



Zone 1 General Meeting 2016 **Bremen, Germany**

The Zone 1 Auditor's Report **on Financial Statements 2015**

Plzen, Czech Republic
20 June 2016

Bremen, Germany
14 to 20 August 2016

Introduction

I, Josef Mrkvička, Zone 1 Auditor have audited the financial statements of the Zone 1 – Europe of the International Correspondence Chess Federation (thereinafter “Zone 1”), which comprise the Balance Sheet as of 31st December 2015, and the Profit & Loss Statement for the year then ended. These financial statements form a part of the Zone 1 Finance Director's Report to this General Meeting.

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 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 on my audit. I 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 Zone 1 Finance Director, as well as evaluating the overall presentation of the financial statements.

I set the level of materiality at € 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 with correct opening balances, corresponding to the 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 as particular items of the Balance Sheet and the Profit & Loss Statement.
- I compared the Statements of Accounts for the year 2015 distributed to Member Federations 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 Zone 1 Finance Director and compared them with the respective book entries in the Day Book.

During these procedures, no material discrepancies were discovered.

Material Findings

- After many years, Zone 1 reported in 2015 a small loss amounting to € 234.10. The main reason was the financial support of the development of the ICCF server amounting to € 5 000. Nevertheless, as these funds were spent for the benefit of the ICCF players and their comfort of play, 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 where the cash balance on the Zone 1 bank account at the Credit Lyonnais is by € 6 630.48 lower than it normally should be, whereas the same amount is reported as a receivable towards ICCF. 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 31st December, 2015, Zone 1 hadn't control over all its funds on the specific Zone 1 bank account.
- 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.

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 Zone 1 as of 31 December 2015, and of costs and earnings for the year then ended.

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 2015, and also to thank him for his perfect co-operation with me during the course of audit.

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Date of preparation:

20th June, 2016

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Auditor's signature:



Annexes:

Financial Statements of Zone 1 as of December 31, 2015 (Balance Sheet, Profit & Loss Account) – **attached to the Zone 1 Finance Director's Report**