5. TERENA Formal matters

a. Adoption TERENA Financial Accounts 2004 – FIN(05))002


As required by the Statutes, article 14.4, the GA appointed auditors, the firm of Horlings, Brouwer & Horlings, have audited the accounts and their final approval is included in the report. TERENA Treasurer Lajos Bálint visited the Secretariat in order to discuss the last draft version of the accounts with the Auditors.

At the GA meeting in Limassol in October last year, an outlook was presented for 2004, predicting a surplus of 119 kEUR (document FIN(04)015). The complementary notes for that GA meeting also cautioned that “the experience of previous years has taught that the final result of the year may well differ from today’s expectations by some 60 or 70 kEUR.”

That word of caution turned out to be even more relevant than we thought at the time, since the end result for 2004 is a considerably higher surplus than was foreseen at the time of preparing the outlook, a surplus of nearly 248 kEUR.

The audited accounts contain a brief explanation of the reasons for this surplus. However, for the benefit of the GA members, this note contains some additional information.

The accounts (page ii) state:

“Income for the SERENATE project was substantially higher than budgeted. This was because reimbursable expenditure for the SERENATE project in 2003 was higher than foreseen at the time of preparing the 2004 budget.”

When comparing the final result with the outlook, the key word here is ‘reimbursable’. At the time the outlook was prepared, there was still no final decision about exactly which expenses could be included under the terms of the contract. At an earlier stage, the Commission had preliminarily rejected reimbursement of certain expenses. Because at the time of preparing the outlook it was not known yet whether the Commission’s final decision would be different from the preliminary one, a conservative estimate of SERENATE project income was included. In the end, the reimbursement requests made by TERENA were all accepted by the Commission.

In addition, the final payment for the SERENATE project was received already in 2004. At the time of the October GA meeting, the prognosis was that the final payment would be received only in 2005. Therefore, part of the apparent additional surplus in 2004 will be offset by an additional deficit in 2005.

“Expenditure for the 6NET and SCAMPI projects has been kept lower than budgeted.”

It should be noted that the SERENATE project was 100% funded, whereas the 6NET and SCAMPI projects are contractually 50% funded. Reduced expenditure therefore also means reduced costs to TERENA, although this effect occurs only if the staff time that becomes available through reduced
activity can be made available to other, more than 50% funded projects or to activities that were included in the budget already. In 2004, we were in fact able to do this. The expenditure levels for these projects in 2004 were lower than was predicted at the time of the October GA meeting, and (consequently) the negative results were smaller as well.

Some of the reduction in activity in 2004 for these two projects may be compensated by increased activity in 2005. Thus, part of the apparent cost reduction in 2004 may be offset by a cost increase in 2005.

In general, the GA is asked to note that the Secretariat’s capacity for carrying out additional projects with existing staff is inherently limited. At some point, therefore, increased participation in projects will lead to additional staff costs – this staff cost may then be only part-funded.

“During the year, TERENA started to participate in two projects co-funded by the European Commission that were not known yet at the time of the adoption of the 2004 budget (GN2 and LOBSTER); costs for the preparation of the TERENA Compendium and for the support to TERENA Task Forces can be re-charged to the GN2 project.

The budgeted provision of €92 for bad debts written off turned out not to be needed because IPM (Iran) paid one year of its outstanding membership fees and consequently its TERENA membership was not terminated.

Personnel costs were kept lower than budgeted because the size of the TERENA Secretariat staff increased less than had been budgeted for and more work than planned was done for externally funded projects by staff members who were already employed in the Secretariat (e.g. for the EGEE project).”

These factors were already mentioned in the complementary notes to document FIN(04)015 mentioned above and were not responsible for the fact that the outcome was more positive than what was predicted at the time of the October GA meeting.

The GA is asked to adopt the TERENA Financial Accounts 2004.


TERENA has had the same firm of auditors, Horlings, Brouwer & Horlings, since 1996. Following a suggestion at the GA meeting in Limerick in June 2002, the TEC and the Secretariat started the process of obtaining quotes from different firms of auditors. In the GA meeting in Rhodes in June 2004, the Treasurer reported that auditors in the Netherlands were reluctant to quote, because they felt that an organisation like TERENA should only change auditors if there was a problem between the organisation and its auditor. However, several GA members mentioned that in their countries it was normal procedure to change auditors after every few years, and they urged the TEC to continue to try to find alternative quotes. Horlings, Brouwer & Horlings were re-appointed by the GA as the auditors for the TERENA accounts only for the year 2004.

Based on this discussion, three firms of auditors were asked for a quotation: KPMG, PricewaterhouseCoopers (PWC), and Dubois & Co. All auditors were asked to give a quotation for an audit resembling our current audit. This meant that they were asked to assume that TERENA is financially well-organised and that an audit is needed that conforms to current Dutch auditing
standards. No management letter was requested. The current auditing firm, Horlings, Brouwer & Horlings, has quoted € 7,500 for such a basic audit.

Based on the discussions that were held with the three firms and on studying the quotes that were received, two quotes were seen as adequate to our needs, the one from Dubois & Co and the one from PWC. Dubois & Co quoted a price of € 9,500; PWC of € 8,750.

Both firms were asked for further information about their quotes, about the expected price of audit certificates of FP6 projects, their rates, their approach and their experience; they were interviewed as well. Based on the information obtained, both in writing and during the interviews, the TEC concluded that both firms could probably do a good job at auditing the TERENA accounts. However, on balance, the better proposal is the one from PWC. The main reason for this is that PWC has more experience in dealing with FP6 projects and EU-subsidised projects in general than Dubois & Co. Both the size and the administrative complications inherent in these projects make it important for TERENA to have a firm of auditors that has a certain expertise in this field.

The GA is asked to appoint PricewaterhouseCoopers as the auditors for the TERENA accounts for 2005 and 2006.

c. TERENA Annual Report 2004, including Secretariat report – GA(05)004

The Annual Report of the TERENA Executive Committee is included in this mailing. The Statutes (articles 14.3 and 15.1.a) state that the Annual Report shall include a report on the Secretariat. As in previous years, the Annual Report is in two parts: a general report which is thought to be interesting for a wider public and is therefore published as a booklet, and the Secretariat report, which is considered more interesting to the GA than to the general public.

The GA is asked to approve both parts of the Annual Report.

d. Notices of Termination of TERENA Membership – GA(96)002v3

In its meeting in Rhodes in June 2004, the GA decided that a notice of termination of TERENA membership would be issued to the national member from FYRoMacedonia (MARNET), specifying that its TERENA membership will be terminated automatically on 1 September 2005, unless payment of at least the outstanding membership fees for 2002 and 2003 has taken place before that date. Until now, no payment has been received.

One other TERENA member organisation did not pay their membership fees for 2003, 2004 and 2005, namely the national member from Iran (IPM). In accordance with the attached note – GA(96)002v3 – this TERENA member is a candidate for termination of membership as stated in the TERENA Statutes article 9.1.c:

“TERMINATION OF MEMBERSHIP

Article 9.

1. Membership shall terminate:
Complementary notes to the agenda of the
23rd TERENA General Assembly meeting
Poznań, 9-10 June 2005

a. upon the member ceasing to exist pursuant to the Laws of its country of incorporation or, the member being a private individual, upon death;
b. upon the resignation of a member;
c. upon notice of termination given by TERENA. Such notice may be given if the country of a member, as defined in article 5, has ceased to exist, if a member fails to fulfil their statutory obligations towards TERENA, or if TERENA, in the opinion of the General Assembly, cannot reasonably be expected to allow the membership to continue;
d. by expulsion, which shall only be applied if a member acts in violation of these Statutes or of any regulation or resolution of TERENA, or unreasonably prejudices the interests of TERENA.”

IPM has repeatedly communicated the difficulties it faces in paying the TERENA membership fees. In its defence, it has pointed to the relative poverty of Iran as a country. The GA meeting in Rhodes last year decided to automatically terminate IPM’s membership unless payment of at least one year of the outstanding fees would be received before 1 September 2004. Shortly before that deadline, IPM paid its membership fee for 2002.

In January 2005, the TERENA Secretary General, Karel Vietsch, participated in a mission to Iran and discussed possibilities for collaboration and assistance with IPM. At that time, however, it also became clear that paying the membership fees would continue to be a problem for IPM. No further news on this issue has been received since then.

The GA is asked to decide that IPM will receive a notice of termination of TERENA membership, specifying that its TERENA membership will be terminated automatically on 1 September 2005, unless payment of at least the outstanding membership fee for 2003 has taken place before that date.