

Report of the Verification Commission, August 2011

The Verification Commission met in Athens from August 9-11, 2011. Present were Chairman Graham Boxall, Joran (JJ) Aulin-Jansson and Ruth Haring.

Audit Report

As in some recent years, a delay in receiving the external auditor's report meant that the Commission was not able to comply strictly with the meeting date provisions in Chapter 8 of the Handbook. Consideration might be given to making that provision more flexible.

This year's audit report approved the 2010 financial statements and again confirmed that they complied with Swiss law and FIDE's own Financial Regulations.

Financial Revenue and Expenditure:

The Commission reviewed FIDE's recording of its revenue and expenditure and found that it operates satisfactorily. It is pleased to note an increase in income by approximately 20% in 2010 over the comparative year 2008, reflecting improved credit control and cash flow and indicating increased activity within the organization. In contrast, expenditure in 2010 has actually decreased by comparison with the year 2008, resulting in a saving of approximately 5 %.

This comparative analysis excluded legal costs in both years because the legal costs item in 2010 has some exceptional characteristics which we address below.

Legal Costs

To have incurred such a large amount of legal costs in 2010 is obviously disappointing and deserves careful scrutiny. But, subject to receiving confirming detail in support of the legal fees charged, that expenditure reflects the input of work and exceptional resources required for dealing with the proceedings instituted against FIDE in the Court of Arbitration for Sport (CAS) in Lausanne. We note that the final liability in relation to such costs has not yet been established. The Verification Commission is seeking further details on the legal expenses which it will analyze and report on, on an interim basis, in due course.

The Commission would support an initiative aimed at ensuring that the terms of its statutes are compatible with the manner in which the governing body of FIDE wishes to organize and administer its affairs. The Commission would therefore concur with the recommendation of the Constitutional Commission made at point 6 of the minutes of its meeting on 3-4 June 2011 in Al Ain for, for example, the creation of an independent electoral commission. The Commission believes that doing so should reduce the possibility of challenge to its procedures and decisions. Member Ruth Haring recused herself from the Commission's consideration of this matter.

Contracts

The Commission noted a disappointing lack of income arising from the July 2010 contract with CNC and recommends that further inquiry be made as to why this might be. In addition the Commission expressed reservations about the extent to which it may be enforced – an issue it may follow up next year - and recommends that significant commercial contracts with outside parties should be reviewed and settled by an appropriately-qualified legal experts before being finalised.

Under FIDE's statutes, the only people who have legal authority to commit FIDE are the President and the Deputy President (FIDE Statutes, Chapter 9, items 9.1 and 9.5). While recognizing that the terms of FIDE's statutes which deal with who has actual authority to sign on FIDE's behalf have been strictly adhered to, the Commission notes that job titles (Chief Executive Officer (CEO) and Chief Executive Officer Development) are being used and have the potential to suggest to third parties that persons other than the President and Deputy President have ostensible authority to sign on FIDE's behalf. This is a possible risk area for the organization. In the internal organization of FIDE, there seems to be a mismatch between the role on the one hand, and the title on the other, of Chief Executive Officer.

The Commission is of the opinion that it would be of benefit to FIDE to

- a) continue to monitor carefully the performance of current contracts,
- b) ensure that FIDE's regulations regarding events contracts are complied with (for example Olympiad 2012) (member Joran Aulin-Jansson recused himself from consideration of this particular matter),
- c) obtain periodical feedback both in relation to commercial contracts and after completion of events and
- d) have a clearer understanding of the terms of engagement of FIDE personnel.

Federation Debt

The Commission was happy to note a significant improvement in the collection of amounts due by Federations for membership dues. Consideration might be given to reducing the periods for collection of such dues prescribed by section 8.1 of the financial regulations in Chapter A03 of the FIDE Handbook.

Insurance

The Commission is pleased to note that the subject of insurance cover of FIDE for exposure in relation to all its activities was under continuing review.

The Commission expresses its appreciation for the cooperation and assistance it received from the office in Athens.