

Report on the 2nd Audit on October 9, 2017

undertaken at the Executive Office TAFISA e.V. from 10:00 am to 4:30 pm. The concluding discussion was held with Mr. Baumann and Ms. Martel on the same day.

The basis for the audit is Chapter Xi of the current TAFISA Statutes, according to which so-called “public accountants” are elected for the term of two years. The “public accountants” for the years 2015 and 2016 were elected during the TAFISA General Assembly in Budapest on October 16, 2015 (please see the Minutes of February 18, 2016, Item 14).

Walter Schneeloch (Germany), Kang (Korea), and Jorge Cavalho (substitute candidate, Portugal) were elected.

To date, no specific description of the auditors’ tasks has set forth in the Statutes. However, new Financial Rules and Regulations, among other things, will be submitted to the General Assembly in Korea on November 16, 2017, which will contain a complete description of the auditors’ duties.

The following records were provided before and during the audit:

- Current Statutes
- Good Governance Principles
- Draft of the General Rules of Procedure
- Draft of the new Rules of Procedure for the Board of Directors and the Executive Office
- Draft of the Rules of Procedure for Membership
- Draft of the Financial Rules and Regulations
- Annual Financial Statements for 2016 with account statements for the Balance Sheet and the Income Statement
- All bank statements for the business bank accounts at the Commerzbank
- All expense vouchers (as part of the bank statements)
- List of entries for all bank accounts
- List of entries for the “Employee Travel Expenses” expense account
- List of entries for the “TAFISA Other Expenses” expense account
- Sample voucher for the disbursement and confirmation of a lump-sum fee for the Board of Directors
- Two samples of a membership fee invoice
- Current list of members
- Current excerpt from the German Register of Associations [*“Vereinsregisterauszug”*] dated 16 Nov. 2016
- Current Tax-Exemption Notice dated 6 Aug. 2015 for the years 2011 to 2013
- Account statements pertaining to income, accounts 4001 to 4005

Mr. Wolfgang Baumann, the Secretary General of TAFISA, and his employee Ms. Martel were available to answer our questions the whole day as well as on the days prior to and after the audit; questions were always answered to the auditors’ satisfaction.

The subject matter of the audit comprised:

- a) Review of the implementation of the audit recommendations in 2016
- b) Audit of the annual financial statements for 2016

- c) The audit of the vouchers for the expense accounts and the bank statements in the form of random samples as well as of the “Employee Travel Expenses” and “TAFISA Other Expenses” accounts

Re a)

The Secretary General addressed and implemented all of the recommendations from the first audit meeting.

Recommendations 1 to 2

Preparation of rules of procedure and description of the auditors’ tasks in the Statutes.

The following new rules of procedure were prepared in the past year and will be put to a vote at the General Assembly on November 16, 2017:

- General Rules of Procedure
- Rules of Procedure for the Board of Directors and the Executive Office
- Rules of Procedure for Membership
- Financial Rules and Regulations

In Section 12 of the Financial Rules and Regulations, the auditors’ duties are described in much detail and therefore adequately. The public accountants (“Wirtschaftsprüfer”) were re-named “voluntary general auditors”.

Recommendation 3

Separation of signatures for Internet banking purposes.

The so-called four-eye principle has been introduced for Internet banking. Payment files are prepared by one employee of TAFISA and may only be executed with the Secretary General’s digital signature. Internet banking is limited to payments of up to five thousand euros. Payments over five thousand euros will be released vis-à-vis the bank via fax notification with two signatures (Secretary General/Treasurer).

Recommendation 4

Timely entry of income and expenditures by the tax consultant

According to the Secretary General, all vouchers are entered once per quarter.

Recommendation 5

Increasing institutional income

The association continues to be dependent on being able to charge the personnel expenses of the Executive Office to project funds, as the regular institutional income – such as membership fees and other subsidies – do not cover the ongoing personnel expenses. With respect to membership fees, this is more difficult due to the poor payment practices of some members. It was decided at the last meeting of the Board of Directors that an increase in membership fees of 50 euros for every fee category would be recommended to the General Assembly.

Recommendation 6

Entry of donations into a separate “Donations” account

In the future, donations will be entered in a separate account for donations.

Re b)

The breakdown of the annual financial statements was adapted to fiscal requirements by the tax consultant Jennewein. Since the year 2016, the balance sheet and the income statement are broken down into the four spheres of the association: non-profit activities, special-purpose operations, asset management and economic business operations. Earnings are ascertained separately for each of these divisions. Although this makes a comparison with the figures for the previous year difficult, after consultations with the tax consultant (Jennewein) all questions were able to be answered in this respect. Compared to the previous year, the auditors did not notice anything unusual in the report.

Re c)

The vouchers for the business accounts are complete. Individual questions were able to be clarified immediately in the Executive Office. It was recommended that the vouchers related to a bank statement be provided with a serial number and individually signed off by the Secretary General. During an audit, this will allow the sequentially numbered vouchers to be found more quickly and compared with the list of entries. Currently, all vouchers pertaining to a bank statement are given the same number. It was recommended further, that a printout of the list of entries be filed with the bank statements every half-year. For a better understanding, it is requested that first the recipient or the payer be indicated in the voucher text for every entry.

Moreover, it was recommended, that cash disbursements for cash transactions during stays abroad be kept like a separate "petty cash fund" as part of the projects. This means that the withdrawal from the bank is simultaneous with a cash deposit into the "petty cash fund". Disbursements will be regulated through the petty cash fund. The remaining amount will subsequently be repaid into the bank account. Therefore, it will always be possible to trace who made the withdrawal from the bank and to whom payments were made from the petty cash fund. Insofar as a main cash fund is introduced for the Executive Office, petty cash may also be wound up through this main cash fund.

We confirm the accuracy of this report:
Walter Schneeloch (Germany), Kang (Korea)
October 25, 2017

