



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, Marc Sinner)

### **I. General Information**

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

- The financial statements of JEF Europe regarding the financial year 2019,
- The profit and loss statement of 2019,
- The history of the analytical accounts of 2019 (via Yuki access),
- The detailed Balance sheet for 2019,
- The updated financial guidelines of JEF Europe, as adopted by the 2017 spring FC,
- Compendium of ongoing and applied projects,
- Finances per project - execution table,
- The external auditors report for 2019,
- Independent Report of Factual Findings on Final Financial Report - Grant Agreement/Decision n°2018-2557/001-001 (Period 2019), Europe for Citizens Programme,
- Independent Report of Factual Findings on Final Financial Report - Grant Agreement/Decision n°2019-0050/001-001 (Period 2019), Europe for Citizens Programme,
- The draft activity report 2017 - 2019
- Membership fee overview
- Minutes of statutory meetings
- Work regulations' document

The audit was performed remotely based on the documents provided by the Secretary General. The Auditors Committee represented by Emilia Chehtova, Patrick L. von Wildenradt, Marc Sinner, reviewed the documents and requested further information on the following matters:

- Yuki accounting tool (online access)
- Membership fee overview
- Work regulations (2020)
- Compendium of ongoing and applied projects (as of September 2020)

- EB Meeting Minutes 2019
- Finances per project

The Auditors Committee followed-up on its findings with the Treasurer Chris Powers and the Secretary General of JEF, Milosh Ristovski. At the date of the audit, the financial year 2019 was closed. The Auditors Committee was therefore able to get a comprehensive overview of the financial state of the organisation. Prior to the internal audit, an external audit (as required by Belgian law) had already taken place. The external audit did not identify any irregularities.

## **II. Observations regarding the follow-up of the recommendations noted in the Auditors Committee's Report of 2019 (concerning the financial year 2018)**

The following points have been satisfactorily examined and/or resolved:

- JEF-Europe continues the established practice to organise well its accounting capacity through an external accountant, the professional accounting system Yuki and a staff member with professional experience in the duties of accounting and administration.
- The auditors also welcome the permanent role of an Admin & Projects Officer, although the Financial guidelines have yet to be changed to include her/his role.
- The level of transparency is enhanced by the publishing of the EB meetings' notes in a separate section of the JEF Europe's official webpage (accessible to JEF members with registration).
- The auditors' recommendation for a review of the full time president experience was addressed in order to allow for a better discussion, with more preparation. The President now has the role to also present its policy and activity agenda and then follow-up on those and report on his/her achievements to the FC.
- The auditors of 2013 (concerning the financial year 2012) and 2019 (concerning the financial year 2018) recommended that a document detailing working regulations in the Secretariat be drafted and adopted. The document was not yet adopted in the financial year 2019. However, it has to be noted that the "Work Regulations" document was adopted and implemented in 2020.
- The Auditors Committee recommendation on the development of new methods of assisting struggling sections and enhancing the viability of these sections were well-addressed by initiative of the JEF Europe's Secretariat. Several initiatives like "Pimp my JEF - capacity-building program for sections", section visits and meetings of EB members with JEF sections in 2019 contributed to this objective.
- The Secretariat is acknowledged to have well-organised the overview of its project funding in a structured table that is regularly updated. However, the table can include also the absorption rate of the grant, absolute amount (and percentage) as

well as the execution of the total costs and of the total income in order to provide a full picture of the project financial implementation.

- The auditors noted a finding of the Audit Report for the Financial Year 2018 that no check is done by a JEF employee or JEF volunteer on the ledger (“grand livre”) listing all the accounting movements by categories. In this context, the auditors also recommend the adoption of a clear and consistent nomenclature to label transactions. As a follow-up of this recommendation the payments and the expenses by a project are followed up by the Secretary General and the Admin officer in collaboration with the Project Officer. This is done with checking out the accounting tool (Yuki) and payments by category (code) which is linked with the project. This is considered to mitigate sufficiently the related risk described in the auditors’ finding and recommendation for year 2018.

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

1. The Auditors Committee has recommended during the last years the punctual and correct payment of membership fees and reporting thereof in order to ensure fair and equal treatment of JEF members and sections and to prevent unnecessary work in the European Secretariat, while recognising the varying workload in national sections. In 2019 no major changes in this regard occurred. The auditors note with disappointment that not all sections have been able to meet the statutory requirements and that many sections are facing difficulties in sustaining their activities and functioning.
2. The auditors recommended to make the Budget execution (amount spent, received and compared to budget) available to the EB; as described in the financial guidelines this should be available on a monthly basis and provided to the Federal Committee every six months (2.3(4)). 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.
3. There were still cases in 2019 where JEF staff had to cover expenses related to the organisation’s activities and then be reimbursed for it (as noted by the Auditors Committee also for the Financial Year 2018). In 2019 this was in particular the case prior to the European election when the number of transactions exceeded the limit of JEF’s corporate credit card. The recommendation still remains that this has to be reduced as possible to minimum. Possible solutions can be identified with the bank card services available in Belgium (i.e. credit card) and by adding additional cards or increasing the spending limit per card.
4. The external auditors of the grant audit 2018 commented on the depreciation rules of JEF. It was followed by a recommendation of the internal auditors on Financial Year 2018. Although the depreciation costs are covered by the management costs under Erasmus+ KA2 projects and there were no such costs for the year 2019, the internal auditors strongly advise JEF to elaborate depreciation rules and follow a

depreciation plan (reference for guidance in the external audit report of 2018). The auditors are willing to provide some support and additional guidance on the elaboration of such in contact with the Secretariat. A depreciation plan should be drafted and could be consulted with the Auditors Committee. Its proper execution should be monitored in a separate table part of the annual financial accounting and reporting of JEF.

5. Taking into account the employment of an administrative officer, the auditors recommend to amend the financial guidelines at the next Federal Committee with regards to the tasks of the new staff member. It was recommended to list the financial tasks the assistant will execute under the approval of the Secretary General.
6. The auditors recommend 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 status 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.

### **III. New observations and recommendations**

1. The financial year 2019 was closed with a loss of EUR 14.726,30 (compared to EUR 13,781.06 in 2018).
2. JEF still has a solid liquidity and solvency situation and is in overall good financial shape. Success in the application process for the operational grant secured funding for the last years, which gave the organisation a firm planning framework. The auditors also emphasise on the successful applicant's capacity of JEF, awarded with significant grants for the years 2018-2019. This led to a major increase in the funding levels and thereby the organisation's operational capacity. However, operational funding for the upcoming years is still not fully secured.
3. Equity has significantly decreased due to the losses of the past two years. The remaining equity including reserves amounts to EUR 30.916,96. The auditors view this development with great concern. While there is a high amount of fixed costs for salaries and office rent, there are little fixed incomes. Most funding depends on the allocation of grants which are volatile by nature.
4. The budget execution of the Operating grant was well-implemented with full absorption of the grant. The table related to project finances and implementation could track the absorption rate of the grants, absolute amount (and percentage) as well as the execution of the total costs and of the total income. Indeed, the grants are the financial backbone of the organization and a partial execution can lead to a reduced amount for the following year.

5. In 2019 the membership fees comprised EUR 24,600 (2018: EUR 23,800) of the income. Membership fees provide valuable support in terms of co-funding of projects, assisting national and local sections and organising statutory meetings. The auditors noted that more than one third of the total membership fees are coming from one single section (JEF Germany). This still illustrates the importance and significance of steadfast organisational work and growth across the organisation in general and in the member sections in particular.
6. The Auditors Committee renews its recommendation of timely and correct reporting and payment of membership fees and adherence of all parties to the commonly agreed Statutes of the organisation. This recommendation also aims to ensure that no section is faced with the possibility of losing its voting rights in the coming Federal Committee meeting or European Congresses.
7. The Secretariat and especially the current Secretary General have been active in developing new projects and also exploring new funding opportunities. They have also been working on the development of own resources for the organisation by providing trainings and other services for interested and suitable other organisations. 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.
8. The auditors highly recommend that the Treasurer of JEF is 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. This could also be an advantage for the EB if the treasurer has a good understanding of the daily and current transactions, and the Treasurer will then also be able to come up with recommendations on how to improve the internal accounting.

The role of monitoring whether the accounting is done properly and correctly requires that the Treasurer has a good and professional understanding of the accounting framework - possibly through previous work experience within accounting, finance and/or auditing or/as well as educational experience. Thus, the auditors recommend that the Congress elects a competent treasurer and that checking the accounting regularly is a described and prioritized task of the Treasurer.

The need of this has further increased with JEF getting a larger number of grants compared to previous years, adding to the need of financial competencies within the organization and especially to the need of a competent treasurer, who, in the end, has the responsibility for finances and accounting.

9. The auditors noted a significant increase in banking fees, which was due to high transaction fees for payments made to non SEPA-countries (especially to the Western Balkan countries). The auditors recommend the Secretariat to investigate cheaper alternative options.

10. The auditors noted that the slides presented at the August 2020 FC, where the accounts of 2019 have been closed, were solely providing numbers regarding one specific grant (the operational funding grant 2019-0050) instead of the full financial figures of the association. Furthermore, the balance as well as the profit & loss statement made available to the FC members were not the most up-to-date versions of the accounts.

Consequently, the auditors recommend that the internal Auditors Committee is invited to take part at the FC where the accounts are closed in order to make sure that the Treasurer and/or Secretary General report correctly to the FC, and also in order to enable for questions directly to the internal Auditors Committee on the work performed.

#### **V. Concluding observations**

1. The Auditors Committee did not find any major irregularities in the bookkeeping of JEF Europe. The external audit for the financial year 2019 confirms this opinion. The Auditors Committee is generally satisfied with the financial management of the organisation, with an exception of the points of concern mentioned above. The Auditors Committee feels confident that the Secretary General and the Board are aware of these points and are working in a steadfast manner to resolve them in the near future.
2. The Auditors Committee notes with approval efforts by the Secretary General and the Treasurer to develop new projects, apply for financing from different funding organisations and programmes and diversify the funding sources.
3. The auditors express their dissatisfaction that the EB and the Secretariat chose to convene an FC to close the accounts before the internal audit has been done. We believe that only the report of the Internal Auditors Committee allows the FC to have a meaningful vote on the closure of the accounts.

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

Done remotely on 10.10., 11.10. and 18.10.2020.

Emilia Chehtova	Patrick Løvenskjold von Wildenradt	Marc Sinner
<a href="mailto:emilia.chehtova@mail.com">emilia.chehtova@mail.com</a>	<a href="mailto:pw@euro.dk">pw@euro.dk</a>	<a href="mailto:marc.sinner@y-e-s.ch">marc.sinner@y-e-s.ch</a>