



INTERNATIONAL
OLYMPIC
COMMITTEE

Report

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Report by the Chair of the Audit Committee to the 136th Session of the International Olympic Committee (IOC)

Lausanne, by videoconference, 17 July 2020

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1. Introduction

Mission and meetings	<p>The Audit Committee reports to the IOC Executive Board and the IOC President, and assists the Director General's Office in fulfilling its responsibilities in terms of risk management, financial reporting, control and governance. The Audit Committee has the authority and responsibility to conduct any audit it deems necessary, and to perform such other duties as may be assigned to it by the Executive Board and/or the IOC President.</p> <p>Since the last report to the 134th Session in Lausanne, the Audit Committee has met four times, in June, September and December 2019, and in May 2020. The Committee will meet again twice more in 2020.</p>
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2. Recent activities

Financial reporting	<p>The IOC's external auditor, PwC, presented its detailed report along with the final consolidated financial statements during the May 2020 Audit Committee meeting.</p> <p>PwC confirmed no uncorrected misstatements in the financial statements and gave a clean audit opinion. As requested by the Audit Committee, the Spanish PwC's Partner specifically presented the audit of the Madrid entities and the work performed locally.</p> <p>The recommendations from last year's audit had been implemented. Further points for improvement have been recommended by PwC, mostly related to IT controls. These were nonetheless considered as medium priority, as mitigating controls were in place.</p> <p>The Audit Committee unanimously approved the financial statements during its May 2020 meeting. As usual, a detailed update will be provided to the Session by the Chair of the Finance Commission.</p>
IOC Administration organisational changes	<p>The IOC Director General presented the new organisational structure established in 2019, where the primary objectives included streamlining and consolidating centres of competence. The main changes included appointing a new Chief Operating Officer to oversee Human Resources, Finance, Legal and Corporate Events and Services; a new Digital Engagement Director; Medical and Scientific reporting to the Sports Department; and the recruitment of a new Director for the Culture and Heritage Foundation, resulting in a reduction of direct reporting lines to the Director General from 18 to 11.</p> <p>To further reinforce its governance model and the independence of its second line of defence, the risk management and internal control activities have been moved from Finance to a newly created Compliance, Risk and Internal Control Unit reporting to the Chief Ethics and Compliance Officer.</p>



Impact of COVID-19 on the IOC Administration	<p>During its last meeting in May, the Audit Committee enquired about the impact of COVID-19 on the IOC Administration. The Director General emphasised that the IOC was able to ensure business continuity under the current crisis, following the investments in technology and the review of the IOC's priorities, planning and budgeting for 2020 and 2021, as well as the Here We Go task force for the Tokyo 2020 Games.</p> <p>The Chief Operating Officer presented the IOC's approach in managing the institutional implications and risk management structure which was put in place prior to the full COVID-19 outbreak.</p> <p>The Audit Committee will continue following up closely the impact of the pandemic during its future meetings.</p>
Internal control implementation	<p>Since the last report to the Session, the Head of Risk Management and Internal Control has regularly presented the improvements achieved regarding the Internal Control System (ICS).</p> <p>Internal control activities, including segregation of duties, continued to be regularly tested, and the test results were shared periodically with senior management and documented in the Governance Risk and Compliance (GRC) tool. Design and operational effectiveness tests were formalised, and control evidence was stored electronically or physically.</p> <p>During the past year, Olympic Solidarity controls on procurement, Human Resources, financial reporting, treasury, contributions to the Olympic Movement and IT processes were revised and documented in the GRC tool, and these have been reviewed by the external auditor.</p> <p>A joint audit with IOC Internal Audit also has been performed on SAP security, and has led to the strengthening of IT controls.</p>
Compliance and fraud risk management	<p>The Chief Ethics and Compliance Officer and the Chief Internal Auditor regularly presented their updates on IOC fraud risk management. The risk landscape has not significantly evolved since last year's report and remains quite similar for 2020. A new assessment will be performed later this year taking into consideration the impact of COVID-19.</p> <p>As planned, the Chief Internal Auditor continued the use of data analytics techniques to further improve the efficiency and scope of the fraud detection programme. In 2019, the scope has been extended to the procurement activities of OBS SL and OCS SL. Other business processes should be included in the next two years, including travel and expenses and contract management.</p> <p>No alert was posted in 2019 using the Alert Transmission Mechanism tool.</p>
Operational Excellence and	<p>Operational Excellence (OpEx) is the programme, led by the Chief Operating Officer, aimed at improving the efficiency, effectiveness and compliance of corporate procedures.</p>



Finance improvements	<p>Phase II of the programme started in 2017 and included three projects: (i) travel and expenses, (ii) contract lifecycle management and (iii) procurement.</p> <p>They remain work in progress in 2020. Significant improvements were nonetheless already noticeable in those areas.</p> <p>In addition, the Finance Director presented improvements to strengthen controls, accounting, harmonisation and transparency, to achieve efficiency, mitigate risk and ensure compliance within the IOC. Key improvements were delivered by the Finance Department in 2019 and 2020 on processes, systems and policies in the following business operations: purchase to pay automation of release strategy, fixed assets, IFRS 16 leasing implementation, the centralisation of training approvals within Human Resources.</p> <p>The Finance Director also reported that the IOC had successfully passed a first phase of Swiss VAT audits performed by the local authorities.</p>
Implementation of the Risk Management Strategy	<p>Since the last Session, the Director General and the Finance Director presented the annual risk report to the Audit Committee in December 2019. Three areas required specific attention: (i) IOC image, (ii) information security and (iii) legal, more specifically compliance with data protection regulations. Mitigating measures are now in place and are being monitored.</p> <p>As planned, the IOC has continued the roll-out and development of its Governance Risk and Compliance (GRC) portal, which is now being used by more than 100 business users, who assess the risk categories they own on a quarterly basis and/or self-assess the efficiency of their controls on an ad hoc basis.</p>
Multiple perspectives on risk	<p>Since risks are not only of a financial and accounting nature, the Audit Committee has continued to hold discussions with the directors of other key IOC departments and services. Since the last Session, the Committee has met, in order: the Chief Information and Technology Officer, the Head of Corporate Security, the Chief Operating Officer, the Chief Ethics and Compliance Officer, and the Human Resources Director. The goal of these meetings is to ensure that functional directors both identify the key risks facing their departments and implement mitigating actions for each of these.</p>



IMD report	<p>In accordance with its mission, the Audit Committee is following up on the implementation of IMD's recommendations and is assessing, with management, the feasibility, extent and timeframe of their implementation within the context of the IOC.</p> <p>Because of the COVID-19 situation, the Audit Committee could not meet physically in May 2020 and had to significantly reduce its agenda to allow for a virtual meeting. Consequently, the report on the progress made since June 2019 is programmed for later this year.</p> <p>As a reminder, IMD issued 22 primary recommendations along with 24 secondary recommendations and seven dilemmas the IOC may be faced with in the next 5 to 10 years. They are grouped into three categories: (i) ethical conduct and reputation, (ii) organisational supervision and decision-making, and (iii) the IOC as a leader in the Olympic Movement. During the past few years, the IOC has already implemented or closed 38 recommendations out of a total of 53.</p> <p>The remaining recommendations were on track and mostly related to improving its register of interests, succession planning, the strategic use of consultants, the empowerment of women in senior leadership positions, a coordinated approach to human rights across the organisation and other recommendations related to good governance principles across the Olympic Movement.</p>
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3. Internal audit

Audits and reviews	<p>The Chief Internal Auditor presented quarterly reports covering the following points: (i) the implementation of the Deloitte recommendations to comply with the International Standards from the Institute of Internal Auditors, (ii) the assurance missions, (iii) the advisory missions, and (iv) the compliance audits.</p> <p>The Chief Internal Auditor also presented his 2020 risk-based audit plan, which was approved by the Audit Committee in December 2019. The plan provides a balanced number of missions in the areas of Assurance, Advisory, Fraud and Compliance, and also leaves some room for ad hoc requests from the IOC President and management. In May 2020, the Chief Internal Auditor informed the Audit Committee that the yearly plan will be reviewed with the IOC Director General to reflect the new risk landscape due to COVID-19. Finally, the Chief Internal Auditor presented the results of the yearly Internal Audit satisfaction survey, which remained positive.</p>
Internal audit budget and resources	<p>The Chief Internal Auditor presented his 2020 plan and budget, which was endorsed by the Audit Committee in December 2019. Aligning with the efforts made by the organisation to reduce its costs following the postponement of the Tokyo 2020 Games, a revised</p>



	budget was presented and approved by the Audit Committee in 2020.
Audit Committee self-assessment	Since the last report to the Session, the Audit Committee performed a self-assessment in June 2019. The results remained positive, which was greatly due to the stability of the Audit Committee composition over the past three years. Another self-assessment is planned for later this year.

Thank you for your attention.

Baron Pierre-Olivier Beckers-Vieujant
Chair, IOC Audit Committee

Lausanne, July 2020