather than a formal audit is sufficient to meet requirements
- Corruption – corruption is a term referring to a number of offences which may be explicitly defined in some jurisdictions; examples of offences relating to corruption can include bribery, extortion, embezzlement, trading in influence, abuse of functions, fraud, money-laundering, collusion and “sextortion” (an individual extorting money or sexual favours under threat in exchange for something within their power to grant or withhold), among others
- Anti-corruption efforts refer to activity designed to prevent, detect and combat corruption

#### Introduction to this benchmark and its significance

- Sports organisations should be accountable to their members and other stakeholders, including funders, for how they use their financial resources
- The implementation of internal accounting and other controls along with the audit committee and an external audit provides assurance of financial probity and contributes to the achievement of internal control objectives, making the organisation more credible and trustworthy to a range of stakeholders
- The selection and implementation of sufficient internal controls assists the organisation in detecting acts of corruption and ensures that the accounts and financial statements are subject to appropriate auditing and certification procedures; other types of controls may have a preventive effect
- There may be associated legal requirements for both accounting controls and external audit, depending on the country where the organisation is incorporated and the type of legal entity involved

#### Commentary on the action to be taken

- The organisation should implement appropriate accounting and other controls, such as an expenses policy, adoption of a recognised accounting standard, segregation of duties, a budgeting process, a procurement policy, a contract policy and a reserves policy; in doing so the organisation takes full account of its risk assessment (see Recommendation E4)
- The organisation should have professional support for its financial management, either in the form of external expertise or internal staff for larger organisations
- The accounting controls should be designed to mitigate identified corruption risks relevant to the organisation, such as conflicts of interest and misuse of expenses and to ensure books are not used to conceal acts of corruption
- The organisation should have an audit committee to monitor and review accounting controls, pursuant to the “three lines of defence” principle as defined by the Institute of Internal Auditors (IIA),
- Larger organisations should have an internal audit function operating at different levels: review of effectiveness of control of expenses, accounting for income and recording expenditure; system-based audit reviewing the adequacy and effectiveness of financial, operational and management control systems; audits reviewing the legality of transactions and the safeguards against fraud and corruption; and a full risk-management-based audit
- The organisation should undergo an external audit; audited accounts should show the name and details of the auditing firm or individual (e.g. logo, company details)

- See also Recommendations A7 (publication of accounts), A8 (publication of allowances), B10 (anti-corruption code), E2 (audit committee) and E4 (risk assessment)

Investment requirement – there are limited costs associated with implementing basic internal financial controls; professional support will be needed; some investment is required for external audit but this may be a statutory requirement, depending on the jurisdiction and characteristics of the organisation

#### Guidance according to stage of organisation

##### Early stage

- The organisation has basic accounting and other control mechanisms in place, such as an expenses policy, segregation of duties, production of financial statements in accordance with a recognised accounting standard, a budgeting process and a contract policy
- The organisation undergoes external annual audits (in accordance with any required standard) and publishes at least the most recent set of audited financial reports and external audit reports

##### Developing

- The organisation has an appropriate range of control mechanisms in place, including delegated authorities for expenditure, operating metrics and policies for procurement and reserves, which are proportionate to its corruption risks
- The organisation publishes information on accounting and other controls that is useful to stakeholders, including policies such as for expenses and recognition of revenue
- The organisation's accounting controls and external audit are designed to mitigate corruption risks identified through risk assessment, such as conflicts of interest and misuse of expenses, to ensure that the organisation's books are not used to conceal acts of corruption
- The organisation has established an audit committee of qualified individuals, consistent with Recommendation E2
- The findings of these controls and audits are reported regularly to senior management and to the audit committee with a process for escalation to the governing body

##### Advanced

- The organisation conducts audits according to recognised international standards, such as Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS)
- The scope of the external audit is tailored to mitigate identified corruption risks and detect any significant irregularity, with a special focus on the high-risk situations highlighted in the corruption risk assessment
- The organisation tenders the external audit contract or changes the auditor (but not necessarily the auditing company) every few years
- Any issues identified during accounting controls or audits give rise to appropriate corrective measures, which are periodically reviewed for effectiveness

## Good practice examples

### International Sports Organisations (from 2020)

- World Sailing: [Audited accounts](#) are published dating back several years:
  - Accounts are prepared using a GAAP standard.
  - A [matrix of financial authorities](#) is published:
- BWF: Accounts published in [annual reports](#) are audited in accordance IFRS standards (Malaysia):
- Internal [procedures and financial controls](#) are published
- WT: [Finance Committee](#) oversees budgeting and financial control processes – see [Statutes](#) Addendum 8
  - [Financial statements](#) are audited in accordance with IFRS standards (Republic of Korea):
- International Netball Federation: [Audit and Finance Committee](#) has responsibility. Also see [Board Governance Policy](#) which highlights risk management
- Badminton Asia – [administrative and financial procedures](#)

### Overall standard among International Federations:

- 23 out of 31 members of ASOIF published had internal accounting controls in place and published externally audited accounts
- This topic was one of 20 covered in the 2018-19 GAISF assessment for non-Olympic sports (compared to 50 topics for Olympic sports) as it was judged to be important and feasible for small organisations to achieve

### National Olympic Committees

- Botswana Olympic Committee – [externally audited financial accounts](#) dating back several years
- Italian National Olympic Committee (CONI) – [publication of detailed income and expenditure and audited accounts](#) dating back several years

## Selected references

- [ASOIF GTF Questionnaire 2019-20](#), Indicator 6.3
- [SIGGS Principle 2 \(Autonomy and Accountability\), Indicator 12](#) - What kind of financial controls does your organisation have in place?
- Parliamentary Assembly of the Council of Europe, [Addendum to the report](#) “Working towards a framework for modern sports governance”:
  - Criterion 3.1: Audit & Compliance committees:
  - Control of the financial processes
  - External and independent control
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- IOC’s [“Consolidated Minimum requirements for Implementation of the Basic Principles of Good Governance for NOCs”](#):
  - Theme 4.4 “Financial matters – applicable laws, rules, procedures and standards”, Principle 3: For all organizations, annual financial statements are to be audited by independent and qualified auditors.
- Institute of Internal Auditors: [Three Lines Model](#)
  - Roles are divided:
  - Governing body – sets structure and objectives in line with interests of stakeholders; delegates to management
  - First line: operational functions that own and manage risks
  - Second line: managerial functions that help build and/or monitor first line controls
  - Third line: independent functions that provide assurance to the governing body
- UNODC: [Technical Guide to the United Nations Convention against Corruption, p. 12 II.5. Resources](#)

- United Nations Convention Against Corruption (UNCAC): [Article 12 \(3\) on the importance of maintaining books and records](#)
- Geeraert, A. (2018). [Sports Governance Observer 2018](#). An assessment of good governance in five international sports federations. Aarhus: Play the Game / Danish Institute for Sports Studies, p.11-15:
  - Principle 32: The organization implements a financial control system.
- Principle 36: The organization is externally audited by an independent auditor.

ASOIF indicator 6.3 – scoring definitions used in the 2019-20 assessment

- 0 – No
- 1 - Some accounting control mechanisms and/or an external financial audit
- 2 - Official accounting control mechanisms in place and an external financial audit
- 3 - Official accounting control mechanisms in place and an external financial audit, details published
- 4 - State of the art accounting controls in place and external financial audit (IFRS/GAAP or equivalent), details published