

Appendix 4. External Audit Firms – Quotes Review

External Audit Firms Quotes;

As indicated by ICAR's Financial Inspectors' 2015 Year Report, it was recommended to engage with an external audit firm to sign off on the annual accounts for both ICAR and Service ICAR. In subsequent 2016 ICAR Board meetings, the ICAR office were asked to request some quotes from established international accounting firms as well as a quote from an external local Italian firm. In March April these RFQs were sent out. Below in Table 1. Is a Summary of the quotes and feedback received by firm.

Table 1. Accounting Firm Quotes*

<u>Firm</u>	<u>ICAR Quote (Exc VAT)</u>	<u>Service ICAR Quote (Exc VAT)</u>	<u>Details</u>
Ernst & Young	€5,000	€10,000	Plus 5% on top for ancillary expenses relating to technology (e.g. databases, software) and secretarial and communication services
Deloitte	€4,500	€18,000	Plus 5% on top for ancillary expenses relating to technology (e.g. databases, software) and secretarial and communication services. They will waive initial fee of €4,000 normally set for audit of opening balances of first time auditees.
KPMG	KPMG came back to us to say they were not interested in quoting for this work.		
Local Italian?			ExecutiveOffice gave a quote for an Italian firm around 15.000€ for both ICAR and S.I. On top we will have to pay for the translation into English. To be considered for all quotes that VAT is not included and for ICAR will be an additional cost.

*All quotes were based on our 2015 year end Financial statements and background to our business and a copy of our "visura camerale", which is a public document at the chamber of commerce.

CE Commentary;

I spoke with an ex colleague of mine who now is a Partner in Deloitte Ireland (Cork) and he said following;

- 1) 'Big 4' accounting firms (KPMG, E&Y, Deloitte & PWC) will quote very high prices as they consider these a 'small job' - in fact in reality probably not interested.
- 2) I gave him few facts on ICAR and S-ICAR and he said in Ireland/UK it would be around €5-7k for ICAR and around €10K for the 'big 4' but smaller accounting firms under €10k would cover both.
- 3) He wonders if it's worth it at all if we have no issues...and as we are in compliant in italian law - why do we need....if pursuing he suggested go another independent small firm in Italy.

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In earlier ICAR Board discussions Jay brought up the different level of Service an External Audit Firm offers and they are summarised by way of information;

The three general levels of financial statement service are audit, review and compilation.

Audit: The purpose of having an audit is to provide financial statement users with an opinion by the auditor on whether the financial statements are prepared in accordance with the proper financial reporting framework. An audit enhances the degree of confidence that intended users, such as lenders or investors, can place in the financial statements. The auditor obtains reasonable assurance about whether the financial statements as a whole are free from material misstatement, and whether the misstatements are from error or fraud.

To obtain reasonable assurance, items are observed, tested, confirmed, compared or traced based on the auditor's judgment of their materiality and risk. After gathering appropriate evidence through this process, the auditor issues an opinion about whether the financial statements are free from material misstatement.

Review: A review engagement is conducted to provide limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the financial reporting framework.

A review differs significantly from an audit. Review engagements provide less assurance to the reader of the financial statements because the CPA does not perform many audit procedures

Because a review engagement is substantially less intensive in scope than an audit, the CPA cannot express an opinion on the fairness of the financial statements taken as a whole.

Compilation: In a compilation engagement, the objective is to assist management in presenting financial information in the form of financial statements without undertaking to provide any assurance that there are no material modifications that should be made to the financial statements so they will conform to the acceptable financial reporting framework. Because of the even more limited scope of compilation procedures, the CPA's report will not express an opinion or provide any assurance regarding the financial statements.

Source: <http://www.grfcpa.com/resources/publications/audit-review-and-compilation/#sthash.QWUpurdr.dpuf>