



## Internal Audit Report of 2015

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## Introduction

On Friday 11, Saturday 12 and Sunday 13 March 2016, the 2015 Audit took place in London. We would like to thank the Treasurer, Daniel George, and the Executive Director, Mane Manukyan, for their transparency during the well-prepared audit. We have been able to check the proof of every single transaction and Daniel and Mane answered any point we raised. We are happy to report that we did not find any major inconsistencies.

Our findings and recommendations are filed in this report. We look forward to discussing them with you during the General Assembly.

**Marijn de Pagter**                      marijn.depagter@iflry.org  
**Robert Landheer**                     robert.landheer@iflry.org

## General remarks on the state of IFLRY from 2014-2016

For the past two years, IFLRY has been changing in a positive fashion. The organisation is now organizing a higher number of events per year than before. This is good news for MOs, because it means more young people are trained. Also, the increased amount of events gives MOs the possibility to exchange ideas more often and work on liberalism together regularly.

The office has also changed. Due to the increased level of activity, more administration of all the expenses and grant applications has increased the work load. And at the same time, IFLRY has lost the structural internship grant from the Swedish People's Party in Finland. This means that IFLRY had to part with a long tradition of interns coming to London and supporting the federation.

That is why we would like to congratulate the Bureau and office for coping with this situation by strengthening the office by other means. Besides the full time working Executive Director (a role being performed with great success by Mane Manukyan), IFLRY now has two part time working executive assistants (thanks Jockum, Rhiannon, James and Dali).

Even though the capacity of the Office has increased, we have seen the pressure on the office increasing. This is a risk, because the Office performs essential tasks in grant applications and running the organisation on a daily basis. That is why we recommend the next bureau to look into the working processes and tasks of the office. This may mean other officers within IFLRY, such as Bureau Members and Programme Managers, have to take over tasks from the Office.

**Advice 2015-02:** the bureau should look into the working processes and tasks of the office. This may mean other officers within IFLRY, such as Bureau Members and Programme Managers, have to take over tasks from the Office.

Concluding, we would like to thank the treasurer Daniel George, and Executive Director Mane Manukyan for improving the administration and well-preparing the audits so they could be done smoothly and thoroughly.

## Finances

### Bookkeeping system

The bookkeeping system is accrual-based since 1 January 2015. Before, the system was cash-based.<sup>1</sup> This should be taken into account when comparing the finances of 2015 with those in 2014. An accrual-based booking system reflects the financial state of IFLRY much better. We therefore applaud the fact that IFLRY now has an accrual bookkeeping system.

### General and other expense

The profit and loss statement that you received, shows “General and other revenue” and “General and other expense”. The amount of €3.360 on the expense side is also included in the amount on the income side. 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. 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 greatly approve of suspending and disaffiliating MO’s that do not.

Furthermore we propose to rethink the membership structure and respective MO fees. We strongly believe a possible solution to the problem of member organisations not paying, is to introduce another type of membership, the Associate Membership. This type of membership would have to be cheaper and provide fewer rights than full membership. We have written a motion that calls for the Bureau to work out a statutory proposal of this kind.

**Advice 2015-03:** the Bureau should:

- appoint a working group consisting of financially experienced (former) IFLRY officers;
- entrust this working group with writing a statutory proposal for a new membership framework (based on attachment 1) and a proposal for a new membership fee statute, to be published at least two (2) months before the next General Assembly.

### Reserves

In the 2014 Report, we recommended that for sustainable growth IFLRY needs more financial buffers, and thus advised the bureau to increase 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 2015-04:** the Bureau should work out a proposal for the next GA, concerning the preferable amount of financial reserves for IFLRY. (*same as advice 2014-03*)

### Double payments

On several occasions last year, the office paid refunds twice. Luckily, all double payments were paid back by the person receiving the refunds, but the office should pay more attention to checking refund claims before transferring the amount claimed.

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<sup>1</sup> Cash-based bookkeeping records any revenue or expense on the day cash is received or paid. Accrual bookkeeping records income when it is earned (e.g. the day of sending an invoice) and records deductions when expenses are incurred (e.g. the day of receiving an invoice).

### Pounds and euros: currency losses

The primary currency of the bookkeeping system is the British pound. IFLRY mostly uses euros and also writes most invoices in euros. The fact that the primary currency of the bookkeeping system is different from the mainly used currency, leads to imaginary foreign currency gains and losses. This is a minor yet dissatisfying issue. The reports the system generates show expenses that are not really there (foreign currency gains and losses) and this could mislead the view of the financial result.

Ideally, the bookkeeping system should have the euro as its primary currency. However, the bookkeeping system doesn't allow switching primary currency. The only way to switch to a different primary currency is to start a new bookkeeping system on 1 January of a certain year. We advise the bureau to seriously look into that option.

**Advice 2015-05:** the bureau should explore the advantages and disadvantages of restarting the bookkeeping system with a primary currency of euros from 1 January 2017 onwards.

## IFLRY Plans and Goals

### Website

Over the past two years, we have been very critical of the Bureau continuously postponing deadlines for the launch of the new website. First the website would be online before 1 January 2015, then before the Vienna GA in April 2015, then around summer 2015. In our interim 2015 report, we established a final deadline of 1 January 2016. Unfortunately, that deadline was not met, again.

Even though the website has finally been launched now, it still redirects to 'interim.iflry.com', suggesting it is still an interim web page. Furthermore, the information on the website is not complete (e.g. 'More details coming soon' is shown at the essential page 'Our programmes').

We are truly disappointed by the fact that it has taken more than two years to construct a new yet incomplete website. We believe the General Assembly should hold the Bureau Members that have been responsible for this process accountable by questioning them during the discussion of the bureau reports.

### Statutory review: process

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 Working Group (SWG) should already present a draft of the review at this Executive Committee. In our interim 2015 report, we noted that there was no such draft presented at the EC in Santo Domingo.

We stressed that it was of utmost importance to present a coherent package of documents well ahead of the next GA, preferably weeks ahead of the statutory deadline. Luckily, several statutory changes were published in time to be discussed during this GA.

We have the impression that these statutory changes were drafted by a relatively small subgroup of the SWG and that they have been rushed, as we have several serious comments on the content of the changes. Therefore, we have doubts whether the SWG is very effective in its current form. We believe it is wise to appoint fewer people in it, instead of having one member per IFLRY member organisation.

**Advice 2015-06:** if the Bureau decides to continue the SWG, it should appoint a new, smaller SWG. This SWG can be combined with the working group that reviews the membership levels (Advice 2015-02).

## Statutory Changes

In this section, we comment on the statutory changes that have been proposed.

### #2: Annual General Assembly

We have several comments on the proposal for an 'Annual General Assembly':

- The statement 'shall meet on a yearly basis' is too strictly written. Even though we indeed think it is sufficient to have one General Assembly per year, in some years it is better to have two General Assemblies. The statutes should not make this impossible.
- In practice, the Bureau decides where the General Assembly will be held. Especially if the GA is to be planned one year ahead, it is impossible to already determine a date and time. The Bureau should therefore be formally made responsible to decide on the date and place.
- The proposals for changes of the Rules of Procedure include that the agenda should be sent 30 days ahead of the GA, but the date and location should be known far before 30 days. We propose to add a deadline for the announcement of the GA itself.

Based on these comments, we suggest #2 to be amended to: 'The General Assembly shall meet at least once a year, at a date and place the Bureau determines. The Bureau shall announce the date and place of the General Assembly at least two (2) months prior of the General Assembly.'

### #3: Abolish Executive Committee

The Executive Committee should indeed be abolished. However, this statutory amendment does not abolish it everywhere in the statutes. This should be done. Therefore, the following articles should also be amended.

Art.	Current article	Proposed article
VII	'Members shall be admitted to the association by a vote of the Executive Committee or General Assembly, depending on the type of membership'	'Members shall be admitted to the association by a vote of the General Assembly'
X	The statutory bodies of the association are the General Assembly, the Executive Committee and the Bureau. The General Assembly and Executive Committee are also referred to as statutory events.	The statutory bodies of the association are the General Assembly and the Bureau. The General Assembly is also referred to as statutory event.
XII	An Extraordinary General Assembly can be called by a simple majority in the Bureau, a simple majority in the Executive Committee or by (a group of) full member organisations representing at least one-fifth (1/5) of the votes that could have been cast at the most recent General Assembly or one-fourth (1/4) of the full member organisations.	An Extraordinary General Assembly can be called by a simple majority in the Bureau or by (a group of) full member organisations representing at least one-fifth (1/5) of the votes that could have been cast at the most recent General Assembly or one-fourth (1/4) of the full member organisations.
XIII	--- proposal done by the SWG, proposal #3 ---	
XIV	--- proposal done by the SWG, proposal #4 ---	
XVI	There shall be standing committees which shall meet at each Executive Committee Meeting and General Assembly.	There shall be standing committees which shall meet at each General Assembly.
XVII	"(...)The report to the General Assembly shall also include an assessment on how the Bureau has carried out the decisions taken by the General Assembly and the Executive Committee. The auditors shall additionally be responsible for the minutes of the Executive Committee meetings and General Assemblies. (...)"	"(...)The report to the General Assembly shall also include an assessment on how the Bureau has carried out the decisions taken by the General Assembly. The auditors shall additionally be responsible for the minutes of General Assemblies. (...)"
XIX	A decision to change the secretariat is taken by simple majority vote by the Executive Committee or if so charged by a simple majority vote by the Bureau	A decision to change the secretariat is taken by simple majority vote by the General Assembly or if so charged by a simple majority vote by the Bureau.
XX	--- proposal done by the SWG, proposal #5 ---	
XXI	"Every proposal that aims to dissolve the association must be put forward by the Bureau, a simple majority in the Executive Committee or by (a group of) full member organisations representing at least one-fifth (1/5) of the votes that could have been cast at the most recent General Assembly or by one-fourth (1/4) of the full member organisations. (...)"	"Every proposal that aims to dissolve the association must be put forward by the Bureau, a simple majority in the General Assembly or by (a group of) full member organisations representing at least one-fifth (1/5) of the votes that could have been cast at the most recent General Assembly or by one-fourth (1/4) of the full member organisations. (...)"

### #4: Defining Responsibilities Within the Bureau

This change will improve accountability and therefore we advise the General Assembly to accept this proposal. Especially the yearly elections of Vice-Presidents is a strong change.

### #5: Liberalise deadlines

Statutory changes can be far-reaching. Some organisations might decide to send a delegation based solely on proposed statutory changes they oppose. If this amendment is carried, the deadline for statutory changes is greatly decreased from six to two weeks before the GA.

So when far-reaching statutory changes are proposed, some MO delegations might not be able to use their democratic right to determine the course of IFLRY. We therefore advise against this deadline change. Statutory changes should, in our opinion, continue to be announced six weeks prior to the General Assembly.

## Changes to the Rules of Procedure

In this section, we comment on the changes to the Rules of Procedure that have been proposed.

### #1: Remove “Executive Committee”

This change is insufficient. Simply removing the word ‘Executive Committee’ creates weird sentences like (article XII) “Members need to inform the Bureau of any merger with a different organization. The Bureau will decide on the membership status transfer, subject to confirmation by the [...].”

The following amendments will complete the abolition of the Executive Committee.

Art.	Current article	Proposed article
V	--- proposal done by the SWG, proposal #5 ---	
VIII	“At the beginning of each Executive Committee or General Assembly, the draft agenda will be decided on, the minutes of the previous meeting will be put forward for adoption and the relevant officers are proposed for appointment. This part is always chaired by the Bureau. (...)”	“At the beginning of each General Assembly, the draft agenda will be decided on, the minutes of the previous meeting will be put forward for adoption and the relevant officers are proposed for appointment. This part is always chaired by the Bureau. (...)”
IX	--- proposal done by the SWG, proposal #8 ---	
X	--- proposal done by the SWG, proposal #9 ---	
XI	--- proposal done by the SWG, proposal #10 ---	
XII	<p>“(...) Members need to inform the Bureau of any merger with a different organization. The Bureau will decide on the membership status transfer, subject to confirmation by the Executive Committee.</p> <p>Members need to inform the Bureau of any name change. The Bureau will decide on the change in the Membership Register, subject to confirmation by the Executive Committee. (...)”</p>	<p>“(...) Members need to inform the Bureau of any merger with a different organization. The Bureau will decide on the membership status transfer, subject to confirmation by the General Assembly.</p> <p>Members need to inform the Bureau of any name change. The Bureau will decide on the change in the Membership Register, subject to confirmation by the General Assembly.(...)”</p>
XVIII - XXI	--- proposal done by the SWG, proposal #13 ---	
XXVII	It is the right of a General Assembly, both ordinary and extraordinary, as well as the Executive Committee, provided there is no gathering of the General Assembly in the following thirty (30) days, to put the mandate of an elected person in question and to terminate that mandate following a motion of no-confidence with a two-thirds (2/3) majority.	It is the right of a General Assembly, both ordinary and extraordinary, to put the mandate of an elected person in question and to terminate that mandate following a motion of no-confidence with a two-thirds (2/3) majority.
XXVIII	Following an expulsion of an elected person it is the right of the Executive Committee or General Assembly to immediately elect a replacement. The newly elected Bureau member or auditor will have a period of mandate that expires at the next General Assembly that takes place in an uneven year.	Following an expulsion of an elected person it is the right of the General Assembly to immediately elect a replacement. The newly elected Bureau member or auditor will have a period of mandate that expires at the next General Assembly.
XXIX	Entire article	Remove
XXX	In case of a resignation of a Bureau member, the Bureau has the power to appoint a replacement in a non-voting capacity until the next Executive Committee or General Assembly, provided there is no meeting of the Executive Committee or General Assembly in the following thirty (30) days.	In case of a resignation of a Bureau member, the Bureau has the power to appoint a replacement in a non-voting capacity until the next General Assembly, provided there is no meeting of the General Assembly in the following thirty (30) days.
XXXI	Every newly elected Bureau shall draft a Plan of Action for the whole mandate within the next	Every newly elected Bureau shall draft a Plan of Action for the whole mandate within the next

	two (2) months after its election. This Plan of Action will be sent to the member organisations no later than these two (2) months after the General Assembly. The Plan of Action will be adopted at the first Executive Committee or General Assembly after the General Assembly in which the Bureau is elected.	two (2) months after its election. This Plan of Action will be sent to the member organisations no later than these two (2) months after the General Assembly. The Plan of Action will be adopted at the first General Assembly after the General Assembly in which the Bureau is elected.
XXXII	The Bureau will have to submit for adoption once a year an Annual Report at least two (2) weeks before the start of the Executive Committee or General Assembly. An Annual Report outlines the achievements of the organisation in relation to the objectives laid down in the Plan of Action. The Annual Report will be presented by the President.	The Bureau will have to submit for adoption once a year an Annual Report at least two (2) weeks before the start of the General Assembly. An Annual Report outlines the achievements of the organisation in relation to the objectives laid down in the Plan of Action. The Annual Report will be presented by the President.
XXXIII	The Bureau is required to submit a written report to the member organisations on its activities three (3) weeks before the start of the Executive Committee or the General Assembly. This report will reflect the work carried out by each individual Bureau member and will be presented at the Executive Committee or General Assembly.	The Bureau is required to submit a written report to the member organisations on its activities three (3) weeks before the start of the General Assembly. This report will reflect the work carried out by each individual Bureau member and will be presented at the General Assembly.
XXXV	It is the responsibility of the auditors to make their annual report available once a year to the member organisations three (3) weeks before the Executive Committee or General Assembly takes place	It is the responsibility of the auditors to make their annual report available once a year to the member organisations three (3) weeks before the General Assembly takes place
XXXVI	The Bureau shall appoint, subject to confirmation by the Executive Committee, a Chair, Vice Chair, and Secretary for each committee	The Bureau shall appoint, subject to confirmation by the General Assembly, a Chair, Vice Chair, and Secretary for each committee
XXXIV	The chairperson may announce a list of speakers and with the consent of the General Assembly or Executive Committee declare a list closed. The proposer of a motion shall be allowed five (5) minutes to introduce the motion; the proposer of an amendment and subsequent speakers are allowed three (3) minutes. The chairperson may announce a maximum time limit for contributions to the debate.	The chairperson may announce a list of speakers and with the consent of the General Assembly declare a list closed. The proposer of a motion shall be allowed five (5) minutes to introduce the motion; the proposer of an amendment and subsequent speakers are allowed three (3) minutes. The chairperson may announce a maximum time limit for contributions to the debate.

### *#2: Reduce quorum to encourage international activities (without a coup)*

We agree with this change.

### *#3: Introduce third membership structure*

We propose **not** to implement this change. We first need a full review of the membership structure (Advice 2015-02). Also, we oppose the content of this change as it doesn't make the distinction between membership levels any more clear.

### *#4-12 and #17-18: Liberalise Deadlines*

We agree with these changes.

### *#14-#16: Bureau responsibilities, Core bureau + Vice-presidents, Limited number of terms*

Just like Statutory change #4, we strongly agree with these changes and advise the General Assembly to adopt these.

## Earlier Advices

These are advices that were stated in earlier Internal Audit Reports of this mandate.

### 2015

**Advice 2015-01:** the Bureau should launch the website before 1 January 2016, at the latest.

### 2014

**Advice 2014-01:** the Treasurer should explore the advantages and disadvantages of keeping the books by budget line and decide on this before 1 January 2016.

**Advice 2014-02:** 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 2014-03:** the Bureau should work out a proposal for the next GA or EC, concerning the preferable amount of financial reserves for IFLRY.

**Advice 2014-04:** 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 2014-05:** 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 2014-06:** 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.