

APPENDIX 4: ICAR Inspector's Report – Draft # 2

March 16th, 2015

Submitted by Josef Kucera and Neil Petreny

1. Overview

- 1.1. Josef Kučera was present for the review, which took place in the office of ICAR, Rome, Italy on March 2th, 2015.
- 1.2. ICAR staff member Elena Couto made all of the documents available for review.
- 1.3. The ICAR accounting activity involves 430 individual transactions (~100 income receipts and ~345 expense payments).
- 1.4. Similar to the previous year, the account transactions for the 2014 fiscal year were entered by Elena Couto directly into financial software quarterly. The entries for Service ICAR are completed by a representative of Italconsultants Srl.
- 1.5. The inspection process involved a random check of the physical documents/accounts of ICAR.
- 1.6. The inspection included a follow up on the status of recommendations from the prior year inspection report.
- 1.7. Secretariat support was provided by Elena Couto.

2. General Comments

- 2.1. All documentation of invoices, payments and statements were well organized and comprehensive.
- 2.2. The primary currency of transaction was euro, which minimizes exchange rate risk for the organization.
- 2.3. The primary accounting principle applied is the accrual methodology.
- 2.4. The normal operating accounts were found to fairly represent the business affairs of ICAR in all material aspects with no material misstatements.
- 2.5. Staff was knowledgeable and helpful with all inquiries related to normal business transactions.

3. Accounts

- 3.1. The overall accounts were in good order.
- 3.2. ICAR spent less than budgeted for the support of technical activities (support of the WG).
- 3.3. Outstanding membership fees for the year 2014 are higher than in the previous year. Some outstanding membership fees were subsequently received at the beginning of the year 2015.

4. Investments

Based on a prior decision of the board, the DBI investment of ICAR will be sold prior to maturity. The resulting funds should be reinvested in accordance with the current investment policy.

5. Review of the Prior Year Recommendations

- 5.1. As discussed during the last inspections, part of the personnel expenses were transferred to SI in order to optimize the tax position of both bodies.
- 5.2. System of verification and payment approvals, as recommended last year, was introduced by ICAR into routine processes.

6. Recommendations

- 6.1. Given the fiscal and member growth of ICAR and SI over the past decade, that the Board consider the engagement of a professional accounting firm to conduct the annual review of the financial statements on behalf of the board. If this option is explored further, the Board should decide upon the type of review it would require to ensure the ongoing confidence of the organization and its members (eg. review engagement vs audit engagement). Further, if the board decides to introduce such an option, they will have to consider if there is a future need for the current role of the Inspectors in the current form.

CE Comment (18/03/15): I recommend we contract an independent and recognized Chartered Accountancy Firm to sign off our books at year end BUT strongly recommend we also maintain the use of our Internal Audit facility as it stands – the Internal Auditors provide expert guidance to Secretariat as they know the business – we would like to maintain this very valuable service.

Service ICAR Recommendations or Comments

1. The significant deficit in Certificate of Quality product line would support our recommendation to review the pricing policy of this service offering.
2. See ICAR Recommendation (6.1).