

Verification Commission Report

Financial year 2004

Athens, 20th May 2005

Present: Lakhdar Mazouz, Chairman

Nigel freeman; member

Apologies were received from Don Schultz

We received and reviewed the Report of the External Auditor for 2004 together with the figures for 2003 and 2004 and the budget for 2005 prepared by the Treasure

We were very pleased to note the improved financial situation of FIDE.

Our comments on the 2004 accounts are as follows:

1- Income

1.1-The sum of CHF 604.045 received in 2004 relates to debts concerning previous years. It represents two-thirds of the surplus.

1.2-We noted that Interest Income is very low compared to the amounts of money now held in Bank Accounts. We were advised by the Treasurer that FIDE is unable to gain interest on its bank accounts in Switzerland. We recommend that, if this is so, he takes steps to ensure that the monies in FIDE's bank accounts be utilized in a more efficient manner to earn a return.

1.3-We also noted income is now received by the World Championship Committee, we believe that this is a positive step forward and recommend that FIDE looks at other new ways to raise income

2- Expenses

2.1 We noted with concern the vastly increasing costs in the Elista Office (budgeted 50% increase in two years) and also the lack of response from the this Office for requests for information regarding the expenses. We understand that a member of the Triumvirate has now been given responsibility for the Elista Office and therefore expect the situation to be investigated and remedied as soon as possible.

2.2-We noted with great pleasure the large decrease in telecommunications expenses, following our previous recommendations, which show greater control of costs.

2.3-We noted that the legal fees were high (over 20% of the monies paid to FIDE for the last

WCC were spent on legal fees). We understand that a review is being taken with regards to the insurance taken out by FIDE and recommend that some form of insurance against legal fees, connected especially to World Events, should be subscribed.

2.4- With regards to the monies received by Commissions (in 2004, CACDEC and Trainer's Commission), we did not see any detailed reports as to the utilization of these grants. We strongly recommend that these reports be obtained and scrutinized by the PB before any future payments are made to Commissions.

2.5- Significant rebates (CHF 18.772) have been granted to Cacdec Federations, but these rebates are not perceived as part of the financial assistance to them. To show that rebates are also meant to assist Federations in need, they should appear as sub-item in the Cacdec account.

3- Budget

3.1- The preparation of the budget is left to the sole responsibility of the Treasurer. Even while the GA is in session, he continues to gather information in order to finalize the budgeted figures. FIDE Officials should send their proposals, with financial estimates," not later than three months before the beginning of the General Assembly". (Statutes: A01-4.11)

3.2- There is no statutory procedure provided for the modification of the budget. We recommend that a strict procedure be adopted to face changes whenever they occur or might occur in the budgeted items.

3.3- The budget refers to the very short term. There is no mention whatsoever of FIDE vision for a longer period. We recommend that the annual budget should be part of an overall financial plan prepared for the three to five years ahead.

4- General

4.1- We note that after several years, FIDE is now in a position of having one year's expenses in reserve. We strongly recommend that this policy be continued

4.2- We recommend that, when approving bids for the World Events that bring income into FIDE, account should be taken of the likely revenue accruing to our organization.

4.3- In the balance sheet, the overall Fund (CHF 1.645.526) is mentioned as FIDE/ Cacdec reserve Fund. Now, this Fund concerns all the activities of our organization. We recommend that it should be renamed as FIDE/ Reserve Fund.

4.4- We recommend that the Athens and Elista Offices should have proper files and statutory procedures. We believe that the first priority of the new Executive director when he is nominated in Turin is to ensure that the FIDE offices are run in a businesslike manner.