

Internal Audit report – 2022 Spring Congress

9 May 2022

Dear LYMEC member organisations and individual members,

On 12 February 2022, we, the Internal Auditors, carried out an internal audit for the 2021 financial year. During our audit, we analysed relevant accounting data, including the balance sheet and the profit and loss statement. Based on the provided accounting information, we compiled a risk-based sample of transactions and payments evaluated based on materiality assessment. Items listed in the sample were more thoroughly checked for correct documentation. During our audit, we only made procedure-related observations, which are listed below under 'Observations made'. We did not note any significant errors in the accounting of LYMEC.

We would like to extend our gratitude towards LYMEC Treasurer, Marten Porte, and the Secretary General, Bálint Gyévai, who were attentive during the course of the carried-out audit procedures and carefully listened to our feedback. As a general remark, the Internal Auditors find that the finances of LYMEC are correct and well-kept. We would also like to note that the Secretary General and the Treasurer have well implemented previous informal recommendations and put in consistent effort to better the records keeping system of LYMEC.

Observations made

Advice 2022-1:

Status: Pending

Personnel costs and salary system: although the work of LYMEC office has this far been excellent, the Office is highly dependent on employing highly motivated individuals who are themselves capable of working in a high-paced environment. However, it must be noted that for future employment affairs, a more thorough compensation scheme must be implemented to ensure the motivation and willingness to stay at their position for a longer period. This can, for example, be done by offering employees additional perks, such as reimbursement of sports-related costs.

Advice 2022-2:

Status: Pending

Proof of approvals and other statues-related actions: currently, LYMEC does not have an established system of record keeping of approvals or other statues-related actions. For example, based upon further inquiry, approvals are still done primarily on a message basis on the Signal app. We recommend in the future attaching approvals to records in the bookkeeping system to avoid future misunderstandings.

Advice 2022-3:

Status: Pending

Role of the Internal Auditor: during our period of acting as the Internal Auditors, we have noticed that the current role in the organization of our position is not clear enough. We would recommend for the future LYMEC Bureau to give the Congress recommendations for extending and clarifying the tasks for Internal Auditors. For this, we would recommend the establishment of the following:

- Internal Auditors should not only check the finances of the organisation. This follows LYMEC Statues Art. 29 (1), by which the Internal Auditors are to scrutinise the accounts and the general management of the organisation. However, the Financial Protocol Section 5. (c) limits the role of Internal Auditors to scrutinising

and “discussing” finances. Therefore, there is distinctive contradiction between the two. Internal Auditors, could as well, for example check the general management, employment affairs, overview of outstanding issues in the organisation etc. The outline of the role could also be additionally clarified through recommendations from former Internal Auditors and Treasurers of LYMEC.

- Recordkeeping of audit work documents. Although the outcome of the audit is the audit report itself, it is also beneficial for future reference to keep audit work documents together with accounting documentation. This could give future LYMEC employees and Internal Auditors an understanding of which issues were cleared, the outline of the sample and an overview of the checked documentation (and hereby determined issues or shortcomings).

Implemented advice

Advice 2020-04:

Status: Implemented

As part of the audit it was noted that all LYMEC-related travel documentation is kept separately, meaning transactions made directly by LYMEC and the subsequent documentation (i.e. refunds) are not categorised by trips or attending officials. This makes it more difficult to quickly analyse specific trips for Bureau members or any other officials. Therefore, we recommend the Secretary General and the Treasurer to further systematise travel documentation for the purpose of future audits. Additionally, we advise to include confirmations of any cancelled flights, trains, or other prebooked travel arrangements with other travel documents.

Advice 2020-03:

Status: Implemented

As part of LYMEC Financial Protocol subsection 4. Operational financial decisions, a) Spending regulations, extraordinary expenditures up to 500 euros are to be authorised by the Secretary General, those over 500 euros are to be confirmed explicitly by the Treasurer and expenditures over 1000 euros need the silent approval of the Bureau. As per the Protocol, the Bureau is collectively responsible for the finances of LYMEC. Currently there

is no way for recordkeeping of such decisions taken. As the finances of LYMEC are the collective responsibility of the Bureau, we recommend the Bureau and the Secretary General to determine a procedure within the guidelines set in the Protocol for recording these decisions. This can be, for example, done by including such decisions in the minutes for Bureau meetings or by saving any such written correspondence.

Advice 2020-01:

Status: Implemented

During the audit, it was discovered that not all the cash transactions were entered into the accounting software Xero. The Treasurer had kept an overview the cash transactions in a respective separate spreadsheet. For the sake of correctness and transparency, we highly recommend reflecting all the transactions in Xero. However, we would like to clarify that this problem was taken care of almost immediately and therefore we would like to thank the Treasurer for the swift actions.

Advice 2020-02:

Status: Implemented

While conducting this internal audit, it rose to our attention that the current conduct of submitting reimbursement forms is troublesome in the sense of bookkeeping. A lot of reimbursement forms consisted of multiple expenses deriving from multiple different events. We strongly recommend that from further on, reimbursement forms shall only reflect costs related to a single event. If there is a need to claim reimbursement from multiple events, then multiple reimbursement forms shall be submitted.

Earlier pending advice

Advice 2020-01:

Status: Ongoing

During the recent years, the persons who have held the position of Treasurer have been extremely capable individuals, who understand both the financial aspects and the principles of bookkeeping. However, we would like to point out that LYMEC cannot take these superb individual efforts for granted and cannot expect every single Treasurer to possess all the required knowledge. Sound financial management and accurate bookkeeping lays a foundation on which the organisation can thrive and succeed.

Therefore, we would recommend both the Congress and the Bureau to take into consideration the potential outsourcing of the bookkeeping function.

Undeniably, this will result in a huge change in the role of the Treasurer. We believe that LYMEC should not be a platform where people come together in order to perform rather tedious administrative tasks – it should represent the ingenuity and innovation of our MO's and individual members. Therefore, we suggest that going forward the Treasurer should focus more on tasks, which provide a higher value for organisation, for example fundraising.

The new concept of the role and responsibilities of the Treasurer should be developed jointly by the Bureau, the Secretary General and the Treasurer, but only in the case if the Congress believes the change to be necessary.

Final remarks

Should you have any further questions or comments regarding the audit or the current audit report, please feel free to reach out to us for further clarifications.

Yours sincerely,

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