

Appendix 4: ICAR Inspectors' 2015 Audit Report to Service ICAR Board

ICAR Inspector's Report.

February 26th, 2016

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1. Overview

- 1.1. Josef Kučera was present for the review, which took place in the office of ICAR, Rome, Italy on February 26th, 2016.
- 1.2. ICAR staff member Elena Couto made all of the documents available for review.
- 1.3. The ICAR accounting activity involves 408 individual transactions (~100 income receipts and ~308 expense payments).
- 1.4. Similar to the previous year, the account transactions for the 2015 fiscal year were entered by Elena Couto directly into financial software quarterly. The entries for SERVICE-ICAR Srl 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 and Martin Burke.

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. Staff was knowledgeable and helpful with all inquiries related to normal business transactions.
- 2.5. **The normal operating accounts were found to fairly represent the business affairs of ICAR in all material aspects with no material misstatements.**

3. Accounts

- 3.1. The overall accounts were in good order.
 - 3.2. ICAR spent slightly more than budgeted by following items:

<i>Staff and consultants</i>	<i>€8,889</i>
<i>Professional services (legal, accounting...)</i>	<i>€6,011</i>
<i>Technical activities support (inc Future ICAR)</i>	<i>€12,540</i>
<i>Other projects (Pretoria ID Conference)</i>	<i>€47,148</i>
- The higher costs are related with the strategy agreed by board – “Future ICAR”.

- 3.3. Outstanding membership fees for the year 2015 are higher than in the previous year. ICAR staff is approaching the members with outstanding fees.
Some outstanding membership fees were subsequently received at the beginning of the year 2016.

4. Investments

Based on a prior decision of the board, the DBI investment of ICAR was sold prior to maturity. Part of the financial stock is still located in the Deutsch Bank, negotiation about the electronic transfer to a BNL-BNP Paribas ICAR account is in process. Difference between the invested amount and the market value at the time of selling and extra expenses for legal services caused a negative balance of the investment transaction in the amount of €2,854.58.

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 is applied in the ICAR routine processes.
5.3. System of external professional auditors has not been introduced in the routine.

6. Recommendations

- 6.1. That the outstanding balance related to the sale of the DBI investment be fully transferred to ICAR accounts.
6.2. That the process to engage an external auditor be implemented.

SERVICE-ICAR Srl Recommendations or Comments

1. As a result of the integrated nature of the accounts and processes, no additional process issues related to procedures were identified.
2. The same ICAR recommendations are applicable to SERVICE-ICAR Srl.