

Audit Committee Improvements

Broadening membership in the Audit Committee to enhance oversight

A submission from the Barbados Sailing Association, Belize Sailing Association, Chilean Sailing Federation, Croatian Sailing Federation, Czech Sailing Association, Federación de Vela de Puerto Rico, Federación Dominicana de Vela, Federación Mexicana de Vela, Hellenic Sailing Federation, Hungarian Sailing Federation, Jamaica Yachting Association, Slovak Sailing Union, Virgin Islands Sailing Association and the International Lightning Class Association,

Purpose or Objective

Make the Audit Committee Members more representative of the MNAs and ensure the Committee reports directly to the World Sailing Council, as well as the Board.

Proposal Revise Regulation 5 & 6 as below:

5. APPOINTMENT OF COMMITTEE MEMBERS

5.1 Nominations

- (a) Except in the case of the Audit Committee, nominations of candidates for membership of Committees and Sub-committees may be made by Member National Authorities.
- (b) The Audit Committee shall be appointed by the **Council and the Board as stated in regulation 6.1.1 below .** ~~but a~~ No employee of World Sailing or its subsidiary and associated companies shall be appointed. In making the appointments ~~the~~ **Council and** Board will take into account the need for experience in matters of finance and/or investment.
- (c) Nominations for the Para World Sailing Committee may only be made by Member National Authorities, who, in the assessment of that Committee, have disabled sailing programmes

Audit Committee

6.1 Audit Committee

*Constitution of the **C**ommittee*

- 6.1.1 The Audit Committee shall consist of ~~at least four~~ **five** members. The majority of members shall be financially literate and at least one member shall have an accounting or financial background. The members shall include:
 - (a) a Chairman who shall be appointed by the **Council** ~~Board~~ and will not be a member of the Board;
 - (b) the Vice President responsible for finance **shall be appointed by the Board;**
 - (c) one Vice President **shall also be appointed by the Board;** and
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- (d) ~~two one~~ other members, who may be members of Council but not members of the Board. **These two shall be appointed by the Council, excluding the votes of President and Vice Presidents.**

6.1.2 The Committee shall meet at least twice in every year and the quorum shall be **three** ~~two (one two~~ of whom shall ~~not~~ be a member **appointed by the Council**). ~~of the Board).~~

6.1.2.1 The President, the Chief Executive Officer and the external auditor shall attend meetings when invited by the Committee. Other members of the Board **or Council** may be invited to attend all or part of the Committee's meetings.

6.1.2.2 The Committee shall meet with the external auditor at least once a year without management present.

6.1.3 The Committee shall have authority from the Board to:

- (a) investigate any activity of World Sailing and its subsidiaries within its functions and responsibilities;
- (b) seek any information it requires from any employee of World Sailing or its subsidiaries and all employees shall be directed to cooperate with any request made by the Committee acting within its terms of reference; and
- (c) obtain outside legal or other independent professional advice as it requires. Such advisors may attend meetings as the Committee considers advisable.

Terms of reference

6.1.4 Responsibilities

The duties of the Committee are as follows:

- (a) ensure that appropriate financial reporting and internal control processes are in place and monitor those processes so that that the Board **and Council are** ~~is~~ properly and regularly informed on financial matters;
 - (b) recommend to the Board the appointment, tenure and remuneration of the external auditor;
 - (c) assess the **independence** ~~independent~~ of the external auditor;
 - (d) review the external auditor's annual audit plan and reports;
 - (e) review the draft annual financial reports for compliance with relevant laws and regulations and recommend approval to the Board;
 - (f) review the findings of the external auditor and ensure recommendations are actioned by management;
 - (g) review the effectiveness of internal controls and their application;
 - (h) review the financial management;
 - (i) review the risk management plan;
 - (j) review the management policies and processes to ensure their suitability to achieve compliance with risk management policy, codes of conduct and any statutory and regulatory requirements;
 - (k) supervise any special investigations requested by the Board **or Council** on matters relevant to the Committee's role and responsibilities; and
 - (l) examine any other matters referred to it by the Board **or Council**.
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6.1.5 Reporting Procedures

- (a) The Committee shall, after each meeting, report the Committee's findings and recommendations to the Board **and Council**.
- (b) The Committee shall conduct a review of its objectives and activities every two years.
- (c) The Committee will prepare an annual report to the Board **and Council** on all matters relevant to the Committee's role and responsibilities.
- (d) The Chairman shall attend Council meetings and the Annual General Meeting and shall answer questions, through the President, on the Audit Committee's activities and their responsibilities.

Current Position

As above

Reasons

1. Most Boards are elected annually or on a rotating basis and therefore are generally very responsive to the Members' needs. With World Sailing having a Board in place for normally four years, there should be much more transparent oversight of the Management and Board financials between elections.
 2. The Audit Committee should report its actions and findings to both the Board and to the Council, which effectively represents the MNAs and other sailors worldwide between Board elections for reasons of transparency.
 3. Audit Committees should be as independent as possible. This structure, while still having Board Members to assist in understanding the workings and decisions of the Board and Management will also have a majority of Council members who are very vested in the organization and how it runs financially.
 4. This assures that the majority of the Audit Committee is chosen independently from the Board. Council, with its broad representation of Members, is an ideal group to select the majority of the Committee and as it ordinarily does for other World Sailing Committees, and did for the Audit Committee until approximately 2016.
 5. The current Committee has only 4 members and with a quorum of only two conceivably could split into 2 committees claiming to be the Audit Committee. Additionally, with an even number of members it could easily have a tied vote leading to paralysis in decision making. Moving to a quorum of three and five members should help eliminate these potential problems.
 6. By setting a fixed number of members for the committee it gives a stable, manageable and efficient number of committee members.
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