



ANOC GA 11/16

**Report of the President of the ANOC Finance and Audit Commission
to the XXI ANOC General Assembly in Doha, Qatar on November 15th, 2016**

This report is the third report Report of the ANOC Finance and Audit Commission to the ANOC General Assembly. The report is based on the audited Financial Statements of ANOC for the year ended December 31, 2015 and includes the Operating Results for 2015, the Operating Budget for 2016, and the activities of the Commission since our last report to the GA in Washington, USA on October 29th, 2015.

OPERATING RESULTS IN 2015

The table below shows the audited results for the year ended December 31, 2015, along with the approved budget for 2015 and the actual operating results for the year ended December 31, 2014.

Expressed in US\$000's	Actual 2015	Budget 2015	Actual 2014
IOC subsidies for ANOC Activities	12,000	12,000	12,000
IOC subsidies for ANOC Headquarters	1,000	-	7,000
Operating expenditure	10,795	(12,000)	(9,314)
Investment income and exchange	(23)	-	(29)
<i>Operating surplus</i>	2,182	-	9,657
<i>Fund Balance at December 31, 2015</i>	36,877	34,695	34,695

ANOC made an operating surplus of \$2,181,854 in 2015 due primarily to the receipt of the final \$1 million of the \$20 million subsidy from the IOC for the new Headquarters in Lausanne, and operating expenditure which was lower than the revised budget for the year. The main savings were in the cost of the ANOC General Assembly and the 2nd Gala Awards in Washington, International Forums and Office running expenses in Lausanne.

The new Headquarters, Les Charmettes, were completed and opened in 2015, at a total accumulated cost of \$19.8 million for the acquisition, renovations, fittings and equipment. The main operating expense in 2015 was the cost of the General Assembly and Gala Awards Dinner in Washington, and there were increases in expenditure over the comparable levels in 2014 on the World Beach Games and Lausanne Office running expenses. Investments increased to \$18.2 million at December 31, 2015 but investment income was similar to the earnings in 2014 due to continuing low interest rates on the deposits in Switzerland and Guernsey.

OPERATING EXPENDITURE IN 2015

Expressed in United States dollars	Actual 2015	Budget 2015	Actual 2014
Meetings:			
General Assembly	3,705,242	4,500,000	3,450,823
Executive Council meetings	792,159	700,000	716,661
Commissions, Working Groups and Seminars	615,945	600,000	726,295
International Events:			
International and Continental Meetings	385,765	500,000	660,468
International Forums	98,931	300,000	140,033
World Beach Games	702,664	500,000	-
ANOC Offices Running Expenses:	3,494,386	4,000,000	3,149,236
Auditors' fees	70,609	50,000	47,277
Depreciation	915,178	800,000	419,909
Miscellaneous	14,002	50,000	3,676
Total expenditure	10,794,881	12,000,000	9,314,378

The cost of the **ANOC General Assembly and 2nd Gala Awards** in Washington was lower than budget due primarily to a contribution of \$1.77 million from the USOC towards the cost of transportation, accommodation, food and beverage, receptions, the cultural program and other materials and supplies. The Organizing Committee in Bangkok contributed \$1.48 million towards the cost of transportation, logistics, equipment, accommodation and food for the GA and ANOC Awards in 2014. A breakdown of the cost of the last two General Assemblies and ANOC Awards is provided below.

Expressed in US\$ 000's	2015 GA in Washington	2014 GA in Bangkok
Travel expenses	1,597	1,907
Hotel expenses & organisation	652	246
ANOC Awards Gala	887	519
Simultaneous translation	64	49
Preparation	505	730
Total	3,705	3,451

Executive Council meetings includes the costs of the meetings held in Lausanne in January and June 2015 and Washington in October 2015.

ANOC Commissions, Working Groups and Seminars expenditure includes three dedicated meetings of the Juridical Commission, two dedicated meetings of the Athletes Commission, a meeting of the Youth Group, and meetings of all Commissions in Lausanne in June and Washington in October.

Expenditure on **International Events and Continental Meetings** included ANOC's participation at the ONOC and PASO Continental Meetings and at the European Games in Baku, Azerbaijan, and a number of global meetings, symposiums and seminars to discuss the essential missions of the Olympic Movement. ANOC also contributed to the ISR program for retiring athletes at the University of Incheon, 50% of the accommodation and travel expenses

of the Chef de Mission Seminar for the YOG in Lillehammer, and special assistance to the NOC of Vanuatu following Cyclone Pam in November 2015.

World Beach Games expenditure incurred was in respect of professional and advisory services for the Master Plan, the ID and Logo designs, and meetings for the development and advancement of the project held in Amsterdam, Hong Kong, San Diego and Lausanne. Legal and corporate expenses were also incurred for the registration and incorporation of the ANOC World Beach Games (AWBG) Company in Lausanne.

ANOC Offices Running Expenses include the costs for ANOC's Offices in Lausanne and Kuwait. Expenditure includes occupancy costs (insurance and maintenance) for the new Headquarters, external accounting and consulting fees, public relations advisory expenses and costs related to the registration of the ANOC trademarks, emblems and domain. There were also additional costs associated with the numerous meetings of ANOC's partners at the new Headquarters.

Other expenses included higher auditors' fees as a result of the broadening of the scope and reporting standards for the annual audit, and an increase in depreciation, which now includes a provision, for the first time, on the new building.

INVESTMENT AND OTHER INCOME

Bank deposits increased by \$1.2 million to \$18,206,728 at December 31, 2015 and were comprised of short-term deposits invested with Credit Suisse and UBS, denominated in US dollars, with average annual interest rates of 0.27%. This is a marginal improvement on the rate of 0.22% at December 31, 2014.

To mitigate credit risk exposure with a single financial institution, ANOC has invested \$2 million with UBS in Switzerland, but at less favourable interest rates. Deposits of \$10 million are now held in a Credit Suisse Cash Deposit Account in Switzerland, denominated in US dollars. These deposits have more attractive rates of interest, lower bank commissions, and more flexible terms for withdrawals for cash flow purposes. The remaining \$6 million is deposited with Credit Suisse in Guernsey, denominated in US dollars.

Interest income of \$23,688 was earned in 2015, but this was offset by exchange losses of \$46,953. Interest income was lower than the \$27,265 received in 2014 as the rates on deposits had declined during the year before the portfolio management changes were effected. Rates are likely to remain low for the foreseeable future as to achieve higher yields we would have to invest in instruments with higher risk profiles, longer maturities and less flexible withdrawal terms.

RISK MANAGEMENT, COMPLIANCE AND REPORTING POLICIES

At the Executive Committee meeting in Washington, the Commission recommended new risk management, compliance and reporting policies and measures following discussions with the External Auditors, PricewaterhouseCoopers (PwC). These policies were approved by the Executive Committee and are now being implemented by Management.

A number of measures and practices have already been implemented by ANOC management, with the assistance of external advisors and consultants. These include:

- Commissioning an independent external company to conduct internal audits every 3 months to ensure compliance with and implementation of accounting standards, engagement rules, internal controls and the segregation of duties.

- The implementation of an enhanced system of internal control, based on PwC advice, to provide practices and procedures to ensure timely and accurate reports, controls over the movement of cash and bank accounts, safeguards for the security and recording of property, plant and equipment, procurement policies and improved end of year accounting.
- Working with an external and qualified company specializing in the management of staffing and employee benefits, to ensure that ANOC is in compliance with Swiss law and regulations. ANOC has already from 2014 implemented and documented Staff Regulations, in accordance with IOC rules and regulations and has established working contracts with all staff.

The Executive Committee agreed to adopt International Financial Reporting Standards (IFRS) for the audit and preparation of ANOC's annual Financial Statements, commencing in 2016. IFRS provides greater transparency and comparability with the IOC and other global organizations. The draft audited financial statements for the year ended December 31, 2015 have been reviewed by the Commission and approved by the Executive Council and are prepared in accordance with the Swiss Standard on full-scope Statutory Examinations.

In accordance with ANOC's reporting requirements for the use of IOC subsidies, PwC has also conducted an audit of the funds disbursed for the ANOC office in Kuwait from 2013 to 2015.

BUDGETED OPERATING EXPENDITURE FOR 2016

Expressed in United States dollars	Approved Budget 2016	Revised Budget 2015	Actual Year 2015
Meetings:			
General Assembly	4,500,000	4,500,000	3,705,242
Executive Council meetings	700,000	700,000	792,159
Commissions, Working Groups and Seminars	500,000	600,000	615,945
International Events:			
International and Continental Meetings	400,000	500,000	385,765
International Forums	100,000	300,000	98,931
World Beach Games	900,000	500,000	702,664
ANOC Offices Running Expenses:	4,000,000	4,000,000	3,494,386
Auditors' fees	50,000	50,000	70,609
Depreciation	800,000	800,000	915,178
Miscellaneous	50,000	50,000	14,002
Total expenditure	12,000,000	12,000,000	10,794,881

The budgeted operating expenditure for 2016 was approved by the ANOC General Assembly in Washington, and assumes that ANOC will fully utilize the annual IOC Subsidy of \$12 million during the year. The Budget is similar to the 2015 Budget, except for additional expenditure for the preparation and organization of the World Beach Games which is now likely to be staged in 2019, and compensating reductions in expenditure for ANOC Commissions, Working Groups and seminars and International Forums. The budgeted expenditure for these expenses were all reduced as a result of the greater concentration by

NOCs on the preparation and participation for the Summer Olympic Games in Rio de Janeiro in 2016.

CONCLUSION

In anticipation of ANOC's expanded scope of activities in the coming years, the Commission will continue to develop and implement policies and practices that will ensure transparency, accountability and financial integrity, in accordance with ANOC's policies on Ethics and Compliance, and the IOC's Basic Universal Principles of Good Governance of the Olympic and Sports Movement.

In closing, I would like to express my appreciation to the Members of the Finance and Audit Commission for their contribution, and Gunilla Lindberg and Manuela Palos, without whose valuable input this report would not have been possible



Richard Peterkin
Chairman – ANOC Finance and Audit Commission