

FINANCE & AUDIT COMMITTEE MEETING

Meeting held virtually through Microsoft Teams
20:00-22:00 CEST Monday 19th July 2021

MINUTES

1. Welcome and Opening

1.1. Chair's opening remarks

Ms Sorling welcomed all to the meeting, giving special thanks to all attendees for taking the time to join the call remotely. Ms Sorling remarked briefly about the challenges the COVID-19 pandemic has brought, but also the positives that can be achieved because of it.

1.2. Roll Call

Ms Petra Sorling	Chair (Executive Vice President – Finance)
Mr Dhanraj Choudhary	Board of Directors Appointee
Mr Francesc Sollanellas	Independent Member
Mr Petr Bohumsky	Independent Member

In attendance

Mr Michael Brown	ITTF CFO
Mr Michael Ackermann	Mazars

2. Minutes of the previous Finance & Audit Committee meeting

2.1. Adoption of the Minutes of the previous meeting

Mr Choudhary proposed to accept the minutes, following updates provided on the decisions made as part of the prior meeting.

Mr Brown provided an overview of the decisions made, and the work completed since the previous meeting.

Mr Bohumsky accepted the approval of the minutes.

2.2. Business arising from the minutes

Mr Brown gave an overview of each of the decisions made from the prior year meeting, with majority of the decisions being actioned throughout the year, and a few decisions still be in progress for completion or adoption.

3. Audit of Financial Statements

3.1. Management presentation of Financial Statements

Mr Brown presented an overview analysis of the 2020 Financial Statements, including detailed analysis of both the Balance Sheet and Profit & Loss with comparisons between Actual and Budget, and Current Year and Prior Year.

The Financial Statements were presented in their final form to the Finance & Audit Committee Members prior to the meeting.

Mr Sollanellas and Mr Bohumsky specifically congratulated Ms Sorling and Mr Brown for managing the overall financial outcome during a turbulent year with the ongoing COVID-19 pandemic. Mr Sollanellas commented that the final result was impressive for an International Federation during such time, especially when comparing to other sports that had recently announced their financial results for 2020.

3.2. Selection and appointment of auditors

The Committee proposed the reappointment of Mazars as auditors for 2021. To then be approved by the ITTF AGM.

The Committee proposed that the next appointment of auditors for 2022, should take place through a tender process.

3.3. Scope and planning of the audit

Mazars presented their comprehensive report, which provided details in relation to the purpose of their work, the scoping strategy and organisation of their work, their progress on the audit, and a conclusion.

In conclusion, Mazars confirmed that there is no unrecorded adjustment nor reclassification in the consolidated financial statements as of December 31, 2020 and therefore will issue a clean audit opinion. Specific mention was made about the appreciation of the openness and transparency during the audit process that has allowed Mazars to undertake the audit without issues.

Mazars continued their report to provide an overview of the quality of the accounting closing process, which experienced overall improvements compared to the prior year, however due to COVID-19 there were some delays in closing out some matters relating to 2020 contracts. The uncertainty of the timing of the ITTF AGM also impacted the finalization of the audit.

The significant event during the year was COVID-19. It was noted that management took significant measures at the right time to balance the impact

of COVID-19, which is evident in the overall outcome of the Financial Statements.

Mazars gave details through the various accounting estimates made by management, one item which changed during the year was the transfer of the TTX Intangible Asset from the ITTF Asia Pacific Ltd to the parent entity of ITTF in Lausanne, resulting in the written down value of the intangible asset. It was noted that management made the decision to not release the full amount of USD6m available from the deferred revenues of the 2016 Olympic Games, but to adjust due to the delayed 2020 Olympic Games.

Mazars reported that there were no audit adjustments that remained unrecorded, all adjustments or reclassifications that had been identified had been corrected by Management.

3.4. Independence and objectivity of external auditors

Mr Ackermann provided background information in relation to the independence of himself, and Mazars, to be able to undertake the audit of the ITTF with an objective view.

3.5. Effectiveness of the audit

Mazars raised four points in relation to different themes as for how the internal control function could be improved in relation to the Financial Statements preparation.

1. Internal Controls System Matrices

Mazars recommends a review of the International Controls System, which has only been in place for one full financial year, to help make the system more robust, and better aligned to the business activities of the ITTF.

2. Sales – Sponsors acceptance

Mazars recommends that a detailed checklist is implemented as part of the sponsorship procurement process, to ensure that all potential sponsors have due diligence undertaken. Mazars note that there is an internal process, but it should be documented more clearly.

3. Sales – Revenue Recognition

Mazars recommends a formal process is implemented for Revenue Recognition. Historically this has been cash based, rather than event based, and during COVID-19 it became clear that although cash may be received in the bank, it doesn't necessarily mean that the revenue is recognized.

4. Purchases – Purchase Order Validation

There is currently no control in place for purchases up to USD10,000; although this risk is mitigated in terms of expense reimbursement in most cases, there is a risk that those with access to an ITTF Credit Card are making purchases without pre-approval.

Documented evidence of approval is often lacking for different levels of purchases as well.

Discussion was held amongst the Committee members, with the following decisions made based on the recommendations from Mazars.

- ITTF Finance team to undertake an overall review of the Internal Controls System Matrices.
- ITTF Finance team to work with Sales team in implementing sufficient documentation to confirm the approval and acceptance process of sponsorship incomes.
- ITTF Finance team to develop processes to help document purchase orders, and approval processes in a proactive manner, rather than reactive.

Mr Brown made comment that Revenue Recognition has already been updated with the introduction of World Table Tennis, and that revenue is recognized based on the timing of events taking place.

Mazars reported areas of improvement regarding corporate governance, which were the same as the prior year:

1. Remuneration Committee
2. Risk Assessment Process
3. Formalisation of transactions between entities

Discussions were held on each topic, with the Committee members proposing the following:

- To ensure the formalisation of a Remuneration Panel, and to have at least one independent member
- To develop an annual approach towards Risk Assessment

Mr Brown confirmed the improvements in related-entity contracts/agreements, which helps to ensure the formalisation between entities from a governance perspective in terms of processing transactions between the entities.

3.6. Adherence to Swiss Civil Code

It was confirmed that the audit opinion provided by Mazars for the ITTF Financial Statements adheres to the Swiss Civil Code.

Mazars made formal queries regarding whether ITTF had any ongoing litigation which was not already reported upon, in which Ms Sorling confirmed there is not. In addition, it was also confirmed that there is no knowledge of any fraud related to the organisation.

3.7. Approval of Financial Statements

The approval of the 2020 Audited Financial Statements was given by unanimous decision of the member of the Finance & Audit Committee.

4. Financial Management

4.1. Annual Budget

Mr Brown presented the 2021 budget, providing an overview of how the ITTF business has adjusted with the introduction of World Table Tennis and how it impacts budgets. Scenarios were presented for 2021 based on the ongoing uncertainty due to the COVID-19 pandemic and the ability for international events to take place.

4.2. Quadrennial Budget

In addition to the 2021 budget, forecasts through to 2024 were presented, but noting that 2022 may also need a review in the coming months depending upon how long the COVID-19 pandemic may continue to impact international events.

4.3. Monitoring of budgets

Mr Brown provided the overview as to how budgets had been managed and adjusted throughout 2020 and explained how the same process will be maintained until the COVID-19 pandemic subsides.

The members of the Finance & Audit Committee appreciated the efforts made in terms of budgeting and planning, and the financial result for 2020 was evidence of this. Therefore, the members are comfortable with the measures put in place to monitor budgets moving forward.

4.4. Lending, borrowing and investing

It was noted that the ITTF has taken a loan guaranteed by the Swiss Government as part of COVID-19 packages, as well as loans from third parties with regards to the start-up nature of World Table Tennis.

Mr Brown also reported that should it be necessary for further cash flow, an overdraft facility is available through the primary bank account of the ITTF, using the property in Renens as the guarantee.

Ms Sorling reported on the ongoing process of the sale of the ITTF property in Renens. Further decisions around how to invest the potential funds made available following the sale would be made in due course.

5. Risk Management

5.1. Internal Control System

No further comments were made in relation to the Internal Control System, apart from the review due to take place as recommended by the Committee. The importance of ensuring the control system flows to all entities was commented.

5.2. Compliance

Mr Brown explained the importance to ensure compliance is met according to each of the different legal jurisdictions in which the ITTF is now operating. Improvement has been made throughout 2020, with further enhancements to compliance measures being planned.

5.3. Insurance

Mr Brown commented that various conversations have been held in relation to event cancellation insurance. There are ongoing conversations with a few different insurance brokers to help determine the best insurance structure to have in place.

In addition, Mr Brown commented on the existing insurance policies in place in relation to day-to-day operations.

6. Any other business

Ms Sorling thanked the support and commitment of the members of the Finance & Audit Committee and noted that the ITTF is currently undertaking the process to establish a new Finance & Audit Committee in-line with the ITTF Constitutional requirements.

7. Next meeting

To be confirmed following the appointment of the new Finance & Audit Committee.