

**COMITÉ MARITIME INTERNATIONAL**  
**Report of the CMI Audit Committee**  
**17 September 2009**

---

**Introduction**

The CMI Audit Committee is presently comprised of the following individuals:

Lizabeth L. Burrell	Chair
Wim Fransen	Member
Nigel Frawley	Member
Benoît Goemans	Treasurer
Stuart Hetherington	Member
Måns Jacobsson	Member
Karl-Johan Gombrii	<i>Ex-officio</i>

On 19 August and 3 September 2009, the Treasurer provided the Audit Committee Members with drafts of the CMI Accounts, including the Balance Sheet, Cash Flow Statement, Income and Expenditure Account, and accompanying notes, for 2008. Through correspondence and in telephonic meetings on 1 September and 16 September 2009, the Audit Committee discussed the Accounts and other financial management matters described below.

On 4 September, Final Accounts were sent to the CMI Administrator for distribution to members of the Assembly. The Accounts were audited by the CMI's External Auditors, Messrs. De Mol, Meuldermans & Partners bvba and the resulting External Auditor's Report was sent to the CMI Administrator on 17 September 2009 for distribution.

At the end of 2008, CMI's total assets amounted to €1,164,895, up €219,531 from last years' total of €945,364. Last year, CMI's cash reserves increased by €127,939, from €751,144 at the close of 2007 to €879,083 as of December 31, 2008.

This report will discuss the External Audit, summarize the Audit Committee's deliberations, and make recommendations to the CMI Executive Council.

**The External Audit**

On 15 September 2009, the Chairwoman and Mr. Jacobsson had an in depth discussion with the External Auditor, Mr. Kris Meuldermans.

The External Auditor reported that he had had excellent cooperation from the Treasurer throughout the audit, that the CMI's bookkeeping gives all details and is well-prepared, and that the Accounts reflect good accounting practice.

The External Auditor confirmed that he had compared cash flow and income and expenditures of the preceding year with those in the 2008 Accounts and found them consistent, except for the additional element of prudence in this year's Accounts in discounting accounts receivable to allow for the probability that Members that have been delinquent in their dues for some time

were likely to be delinquent again. Mr. Meuldermans considered this change presented a fairer picture of the CMI's finances.

The External Auditor expressed his confidence in the soundness of the Accounts because the small structure and operating costs of the CMI enable him to do a full audit. The External Auditor noted that he had had to accept the profit of the Athens Conference without testing supporting documentation, but he considered the invoice of the Conference Secretariat, Triaena Tours & Congress S.A., to be accurate because of its level of detail, his receipt of a final statement from the sponsoring organization, and evidence of the Treasurer's attentive oversight.

In response to questions from the Chairwoman and Mr. Jacobsson, Mr. Meuldermans advised that he considered the CMI to be exceptionally healthy from a financial viewpoint. In answer to further questions, the External Auditor advised that there were not really any comparable organizations whose fiscal policies governing the amount of reserve might provide guidance in determining an appropriate level of reserve for the CMI.

The Committee noted the ongoing excellent and attentive work being done by the CMI Treasurer, Benoît Goemans, and expressed a strong vote of confidence and thanks to him.

### **Audit Committee Deliberations**

At its 1 September meeting, the Committee discussed the Accounts in detail, including: the discounting of anticipated income from subscriptions in valuing accounts receivable; the accounting for and surplus resulting from the 39<sup>th</sup> Conference of the Comité Maritime International in Athens, October 12-17, 2008; the sources of figures in the Income and Expenditure Account; and the derivation of amounts listed in the Balance Sheet and Cash Flow Statement.

A full discussion of income, expenditures, and surpluses, a comparison of the results of different years, together with illustrative charts, will be found in the Treasurer's Report to the Assembly and will not be repeated here, except where specific items received significant attention from the Committee.

#### **Conference expenses:**

After further investigation and exchange of correspondence, the Treasurer was able to confirm to the Committee that additional speakers' expenses were properly included as Conference expenditures and were not duplicated in the invoice of Conference Secretariat, Triaena Tours & Congress S.A.

#### **Charitable contribution:**

At its meeting on 1 September, the Committee noted that the Athens Conference had generated substantial income and that when conferences have had favorable results, the Executive Council has authorized contributions to the Charitable Trust. In addition, the Charitable Trust had

underwritten some expenses in the event the Athens Conference produced a loss. Accordingly, the Committee decided that it would be good practice for the Treasurer to include a contingent liability to allow for the possibility that the Executive Council would make a contribution to the Charitable Trust from the Athens Conference income.

After examination of past practices, the Treasurer recommended and the Committee approved the inclusion in the Accounts of a €40,000 contingent liability for a contribution to the Charitable Trust, subject to the decision of the Executive Council. The details of the anticipated contribution and how it is reflected in the Accounts will be included in the Treasurer's Report to the Assembly. In the event that the Executive Council does not elect to make such a contribution or makes a contribution for a different amount, the Accounts will be revised accordingly.

The Committee members agreed that its ability to perform its duties would be enhanced by having a policy statement from the Executive Council about such contributions. A Recommendation to that effect is made at the conclusion of this Report.

#### Formulation of a Recommendation about the Reserve:

The size and steady growth of the reserve were noted. While it is not the role of the Audit Committee to formulate CMI policy or priorities or to suggest the nature, scope, or funding requirements of projects or activities that might be undertaken in the near or far future, the Committee's responsibilities do include recommending financial practices that meet the highest standards of sound financial management in terms of practicality as well as propriety.

In order to fulfill that responsibility, the Committee has commenced a study intended to produce a considered recommendation to the Executive Council about the level of reserve that should be maintained, strictly from a point of view of prudent financial management. The Committee has already commenced its research by starting to gather information about reserves in other bar and small not for profit organizations and will continue these inquiries through all available sources. The Committee expects to make its recommendation at the Assembly meeting in 2010.

#### Procedural issues:

The Committee anticipates performing an accounting review at least two months before each Assembly in order to allow time to Members to review these important matters well beforehand.

#### The Mission of the Audit Committee:

The Committee considered it would be helpful to articulate its role in the form of a mission statement. In considering this issue, the Committee reviewed the history of its creation.

According to the Minutes of the Executive Council Meeting of 6 May 1999 and the Minutes of Assembly Meeting of 8 May 1999:

The Executive Council had decided to review the accounting methods and to establish a small Audit Committee (A. Philip, D. Angus, A. von Ziegler and Paul Goemans).

Their task is to review the accounting procedures in light also of the decisions taken during the discussion on the "Future of CMI." It was also agreed that a consultant would be employed to assist in the reorganisation of the book keeping and budgeting methods.

The Minutes of a Meeting of the CMI Audit Committee held in London, England, on Wednesday, August 30, 2000, reported further on the problems that had triggered the creation of the Committee, including nonpayment by Members (even Titulary Members), difficulties with financial forecasting, and confusing and outdated accounting methods and reporting. The Committee was to be assisted at first by a London accounting firm with shipping experience in preparing recommendations about how to remedy these and other deficiencies in the CMI's accounting practices. Among the resulting recommendations that were put in place were the use of an External Auditor and the adoption of a modern accounting system that would comply with currently recognized international standards.

In view of this history and the practices that have developed over the years, the Audit Committee considers its role is to oversee the CMI's financial practices, to ensure the accuracy of the CMI's accounting and financial reporting, to assist the Treasurer in making sure the financial statements and accounts present a clear picture of the CMI's finances, to report to the Executive Council on observations about all aspects of the CMI's financial management and practices, and to report and make recommendations to the Executive Council and the Assembly, as appropriate, for the reliability and soundness of the CMI's finances and the fairness of their presentation in its accounting.

#### Extraordinary Matters relating to World Financial Conditions

The recent turmoil and failures in the world's financial markets have obliged the Audit Committee to make more frequent inquiries into the soundness of the investment institutions in which funds are placed and to consider avoiding entrusting too great an amount at any one institution. After our Treasurer's emergency action last Fall to spread risk, communications among the Committee members, and the Treasurer's constant monitoring throughout the ensuing period, the Treasurer's prudence has been rewarded with a sound result:

<u>Financial Institution</u>	<u>Instrument</u>	Amount as of 19 September <u>2009</u>	<u>Total per Institution</u>	<u>Percentage of Cash Assets</u>
BNP Paribas Fortis	current	€21,272		
	deposit short	€250,000		
	deposit short	€187		
	term	€30,348	€301,807	28.80%
Belgian government	bond	€101,250	€101,250	9.66%
European Investment Bank	bond (in NOK)	96,429	96,429	9.20%
Volkswagen Lease	bond	€102,680	€102,680	9.80%
Generali	bond	€98,628	€98,628	9.41%
Bank J Van Breda & C°	term	€103,665		
	deposit short	€5,142		
	deposit	€238,312	€347,119	33.12%
Total		€1,047,913		

The Committee approved the Treasurer's prudence and thanked him for his attentive oversight.

### **Recommendations**

The Audit Committee is pleased to recommend to the Executive Council of the CMI as follows:

1. THAT the CMI Accounts for 2008 together with the Auditor's Report thereon dated 17 September 2009, be approved for submission to and adoption by the 2009 CMI Assembly in Rotterdam;
2. THAT Messrs. De Mol, Meuldermans & Partners bvba be nominated as External Auditors of the CMI for 2009; and
3. THAT the Executive Council consider making a statement of policy concerning when the Executive Council will consider making a contribution to the Charitable Trust.

Respectfully submitted this 17<sup>th</sup> day of September 2009.

The CMI Audit Committee

Lizabeth L. Burrell  
Chair