



ICCF Congress 2016 **Bremen, Germany**

The ICCF Auditor's Report **on Financial Statements 2015**

Plzen, Czech Republic
30 June 2016

Bremen, Germany
14 August to 20 August 2016

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, 2015, 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, 2014.
- I checked the formal correctness of all book entries made on various ledger accounts during the year 2015.
- I checked if the closing balances of ledger accounts as at 31st December, 2015 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 2015 with the respective book entries.
- In a detailed way, I analysed the accounts receivables and accounts payables as at 31st December, 2015.
- 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

- Similarly as in 2014, ICCF was to report a loss amounting to € 27 421.68 in the business year 2015. However, this loss was lower by circa € 10 thousands 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 2014, the cash position of ICCF decreased by € 18.5 thousands. 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 (Zone 1 bank account at Credit Lyonnais) 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 ICCF Balance Sheet items where the cash balance at the Credit Lyonnais and Royal Bank of Scotland is altogether by € 6 630.48 higher than it normally should be, whereas the same amount is reported as a liability towards the Zone 1. In terms of accounting, this had no influence on the total amount of assets and the yearly loss.
- Again, there were some Member Federations in creditors' positions towards ICCF. During the year 2015, the total credit increased from 3.3 thousands euro to 4.4 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 business year 2015.
- Again, there was a positive development in the market value of the ICCF investments which increased during the year by € 3 343.35.
- Despite the abovementioned decrease in the year 2015, the ICCF's cash position remains strong and sound.

Recommendations and Proposals

- I am very sorry to have to repeat my statement from the last year that 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.
Even though this issue was mentioned in the Minutes from the ICCF Congress in Cardiff, no progress has been registered.
- 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.

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 31st December 2015, 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 2015 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:

30th June, 2016

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Auditor's signature:



Appendices:

Financial statements of ICCF as of 31st December, 2015 (Balance Sheet, Profit & Loss Account) –
attached to the Finance Director's Report