



ICCF Congress 2017 **Albena, Bulgaria**

The Independent Auditor's Report **on Financial Statements 2016**

Plzeň, Czech Republic
18 August 2017

Albena, Bulgaria
4 September to 7 September 2017

Designated for the MF Delegates of the International Correspondence Chess Federation (thereinafter "ICCF") at the ICCF Congress 2017 in Albena, Bulgaria.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the ICCF, as of 31 December 2016, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic

I, Josef Mrkvička, Auditor have audited the accompanying financial statements of, prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2016, and the income statement, for the year then ended. These financial statements form a part of the ICCF Finance Director's Report to this Congress.

Emphasizing of the following facts

There are still two areas in the financial statements mentioned several times in our previous reports but no improvement has been occurred.

1. Tax matters: in my previous reports I have pointed out the VAT issues, especially for invoices received issued according to the reverse charge system, no improvement can be seen in the accounting.

I have recommended contacting a French tax advisor to clear up that topics, the only answer was a MS Power Point presentation, which has been filed on the ICCF website in the section About ICCF – Congress 2016 Documents – Tax and VAT liability, briefing, but was not presented at the Congress in Bremen itself.

Unfortunately that tax presentation was focused on income tax matters, not VAT.

Another still existing issue is a withholding tax in connection with direct cash payments as tournaments prizes.

2. In my last year's report, I called your attention to the negative impacts of the practice to execute the payments for the Zone 1 Statements together with the payments for the ICCF Statements. I

recommended to the ICCF Finance Director either to discontinue the current procedure, or at least to make sure that the Zone 1 funds be transferred to the correct bank account (Zone 1 bank account at Credit Lyonnais) before the balancing day. The ICCF Finance Director chose the latter option, however, the transfer was not performed in time.

This non-performed transaction results in a distortion in the ICCF Balance Sheet items where the cash balance at the Credit Lyonnais and Royal Bank of Scotland and PayPal account is higher than it normally should be. In terms of accounting, this had no influence on the total of assets the yearly loss. The total amount of the Zone 1 funds “parked” on various ICCF accounts equals to € 5 709.22.

I know very well the reasons why the ICCF FD allows these collective payments of fees, I wouldn’t object if the Zone 1 payments were transferred immediately after receipt to the Zone 1 account. I even was ready to tolerate this if the Zone 1 funds were transferred to the Zone 1 account at least before the balance day, however, just for the second time in a row these somebody else’s funds “survived” the 31st December on the ICCF bank accounts.

Basis for Opinion

I conducted my audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. My responsibilities under this law and regulation are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Zone 1 in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

ICCF Executive Board’s Responsibility for the Financial Statements

The ICCF Executive Board, in particular the ICCF Finance Director George Pyrich, is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting regulations and for such internal control as the ICCF Executive Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above mentioned laws and regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of

not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICCF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the ICCF Executive Board.
- Conclude on the appropriateness of the ICCF Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ICCF's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause ICCF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the ICCF Finance Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

From the matters communicated with the ICCF Finance Director, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit Procedures Performed

I performed the following audit procedures:

- I checked if all ledger accounts had been opened by correct opening balances, equalling to closing balances as at 31st December, 2015.
- I checked the formal correctness of all book entries made on various ledger accounts during the year 2016.
- I checked if the closing balances of ledger accounts as at 31st December, 2016 had been allocated correctly to particular items of the Balance Sheet and the Profit & Loss Statement.
- I compared the issued MF's Statements of Accounts for the year 2016 with the respective book entries.
- In a detailed way, I analysed the accounts receivables and accounts payables as at 31st December, 2016.
- I checked the vouchers and bank statements provided by the Finance Director and compared them with the respective book entries in the Day Book.

The discovered discrepancies were submitted to the Finance Director, together with my proposals how these should be rectified. I am pleased to report that all my proposals were welcomed and

accepted by the Finance Director, and that appropriate adjustments were made in the final version of the Financial Statements.

My Findings and Notes

- Similarly as in 2015, ICCF was to report a loss amounting to € 27 886.13 in the business year 2016. However, this loss was higher by circa € 464 than in 2015. I suppose that a more detailed analysis will be provided by the Finance Director in his Report.
- In comparison with the balance at the end of the business year 2015, the cash position of ICCF decreased by € 31.2 thousands.
- Again, there were some Member Federations in creditors' positions towards ICCF. During the year 2016, the total credit increased from 4.4 thousands euro to circa 6 thousands euro.
- The payment culture of Member Federations remained satisfactory and the ICCF Finance Director did not have to impose any interest surcharges for late payments in the last year. No new allowances for bad debts needed to be created in the business year 2016.
- However, Tunisia, despite repeated reminders has not paid its debt € 127.50 and a dismissal of Tunisia from ICCF has been proposed to this year's Congress. And as there is no practical chance to collect the debt in the future, I proposed to the Finance Director to write off the above amount.
- Again, there was a positive development in the market value of the ICCF investments which increased during the year by € 1 079.85.
- Despite the abovementioned decrease in the year 2016, the ICCF's cash position remains strong and sound.

Recommendations and Proposals

- Other than this I should only like to add that **ICCF's finances continue to enjoy a healthy condition**, and I have no other recommendations or proposals.

Finally, I should like to express my appreciation of the dedicated and good work of the Finance Director, George Pyrich, during the whole year 2016 and also to express my thanks to him for his perfect co-operation during the course of this audit.

Date of preparation:

18th August, 2017

Name and address of the Auditor:

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Auditor's signature:



Appendices:

Financial statements of ICCF as of 31st December, 2016 (Balance Sheet, Profit & Loss Account) –
attached to the Finance Director's Report