



Interim Internal Audit Report of 2015

IFLRY - International Federation of Liberal Youth

14 November 2015

On Friday 13 November, the auditors had a (Skype) meeting with the Treasurer about the current (financial) status of IFLRY. The meeting was based on the documents the Treasurer provided to the Executive Committee. The findings and recommendations of the auditors are filed in this report.

As discussed at the General Assembly in Vienna, there has been no Interim Audit. That means this report does not contain concrete findings about the state of the bookkeeping in the office.

The Auditors look forward to discussing all points raised during the EC. Robert Landheer will be present to respond to questions you may have.

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Finances

In general

The bookkeeping system is accrual-based since 1 January 2015. Before, the system was cash-based. This should be taken into account when comparing the finances of 2015 with those in 2014.

The profit and loss statement that you received, shows “General and other revenue” and “General and other expense”. The amount is the same on both sides, as it is money that only passed through IFLRY’s accounts. Transactions of IFLRY that only pass our bank accounts shouldn’t be on the profit and loss statement because that leads to a misleading increase of income and expense. We therefore advised the Treasurer to zero out the revenue and expense or, in other words, to book the expense as a negative income so the income account will become zero.

Aged Receivables and Membership

As we noted in the 2014 Report, we are glad the Bureau is working on reducing the large Aged Receivables account. It has been brought down from 210.000 euros in 2014 to 170.000 euros now, but the problem continues to require full attention. The auditors stress that it is of utmost importance that all member organisations (MO’s) pay their membership fee and strongly approve of suspending and disaffiliating MO’s that do not.

Reserves

In the 2014 Report, we advised the bureau about increasing the low financial reserves. (see “2014 advices”) However, we note that IFLRY does have larger reserves on paper, but that the total money on the bank accounts is lower than it used to be. We repeat our advice from the 2014 Report:

It is necessary to raise the financial reserves to a substantial amount, providing IFLRY with enough financial reserves to operate at a basic level for at least a year. This build-up of reserves will have to be based on the IFLRY membership fees, as grants may not be used to build up reserves. The preferable amount of this safety net is not fixed and should be explicitly determined.

Advice 2015-1: the Bureau should work out a proposal for the next GA or EC, concerning the preferable amount of financial reserves for IFLRY. (*same as advice 2014-3*)

Solidarity Fund

IFLRY MOs have the possibility to donate money to the solidarity fund when paying for their yearly membership fees. MOs have the possibility to file grant proposals when their situations requires so, and a GA/EC decides on this. Currently it is not readily available in the bookkeeping how much money is available in the solidarity fund, so the treasurer has to calculate this based on receivings and expenditures in the past years. This makes way for mistakes.

Advice 2015-2: to increase transparency around the Solidarity Fund, the fund should either be added as specific reserve on the balance sheet, and/or the money should be stored on a separate bank account.

IFLRY Plans and Goals

Website

The Bureau has been in office for already 1,5 years, but the website still has not been completed. Of course the interim website is functioning, but it does not contain all information.

Several deadlines have been communicated to MO's during the last 1,5 years. First the interim website would be online before 1 January 2015, then before the GA in Vienna, then around summer 2015. As a website is key to building a global identity and presence, we criticise the Bureau for not being optimally present on-line by moving the Website launch deadline. With a bureau change upcoming in the spring of 2016, and new websites always requiring a 'guarantee period' to find all errors once the website has gone live, we strongly advice the Bureau finish the website before 1 February 2016.

Advice 2015-3: the Bureau should launch the website before 1 February 2016, at the latest.

Statutory review

Based on our advice and a Bureau proposal, the GA in Vienna decided to create a working group to fully review the Statutes, Rules of Procedure and membership fees. In our advice, we stated that the Statutory review group should already present a draft of the review at this Executive Committee. We note that there is no such draft, but hope the Bureau will be able to give some insights during this EC.

We wish to stress that it is of utmost importance to present a coherent package of documents well ahead of the next GA, preferably weeks ahead of the statutory deadline. In that case the MO's will have plenty of time to form their opinion on the proposed changes and possibly create amendments.

2014 Advices

These are the advices that were stated in the Internal Audit Report that was presented in Vienna.

Advice 2014-1: the Treasurer should explore the advantages and disadvantages of keeping the books by budget line and decide on this before 1 January 2016.

Advice 2014-2: Bureau Members should always, and as quickly as possible, respond to emails from the Treasurer requesting their approval of expenditures of over 1000 euros. If Bureau Members, however, do not respond to an email requesting an expenditure of over 1000 euros within 48 hours, the Treasurer can assume they abstain and, as long as the President explicitly approves, move forward with the expenditure.

Advice 2014-3: the Bureau should work out a proposal for the next GA or EC, concerning the preferable amount of financial reserves for IFLRY.

Advice 2014-4: the working group reviewing the statutes (see advice 2014-5) should also look into reforming and restructuring the membership fees. This reform should also make sure more MO's pay their annual fee.

Advice 2014-5: at the GA in Vienna, or immediately afterwards, the Bureau should elect a working group which will fully review the IFLRY statutes and which will present proposals for statutory changes to the next GA. The working group should already present a draft of the review of the statutes and RoP at the next Executive Committee, if one is organised before the next GA.

Advice 2014-6: at least one Bureau Member, preferably the Secretary General or Treasurer, should be a member of this working group; the Auditors should be advisory members.