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المنظمة العالمية للحركة الكشفية

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Circular N° 40/2007

To: International Commissioners

December 2007

Accounts and balance sheet for the year ended 30 September 2006

Dear Colleagues,

1. It is with significant and regrettable delay that I am sending you herewith the report of the auditors on the financial statements and balance sheet of the World Scout Bureau (WSB) for the year ended 30 September 2006.

The reasons for this delay are the following. A short time before the meeting of "closing of audit" with our auditors Ernst & Young held on 21 December 2006 (the usual meeting held once the audit of the Geneva Office, the six Regional Offices and the consolidated accounts of the entire WSB are completed), our auditors informed us that they were waiting for complementary information from their affiliates Ernst & Young Chile, auditors of the Interamerican Regional Office, on the situation of the accounts of that Office. The complementary information that was required related to the value of the shares recorded in the accounts by the Interamerican Regional Office under the names of two different legal entities, Rentas Picarquin SA and Administradora de Centros de Formacion, respectively owner and manager of the Picarquin Project, which has been developed at the site of the World Jamboree held in Chile in 1999. The justification of the auditors' request was that the value of these shares, in the amount of CHF 2,700,000, represented a high proportion (22%) of the total consolidated assets of CHF 12,200,000. This information could only come from the annual accounts of those two entities, whose fiscal year ends on 31 December of each year, unlike the WSB whose fiscal year ends on 30 September each year. It was then necessary to wait for those two entities to close their own accounts in order to proceed to that audit.

In the meantime, the WSB had delivered the final version of its account statements and balance sheet to the auditors for the last step of "quality check" before presenting the audited report made by the same auditors. The symbolic date of 22 February 2007 was retained to sign the audit report as indicated in the first paragraph of said audit report here enclosed.

The complementary information, initially requested from the Interamerican Regional Office based on regular financial statements, was then requested based on the audited financial statements. The reason for this was that 2006 was the first complete fiscal year of the Picarquin Project and of the two entities concerned. This complicated the situation even more, insofar as – in addition to the fact that January is traditionally a vacation month in Chile and in South America in general – it is also a very heavy month for all audit firms, as the majority of private companies end their fiscal year on 31 December and the agendas of auditors are therefore very busy at that time of year.

Nevertheless, an agreement was reached on the process and it was announced that the audit would be done on 5 March 2007. This deadline was then postponed to 23 March 2007. At the time of preliminary work on account closing, complications arose due to the fact that the split of assets between the two entities Rentas Picarquin SA et Administradora de Centros de Formación required consultation for advice from a fiscal expert.

Despite all these mishaps, the final but temporary version of an audited report was presented to the World Scout Committee (WSC) at its meeting held on 30 March 2007 in Hong Kong. Based on the recommendation of the Chairman of the Audit Committee, the WSC approved the accounts, subject to receiving the final definitive audit report and to the conformity of all figures.

At its meeting, also held in March 2007 in Hong Kong, and contrary to the initial plan which was to give the audit of the two entities, Rentas Picarquin SA and Administradora de Centros de Formacion, to local auditors, the Audit Committee of the WSC decided that this audit had to be carried out by Ernst & Young Chile, the auditors in charge of the global audit for all the WSB Offices. The Audit Committee took this decision for three reasons: to ensure that the same audit methodology would be applied to all entities considered as financial satellites of the WSB, to make sure that international standards would be respected and to take advantage of the synergy resulting from Ernst & Young Chile's knowledge of the accounting and financial practice of the Interamerican Regional Office after having done the audit for this Office for several years.

At the same meeting, the Audit Committee also decided to send a delegation made up of the Internal Auditor and the Executive Director, General Management, from the WSB Central Office to analyse the overall Picarquin Project situation and present a report to the Audit Committee and to the WSC in September 2007. Ernst & Young Chile, being informed of the arrival of this delegation, then decided to wait for this visit to get clear instructions on the mandate of the audit to be performed. This visit took place in May 2007. A meeting was held on 22 May with Ernst & Young Chile, the Regional Director, the Regional Accountant and the Audit Committee's delegation; at the end of this meeting, Ernst & Young Chile committed itself to do the audit by 15 June, then end of June 2007. This deadline was then again postponed to 26 July 2007, then to 5 September 2007. It is only on 14 September 2007 that an electronic version of the audit report was sent by Ernst & Young Chile to Ernst & Young Geneva and only on 17 September 2007 that the WSB received a copy of the audit report. Unfortunately, and contrary to what had been decided with Ernst & Young Chile, the final report was established in Chilean Pesos and in Spanish, which was not in compliance with the audit standards and financial statements of the WSB. Nevertheless, having obtained the confirmation that the auditing of the share value owned and recorded in the accounts was positive, Ernst & Young Geneva then gave its agreement to send out the final report.

Despite this delay and very short notice, we have managed to present a "clean" (i.e. without qualification) audit report as well as the final financial statements (here enclosed) to the WSC at its meeting held on 28-30 September 2007 and to obtain the ratification by the WSC of the audit report. Parallel to this, the WSB had requested Ernst & Young Chile to issue a report in US dollars and in English. The final and accurate documents were finally sent to Geneva by UPS mail and received on 9 November 2007.

We trust this exceptionally long explanation will serve to answer some of the many questions that have been raised in recent weeks concerning the delay in issuing this report.

2. These explanations given, I would like to draw your attention to the results of the fiscal year concerned. As you can read from page 6 of the enclosed report, I am pleased to inform you that the **Geneva Headquarters** ended its fiscal year on 30 September 2006 with a surplus of CHF 17,124, thus continuing the practice of presenting balanced accounts each year for the last nineteen years, except for year 1993-1994.

The Africa, Arab and Asia-Pacific Regional Offices have ended the fiscal year just balanced, whereas the Interamerican Regional Office has shown a significant surplus due to the dissolution, requested by auditors, of obsolete reserves and provisions. The Eurasia and European Regional Offices have ended the fiscal year with a small deficit.

Except for the Interamerican Regional Office, these results, although they show a will to balance the accounts, are however almost symbolic and could have been oriented towards a negative result just through simple calculations of closing exchange rates for instance.

The fiscal year 2005-2006 ended with a **consolidated surplus on a worldwide basis of CHF 72,370**, of which the annual result of the Interamerican Regional office represents 76%. Although it is small compared to the total of consolidated income or expenses as it only represents 0.6% of some CHF 12 million, we must be satisfied with this positive result which reflects careful financial management.

Considering that the Geneva Headquarters represent some 65% of the consolidated income and 43% of consolidated expenses (after transfer of allowances to Regional Offices), it is interesting to examine closely the main factors of management which have allowed this Office to end its fiscal year with a small surplus.

By principle, this Office applies cautious management measures and strict budget control thanks to the management control tools it has developed. Month after month, we ensure that our expenses are globally in line with our available income and that only the necessary expenses are made.

Like the previous years, registration fees still represent an essential source of income: some 48% of our operational "non-earmarked" income, that is to say the total income except for the allocations for special projects.

Even though some special arrangements have to be found to face certain difficult situations, the efficiency of the system of registration fees which was adopted in 1996 in Oslo to the benefit of less favoured National Scout Organizations (NSOs), a system that was reviewed in 1999 in Durban, in 2002 in Thessaloniki and in 2005 in Hammamet, has globally been proven once again. However, we noted a growing tendency for NSOs to pay the registration fees late in the year, despite the fact that these are due as from the very beginning of the fiscal year. This makes the planning of cash flow rather difficult.

I wish then to thank, in this letter, all the Member Organizations who, during fiscal year 2005-2006, have carried on to respect the spirit of the registration fee system by regularly paying their registration fees, remaining perfectly aware that this, for some of them, represents a heavy financial charge.

Particular attention is still being placed on improving the financial procedures within all the Offices of the World Scout Bureau, this thanks to the assistance of our Internal Auditor.

You will also notice that particular care has been brought to the visual presentation of this audit report 2005-2006. This corresponds to our wish to contribute to the improvement of WOSM's credibility when we introduce ourselves to sponsors and possible external partners and start a relationship with them.

3. Regarding our fiscal year 2006-2007 which ended on 30 September 2007, we have drawn the lessons of the mishaps from last year and had taken all steps so as to avoid that they would be repeated. I am pleased to inform you that, thanks to the measures taken, we have been able to "close" the audit of the Geneva Office, the six Regional Offices and the consolidated accounts of the entire World Scout Bureau by mid-December. Consequently, we have been able to hold the "closing of audit" meeting with our auditors, Ernst & Young Genève, on 18 December 2007. The final accounts and financial statements are now in the hands of our auditors for the last "quality control" and the preparation of the audit report. The production of this report by the auditors is planned for January 2008, in time to be submitted for review to the Audit Committee and to the approval of the World Scout Committee, at their meetings planned for end of February 2008.

We will circulate this report right after, along with the necessary comments and information on the improvement of the circulation of financial information to our instances and on the development of an Internal Control System responding to new legislation requirements.

We are continuing to look for efficiency and excellence within the realisation of our objectives and I remain, of course, at your disposal should you require any additional information.

Thanking you for your understanding and support.

Yours in Scouting,

Luc Panissod
Acting Secretary General WOSM

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