

# **Internal Auditors Report**

regarding the

## **Final Accounts**

of

**ELSA Development Foundation (EDF)**

**2017/2018**

### **Internal Auditors**

Marek Škultéty  
Peter Christian Binou-Hansen

*(22 February 2019)*

## **1. Introduction**

We, Marek Škultéty and Peter Christian Binou-Hansen, appointed the Auditors of the ELSA Development Foundation (EDF) in accordance with Article 11 (1) of the Decision Book of ELSA, have audited the Final Accounts prepared and presented to us by the Chairman of the EDF, Elena Maglio.

The audit is covering the financial period from 1 August 2017 until 31 July 2018. The audit has been carried out on 10-11 March 2018 at ELSA International's office in Brussels and by electronic means afterwards regarding the interim period (1 August - 31 January), and also on-site 15-16 September 2018 and via electronic means afterwards regarding the second half of the audited period. However, due to significant delays with the provision of materials necessary for the Audit, the Auditors were unable to finish a report prior to the International Council meeting in Opatija in November 2018. The Audit further continued via electronic means during January and February 2019.

We were therefore able to successfully review the Final Accounts of the EDF submitted to us electronically on the 16 November 2018 in terms of their alignment with the audited documentation and bookkeeping (the last updated version of which was received on 22 February 2019). We hereby present our findings.

For further information regarding the delays and missing accounts, we kindly refer the Council to our Statement dated 16th of November 2018.

## **2. Regulatory basis**

The EDF is a separate legal entity founded in accordance with Belgian law and managed by the Board of Directors. EDF is regulated by the Statutes of the EDF and the rules regarding EDF in the Decision Book of ELSA.

According to Article 11 (2), the Auditors shall examine the accounts of all revenue and expenditure of EDF and fulfillment of the regulations of EDF by the Board of Directors, according to the generally accepted auditing standards. Furthermore, the Auditors shall provide a certification as to the reliability of the accounts and the legality and regularity of the underlying transactions. The Auditors shall present their audit report concerning the Accounts of the EDF to the Council.

## **3. General overview**

The EDF accounts are recorded under different accounting programme than the one used for ELSA International, due to the amount of bookkeeping for the EDF and the price of the accounting program. As is the case in ELSA accounting, the accountant assists the Treasurer with several (however not all) bookkeeping tasks.

The EDF is financially very stable, and generated excessive funds, as is the ongoing practice for several years.

Regarding accounts receivable and payable we observed, that at some point ELSA International shortly used the liquidity it received on behalf of EDF to overcome liquidity struggles. The documentation and payment agreements related to the EDF were kept in an organized manner.

#### **4. Reliability of the accounts**

Regarding the overall position we observed that the accounts presented to the Council do not match the accounts we reviewed during our Audit, due to the following differences:

- Profit noted in the Final accounts of the EDF 14 206,37 € vs. “Available for term 2018/2019” noted in the Annual Report 14 652,96 €. We are noting that the Treasurer did not deduct Previous term expenses, bank charges and Administrative expenses from the amount available for term 2018/2019 in the Annual report.
- Accounting Net profit for the term from accounting documentation made available to us: 6 647,93 €. Regarding the difference we have received an explanation that “The accounting programme used had no open balances, and was only used for recording. Last year they were not using anything, so I adapted the results from last year balance to the operations that we did this year”.
- “Operating expenses” in accounting documentation made available to us 5 498,16 € vs. 4 398,21 € in the Final Accounts.
- Difference in Balance sheet amount between accounting documentation (less) and Final Accounts of 1,05 €.

#### **4. EDF applications**

Even though the purpose of the EDF is to financially support the Network, a minimal standard of applications must be observed to ensure smooth processing and proper assessment by the Board of Directors.

In total, out of 32 applications submitted during the financial year, 19 (60%) were successful, and only 13 reports were subsequently received. This translates to financial terms: out of 24,324.54 EUR applied for, only 1,722.85 EUR were confirmed to be paid out (with 2 reports not received by the end of the financial term). Further details are available in the Annual Report of the EDF.

We would like to once again urge the officers to read the regulations and guidelines thoroughly before applying, to ask the Chairman for further clarifications if needed, and to submit all of the possible information in English.

## **5. EDF priorities**

Regarding the priorities of the EDF (Article 7 (3) (vii) of the EDF Regulation), these were decided on to be the following:

1. Participation to Statutory Meetings
2. Regional Cooperation
3. Training organised with ITP trainers and
4. International Focus Programme related events.

The Board of Directors generally adhered to the decided priorities regularly when determining the fate of applications based on the documents provided to us.

The statistics of priorities related to received and granted applications, as well as amounts paid out are described in sufficient detail in the EDF annual report.

## **6. Miscellaneous**

Regarding our observations from the Interim Accounts we noted a few transparency improvements in the minutes of the EDF regarding the discussions about amounts applied for. We also noted increased quality and transparency in the filing and documentation of the Decisions of the Chairman.

Regarding a few applications submitted by the National Groups, whose former members are present in the Board of Directors votings with 0 abstentions can be found in the minutes. Although the EDF regulation Article 7 (5) requires these former members to abstain (therefore at least 1 abstention should have been present), the outcome of such votings would not be different even in the case of their abstention.

The EDF continues to lack a good amount of high quality applications, therefore we approve of the Treasurer's efforts to promote the EDF by implementing the EDF Award, webinars, and guidelines on applications.

## **7. Conclusion**

We are hereby informing the council about our above mentioned reservations regarding the reliability of the accounts of the ELSA Development Foundation 2017/2018.

The documentation and bookkeeping were kept satisfactorily, with a few exceptions. We noted no significant irregularities. Our findings regarding the governance, risk and internal control are summarized above.

Best regards,

Handwritten signature of Marek Škultéty in black ink.

Marek Škultéty  
*Auditor, ELSA International*

Handwritten signature of Peter Christian Binau-Hansen in blue ink.

Peter Christian Binau-Hansen  
*Auditor, ELSA International*