

## Headline 2.4 Financial aspects

### 1. Definition

Financial aspects are all matters related to the budget as well as financial and monetary transactions within an organisation. It refers to the different tools, bodies and arrangements set up by the organisation to manage its financial planning, budgeting and reporting activities. This topic is also covering all elements related to internal and external controls. Despite the not-for-profit profile of a majority of sport organisations, requirements regarding the efficiency, clarity and control of their financial activities are relatively similar to those in place for other sectors. Indeed, the past decade has seen several high-level cases related to financial mismanagement and corruption within sport organisations which have drawn a lot of attention to their financial management, notably when public money is involved. Financial topics are closely linked to the financial management of the organisation, which covers various aspects such as planning, managing, controlling, monitoring, analysing and auditing the financial resources and transactions within the organisation and mobilise a vast range of tools from financial statements to audit and compliance reports.

### 2. Ideal scenario

The organisation has installed and applied sound, efficient and effective financial management arrangements for all its financial activities. This includes proper financial planning formalised in comprehensive multi-annual and annual financial plans which are linked directly to the strategic plan and objectives of the organisation. Every year, the organisation produces financial statements and bookkeeping which are compliant with the national accounting laws applicable and are approved by the General Assembly. In addition, when in line with national requirements, the organisation is preparing financial statements in accordance with a selected recognised reporting framework (e.g. IFRS, IFRS for SMEs, US GAAP, UK GAAP, Swiss GAAP RPC) and following a “true and fair view” principle. The objective of using internationally recognised standards is to increase the transparency of the financial reporting and the management of the organisation by making them comparable with other sectors. The global policy of the organisation is described in a financial strategy document, approved by the General Assembly. Various bodies are engaged in the day-to-day management of the finances and execution of the financial plan including a financial department, headed by a Finance Director or Chief Financial Officer (CFO) that is directly accountable to the Board, and a Financial Committee. Furthermore, a sound financial monitoring framework that incorporates the approval and monitoring of budgets as well as the accounting and internal audit of finances has been installed. The monitoring of distributed funds to members is also organised. In addition to the internal audit (e.g. audit committee) which is independent of the decision-making, an official external audit of the annual accounts is conducted by an external independent recognised auditor with an audit report presented to the General Assembly.

### 3. Risks

- Financial mismanagement/inefficient use of resources.

- Financial instability/Short-term view on financing.
- Financial crisis/bankruptcy.
- Problem with cash flow.
- Financial misconduct/misuse of power.
- Difficulties to remain with budgetary lines/budgetary imbalance.
- Unclear view of the financial situation of the organisation.
- Difficulties in reaching strategic objectives.
- Uncertainty regarding responsibilities when a financial problem arises.
- Delay finding and underline a financial difficulty/late reaction.
- Concentration of financial power in an individual.

#### 4. Instruments and key elements

<i>Instruments</i>	<i>Key elements</i>
<b>Financial management strategy</b>	<ul style="list-style-type: none"> <li>• Clear definition of responsibilities, competencies and tasks of responsible persons and bodies.</li> <li>• Appointment of a responsible person for financial management (e.g. Finance Director or Chief Financial Officer) accountable to the board.</li> <li>• Defining the role of the Treasurer.</li> <li>• Defining the role of the Finance Committee (if applicable).</li> <li>• Linked to the financial plan of the organisation.</li> <li>• Power of signature for at least two identified positions.</li> <li>• Dissemination of financial tasks between multiple actors (segregation of duties system).</li> <li>• Four eyes principle (payments and investments above a certain amount need to be verified by at least 2 persons).</li> <li>• Proper mechanisms for controlling and monitoring finances (e.g. accounting standards and reporting).</li> <li>• Setting a bookkeeping following the accurate standards including a double entry principle.</li> <li>• Compliance with applicable national standards for accounting and reporting as well as requirements for higher-level sport bodies.</li> <li>• Main financial provisions on financial management (including the role of Treasurer) to be included in the statutes.</li> <li>• Financial statements are prepared several times a year for internal purposes and are compiled in an annual report to be presented to the executive board and the GA.</li> <li>• Basic financial information must be communicated to stakeholders and publicly available regularly.</li> </ul>
<b>Finance Committee</b>	<ul style="list-style-type: none"> <li>• Clear composition of the Committee.</li> <li>• Precise definition of tasks, competencies and responsibilities of members (e.g. financial skills).</li> </ul>

	<ul style="list-style-type: none"> <li>• Supervision of financial management.</li> <li>• Definition of relation with the financial department, the Treasurer and the Board.</li> <li>• Independence of the Committee.</li> <li>• Role of Finance Committee included in statutes or internal regulations.</li> <li>• Monitoring of the distributed funds.</li> </ul>
<b>Audit Committee/Internal Auditors</b>	<ul style="list-style-type: none"> <li>• Clear composition of the Committee.</li> <li>• Clear procedures on appointment or nomination of members of the Committee or auditors.</li> <li>• Precise definition of tasks, competencies and responsibilities of members (e.g. financial skills).</li> <li>• Definition of relation with the financial department, Finance Committee, Treasurer and the Board.</li> <li>• Independence of the Committee from the decision-making of the organisation.</li> <li>• Role of Audit Committee/Internal Auditors included in statutes or internal regulations including overseeing financial reporting and accounting, external auditors, compliance and the internal control system as well as the possibility to request special investigations when necessary.</li> </ul>
<b>External auditor</b>	<ul style="list-style-type: none"> <li>• Annual accounts are to be checked by an External Auditor (external to the organisation).</li> <li>• Certified annual accounts.</li> <li>• Liaison with the Audit Committee, Internal Auditors or Treasurer if needed for audit matters.</li> <li>• Recognised as a professional auditor or professional auditing company.</li> <li>• Independence and autonomy.</li> <li>• Audit report presented to the General Assembly.</li> </ul>
<b>Financial Plan</b>	<ul style="list-style-type: none"> <li>• In line with the vision, mission and objectives.</li> <li>• Link with strategic plan / strategy of the organisation.</li> <li>• Clear and understandable.</li> <li>• Responsible person for executing plan (accountability arrangements).</li> <li>• Mid- and long-term planning.</li> <li>• Approval by the Board and regular points of evaluation and assessment.</li> </ul>

## 5. Good practice examples

### Example “Finance Commission” and “Audit Committee”

**Organisation:** International Olympic Committee

**Description:** Financial power, responsibilities and duties within the IOC are clearly explained and defined in the Olympic Charter. While the executive board and the President have the responsibility to establish an annual report and the financial statements of the IOC, the organisation also set up two finance-related Committees for support. The Audit Committee reports to the IOC Executive Board, the IOC President, and assists the Director General’s Office in fulfilling its responsibilities in several areas including risk management, financial reporting, compliance, control and governance. The responsibilities of the Audit Committee are notably to:

- Monitor the integrity of the IOC’s financial statements and ensure that the financial statements of the IOC and its subsidiaries are prepared in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law and the Olympic Charter.
- Oversee the IOC internal control and risk management systems and report to the Executive Board on the types of risk to which the IOC is exposed.
- Review compliance with policies, procedures and applicable regulations.
- Advise the Executive Board for the approval at the annual Session of the appointment, re-appointment or removal of the external auditor. Approve the appointment and removal of the Chief Internal Auditor and monitor the effectiveness of the internal audit function.

In addition, an IOC Finance Commission has also been established to advise the IOC Session, the IOC Executive Board and the President on topics related to the IOC’s financial management to safeguard and strengthen the transparency and good governance of the IOC. The responsibilities of the Finance Commission are notably to:

- Review and pre-approve financial information to be able to provide advice and recommendations to the Session, the IOC Executive Board and the President.
- Provide advice and guidance to other commissions on financial matters.
- Ensure that the IOC and all its subsidiaries have an efficient and transparent budgeting and financial control process and that the Financial Policies and Procedures approved by the IOC Executive Board are respected.
- Review the completed financial statements before submission of these to the IOC Executive Board and IOC Session for approval.

In addition, the IOC is transparent with its revenues as well as the redistribution mechanisms in place as described in the funding schemes above. All relevant information can be found on a dedicated webpage.

**Further information:**

[Olympic Charter \(olympics.com\)](https://olympics.com)

[IOC - Funding \(olympics.com\)](https://olympics.com)

### Example “Financial Management Strategy” and “Audit Committee”

**Organisation:** World Triathlon

**Description:** World Triathlon clearly defines in its Constitution the different roles and responsibilities as well as the processes in place related to the financial management of the organisation. In addition to the power given to Congress, the President, the Secretary General and the Executive Board, the Constitution foresees the nomination of a Vice-President responsible for Financial and Marketing. His/her role notably consists of:

- clarifying financial and marketing implications of proposals;
- outlining the current financial status; and
- retrieving relevant documentation and among other things assisting on:
  - General financial oversight;
  - Funding, fundraising and sales;
  - Financial planning and budgeting;
  - Financial reporting to Congress;
  - Investing the World Triathlon reserves;
  - Monitoring of fixed assets and stock.

To advise and assist the Executive Board and Congress, an Audit Committee is elected for four years. The existence, the role and the functioning of this Committee are guaranteed and clarified by the Constitution (ART 46 and 47). The Audit Committee notably has the following responsibilities:

- Periodically review the financial statements prepared by the Secretary General and the Financial and Marketing Vice-President, and have contact with the external auditor;
- Periodically to report to the Executive Board and Congress on the status of the financial statements.

**Further information:**

[Documents • World Triathlon](#)

[Committees, Commissions & Tribunal • World Triathlon](#)

### Example “Financial Management Strategy”, “Finance Committee”, “Internal Auditors” and “External Auditors”

**Organisation:** International Ice Hockey Federation (IIHF)

**Description:** The IIHF has a dedicated chapter in its statutes (2021-2024) on financial aspects. This section covers commercial and financial aspects such as the financial administration, the accounts and currencies, income and expenses of the IIHF, etc. The statutes also clearly define the tasks and responsibilities of the various actors and bodies involved in the financial management, including:

- Secretary General: responsible for establishing the annual budget (forecast of total income and expenditure) in coordination with the Treasurer and the Board which can provide

recommendations before the adoption by the Congress (together with the Internal Auditor's Report).

- Treasurer: appointed by the Council, shall have the authority, duties, and responsibilities of chairing the Finance Committee, calling its meetings, overseeing its tasks, and reporting to the IIHF Council on its outcomes, including recommendations, opinions, and decisions.
- Finance Committee: be responsible for consulting on IIHF financial affairs, including advising on investment of liquid resources, reviewing financial guidelines and procedures, safeguarding assets, assessing and proposing long-term financial strategies for each four-year cycle, providing long-term financial recommendations and reports to the Council, ensuring financial transparency to Congress, recommending sufficient financial reserves, and advising the Council on the financial remuneration for the President.
- Internal auditors: 2 auditors elected by Congress for 4 years. Their tasks include financial monitoring and controls, financial risk management and monitoring the independence and performance of external auditors.
- External auditors: following the proposal by the Council, they are appointed annually and subject to approval by the Congress. Their task is to examine and certify the accounts of the past financial year. Their report shall be submitted to the IIHF Auditors, the Council and Congress.

The following elements are worth mentioning:

- Power of signature: determining who is authorised to negotiate and sign contracts and to what value.
- Four eyes principle: closely related to the power of signature, it sets out that for all payments and commitments greater than 50,000 CHF, authorisation by two authorised persons is required.

**Further information:** [IIHF - Statutes & Bylaws](#)

#### Example "Financial Management Strategy", "Finance Committee" and "Audit Committee"

**Organisation:** United States Olympic & Paralympic Committee (USOPC)

**Description:** The statutes and by-laws of the United States Olympic & Paralympic Committee mention various provisions regarding financial management (e.g. Section 20 of the By-laws). Besides an Internal Auditor, the USOPC has also set up a Finance, Audit and Risk Committee. Its tasks, composition and responsibilities have been clearly described in the By-laws (Section 5 Committees and Task Forces – 5.9 Finance, Audit, and Risk Committee). The Finance, Audit and Risk Committee consists of at least three and not more than six members, all of whom shall be members of the Board. Regarding the competencies of the members of the Committee, it stated that a majority of members shall be financially literate and at least one shall have accounting or financial management expertise. The role of the Audit Committee is extensive and covers elements which in other sports organisations could be covered by a Finance Committee. It includes for instance:

- To assist the Board in its financial oversight.
- To discuss with management the annual audited financial statements and quarterly financial statements.
- To review the organisation's financial reporting and accounting standards and principles.

- To periodically review with the independent auditor the qualifications and performance of the organisation’s finance staff.
- To establish practices or procedures, providing effective mechanisms for employees and others to make complaints relating to accounting practices, internal accounting controls, or audit matters.
- To select the independent auditor to examine the corporation’s accounts, controls and financial statements.

In terms of meetings, the Audit Committee shall meet at least three times a year with management and with the Internal Auditor, and at least annually with the organisation’s independent auditors. In addition, the Audit Committee shall meet periodically in executive session without management present. The Audit Committee shall report its minutes and recommendations to the Board of Directors after each committee meeting.

**Further information:** [USOPC | Governance Documents And Bylaws](#)

#### Example “Financial Management Strategy” and “External Auditor”

**Organisation:** National Olympic Committee of Portugal

**Description:** The NOC of Portugal has installed clear and solid procedures for the financial reporting and monitoring of their activities. The NOC publishes its annual accounts, combining the financial plan and the financial report, which build upon the NOC guidelines and objectives as indicated in the strategic plan. It incorporates clear explanations, commentaries and footer notes to elucidate external readers less familiarised with NOC activities and accountability reporting standards. These annual accounts are officially audited by an external independent auditor, recognised by Portuguese legislation, as a mandatory condition to be voted by the Board and the General Assembly afterwards. Once approved, the accounts, as well as the strategic documents, are published on the website of the NOC and are made publicly available. Furthermore, they are provided directly to members and other stakeholders, notably the Secretary State of Sport and Youth of Portugal and the Portuguese Institute of Sport and Youth.

**Further information:** [Economic Information – COP – Portuguese Olympic Committee \(comiteolimpicoportugal.pt\)](#)

#### Example “Finance Committee” and “Financial Plan”

**Organisation:** Basketball England (BE)

**Description:** Basketball England prepared specific terms of Reference for its “Finance and Audit Committee” in which they clearly specify the objectives, the role and the practical organisation of the Committee. They describe the main purpose of the Committee which is to oversee the financial processes and practices of Basketball England taking into account all financial controls, reporting on behalf of the board and to make regular recommendations and reports on its activities to the board. It also describes the composition of the Committee, i.e. three Board members and the Company Secretary, and its responsibilities and duties, which are, among others:

- Monitoring and reviewing all financial aspects of BE

- Judgements used about the quality of accounting principles
- The effect of new regulatory and accounting standards and initiatives on BE
- Unexpected events having a significant impact on financial results of BE

In addition, the document also specifies the Committee’s interaction with the Management. Management must provide current financial reports as required by the committee and in line with the financial strategy approved by the Board, as described in the statutes of the organisation. These reports must show the current financial position with a projection of future costs where at all possible and should be annually approved. Annual reports and accounts are available on the website (from 2013). The accounts include internal and external audit opinions as well as explanations of the different budget lines.

Further information: [Structure & Vision | Basketball England](#)

## 6. Steps to the next level

To level 2 ★★ “Emerging”	To level 3 ★★★ “Developing”	To level 4 ★★★★ “Established”	To level 5 ★★★★★ “Embedded”
<ul style="list-style-type: none"> <li>• Clearly define the role, tasks and responsibilities of a person in charge of dealing with bookkeeping in your organisation (e.g. Treasurer).</li> <li>• Discuss within the board the functioning of the financial management of your organisation.</li> <li>• Establish basic rules on control measures that are needed for financial transactions.</li> <li>• Set up a control process of your annual financial activities including the approval of your annual</li> </ul>	<ul style="list-style-type: none"> <li>• Define who is responsible for managing the financial activities of your organisation. In this regard, precise the role of the Treasurer, the board and the president.</li> <li>• Consider the establishment of a Finance Committee to support the Board and the Treasurer. Assign clear tasks and responsibilities to this Committee and ensure that members have the right financial background.</li> </ul>	<ul style="list-style-type: none"> <li>• Include financial responsibilities of the President, the Board and the Treasurer in the Statutes and by-laws.</li> <li>• Clearly define and standardise the cooperation between the different actors in charge of the financial management of your organisation including the President, the Treasurer, the board, the finance department /Committee and the Audit Committee.</li> <li>• Clearly establish in your financial</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt a clear financial management strategy covering all aspects of the planning, managing, controlling, monitoring, analysing and auditing of the finances. Clearly define or refine the role, tasks and responsibilities of all persons and bodies involved, including Treasurer, Secretary General/CEO, Finance/Audit Committee, internal/external auditors and</li> </ul>



<p>accounts by the General Assembly.</p>	<ul style="list-style-type: none"> <li>Define the type of transactions (e.g. major expenses and investments) where prior approval by more than one person is needed.</li> <li>Assess and refine your rules and measures on financial control. Assure as a minimum an ex-post control of each expenditure.</li> <li>Ensure an annual internal audit of your financial activities (e.g. as a reporting mechanism towards donors or grant providers).</li> <li>Ensure that a general budget overview for the upcoming year is discussed and approved by the Board at the beginning of each financial year.</li> </ul>	<p>regulations or by-laws the type of transactions (e.g. major expenses and investments) where prior approval by more than one person is needed.</p> <ul style="list-style-type: none"> <li>Establish a Finance Committee (if it does not exist yet) and clearly define the tasks and responsibilities of the Finance Committee. Ensure that all members have the right financial background.</li> <li>Nominate a staff member, specifically dedicated to financial management, who supports the work of the Finance Committee and who is the liaison person for the Board.</li> <li>Define clear rules and set up mechanisms to ensure a formal process of approval of expenditures (ex-ante).</li> <li>Refine or install your internal audit system. Appoint one or more</li> </ul>	<p>Finance Director/CFO.</p> <ul style="list-style-type: none"> <li>Include proper provisions on financial activities in the policy on personal integrity (e.g. code of conduct, conflict of interest declarations ...).</li> <li>Consider which of the main financial arrangements should be included in the statutes. Recognise as a minimum the division of responsibilities between the different persons and bodies involved. Ensure that all other arrangements are clearly defined in internal regulations.</li> <li>Ensure clear rules on election or nomination of members of the Finance and Audit Committee as well as the internal auditors. Provide a clear description of the tasks, competencies and responsibilities of each member and ensure that members fit this profile (e.g. financial skills).</li> </ul>
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		<p>internal auditors and consider the setting up of an Audit Committee. Assign clear tasks and responsibilities to this Committee as well as the internal auditor and ensure that members and nominated persons have the right financial/audit background.</p> <ul style="list-style-type: none"> <li>• Ensure an annual external audit of your financial activities.</li> <li>• Establish a formal procedure for the annual drafting and adaption of the financial planning. Ensure that this planning is comprehensive and provides a sound and realistic basis for the annual activities.</li> <li>• Identify relevant national and international standards to be applied to your bookkeeping and annual financial plan. Start to apply a true and fair view principle.</li> </ul>	<ul style="list-style-type: none"> <li>• Clearly define the cooperation between the financial management and the Board on financial issues with the CFO/Finance Director directly responsible to the Board.</li> <li>• Define clear rules and set up mechanisms to ensure a formal internal process of approval of expenditures (ex-ante). Clearly define the power of signature of the persons involved in the financial management of the organisation.</li> <li>• Ensure compliance of your financial activities with applicable national standards and with the reporting standards of higher-level sport bodies.</li> <li>• Ensure an external official annual audit of your financial activities by an external independent recognised auditor (audited financial accounts) with an audit report</li> </ul>
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			<p>presented to the General Assembly.</p> <ul style="list-style-type: none"> <li>• Provide the audited financial report to all members and publish it publicly available on your website. Include explanatory notes and commentaries.</li> <li>• Establish and refine the formal procedure in line with national law for the drafting and adaption of the financial long-term planning as well as the annual financial plan. Ensure that the financial plan (both long-term, annual and multi-annual) covers all aspects of expenditure and income, that it is linked to the strategic plan as well as the long-term financial plan and that it provides a sound and realistic basis for the annual activities.</li> <li>• Monitor the implementation of the annual financial plan as well as the long-term financial plan regularly. Report regularly to the Board on the</li> </ul>
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