

# Internal Audit report – 2020 Spring Congress

23<sup>rd</sup> of March 2020

Dear LYMEC member organisations and individual members,

On the 18<sup>th</sup> of January 2020 we, the internal auditors, conducted the audit for the financial year of 2019. Additionally, the profit and loss statement and the balance sheet, as well as other in-depth budgets and actuals were analysed. Our findings and recommendations will be found below. We encourage you to join the discussion during the spring congress.

First and foremost, we would like to point out that we were satisfied with the state that the books were kept in, which allowed us to review them in a fast and efficient manner. We would like to thank the Treasurer, Lena Höglund and the Secretary General, Bálint Gyévai, for their cooperation during the audit. Additionally, we would like to point out that taking into account the change of LYMEC personnel, the current state of bookkeeping was in near excellent state. Minor mistakes are almost impossible to not occur but these were immediately corrected. These inconsistencies were in the minor category and mainly consisted of misfiled transactions. It could be seen that a lot of work was put into the preparation of the audit, for which we would once again like to thank the Treasurer and the Secretary General.

Additionally, as already stated in the interim report, the internal audit report had been carrying some recommendations dated as far back as 2014, the internal auditors decided to talk things thoroughly through with the current Treasurer and Secretary General in order to conclusively understand if these recommendations are still relevant today. As a result, most of the earlier recommendations have been deemed irrelevant and removed from this report. These recommendations can still be seen in the internal audit report for the financial year of 2018.

## *Findings and recommendations*

### Advice 2020-01

### Recommendation

During the audit, it was discovered that not all the cash transactions were entered into the accounting software Xero. The Treasurer had kept an overview the cash transactions in a respective separate spreadsheet. For the sake of correctness and transparency, we highly recommend reflecting all the transactions in Xero. However, we would like to clarify that this problem was taken care of almost immediately and therefore we would like to thank the Treasurer for the swift actions.

### Advice 2020-02

### Recommendation

While conducting this internal audit, it rose to our attention that the current conduct of submitting reimbursement forms is troublesome in the sense of bookkeeping. A lot of reimbursement forms consisted of multiple expenses deriving from multiple different events. We strongly recommend that from further on, reimbursement forms shall only reflect costs related to a single event. If there is a need to claim reimbursement from multiple events, then multiple reimbursement forms shall be submitted.

Lastly, we would like to submit a point of consideration:

Point of Consideration 2020-01

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During the recent years, the persons who have held the position of Treasurer have been extremely capable individuals, who understand both the financial aspects and the principles of bookkeeping. However, we would like to point out that LYMEC cannot take these superb individual efforts for granted and cannot expect every single Treasurer to possess all the required knowledge. Sound financial management and accurate bookkeeping lays a foundation on which the organisation can thrive and succeed. Therefore, we would recommend both the Congress and the Bureau to take into consideration the potential outsourcing of the bookkeeping function.

Undeniably, this will result in a huge change in the role of the Treasurer. We believe that LYMEC should not be a platform where people come together in order to perform rather tedious administrative tasks – it should represent the ingenuity and innovation of our MO's and individual members. Therefore, we suggest that going forward the Treasurer should focus more on tasks, which provide a higher value for organisation, for example fundraising.

The new concept of the role and responsibilities of the Treasurer should be developed jointly by the Bureau, the Secretary General and the Treasurer, but only in the case if the Congress believes the change to be necessary.

*Implemented recommendations*

Advice 2019-01

Implemented

As there were some topics that needed clarification between the Bureau and the external auditor, the reports of the organisation's financial health were sent to the internal auditors quite late for review and assessment. To ensure the expected high quality of the work, it is recommended that a written report should be compiled prior to the internal audit by the Treasurer of LYMEC. In light of not having had a written report prior to the two last internal audits, it has unnecessarily made it less transparent to find any irregularities. Furthermore, a written report will facilitate questions from member organisations and individual members placed to the internal auditors during or prior to a Congress.

Advice 2019-02

Implemented

It is recommended that the General Secretary and Treasurer oversee that the books are as close to being finalized as possible prior to an internal audit. At the audit of 9<sup>th</sup> of February the books were not closed which prohibited having the ability to have a full overview and thus limited the ability to find any inconsistencies. It is taken into account that unforeseen externalities can prohibit the closing of the books prior to the audit.

In 2018, the organisation decided to update and modernize its brand and visual identity. A new visual identity was created, including new logos, new website and other accompanying nuances (e-marketing, ordering new posters and memorabilia etc.), which ended up costing significantly more than was initially budgeted for this financial year. The “Communication & PR - Internet, website, e-marketing” was budgeted at 2 000 EUR, but the actual costs were 13 149 EUR. Therefore, the internal auditors recommend considering and assessing all the potential accompanying costs of these kind of planned investments for the proposed budgets in the future. A more thought-out project management would help to avoid unpleasant surprises in the future.

The only recommendation that arose from the interim audit is linked with Advice 2018-04, stating that in the event of personnel change, all the necessary documentation from the changing personnel (including receipts, confirmation letters etc.) should be transferred over to new respective persons. Unfortunately, there were a few cases, where some of the receipts were missing from the ledgers and the copies needed to be attained from the previous Secretary General. Therefore, we would like to urge the representatives of LYMEC to carry over the relevant documentation as soon as possible

### *Earlier pending advice*

The internal auditors believe that for the sake of continuity, and to give additional certainty that no recommendations go overlooked, a report of findings and recommendations should be compiled, which should be made available to MO's and IMS on LYMEC's website. The wish is to create a master document easily accessible and continuously updated. This is to create transparency in the work made by the internal auditors and the Bureau.

### *Final remarks*

If you have any further questions regarding the audit or this audit report, feel free to contact us or ask questions during the congress. We will be happy to address them.

Lastly, we would like to express our gratitude for having had the opportunity to serve Lymec and its members the past two years. We wish all the best for the future Bureau and Internal Auditors.

Yours sincerely,

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