 **ICCF Congress 2015**

 **Cardiff, Wales**

**The ICCF Auditor’s Report**

**on Financial Statements 2014**

**Plzen, Czech Republic Cardiff, Wales, Great Britain**

**27 June 2015 16 August to 22 August 2015**

**Introduction**

I, Josef Mrkvička, ICCF Auditor have audited the financial statements of the International Correspondence Chess Federation (thereinafter “ICCF”), which comprise the Balance Sheet as at 31st December, 2014, and the Profit & Loss Statement for the year then ended. These audited financial statements form part of the Finance Director’s Report to this Congress.

**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 and true and fair view of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

**Auditor’s Responsibility**

My responsibility is to express an opinion on these financial statements based upon my audit. I have conducted my audit in accordance with the International Standards on Auditing, where appropriated and/or applicable. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the ICCF Finance Director, as well as evaluating the overall presentation of the financial statements.

I set the level of materiality at EUR 17.00 which is the usual limit from which receipts are required for a cost reimbursement.

**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, 2013.
* I checked the formal correctness of all book entries made on various ledger accounts during the year 2014.
* I checked if the closing balances of ledger accounts as at 31st December, 2014 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 2014 with the respective book entries.
* In a detailed way, I analysed the accounts receivables and accounts payables as at 31st December, 2014.
* 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.

**Material Findings**

* After many years with reported profits, ICCF was to report a significant loss amounting to € 37 985.11 in the business year 2014. There are many reasons for this result, such as:
* a drop in income from tournament fees, partly resulting from their reduction as from 1. 1. 2014 (a decrease by almost € 18 000); moreover, there were some important cash bringing tournaments which were not started in 2014, such as World Cup and Champions League;
* an increase of server maintenance costs by almost € 14 500 resulting from major server updates performed in 2014;
* an (expected) increase of congress allowances for ICCF Officers amounting to
€ 19 600, caused by the high flying costs to Australia.

I suppose that a more detailed analysis will be provided by the Finance Director in his Report.

* Despite this apparently bad financial result, the cash position of ICCF only decreased by less than a half in comparison with the reported loss, from € 220 337.93 in 2013 to € 205 413.81 in 2014. This means that a significant part of the costs producing the loss were indirect costs which didn’t and don’t jeopardize ICCF’s solvency.
* Again, there were some Member Federations in creditors’ positions towards ICCF. During the year 2014, the total credit increased from 2.5 thousands euro to 3.3 thousands euro and was reported as a liability of ICCF to Member Federations.
* 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 financial year 2014.
* Again, there was a positive development in the market value of the ICCF investments which increased during the year by € 6 400.04, more than in 2013.
* As the Finance Director followed my recommendation from my last year’s report and transferred in time the Zone 1 funds to the Zone 1 bank account, the ICCF’s debt towards Zone 1 significantly decreased at the end of the year 2014. Consequently, the ICCF’s cash position is no longer significantly influenced by the funds which don’t belong to ICCF. I remind you that this situation arose as the Zone 1 Member Federations were allowed to pay for their ICCF and Zone 1 Statements by one payment to the ICCF bank account.
* Despite the abovementioned decrease in the year 2014, the ICCF’s cash position remains strong and sound.
* Some other material findings:
* Concerning the ICCF banquet, ICCF failed to note immediately that the CCLA had failed to bill ICCF for this.  Whilst ICCF had nevertheless sought to arrange payment, it failed to note that our request submitted to our bank to arrange this had not acted upon. Therefore, the amount of € 2 175.41 (€ 2 925.41 less € 750,00 for a double payment, see below) had to be accounted for as ICCF’s debt towards CCLA.
* A double payment of € 750.00 to CCLA occurred with regard to the Zone 1 support to ICCF Congress 2014 in Sydney. The amount was transferred both from the Zone 1 account (correctly as a prepayment in 2013) and the ICCF current account (mistakenly in April 2014). The Finance Director has clarified this issue with CCLA in 2015.
* Owing to a misunderstanding with regard to payment of congress allowances, a duplicate payment was made to one official. The situation was rectified when, upon discovery, the amount overpaid was immediately returned to ICCF.

**Recommendations and Proposals**

* In my last year’s report, I argued that the financial year 2014 would be critical for further financial decisions, as this would be the first year which would show the impact of the reduction of start fees as from 1. 1. 2014 on the ICCF’s income and profit. Now, given the unfavourable financial results achieved in the year 2014, I don’t recommend a further reduction of fees.
* On the other part, ICCF has already organized and still will organize some big cash bringing tournaments in the year 2015 (such as Champions League, World Cup, Veterans World Cup). Moreover, the congress allowances paid to ICCF Officers for the Congress in Cardiff surely will be lower than those for Sydney. Consequently, I can speculate that the financial result of 2015 could be significantly better.
* Finally, ICCF should seek to clarify the risk resulting from its possible liability to pay VAT and/or other taxes as soon as is possible; if necessary and appropriate, to engage a professional tax advisor for this purpose.
* Other than this I should only like to add that **ICCF’s finances continue to enjoy a healthy condition.**

**Conclusions – Auditor’s Opinion**

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Opinion***

***In my opinion, the financial statements give a true and fair view of assets, liabilities and accumulated fund of ICCF as of 31 December 2014, and of costs and earnings for the year then ended.***

Finally, I should like to express my appreciation of the dedicated and good work of the Finance Director, George Pyrich, during the whole year 2014 and also to express my thanks to him for his perfect co-operation during the course of this audit.

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**Date of preparation:**

27th June, 2015

**Name and address of the Auditor:**

Josef Mrkvička

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**Auditor’s signature:**

Appendices:

Financial statements of ICCF as of December 31, 2014 (Balance Sheet, Profit & Loss Account) – **attached to the Finance Director’s Report**