**IFRLY MID -TERM AUDITOR’S REPORT**

Contact with board improved from difficult to good during this half year. Now our contact with Olha Tsurkan is good. Overall there are some worries about the bookkeeping of IFLRY and there are major concerns about the control that the bureau has over the office. However, we would like to stretch that the difficulties and problems here are not necessarily due to faults of this bureau. However due to financial risk and risk to continuance of the work of IFLRY we think these are still necessary to mention to the GA. In addition, it is important to mention that we did not yet fully check the financial statements and the underlying documents. This is because in order to save money we agreed with the bureau to only undertake one in-house full scale audit of the financial statements and the underlying documents in January 2019 when the financial year of IFLRY had come to an end on 31st December 2018.

* We have come to know that the Bureau does not have full authority to manage many documents. For example, the Bureau is not able to give auditor’s access to Xero (book-keeping system) and to google drive maps. In addition the treasurer has not access/authority over all the bank accounts. The Bureau is dependent on the office for the above mentioned. We therefore, believe that this dependence could harm the ability of the bureau to intervene in the office and could indirectly harm the ability of the GA to intervene. We therefore think that it’s not appropriate that the highest authority on bank accounts, book keeping systems and google drive maps in practice are in the hands of an unelected body of IFLRY. We therefore advice the GA to consider giving the Bureau back the control of the above mentioned. However, we advise to make an exception for the bank account in Belgium, because due to limited funds on the bank account and high costs for changing authority, the cost do in our opinion not outweigh the costs.
* In our skype meetings with bureau representative(s) we got the impression and image that it is very difficult for the bureau to monitor and intervene in the work of office members. This is a problem because the bureau is responsible for the functioning of the office. We think it is very important that if IFLRY funds are used to pay salaries it is important to monitor that the people receiving the salary are contributing to IFLRY in a way that justifies the salaries that they get paid for. We however recognize the challenges long distance pose regarding the monitoring role of the bureau. We therefore advise the GA and bureau to come up with ideas and the best possible means to improve the bureau’s ability to monitor and intervene in the office.

* We regret that the Erasmus plus grant of 49.000 euro’s (approximately 20% of IFLRY budget) was not awarded this year to IFLRY. This may largely be due to the quality of the request or proposal. Information reaching us from the bureau indicates that due to the office movement of IFLRY, the office had to rely on a different person other than the one originally designated in drafting the proposal. It is therefore important to note that, after one year of not receiving the grant, the chance of getting it back is very low. The absence of this grant has the tendency to hurts running of IFLRY’s activities in the near future. It is our view that important processes like grant application (big grants) and considering the impact on IFLRY’s operations if not secured should have been taken into consideration before and during the movement. Especially considering that maintaining this grant was the main reason for relocating to Berlin. We think that better management or timing of the move could have prevented the loss of this grant. We therefore strongly urge the bureau to better monitor future grant admissions and take it as one of the main priorities in future structural changes of the organization of IFLRY.

* We also advise the Bureau to critically look at the expected SIDA grant of 100.000 euro’s (approximately 30% of IFLRY’s total income in the proposed budget) for 2019. Our checks in the past few years indicates IFLRY has not secured it before. Consequently we advise the bureau and the GA to discuss the chances of getting the grant and what expenses should be cut off in the 2019 budget if IFLRY does not receive the SIDA Grant. Similarly, to avoid the consequential effect on IFLRY at not receiving the Erasmus + Grant in 2018, we advise the Bureau to take a critical look at the grant’s proposal.
* Due to the movement of the office to Berlin, two office workers have resigned. These resignation were not anticipated. This affected the up to date book keeping of IFLRY and resulted in the bureau not being able to comply with some bookkeeping requirements that are in the financial protocol.

On the basis of article 1.3 of the financial protocol, we have to inform the GA that the Bureau did not comply with article 5.2 and article 6.3 of the protocol. Article 5.2 of the protocol states: *The Treasurer will send financial reports to all bureau members as well as the internal auditors on at least a quarterly basis, including at least (a) a profit & loss statement, (b) a balance sheet, (c) a statement of claims & debts.*

After discussing this breach, Olha Tsurkan send us the quarterly statements of the first two quarters of the year. However, the treasurer has not been able to send us the update for the third quarter, because of the book keeping not being up to date.

In addition, the bureau was not able to comply with article 6.3 of the financial protocol: *All financial transactions shall be book-kept at a maximum of 90 days after they occur. All payables and receivables should be marked in the bookkeeping system.*

We saw a few transactions that were book-kept after the deadline. In addition, we expect more transaction not to be book-kept before this deadline. This is because all transactions that occurred between august 31 and October 21 are yet to be book-kept.

* Now we (IFLRY) are situated in Germany: the German statutes are legally binding. Because many MO’s don’t speak German at a level that is high enough for legal documents, discussions and proposals of amendments will be done in English. Because for legal documents formulation can really matter, you run the risk to get differences in the German legal document and the English translation. This could result in considerable disadvantage for non-German speaking representatives and officials. In order to prevent differences all amendments should be discussed in English and professionally translated in German by an independent translation firm (if legally possible).
* We advise the bureau to send all GA minutes by mail to MO’s and officials and not only save it in OneDrive. GA minutes are legally important and should therefore be kept save at multiple places. In addition, to increase the transparency and legal value it is important that the minutes are kept in an environment that they cannot be changed.

Although that this report may sound very critical we have good contact with Olha Tsurkan and she informs us about the problems. We understand that the relocation of the office is very difficult process, especially when it has happened after the election a new Bureau. We therefore have no reasons to think that Olha Tsurkan and the rest of the bureau will not be able to solve the presented problems and difficulties.

In fine, we take this opportunity to inform all MO’s the full scale and final audit of the IFLRY 2018 financial year will be critically carried out in January and presented to all MO’s at the next GA according to article 3.2 of the financial protocol: *The auditors present one full report in accordance with rule 3.1 at the first statutory event of the year.*

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