

REPORT OF THE VERIFICATION COMMISSION
JUNE 2015
ATHENS, GREECE

The Verification Commission met in Athens during 10-12 June 2015 at the FIDE Secretariat's office. Present were Chairman Graham Boxall and Secretary Margaret Murphy. The Commission's other member, Michael Langer, was not present having formally resigned earlier in the year.

Audit Report.

The report of the Statutory auditor of FIDE's financial statements for the year ended 31 Dec 2014 was not available to us during our meeting, But we have since reviewed the report and are pleased to note that it has confirmed that the financial statements comply with Swiss law and FIDE Handbook Financial Regulations.

Financial Statements.

We carried out a detailed examination of FIDE's balance sheet and statement of income and expenditure for the period ended on 31 Dec 2014. It became clear that, although the total income received during the year was close to the amount approved in the organisation's budget overall, there were significant variances in certain of the amounts FIDE expected to receive. That applies particularly to receipts from the 2014 Olympiad, the World Championship match and the Women's World Championship. All produced much less than expected. That would not have had such an adverse impact if expenditure had been contained within the approved budget. Unfortunately that was not the case. Actual expenditure during the year exceeded the approved budget by a considerable amount: the budgeted figure for the year was 2,644,300 euros; the eventual and actual figure was 3,551,357 euros, more than nine hundred thousand euros more.

A variance of that amount caused us concern. There was no single exceptional item of variance, but the number of instances where the budget had been exceeded has resulted in a very disappointing outcome overall. Items worthy of mention are legal costs (again), Trainers' Commission, Olympiad expenses, the World Championship, President's travel and, with hindsight, an over-optimistic Development Commission budget. It follows that, instead of achieving the budgeted surplus of over 200,000 euros, the accounts show an actual loss of over 700,000 euros. FIDE's reserves therefore fell from an amount of over two million euros to just over one and a quarter million euros.

Now that the 2014 results are known, we recommend that the Treasurer consider producing a supplementary budget for 2015 to take account of the need for closer scrutiny of expenditure. FIDE obviously cannot sustain repetitions of the 2014 results.

Write-offs.

During our meeting we reviewed the position relating to certain large debts which have been previously written off in the accounts but still await recovery. The results referred to above make such recovery even more urgent than before. Important examples are the sum of 118,000 euros due from the Women's World Championship held in Tirana, Albania, and the sum of 66,308.44 euros due from the Women's Grand Prix in Rostov. We were pleased to note that an amount of 87,407.64 euros expended on the Chess In Schools projects in Slovakia and Slovenia has been able to be reimbursed from ring-fenced monies previously allocated for this purpose.

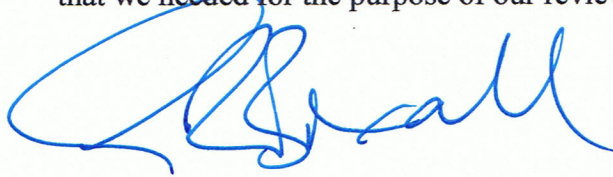
Monies for Development.

Of the money that FIDE wishes to allocate for the vital business of chess development, 40 per cent currently goes to Africa, 25 per cent goes to the Americas, 20 per cent goes to Asia, 7.5 per cent goes to Europe and the remaining 7.5 per cent stays with the Development Commission for distribution at its discretion. In the events that have happened, it is clear that the sums distributed in 2014 were over-generous. In our discussions with the former and current Treasurers who held office during parts of the year, we were pleased to hear that there will be more rigour in the analysis of expenditure and receipts. This item of expenditure should not be capable of being exceeded since the recipients are entrusted of course with a duty of good husbandry of the money. And so we were particularly concerned to see that the expenditure in this item had exceeded the budgeted figure. We will have another close look at this matter next year.

General

We note that the figures include sums for development of FIDE's internet facilities, the production of a specialized film for marketing purposes and that it is considering updating and improving its accounting package, all of which we regard as sound investments.

We are grateful, as always, for the ready and able assistance we received from the staff at the Secretariat in producing the large amount of information and documents that we needed for the purpose of our review.



Graham Boxall
Chairman

June 2015