



REPORT OF THE AUDIT COUNCIL CORRESPONDING TO 2016

1. INTRODUCTION

In accordance with Article 31, sole paragraph of the Statutes, the following members of the Audit Council (internal auditors), elected by the 3rd TUCA Congress in Sao Paulo, April 2016:

- ✓ Idalmy Cárcamo Mejía CUHT, Honduras
- ✓ Graciela Congo Cáceres CUT-Auténtica, Paraguay
- ✓ Luis Eduardo Gauterio Gallo CNPL, Brazil.

present this report corresponding to 2016 based on:

- ✓ The review of the provisional balance sheet and the income and expenses accounts of the TUCA;
- ✓ The report of the external auditors (Public Accountants of São Paulo-Brazil);
- ✓ Meetings with the administration and examination of different documents and reports of the TUCA.

2. MANDATE OF THE AUDIT COUNCIL

We base our work and procedures on the Terms of Reference in the ITUC and the TUCA and we consider it is our duty to:

- ✓ Inspect the financial management of the TUCA in relation to its statutory obligations, to then report issues of relevance;
- ✓ Recommend actions to the Congress or the governing bodies of the TUCA on any matter with financial implications for which the Audit



Council considers there are no rules or the rules have not been established appropriately.

In order to fulfill these tasks, the members of the TUCA Audit Council:

- ✓ Will have open access at all times to all accounting books, records and other documentation required for the inspection;
- ✓ Will receive a copy of the report, the notes and comments of the accounting experts prior to initiating their work.

3. MEMBERSHIP FEES:

In the budget approved for 2016 there was no provision for the collection of arrears. The collection of overdue membership fees throughout 2016 of the outstanding debt of 2015 (US\$ 112,742.44) totaled US\$ 87,833.73, i.e. we collected 77.90%.

Of the approved budget of ordinary membership fees for 2016, collection reached US\$ 601,191.28 out of a total of US\$ 743,609.24, with an outstanding amount of arrears equal to US\$ 142,841.78, i.e. 19.20%.

We inform that the efforts made by the Secretariat to reduce the number of organizations exceeding the arrears of quotas established in the Statutes, today show a favorable decline in noncompliance of the commitment of each national trade union center to pay the corresponding dues.

We urge affiliated organizations to maintain this discipline on a permanent basis, thus contributing to the financial sustainability of the TUCA.



4. OBSERVATIONS AND RECOMMENDATIONS OF THE AUDIT COUNCIL

4.1 Financial Report

Upon comparing the 2015 report with the 2016 report, despite efforts to achieve a balance between income and expenses, we have noted two important factors that affected the results:

- ✓ The currency exchange policy in Brazil and its fluctuations affected the entity's results.
- ✓ Inflation in 2016 was 6.29%, which also had an impact on operating, labor and social costs, given that the main offices of the TUCA are in Brazil.

Therefore, we recommend continuing the efforts to balance out the income with the expenses approved for execution purposes.

We emphasize the need for the Executive Committee to request an adjustment in ITUC's contribution to the TUCA in view of the inequity between Regional Organizations and the need to reinforce and support the activities required by the workers of our region.

4.2 Current Assets - Availability

At the closing of 2015, the TUCA had US\$ 386,210 in financial applications. At the closing of 2016 it maintains US\$ 366,029, reflecting an ongoing saving capacity. We are pleased that the Secretariat continues to make efforts to maintain a balance, thus securing the future of our organization.



Similar to the ITUC and other trade union organizations, we continue to recommend maintaining a Reserve Fund to address unexpected situations or extraordinary expenses (Art. 36, I of the Statutes).

4.3 Advance payments

We have noted that under the item of advance payments to suppliers, it was possible to close 2016 at (0) zero (compared to 2015). This shows that it is possible to comply with the provisions of the TUCA.

Regarding advance payments for trips, expenses and third parties, we recommend continuing with the settlement parameters in time and form, as established in the 2008 TUCA Project Management Manual, Item 4.8, and avoid arrears at the time of closing the balance sheet.

4.4 Third party resources

Third party resources, expressed in projects, reflect a significant reduction from US\$ 241,892 in 2015 to US\$ 108,303 in 2016, affecting events or other necessary activities and, consequently, the finances of the TUCA as follows:

- ✓ Cash flow, due to the advance payments prior to receiving the amounts committed by cooperating agencies. It could also happen that the project does not materialize.
- ✓ Depending on the donor's policy, currency spreads have a negative impact on TUCA's accounting, and may contribute to increasing the accounting deficit.



4.5 Tax Contingency

We note that in 2016 there was a reduction of US\$ 53,867.00 in the balance sheet caused by a payment contingency relating to the taxes owed by trainers, collaborators and leaders to different agencies of the Brazilian State.

The TUCA Secretariat abided by Law No. 11.941 of 2009, which allows refinancing of the taxes due. With the positive response to this request, the TUCA has already initiated the payment of the corresponding dues and is heading towards the definitive solution. Abiding by this Law has signified recognition of the debt and, consequently, we must maintain this provision until termination of the commitment in February 2018, i.e. the final payment of this tax contingency.

4.6 Social Stocktaking

We are pleased to note that, although it is not an obligation, the TUCA continues to perform Social Stocktaking, giving added value to the institutional management of our Confederation.

4.7 Result of the Fiscal Year

Despite the efforts made by the Secretariat and its administration to reduce financial expenses without compromising activities, when stocktaking we note an unfavorable result of US\$ 42,194.00 which, if we take currency fluctuations into account, becomes a surplus of US\$ 61,021.00.

If we also include currency fluctuations of 2015, the result was a surplus of US\$ 53,073.00.



At present, there are no organizations with significant arrears of their membership fees. The fulfillment of the commitments of TUCA member organizations has a positive impact on the development of the organization's activities. Therefore, we urge the Secretariat to continue along the same lines of work, securing timely payment by affiliate organizations.

The net worth of the TUCA has reached the desired equilibrium, advancing towards full recovery by virtue of the adjustments and policies of the Secretariat's administration, which will secure the financial stability of our organization.

5. CONCLUSION AND OPINION OF THE AUDIT COUNCIL

We are pleased to confirm the willingness of TUCA collaborators at the main offices in São Paulo: their patience and assistance they showed during this distraction from their daily activities merits of our appreciation, particularly the accounting team and the Secretariat of Administration & Finance, who have borne most of the burden of work created by our visit.

The Audit Council of the Trade Union Confederation of the Americas (TUCA), in compliance with the legal and statutory powers established in Article 31, sole paragraph of the Statutes, has analyzed the documents contained in the Financial Statements relating to the Balance Sheet, the Profit and Loss Statements, and the Cash Flow Statements for the year closing December 31, 2016 and, considering the information and clarifications provided in the TUCA's Secretariat report and in the opinion of the External Auditors, concludes that the aforementioned Financial Statements accurately reflect the financial position and assets of the entity to December 31, 2016 and therefore:



RECOMMENDS

1. Approval of the Balance Sheet, Profit and Loss Statements and other accounting documents pertaining to 2016.
2. Their submittal for the approval of the Executive Council, as established in Article XI, (a) of the Statutes.

São Paulo, April 6, 2017

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