

IPACS Benchmark Guidelines

Updated 13 September 2022, version 2

IPACS Benchmark E2 – The organisation has an audit committee that is independent from its governing body

Definitions

- Audit committee – a committee, ranging in size from a single individual in a small organisation to several individuals in a larger entity, with delegated authority from the governing body that provides oversight of the financial reporting process, the audit process, the company's systems of internal controls, compliance with laws and regulations and sometimes has additional functions; it leads on the appointment, compensation and oversight of the work of the external auditor (which provides an opinion on whether financial statements comply with applicable standards and laws); it is separate from any internal audit function
- Independent (person) – an individual who is free of any connection to the sports organisation (at national and/or international level)

Introduction to this benchmark and its significance

- The existence of an independent and appropriately qualified audit committee (or at a minimum an appropriate individual) can provide assurance to a wide range of stakeholders about the organisation's financial procedures and overall integrity
- The audit committee's activity provides both support and oversight to staff, including the internal auditor and the governing body, identifying and mitigating risks that might otherwise impact on the organisation
- The audit committee provides additional expertise and scrutiny on financial matters as a check on management and reducing the workload of the governing body

Commentary on the action to be taken

- The organisation should have provision for an audit committee in its Constitution with delegated authority for monitoring and reviewing internal financial controls, oversight of financial reporting, leading on appointment of the external auditor and potentially other functions including risk management and evaluating the efficiency of the organisation
- The chair of the audit committee should not be the same person as the chair of the governing body
- The audit committee should have independent representation or majority who may include independent directors from the governing body; however, in some parts of the world the audit committee typically consists of governing body members who are not independent
- The audit committee members (typically two to five except for very small organisations as referenced above) should be selected for their relevant expertise, including one or more individuals with professional financial qualifications
- Audit committee reports should be published annually
- The audit committee should report to the General Assembly; it may also report to the governing body
- Employees should only attend audit committee meetings by invitation
- Larger organisations should have an internal audit function, which is an independent function within the organisation whose main objective is to review the effectiveness, efficiency and balance of the established measures and controls
- See also Recommendation A7 (publication of accounts), C6 (term limits), E3 (accounting controls), E4 (risk assessment)

Investment requirement – the cost of establishing the committee is limited; some investment may be required for professional fees associated with the audit committee's work

Guidance according to the stage of organisation

Early stage

- One or more individuals with relevant expertise who are not staff of the organisation monitor and review financial controls and reporting, helping to assure financial probity and the achievement of overall internal control objectives (e.g. a treasurer)

Developing

- The organisation has an audit committee of qualified individuals, with a majority of members being independent from the governing body, that monitors and reviews financial controls and reporting
- The audit committee makes a recommendation on the appointment of the external audit company
- The audit committee may also carry out finance or risk functions of the board
- The organisation annually publishes information about its activities and acts on the findings
- The audit committee reports to the General Assembly; it may also report to the governing body

Advanced

- The audit committee is exclusively composed of members independent from the governing body
- The audit committee has delegated authority for additional appropriate functions, which may include compliance, risk management and internal control
- Audit committee members are selected through open recruitment, unless the audit committee consists of independent members from the board

Good practice examples

International Sports Organisations (from 2020)

- FEI: The [Audit and Compliance Committee](#) has a majority of independent members
 - In the [Statutes](#) Article 33 covers roles and responsibilities. The Committee reports to the General Assembly and Board
 - A [report](#) to the General Assembly:
- FIFA: Members of the [Governance, Audit and Compliance Committee](#) must not belong to any other FIFA body (Article 51 of [Statutes](#))
 - Criteria for being independent are referenced in [Governance Regulations](#), Article 5
 - The Chair is independent and other members are involved in football but not in any other FIFA body
- ITU: The [Audit, Risk and Integrity Committee](#) is elected:
 - The [report to Congress](#) is published and includes practical recommendations
- IIHF: [Statutes](#) 18.2.3 "The Auditors are equals and completely independent of the Council. They shall distribute tasks fairly and equitably and report directly to Congress."
 - Activity from internal auditors include presentation to Congress of overall IIHF finances - see [annual report](#) page 23
- IOC: [Composition and function of Audit Committee](#)
 - Some information is included in the [Annual Report](#)

Overall standard among International Federations:

- 7 out of 31 members of ASOIF had an audit committee in place with an independent majority that published its activity

National Olympic Committees

- Uruguayan Olympic Committee (COU) – [independent Fiscal Commission](#) reports to the General Assembly
- Olympic Federation of Ireland – [Audit and Risk committee](#) with independent members

Selected references

- [ASOIF GTF Questionnaire 2019-20](#), Indicator 6.2
- European Commission Expert Group on Good Governance, ["Principles of Good Governance in Sport"](#):
 - Principle 10.a: Establishment of accountability standards/Checks and balances.
- 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:
 - Audit and compliance committee.
 - Independence of the audit and compliance committee.
- IOC's ["Consolidated Minimum requirements for Implementation of the Basic Principles of Good Governance for NOCs"](#):
 - Theme 4.5 "Internal Control system", Principle 4: "Audit committees should be appointed for large sports organisations".
- UNODC: [An Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide, p. 65 Responsibilities for the system of internal controls](#)
- 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 30: The organisation has an internal financial or audit committee."

- 0 – No
- 1 - Audit committee in place but no independence
- 2 - Audit committee in place with independent (meaning not IF staff or members of IF executive) representation
- 3 - Audit committee in place with independent majority, activity published
- 4 - State of the art audit committee with independent majority, reports directly to members, activity published