



**Report of the Auditors Committee of JEF Europe for the financial year 2022, finalised remotely on 9 November 2023**

To: Federal Committee (FC) of the Young European Federalists (JEF)

Cc: JEF Executive Board (EB), JEF Secretariat

From: JEF Auditors Committee  
(Emilia Chehtova, Patrick L. von Wildenradt)

**I. General Information**

We, the Auditors Committee, **have checked the following:**

- The financial statements of JEF Europe regarding the financial year 2022,
- The profit and loss statement of 2022,
- The history of the analytical accounts of 2022 (via Yuki access),
- The detailed Balance sheet for 2022,
- Compendium of ongoing and applied projects - Project finances mastersheet,
- Finances per project - execution table,
- EB travels overview 2023
- Membership fee overview for 2022 and the previous years,
- Report of the Credentials Committee 2023.

The audit was mainly performed remotely based on the documents provided by the Secretary General and the Treasurer. There was also a physical meeting at the secretariat in May 2023. The Auditors Committee represented by Emilia Chehtova and Patrick L. von Wildenradt, reviewed the documents and requested further information on the following matters:

- Change of the collection practice on the membership fees
- Different banking and credit/debit card solutions
- Subletting the new office space and the respective revenues in relation to the operating grant
- Use of volunteer time as a means of co-funding
- New practice related to the EB travel costs
- Finance master file for projects and overall financial management
- Financial overview document provided to the EB
- Overview of staff costs
- List of projects finalised in 2022
- Availability to present the report in the Congress

The Auditors Committee followed-up on its findings with the Treasurer Robin Murdy and the Secretary General of JEF, Judit Lantai. The Auditors Committee was therefore able to get a comprehensive overview of the financial state of the organisation, after which the internal audit report was closed and handed over to the Federal Committee for the closing of the financial year 2022.

## **II. New observations and recommendations**

1. The post Covid-19 pandemic activity of JEF has been significantly increased with many partnerships and grants affecting the finances and liquidity of the organisation. The comparability with previous financial years (FYs) of JEF is stabilised. Overall, this situation resulted in an increase of the income and cost in comparison with the FY 2021 - especially regarding Commissions & fees with EUR 26,482.
2. The FY 2022 was closed with a loss of EUR 15,120.42 (1) following the FY 2021 loss of EUR 52,508.03. For the FY 2021 the negative result was compensated with the FY 2020 positive result of EUR 33,997,52 and resulted into a total carry-forward loss of 18,510.51 (2). The consecutive negative result to be carried forward is EUR 33,630.93 (sum of (1) and (2)), but in total for 2021 and 2022 the cumulative amount of loss equals EUR 71,019.03.
3. The Auditors view this development (also in view of the 2021 negative result) with a strong concern. The liquidity and solvency situation has to be carefully monitored. The total equity has decreased from its 2021 sensible level, and JEF does not have an extensive reserve to rely on. In the coming years, the EB should pay attention to keep the equity at a roughly constant level (in the multiple-year average) in order to still qualify for grants, but at the same time not get into financial troubles.
4. In previous audit years, the Auditors Committee had faced major difficulties in gaining a full understanding of all the ongoing projects and grants for a second consecutive year. Due to the increased number and complexity of ongoing and finalised projects, there will be a consistent need that JEF sustains a comprehensive overview allowing comparison of the budget, the actual expenses, respectively incomes and their assignment to projects/grants.
5. The Auditors welcomes the fact that the EB has constant access to the already existing master sheet and the treasurer is being informed in detail about the current financial development in regular bilateral meetings with the Secretary General. This is a best practice to be taken forward with the new members of the Statutory bodies. The Auditors also support the notion of having a comprehensive and thorough update on JEF finances and significant budgetary matters at every in-person EB meeting as well as proportionate updates for important developments at the EB online meetings. We also strongly urge the EB and/or the Secretariat to present such data and information to the FC. The Auditors already commented on this issue in the 2020 and 2021 Internal Audit reports.

6. The 2022 Budget approved by the JEF Europe Liège Congress (November 2021) was balanced between income and expenditures and amounted to EUR 396,520.00. The actual income of the financial year 2022 according to the Income Statement of the JEF Balance Sheet amounted to EUR 722,006.28. The Auditors face difficulties to reconcile the amount under the Balance Sheet with the budget forecast approved by the FC, which substantially differ from one another.
7. Under the largest grant (operating grant under the Citizens, Equality, Rights and Values Programme (CERV)), costs of 349,892 were claimed in 2021 and costs of EUR 355.399.38 for 2022 under the operating grant of CERV with a minimal increase of 1,6 %.
8. In a number of cases, sections and other partner organisations of projects have received lump sums from JEF Europe that have not been reported back on or paid back unused funds to JEF Europe. This especially was a problem under the Y-FED project. In these cases where reports or money is not received back from project partners, JEF Europe faces both a significant financial risk and reputational risk as well as an audit risk in case the respective costs and projects are audited. The Auditors thus strongly urge project partners, incl. member sections, to only engage in projects that they can actually manage, both financially and administratively, but also urges the Secretariat to be more restrictive in its approach to pay out lump sums or pay out smaller amounts to mitigate the risk.
9. The budget execution of the Operating grant under the CERV Programme was well-implemented with a full absorption of the grant - EUR 355,399.38. However, the Auditors Committee would draw the attention to recommendation number 10 and 12 of this report in relation to the Commission's operating grant.
10. Again under the CERV Operating Grant the Auditors observe that on the basis of total budget estimated for expense, the envisaged maximum amount to be covered by the Commission is EUR 225,000 (80% of the total expenditures). According to the reporting, JEF has spent EUR 59,319.5 more that will not be covered by the grant. EUR 284,319.5 was the eligible amount for the grant, but more than the maximum and actual paid amount of the grant by the Commission. This led to high self-financing costs. As the maximum cost amount is capped, the auditors strongly recommend that a stricter approach is taken on the expenditures and the planning of their execution so that the costs will not exceed or exceed to the minimum of the planned budget costs.
11. The Auditors notice with concern that the Capital and Reserves dropped to EUR 24.059,57 in 2022 in comparison with the EUR 39.179,99 in 2021 and the EUR 91.688,02 in 2020.
12. The Auditors advise the Secretariat to consult with the Operating Grant and CERV rules and best practices over the reporting practice for future earnings through subletting the office space. The Auditors express concern for a third consecutive year whether it is accepted to count such earnings as a co-financing part of the operating grant. The current practice bears the risk of funds allocated through grants being partly claimed back later on as per the grant rules "Income generated

by the action” is deducted from the grant amount.

13. The Auditors advise the Secretariat to be cautious with a potential future inclusion of Partena corrections as part of the co-financing of the grant (as occurred in previous years) and receive impartial expert opinion whether this is acceptable under the principles of the operating grant. Any such practice bears the risk of funds allocated through grants being partly claimed back later on.
14. The Auditors have observed the irregularities and their correction in the management of the payroll on the side of the service provider (Partena). We support that an alternative service provider is considered.
15. FY 2022 brought a 1% increase of the overall revenue from membership fees compared to FY 2021. The Auditors note with satisfaction the overall 1% member increase and the increase of the membership numbers in numerous sections. However, the membership number of 2022 had a negative trend as the membership fee paid in 2023 has decreased by 3% compared to 2022, which also for the first time since 2012 has led to JEF Europe officially having less than 10.000 members Europe-wide, which is concerning. The Committee calls for additional measures to support the campaigning of the sections to recruit new members in the post-Covid Europe. In this particular situation, it is notable that a few sections managed to increase their capacity with new members, e.g. JEF Denmark, JEF Belgium, JEF Greece, JEF Italy, JEF Latvia, JEF Poland and JEF UK for at least three consecutive years. It is recommended that special focus is given by the TF Capacity Building to the exchange of best practices in order to support the sections who are suffering membership losses. From 2021 to 2022 especially JEF Austria, JEF Norway, JEF Spain, JEF Netherlands and JEF Switzerland reported relatively high membership losses.
16. The Auditors note that the external audit for the overall JEF finances (not linked to a specific grant) was not performed for FY 2020, FY 2021 and FY 2022. The Committee finds that it could be a concern for two reasons. First, the external audit is ensuring accuracy of the accounting records and compliance with national laws and regulations. Secondly, an external audit is required in some countries and by some bodies to qualify for grants. By not getting an external audit carried out, JEF might exclude itself from applying for some grants. However, the consideration of course has to be linked to the costs of getting an audit conducted, which the Committee has also been informed is the main reason for currently not getting an audit of the overall finances conducted.
17. The Auditors Committee welcomes the adoption and implementation of the new Code of Conduct, adopted in the Spring Federal Committee in 2021. With regards to the reporting under Article 6, a draft summary annual report could be drafted with the reported issues, the method of reporting and the actions to remedy them. The report could still preserve the right of anonymity with avoidance of personal details. As it is not the case for 2022, the Committee recommends similar practice to be established in 2023 or not later than 2024.
18. In view of the subcontracting services under the Operating Grant, trainers can

provide a one-pager report on the service provided.

19. The Auditors Committee notes that the number and extent of projects undertaken by JEF Europe has been steadily increasing over the past years, which has also resulted in a larger secretariat. On the one hand, this provides JEF Europe with more opportunities and muscles, but on the other hand there is a risk that focus and the strategic direction is lost. The Auditors thus recommend the EB and the Secretariat to consider whether all projects create (sufficient) value for JEF Europe, and whether it would be beneficial to JEF Europe to engage in fewer, but more focused projects in order to maintain a clear strategic direction, but also to simplify the project administration.

### **III. Observations regarding the follow-up of the recommendations noted in the Auditors Committee's Report of 2022 (concerning the financial year 2021)**

The following points have been examined:

- The Committee noted with satisfaction that there is a clear and sufficient segregation of duties in relation to financial dispositions and payments. The “Work Regulations” document was adopted and implemented in 2020. However, the Committee would like to stress the importance of the document to be updated at least annually in order for it to stay relevant.
- The Auditors Committee notes the significant progress, addressing previously expressed concerns and recommendations, the work in developing an overall master sheet, undertaken by the Secretary General and Finance Officer on improving the financial overview of the ongoing projects. It is currently under construction, but almost fully developed. This master sheet will implement a new type of budgetary planning taking into consideration all the data from Yuki and putting them alongside detailed project, staff and office costs per month.
- The Secretariat and especially the current Secretary General have been continuously very active in developing new projects and also exploring new funding opportunities. The auditors believe that developing own resources and diversification of the funding sources of the organisation is a healthy approach to ensuring the sustainability of the organisation in the long term. We advised in 2021 that “It could also be considered whether the membership fee should be increased, now that it has been stable at 2 Euro per member since 2009”. We support the implementation of more adequate and proportionate fees this year, but at the same time urge for a proper discussion with the sections as to whether there could be other models of paying membership fees, also taking into account that many sections already struggle financially.
- The Auditors Committee notes with satisfaction that the payment of membership fees in a timely manner has significantly improved compared to previous years,

mainly due to the preparations for the Online Congress in 2023 and an extra effort done by the Treasurer and the Secretariat. There are only four member sections that have not paid the membership fee timely in 2023, and all member sections that were expected to pay their membership fees have done so.

The following points are still outstanding and the auditors reiterate their recommendations:

1. The auditors recommended making the Budget execution (amount spent, received and compared to budget) available to the EB and the FC; as described in the financial guidelines this should be available on a monthly basis and provided to the Federal Committee every six months. This budget execution is still not available in monthly notes. Reporting is done at the same time as the projects when an overall reporting may better cover liquidity issues. The Treasurer is encouraged to make use of Yuki for the extraction of such budget execution reports and provide them on a regular basis as an item in the Agenda of the EB meetings.
2. The auditors keep their previous recommendation for the involvement of the Auditors Committee in any amendment to the financial guidelines. In order to make sure that proper protocols are always in place to safeguard the transparency and accountability of the financial management of JEF Europe, the Auditors Committee recommends a statutory change in the statutes of the financial guidelines towards the guidelines being an annex to the Rules of Procedure. This aims to prevent them from automatically lapsing as with other resolutions.
3. The auditors strongly reiterate their recommendation that the Treasurer of JEF is more heavily involved in checking the accounting and financial recordings on a regular basis in order to make sure that the accounting is done correctly, and also in order to gain a good understanding of the daily transaction flow. The need for this has further increased with JEF executing a larger number of projects with implementation of grants compared to previous years. This results in a need for further enhancement of the financial competences within the organisation and support to the Secretariat. We, however, noted that there have been improvements in this regard throughout the past period.
4. The auditors also reiterate their recommendation for the adoption of a clear and consistent nomenclature to label transactions and accounts.
5. As in previous years, the auditors urge the Secretariat to make full use of the possibilities of Yuki by setting up a two-dimensional accounting, with general ledger accounts in one dimension and separate cost centres for each grant/project in the other dimension. This allows the separation of project incomes and costs from those of the organisation itself and also provides a much better overview of the various projects. If the accounting tool will not be able to provide such modules, it is recommended to explore other software solutions offering architecture that can allow two dimensional accounting. Any new accounting software should ensure comparability and traceability of data introduced from the previous one. We are aware that the Secretariat is making an effort to monitor the

distribution of incomes and costs among projects through separate Excel spreadsheets, but also stress that it is a manual process that can be a source of potential mistakes as well as person-reliant knowledge.

#### **V. Concluding remarks**

The Auditors Committee did not find any major irregularities in the bookkeeping of JEF Europe. However, the increasing number of grants and projects makes it more and more difficult for the Auditors Committee and the FC members to gain a full overview of JEF's increasingly complex finances. We therefore strongly stress the need for improved reporting by the EB and/or Secretariat.

Please feel free to contact us directly should you have any further questions or need any clarifications regarding our report.

Done remotely on 15.10.2023, 01.11.2023 and 09.11.2023.

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