

REPORT OF THE VERIFICATION COMMISSION - JUNE 2014

The Verification Commission met in Athens in June 2014. Present were Chairman Graham Boxall, Joran (JJ) Aulin-Jansson and Ruth Haring.

Audit Report

We reviewed the report of the statutory auditor of FIDE's financial statements for the year ended 31 Dec 2013. The report confirmed that the financial statements complied with Swiss law and FIDE Handbook Financial Regulations.

FIDE Financial Statements

We proceeded to examine in detail FIDE's financial statements including its balance sheet and list of income and expenditure. We are pleased to report that the statements show that FIDE's accounts are in overall good standing: an increase in overall expenditure was covered by a continuing, though smaller, surplus of income. The smaller income was not unexpected given that 2013, the year under review, did not include an Olympiad. Significant items of expenditure during the year included write-offs, taxation (a new item), a loss on foreign exchange, President's travel costs and funding for two new bodies namely those dealing with Social Action and Social Projects. We noted, on the other hand, a welcome reduction in a sum of approximately 100,000 Euros of expenditure on legal costs. The overall surplus for the year was approximately 150,000 Euros.

Write-Offs

Of the total sum of 270,107.70 Euros of write-offs by far the greatest part was a sum of 266,126.70 Euros written off in relation to expenditure on and in the Moscow office. As appears from previous Verification Commission (VC) reports the arrangements concerning the Moscow office have sometimes been less than satisfactory. In 2013, the difference in opinion of responsibility for the costs of the office came to a head, FIDE having persistently requested settlement of liabilities by its contractual partner Chess Lane. Originally, it was agreed that the Moscow office would not be an expense of FIDE. In June 2013 Chess Lane agreed that it owed FIDE 97,792 Euros at the beginning of 2013. By the end of 2013 further expenditure on rent, security, utilities and general administration had increased that figure to the sum of 266,126.70 referred to above. It would have been even greater save for payment of 53,088 Euros received by FIDE in October 2013. Efforts by the Treasurer to recoup the remainder have been consistently rebuffed and it has been made clear that no further payments will be received voluntarily. We believe that it is a matter for FIDE and its advisers to decide whether it is economic or desirable to pursue the matter further.

Debtors

The lion's share of responsibility for the sum of 1,138,305 Euros of debt relates to amounts payable by Agon for prize money, stipends and other expenses for Grand Prix and Candidates matches. That share of the debt amounted to approximately 983,000 Euros at the end of the year.* The Verification Commission has found it difficult to see the justification for FIDE's exposing itself to such large sums of unsecured debt. Our examination of the remainder of the debtor list did not create equivalent concerns. We should however express the hope that the President's running account with FIDE which, at the end of the year, amounted to an indebtedness of 68,197.09 Euros should in future years be run with a credit balance, if at all.

As in every other year, the class of debtors included a very few defaulting federations in respect of membership dues. Some such federations have debts going back several years. We would invite the Treasurer to consider again what sanctions it might be reasonable to apply to such federations who seem to have no stake or interest in FIDE's mission. In particular we query whether it is fair to those federations which are in good standing with FIDE that such defaulting federations should continue to have an equivalent right to influence the voting at FIDE elections.

Tax

As mentioned above FIDE is now liable to pay tax on assets and on its net surplus. In another context, we recommend that FIDE continue to pay attention to any other activities or circumstances in which its commitments to third parties might give rise to potential unforeseen tax liabilities.

Travel Expenses

In our 2012 report we referred to the cost of funding travel for members of the Presidential Board. We note that in 2013 the travel cost of the President and his staff amounted to around 280,000 Euros, a sum which very greatly exceeded the amount in the previous year. While we applaud the good intentions behind a wish to spread FIDE's message as widely as possible, we recommend that consideration be given to agreeing to a budget for such expenditure in future years.

* Of this sum 682,500 Euros has been received by the date of our writing this report; the remainder is promised to be paid shortly.

Invoices

Among invoices presented to and paid by FIDE which we examined were some lacking in the kind of detail which would enable us properly to review and verify payment. It appeared to happen in cases where Committee chairmen were making discretionary payments to bodies or federations for them to dispose of at discretion. Concern would arise where, for example, such payments were made in advance of and on account of unparticularised activity without the possibility of monitoring the use of the funds. In such cases, if they are to continue, we recommend that a Chairman ensure receipt of feedback by way of report on how and when the funds were used. We were provided with a good example of such detail in the case of the funding by the Social Action Commission of a Smart Girl Chess project in Northern Uganda.

Agreements

We were pleased to be able to peruse the numerous agreements and contracts entered into by FIDE in relation to the work of Chess in Schools. Their diversity and variety however suggested to us a need for some standardization of default FIDE-friendly provisions in a FIDE standard covering the various necessary issues such as purpose, consideration, duration, tax, liabilities and obligations generally.

Another successful accounting year is in no small part due to the sterling work put in by those responsible for the administration of FIDE. We are glad to express our thanks and admiration.

A handwritten signature in blue ink, appearing to be 'Q. B. Smith', written in a cursive style.

Chairman
21st June 2014