



## **Zone 1 General Meeting 2017** **Albena, Bulgaria**

### **The Zone 1 Auditor's Report** **on Financial Statements 2016**

**Plzeň, Czech Republic**  
**12 August 2017**

**Albena, Bulgaria**  
**4 to 7 September 2017**

#### **Opinion**

In my opinion, the financial statements give a true and fair view of the financial position of the Zone 1 – Europe of the International Correspondence Chess Federation (thereinafter “Zone 1”), 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, Zone 1 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 Zone 1 Finance Director's Report to this General Meeting.

#### **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

#### **Zone 1 Management's Responsibility for the Financial Statements**

The Zone 1 management, in particular the Zone 1 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 Zone 1 Management 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 Zone 1's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- 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 Zone 1 Management 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 Management, 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.

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.

### **Audit Procedures Performed**

I performed the following audit procedures:

- I checked if all ledger accounts had been opened with correct opening balances, corresponding to the closing balances as at 31<sup>st</sup> 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 31<sup>st</sup> December, 2016 had been allocated correctly as particular items of the Balance Sheet and the Profit & Loss Statement.
- I compared the Statements of Accounts for the year 2016 distributed to Member Federations with the respective book entries.
- In a detailed way, I analysed the accounts receivables and accounts payables as at 31<sup>st</sup> December, 2016.
- I checked the vouchers and bank statements provided by the Zone 1 Finance Director and compared them with the respective book entries in the Day Book.

During these procedures, no material discrepancies have been discovered.

### **My Findings and Notes**

- Like in the past year, Zone 1 reported in 2016 a small loss amounting to € 1 358.85. The main reason were the financial supports of the development of the ICCF server amounting to € 5 000 and of the ICCF Congress amounting to € 2 000. Nevertheless, as these funds were spent for the benefit of the ICCF players and their comfort of play, and of the Congress organisers, this result in no way can be considered as a negative feature of the Zone 1 money management.
- 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 Zone 1 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 before the balancing day. The Zone 1 Finance Director chose the latter option, however, the transfer was not performed in time.
- This non-performed transaction results in a distortion in the Balance Sheet items. Although in terms of accounting, this had no influence on the total amount of assets and the yearly profit/loss, it means that as at 31<sup>st</sup> December, 2016, Zone 1 hadn't control over all its funds on the specific Zone 1 bank account.
- There are 10 member federations which are in a creditor position towards the Zone 1, in other words, their total amount of DE rebates is higher than the start fees to be paid. The total amount of this credit is € 632.60.
- Consequently, I still would prefer and recommend two separate payments to two accounts.

### **Recommendations and proposals**

Apart from my remarks as above, I have no other special recommendations and/or proposals.

Finally, I would like to express my appreciation of the dedicated and good work of the Zone 1 Finance Director, George Pyrich, during the whole year 2016, and also to thank him for his perfect co-operation with me during the course of audit.

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**Date of preparation:**

12<sup>th</sup> August, 2017

**Name and address of the Auditor:**

Josef Mrkvička

Houškova 32

326 00 Plzeň, Czech Republic

**Auditor's signature:**

A handwritten signature in blue ink, appearing to read 'Mrkvička', with a large, stylized initial 'J'.

**Annexes:**

Financial Statements of Zone 1 as of December 31, 2016 (Balance Sheet, Profit & Loss Account) – **as attached to the Zone 1 Finance Director's Report**