

SERVAS INTERNATIONAL

Report of the Audit Committee to Servas International Executive Committee (Exco)

5 December 2011

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1: Members of the Audit Committee

Members of the Audit Committee Members of the Audit Committee as elected at the Mar Del Plata General Assembly (GA) on September 10, 2009:

- Phyllis Chinn, Arcata, California, USA
- Jonny Sågänger, Stockholm, Sweden
- Lakshmanan, Venkata (LV) Subramanian, Bangalore, India
- The members of the audit committee read and followed the duties of the Audit Committee as described in the “Financial Operating Procedures Package” (FOP) version 2.0, March 2005, to the extent possible.

The review was completed via email during October and November 2011. L V Subramanian visited the bookkeeper in Bangalore, India to look at the documents from expenses for 2010.

2: Bookkeeping and External Audit for the year 2009

The bookkeeping for 2010 was done by K. Pramod on contract. Mr. Pramod is located in Bangalore, India.

The external auditing has not yet performed for 2010 but, as approved at the GA, will be done in years 2010 - 2013 by Certified Public Accountant Vasudev Pai who runs a professional business as accountant and consultant (T Vasudev Pai and Company) located in Bangalore, India.

The Audit Committee inspected a set of documents as presented by Mirek Wasilewski, the Treasurer of SI during the year 2010. These included a list of income and expenses for 2010, explanations of various issues related to stamp fees, ...

The above-mentioned sources document expenses and the committee considers them to be accurate. Some additional explanations were supplied by the Treasurer. The committee considers the information submitted accurate and well documented. Any exceptions are mentioned below.

As agreed in previous years, the accounts for the year 2010 are based on the accrual concept.

The 2010 external audit has not yet been performed. The audit committee recommends that external audits be performed as soon as possible in the year following the closing of the books and that the books be closed on December 31 with any unpaid stamp fees listed as owed rather than trying to settle all bills before closing the books.

In the DV Nov 2010, the 2008 and 2009 Audited Accounts of Servas International and the reports of the Internal Audit Committee and the External Auditor were approved. The documents can be found at

http://www.servas.org/siexco/index.php/Distant_Vote#DV_Nov_2010

The current audit committee recommends that the current report and the 2010 external auditor's report be submitted for approval at the distance voting in Spring 2012.

3: Financial operating procedures

The following procedures for expenses paid were reported by the treasurer:

- SI has no checking account.
- All payments are made online by preparing the payment instructions which are signed by two authorized signatories, namely the treasurer and the president.
- The treasurer approves the payment and sends the instruction to the president who co-signs and then the bank completes the transfer payment.
- All payments are made direct to the payee's accounts with details given by the payee including IBAN number, Account Number and Name of the beneficiary.
- All payments have EXCO approval.

4: Basis for the Audit Committee report for 2010

The Audit Committee has considered the following, among other sources:

- a. The Balance Sheets and the Income Statements for the year 2010.
- b. The budget for SI as approved at the GA in 2009
- c. A comparison of actual expenses to budgeted expenses submitted by the bookkeeper, K. Pramod

d. L V Subramanian traveled to Bangalore to inspect the documents, rather than copying and mailing all of them to all committee members. The expenses of this trip should be reimbursed as an audit committee expense.

5: General items related to the SI budget

The budget 2010 shows an anticipated deficit of 20050 CHF. By contrast the audit committee is pleased to note that the year finished with only a deficit of 4146 CHF according to the document "SI-budget with actuals FY 2010.xls".

The audit committee will attempt to explain the decreased difference in expenses over income below.

First of all, the stamp fee income of approximately 69,500 CHF was considerable below the budgeted amount of 96,000 CHF. This does not bode well for meeting the 2011 budgeted income and the budget committee and the next GA will do well to consider a much smaller budgeted income as well as ways to increase the membership.

Some savings occurred in categories that were budgeted for more than the actual expenses, and some budgeted events that did not occur.

Some in-balance of expenses over income could be accounted for by the (unexpected or at least unbudgeted) foreign exchange loss of about 5660 CH.

There were meetings in Brazil and Taiwan. Not all the expenses of these meetings have yet been accounted for by the organizers.

In particular, the audit committee is concerned that the cost of room rental in Taiwan was considerable less than the amount of the advance given to the organizer. There was no report given to the audit committee of how many people attended the conference, nor whether attendees paid anything. No conference income is reported, while there is \$1500 for a conference banquet and another \$1500 for 2 night's housing.

Sample items costing less than expected (budgeted/actual in CHF):

- The auditor (1500/706)
- EXCO meeting expenses (15500/9323)
- SI committees (2900/168)
- SOL (15,000/6271)
- Accounting expenses (1200/470)
- ICT (12000/5415)
- Printing costs for the newsletter (not printed, thereby saving 1750 and stamp printing costs about 700 less than budgeted)

- Archivist expenses (4000/0)
- Training expenses (peace and host training) (1250/0)
- Country office grants (2000/0)
- Grants to DFC (7600/0)

The audit committee has some concerns that the last three categories were budgeted for items that the GA considered important and that are not happening.

6: Detailed comments on particular 2010 budget items

6a) As of the close of 2010, several countries had not yet paid their stamp fees. Since then, some have been paid and others are promised at a later date. Countries that use relatively few stamps find that the expense of transmitting funds may be equal to or exceed the amount of money they owe. The audit committee recommends that SI continue to pursue registering SI as an NGO so that the banking can be changed to some system that allows less expensive transfers of funds. It is possible that if some of the countries that still own funds are able to send representatives to the next GA, then those representatives will be able to bring cash directly to the GA to settle their bills. The audit committee recommends that any stamp fees due from a member country whose delegate to the GA has would be deducted from the travel fare support paid to their delegate at the GA assembly so that the accounts are squared up. It would be necessary to highlight the same to the national secretary or treasurer so that this accounting will help to resolve the remittance problem where high remittance charges are made by bank.

6b) In the 2009 report, the audit committee mentioned some people who were issued advances to attend the GA and they did not do so and thus owe SI money (Kevin Newham, Roberto Boranstain, Henna Blanker, Jose Roberto Montes, Hector Peralta). Of these, the pending advances of CHF 2166 from Kevin Newham was written off in 2010 since he has died. An additional CHF 1701.56 from Nandi Amarasinghe was also written off as non-recoverable because he claims an inability to repay the advance. There remaining expenses were cleared when the parties presented appropriate expenses receipts.

6c) To avoid unused and not repaid advances in the future, the committee recommends that SI engage the services of an international travel agent to make all reservations for SI subsidized delegates and not give any advances to GA attendees. SI would probably want to pay cancellation insurance to be sure that tickets were refundable; this would likely cost less than the non-recovered funds from prior years. Having only one travel agent who was paid would greatly simplify the record-keeping as well.

An additional possible advantage would be that non-subsidized travelers might be able to get discount fares from the official travel agent if they chose to use that person's services.

Since the site has not official be chosen yet, it will require some rapid contracting with an agency if this is still a possibility for the 2011 GA.

6d) As of 2009, former SI Treasurer Omer Ozkan owed CHF 2695.71 that he received in cash and represented the balance of 25,439.00 from 2007. There is no record as to whether he has yet repaid this amount.

6e) The audit committee thanks Jane Giffould for her years of working as the editor of SI newsletter. The editor started the year 2009 with an opening balance of 5725 CHF and ended the year with a balance (credit) 3132.79 CHF. The advances for Jane Giffould were settled when she finally submitted all the expenses related to SI Newsletter and also transferred the funds to SI after deducting all her claimed expenses.

6f) The financial records show an advance paid to Ricardo Cerruti Oehling of CHF 11755.80 which is comprised of USD 6000 towards Youth Meeting and CHF 6000 towards South America Area Meeting totaling to CHF 11755.80 made on 11-10-2011. Youth Meetings payment are made to Pablo Chufeni and here in this instance it has been made to Mr Ricardo. Please refer point no 4.19 of Page 9 which states that the payment to be made directly to the person concerned rather through an intermediary unless under special circumstances. In cases where the SI treasurer sends money to a delegate via a third party the SI treasurer needs to ensure that the transaction through the third party is clearly documented.

Moreover whether the event has taken place or not is not known since no expense vouchers had been submitted as of the date that copies of financial data was submitted to the audit committee. Hence in the books expenses are recorded as an advance to the SI officer. If the expense reports are not submitted within the deadline no further advances are to be sent. Also provision for expenses within the accounting period is taken owing to the lack of information on the occurrence of two other events, namely, the Youth Meeting and the Area Meeting of the South America for which presumably the advances were made.

6g) There have been various meetings held by various groups as per details shown in the "Note to Exco." Minutes and decisions taken at these meetings would enable the audit committee to ascertain what milestones have been achieved against the budgeted targets and their financial impact thereof. This will also give a transparency to the decisions taken and actions implemented by Exco vis a vis the approvals given at the GA.

There is a report on the 6th East Asia Meeting written by Masahiro Nishiyama AC, East Asia 2010

To be found at <http://www.servas-japan.org/contents/pdf/6th-East-Asia-Meeting-2010-11.pdf>

An article about the youth meeting in Brazil was printed in the Si newsletter and can be found at can be found on http://servasrussia.ru/pdf-news/ServasNews-June_2011.pdf

7: Concerns about future budgets

The books should be closed immediately at the end of the calendar year. The records should show how many stamps were issued to each country and how much they owe for stamps received. Then in the following year the books should show the amount of money received from the preceding year's stamps. The audit committee was not able to perform an audit in time for the November distance vote because the books were kept open until all of the stamp fees for 2010 had been settled to the best of the treasurer's ability.

8: Summary recommendations from the audit committee

In the 2009 audit report, the committee submitted several suggestions regarding financial procedures. The committee urges EXCO and the budget committee to review those comments before preparing the next budget.

The audit committee recommends that external audits be performed as soon as possible in the year following the closing of the books.

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The audit committee recommends that the 2012 GA consider a much smaller budgeted income as well as ways to increase the membership.

The audit committee recommends that SI continue to pursue registering SI as an NGO so that the banking can be changed to some system that allows less expensive transfers of funds.

The audit committee recommends that SI engage the services of an international travel agent to make all reservations for SI subsidized delegates and not give any advances to GA attendees.

The audit committee recommends that reports from all SI regional and youth meetings be placed on the SI web site in a way that is easy to find.

The audit committee recommends that the accounting treatment for software should be consistent since both Dolphin and SOL are for the same purpose host list information management and retrieval. Since Dolphin has been capitalized, then it becomes imperative to capitalize SOL as well. The net of expenses and revenue pertaining to SOL should be shown in capital work in progress and taken to fixed asset when SOL becomes operational., There should not be differential treatments to the same type of expense/asset.

We wish to offer heartfelt thanks to the treasurer as well as all members of Exco for their tireless work on behalf of SI.

This report is prepared and approved by audit committee members

Phyllis Chinn

Jonny Sågänger

L V Subramanianlv

5 December 2011