

## **Addendum to the preliminary report**

Executive Board meeting                      Report of the Verification Commission  
Halkidiki  
27 Oct. – 3 Nov.

### 1. Revenues

1.1-Our traditional revenues (not including those derived from the WCC) have declined by around 3% in 2002 compared to 2001. These revenues are our only reliable resources; FIDE should give all priority to ensure that they develop steadily and that they are collected in the most efficient manner. These days they represent the only income FIDE can rely on.

1.2- Many Federations were in debt to FIDE for over a year with a total of more than CHF 400,000. This is far too high. The Commission was concerned that many of these Federations had signed undertakings in order to play in the Bled Olympiad but had not followed up their promises. This should not be permitted in the future.

1.3-Considerable income derived from the WCC has not been received. In spite of promises made to the General Assembly and to the Presidential Board, payments are still expected.

The Commission expressed its deep worries and sent the following letter to the President:

"28th June, 2003

Dear Mr President

The Verification Commission has met today in Lausanne and has examined in great detail the accounts of FIDE.

The Commission is deeply worried about the financial position of FIDE, particularly as payments have been made for the Continental Championships.

We wish to bring to your attention that, if the monies due to FIDE, mainly from the World Championship cycles, are not received in a few weeks, then it will be unable to meet its expenses and it will have difficulty in continuing its operations. "

No reaction has been noticed and no payments have been made yet.

1.4- FIDE has an agreement with DGT, which should have been renegotiated this year. Well into 2003, the agreement has not been discussed and of course, not signed.

### **1.5- Regarding the income, the Commission recommends:**

- FIDE office in Lausanne should chase more forcibly and effectively debts due from Federations.**
- Any withdrawal of services should be made on an equitable basis**

- **The Federations excluded (9 in total) should no longer be regarded as members of FIDE and their debts written off. Should they wish to reapply for membership of FIDE, their debts should be repaid in full, prior to any readmission.**
- **Like for any other great event of FIDE, a guarantee of 20% of the prize fund must be paid to our organisation, prior to any assignment of the WCC. This has been mentioned by the previous Verification Commission but ignored.**

## 2- Expenses

2.1-Before examining some important items, there are three main observations to bring to attention:

2.1.1- Some items were beyond budget. Expenses occurred without being balanced against it. It seems that the budget is not regarded as a tool to manage the finances of FIDE and to be strictly respected; it looks as if it is ignored.

This is a serious matter, which must be dealt with immediately and with determination.

2.1.2- In some cases, no receipts have been produced to justify expenses, such as travel. This must be totally banned in FIDE, in order to avoid any wrong doing, intentionally or with good faith.

2.1.3-The last observation involves the notion of legality. Should private expenses be paid by FIDE and be reimbursed at a later unspecified time? The answer must be no, whatever the reasons. Basic management regulations, in any country and in any international organisation, do not allow the use of public money for private purposes. In FIDE, nonetheless, more than USD 100,000 was paid on behalf of third parties. They must be reimbursed immediately. This is unacceptable and is a serious matter.

## 2.2- Travel expenses

Staff travel costs represented CHF 119 000 in 2002. This is twice as much as in 2001. They were almost 4 times more as allowed by the budget. Either the amount was enormously underestimated by the General Assembly, or the budget, regularly approved, was simply ignored. In both cases, it is blameworthy for FIDE.

These are the direct costs only. No account is taken regarding the absence of staff from the office. Of course, this has consequences on the overall costs: increased telephone bills, delays in the day-to-day work...No wonder that FIDE faces dysfunction in the Secretariat. FIDE Officials should always look for the cheapest tariff when booking for air transport. It has been experienced that tariffs could vary a lot on the economy class, and a saving of 60 to 70% is not unusual.

## 2.3- Telecommunications

From CHF 79 278 in 2001, they reached CHF 96 784 in 2002, an increase of 22%. Moreover, they were 55% over Budget. It should be stressed also that these costs are the result of the over use of the mobile phone. Only for the mobile, FIDE has spent CHF 75 649, an incredible cost of CHF 6 300 per month. In 1998, FIDE spent only CHF 10 645! Did our activity increase by 7 times since 1998? We doubt it.

According to FIDE Treasurer, many phone costs did occur because of private calls. He could, however, not give a precise figure because he has not finished analysing them. He waits for answers from the office regarding this matter.

In 2003, two contracts for mobile phones are said to have been signed, one for Russia and one for Nigeria. We cannot give any indication of the impact on costs but have been reassured that it should be positive.

#### 2.4- Commissions

The expenses for CACDEC purposes were down from CHF 118 233 in 2001 to CHF 64 661 in 2002, a decrease of 45%, although the budget provided for CHF 125 000.

The same occurred for the other Commissions (we don't take the Medical Commission into account because it is a special case). Here, CHF 39 929 was spent in 2002, compared to CHF 76.105 for 2001, a decrease of 52%. At the same time the budget provided CHF 124.000 for these Commissions.

This means that projects were neglected and activities were not undertaken. Moreover, it sadly means that some areas have had more than their share at the expense of the activities carried out by the Commissions.

#### 2.5- Regarding the expenses, the Commission recommends:

- The budget must be the guideline for expenses, it must always be considered before any decision involving costs is taken. In exceptional cases, the Presidential Board may modify one or more items; on condition it provides financing within the budget or outside it.**
- No detailed receipt, no reimbursement! An application claim should be used for reimbursement purposes.**
- No payments other than for FIDE related expenses.**
- Travel on best tariff, using Internet whenever possible.**
- Private telephone calls should be minimal.**
- The use of the mobile phone must be restricted to urgent circumstances and when the call cannot be made or received on the traditional phone. Federations and FIDE Officials should respect the office working hours when making calls to the Secretariat.**

#### 3- Miscellaneous

##### 3.1- Credit Card

There is an overuse of the credit card, and in spite of instructions from the Presidential Board and warnings from the Treasurer, nothing has changed. The Verification Commission has previously stressed that the credit card should be used when no other means of payments are available and for FIDE related expenses only. It has also pointed out that details of credit card entries must be sent to the Treasurer within three weeks of being made. This is still not the case.

In 2002, the amount of expenses paid with the credit card reached CHF 201 620. A substantial sum to say the least.

### **3.2- Recommendations regarding the credit card:**

- **The credit card should be used only when no other means are available and only for Fide related expenses.**
- **Detailed entries must be provided as soon as expenses occur, and within three weeks at the most.**

### 3.3 - Money conversion

Whereas in 2001 Fide made CHF 68 730 gain on currency conversion, the loss was CHF 114 793 in 2002, a very important sum. This, of course, could be explained by the important and sudden variations, which were experienced in the currency exchange market. Nevertheless, there should be ways of avoiding such a big loss.

### 3.4 – Activities

Fide is spending all its reliable income on administration costs. The commission finds this completely unacceptable.

### **3.5 Recommendation**

**The commission recommends that the budget prepared by the Treasurer should provide for activities expenditure from our reliable resources.**