



SERVAS INTERNATIONAL - INTERNAL AUDIT REPORT **FOR THE YEAR ENDED MARCH 31, 2021**

The Internal Audit Committee

Rick Wolfe (Convenor of IAC)
Phyllis Chinn (Member of IAC)
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We received the following documents from the Treasurer on 10th June 2021 for the financial year ending 31st March 2021 for our review:

1. SI Draft BS, IE Statement
2. Schedule to Balance Sheet
- 3 Fixed Asset Schedule
4. Stamp Fees Receivable Schedule
5. Statement of Cash Flow
4. Budget vs Actual comparative statement.
5. Preliminary Draft SI Notes.

Based on the above, we have reviewed the financial statements and we find that these present a true and fair view of the transactions conducted during the year commencing on 1st April 2020 to 31st March 2021 vide the Income & Expenditure Account and also of the SI finances as reflected by the Balance Sheet as of 31st March 2021 subject to our following observations.

1. The IAC recognises that Servas Online (SOL) is critical to further the Servas goals. The maintenance allocations were approved at the GA despite the fact that Income and Expenditure statement reflected year-wise accumulated deficit. SI contracted external agencies at high costs for SOL maintenance owing to absence of in-house expertise. SOL has been operational for the past four years and the SOL maintenance expenses has grown from CHF 9,434 in FY17/18 to CHF 36,870 in FY18/19 to CHF 39,810 in 20/21 and CHF 9135 for the year under review. The proposed yearly budget for each the FY 19/20, 20/21 and 21/22 is CHF 72,450 which includes a new software upgrade. It is unclear why the budget is combined and whether the proposed budget is realistic. IAC suggests the budget schedule FRA-001 be revised to reflect the two types of expenses (maintenance and software upgrade) and the current status of this project.
2. The Stamp revenue of CHF 56,280 this year is consistent with previous years and the budget.
3. Due to the COVID 19 pandemic, travelling is restricted and yet has not impacted stamp revenue. The expenses for the year also reduced significantly. As the world comes out of the pandemic the IAC expects an increase in travel for 2021-22, as travellers will be eager to venture out. IAC suggests that a revised 3 year budget should be planned.

4. The Development Fund Reserve has a current balance of CHF 32,811. The GA has set this reserve as a restricted fund. IAC looks forward to seeing how these funds will be spent.
5. The registration of SI remains incomplete despite EXCO having obtained legal consultation from the Swiss legal attorneys. This year, CHF 4,960 of the CHF 10,000 budget was spent. The very important registration seems to languish. Please give an updated status and projection for completion.
6. To date, there is no insurance policy in place for any liabilities that may occur for any actions made by SI. Please give an updated status on insurance.
7. IAC notes that there is CHF 40,000 transferred to the GA Reserve for 2020-21. We also note a significant effort is needed to put on such a meeting. In fact it takes at least two years to plan a successful GA once a host country is secured. IAC highly recommends postponing the event and working to establish the next GA site as soon as possible
8. The IAC notes the budgeted SOL expenses for the next year again is CHF 72,450. This will reduce cash reserves. It is expected that the outlay of funds for the software upgrade will be depreciated and the related expense for this may be significant.

The non sustainable budget trend of expenditures for the coming years will further deplete the corpus funds.

Our recommendations:

- (a) Control all the expenses especially the SOL Maintenance costs with better contractual terms benefitting SI. Also evaluate in-house expertise so that the outside agency costs can be brought down.
- (b) Contact an insurance broker to request quotes for protection of assets.
- (c) Develop new revenue streams like donations to SI subject to the conditions laid out in the Financial Operating Practices (FOP). This is possible after SI's formal registration.
- (d) Extend the GA from the 3 year gap to 4 years so that the incidence of additional deficit can be deferred.
- (e) Continue and complete the SI registration on timely basis so that the benefits of registration will accrue to SI. The formal registration of SI will permit it (a) to move bank accounts to ethical banking institutions offering higher rates of interest on deposit account, lower bank remittance charges and other banking privileges, (b) may claim refund of income tax deducted from interest income (c) seek donations and financial help from core agencies like UN and other support groups. It is therefore imperative that SI registration is to be taken with utmost urgency as considerable delay has already occurred.

We are confident that the above measures go towards stabilizing the SI finances.

We appreciate responses from the EXCO to our observations.

Respectively Submitted

Internal Audit Committee