



INTERNATIONAL COMMITTEE FOR ANIMAL RECORDING (ICAR)

CHIEF EXECUTIVE (CE) COMMENTARY (March 28th 2017).

ICAR & SERVICE-ICAR FINANCIAL STATEMENTS

For the period 1st January to 31st December, 2016

1. Background.

The detailed Balance Sheet / Profit & Loss Income Statements for both ICAR and Service ICAR for 2016 are reported in the relevant Appendices to the respective Boards in the March 28th 2017 meetings. The intent of this CE commentary is to complement this detail by providing an overview on 2016. It also serves to share and discuss with the ICAR Board the current 2017 budget and any associated risks and their mitigation.

This report is for consideration by the ICAR Board at its March 28th 2017 'in camera' meeting.

2. Executive Summary of 2016 Investments.

In 2016, both ICAR and Service ICAR's Total Incomes have met or surpassed budget.

ICAR €327k vs €325k budgeted.

SI €755k vs €634k budgeted.

On the Expenses we have exceeded the budgeted spend (some due to planned investments).

ICAR €368k vs €289k budgeted.

SI €853k vs €687k budgeted.

Table 1. ICAR Expense Overspend 2016 (Investments*)

Item	Budget 2016	Actual 2016	Delta	Comment
Staff / Consultants*	€180,100	€214,426	€34,326	CE, New Services Executive, New MASC Tech Expert, Severance pay ICAR (in SI '17)
Bad Debt Members	€0	€16,318	€16,318	Egypt, Iran, Russia, Lebanon, Peru, Mexico
Travel / Meetings	€47,000	€63,232	€16,232	Chile Flights, Amsterdam Board
Legal/Accounting	€15,000	€22,513	€ 7,513	AR Case / Deloitte 2016 Audit*
Office Costs*	€ 9,000	€15,907	€ 6,907	3rd Office annual rent

Table 2. SERVICE ICAR Expense Overspend 2016 (Investments*)

Item	Budget 2016	Actual 2016	Delta	Comment
Staff / Consultants*	€158,000	€188,865	€30,865	CE, New Services Executive, New MASC Tech Expert
ICAR Brand* VA Design (Wouter)	€0	€29,480	€29,480	VA Design for ICAR logo



In summary in 2016 we used ICAR's funds to invest in two key areas;

- A. New ICAR Brand – creation of new modern identity for ICAR - logo, descriptor.
- B. Capacity Building - hiring and building an ICAR team to deliver better services for its members in 2017 and beyond.

A. ICAR BRAND: Costs to “ICAR” across ICAR & SI for Brand Project in 2016 = €59,983.

Also for registration and trademark searches for the new logo and descriptors, INLEX were paid €30,215 in 2016 which ICAR will depreciate over 10yrs – from 2017 to 2027.

B. Capacity Building - In 2016 we hired a full time Certification Services Executive, Andie Dimitriadou, whose responsibility is to oversee the Administration of our Certification Services in ID and Recording & Sampling Devices. Andie also is the gatekeeper and administrator of ICAR's Quality Assurance System and Documentation There was ½ year overlap as Jussi Maki Hokkonen retired on May 31st 2016.

In 2016 we contracted a Technical Expert, Dr. Silvia Orlandini, to oversee and grow our Milk Analysis Proficiency Service to Members and develop new Equipment Certification Services.

3. Budgets 2017 – Controls, Governance, & Risks

The 2017 Budget(s) are the first 'CE compiled' budget (with 2015 and 2016 already being in place before CE was hired). See Figure 1. The 2016 Actuals and the 2017 Budget for ICAR, and Service ICAR. As suggested by some Board Members the CE has also included for the Board's view, a consolidated P&L picture (both ICAR & Service ICAR combined).



Figure 1. Consolidated ICAR & Service ICAR P&L 2016 Actual & 2017 Budget

CONSOLIDATED ICAR AND SERVICE-ICAR SRL 2016 - 2017						
All figures in Euro						
	ICAR		SERVICE-ICAR Srl		TOTAL	
	Actual 2016	Approved budget 2017	Actual 2016	Approved budget 2017	Actual 2016	Approved budget 2017
INCOME						
Revenue						
Membership fees	317,325	320,000	0		317,325	320,000
Other contributions	7,275	7,275	0		7,275	7,275
Paid activities	0	0	708,503	708,385	708,503	708,385
Special projects (EU, Sponsor South Africa, etc.)	2,278	0	48,190	150,000	50,468	150,000
Total Income	326,878	327,275	754,693	858,385	1,081,571	1,185,660
Interest and Investment Income						
Extraordinary income	0	0	0	0	0	
Bank/investment interest income/(loss)	19	0	7	0	26	0
Total Interest and Investment Income (loss)	19	0	7	0	26	0
TOTAL INCOME	326,897	327,275	754,700	858,385	1,081,597	1,185,660
EXPENSES						
Office and travel related costs	79,139	58,000	50,794	55,000	129,933	113,000
Staff and consultants	214,426	183,000	188,865	340,000	403,291	523,000
Professional services (accounting, legal, insurance and others)	22,513	20,000	27,080	25,000	49,593	45,000
Special project expenses (EU, South Africa, etc.)	0	20,000	51,525	0	51,525	20,000
Future ICAR Technical support activities	33,585	20,000	29,480	10,000	63,065	30,000
Other costs	0	5,000	13,936	2,000	13,936	7,000
Expenses for paid activities	0	0	488,886	431,000	488,886	431,000
Total Operating Expenses	349,663	306,000	850,566	863,000	1,200,229	1,169,000
Bank charges and investment expenses	1,608	1,500	1,616	1,350	3,224	2,850
Depreciation	183	500	685	1,000	868	1,500
Bad debts	16,318	0			16,318	0
Total Non-Operating Expenses	18,109	2,000	2,301	2,350	20,410	4,350
TOTAL EXPENSES	367,772	308,000	852,867	865,350	1,220,639	1,173,350
Taxes on S.I. (40% on surplus)			881	0	881	0
NET INCOME (LOSS)	(40,875)	19,275	(99,048)	(6,965)	(139,923)	12,310

Financial Controls:

As opposed to 2016 and previous years, where twice yearly Financial Reports were reported, the CE will in 2017 now report the Financial Reports on a Quarterly basis. (Meaning at the ICAR Board meeting following the end of each quarter, e.g. for QTR 1/17 in the April Board meeting). By way of governance the CE recommends to the Board that a **Board Sub-committee for Finance** should be formed in 2017 (See **Annex 1** of this document – for discussion).

Human Resources (HR);

The ICAR staff and consultancy team is now in place and we don't see any additional human resource required in 2017 and in fact in June 2017 Milan Zjalic will retire. In 2017 ICAR will retain technical and administrative support from Service ICAR, who will invoice ICAR on a monthly basis for this support. (With the exception of the CE, who will, as contracted, continue to apportion 50%



of paid time to ICAR and 50% to Service ICAR). By way of governance the CE recommends to the Board that a **Board Sub-committee for Human Resources** should be formed in 2017 (See **Annex 2.** of this document – for discussion).

Opportunities in 2017;

As budgeted ICAR has identified two projects to fund in 2017, namely Guidelines Revamp Project (€10k) and the Sensor TF Project (€10k).

Also in 2017, in the MASC area, Service ICAR will launch its MIR Equipment Certification Scheme. Ongoing meetings with manufacturers like FOSS, Bentley, Delta have been arranged for March. CE will provide an update to April Board as result of these meetings.

Risks in 2017;

There is one major and real risk to the budget which was not present when it was prepared in September 2016, and that is the 'AR Case' and the pending exposure to ICAR to pay settlement costs and corresponding legal fees. At the time of writing the CE is working with the President and the appointed Board AR Sub-committee to minimise this exposure but also ensuring we execute in a timely manner so it is closed out permanently and satisfactorily.

MB End



ANNEX 1: ICAR BOARD SUB-COMMITTEE FOR FINANCE

TERMS OF REFERENCE FOR ICAR BOARD SUB-COMMITTEE FOR ; FINANCE

Version: 1.0

Date: 23rd February 2017

Status: Draft for Board discussion March 28th 2017.

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1. Background

The purpose of this paper is to outline the terms of reference for the ICAR Board's Sub Committee for Finance

This proposal follows on from the discussion in the ICAR Board which took place on 10th February 2017 in Rome, Italy.

This report is for consideration by the ICAR Board at its March 28th 2017 meeting.

The following sections cover the key elements of the recommended new Terms of Reference for the ICAR Board's Sub Committee for Finance.

2. Objectives of the Sub Committee for Finance

The objectives of the Sub Committee for Finance are below.

Financial Goals;

- a. Review the annual budget as prepared by the CE for presentation and approval by the ICAR Board.
- b. Monitor adherence to the budget quarterly throughout the year.
- c. Along with CE review long-range financial goals along with funding strategies to achieve them.(For example, the creation of a working capital or cash reserve fund for the purpose of either improving existing services or developing new services to ICAR's members).
- d. Present all financial goals and proposals to the ICAR board for approval.



Reporting:

- e. Ensure CE and staff adhere to agreed report formats.
- f. Ensure CE and staff adhere to reporting, frequency and deadlines.
- g. Present the financial reports to the full board.

Internal Controls and Accountability

- h. Ensure policies and procedures for ICAR's financial transactions are documented in Standard Operating Procedures (SOPs) and are maintained and updated as necessary.
- i. Ensure approved CE and staff adhere to financial policies and procedures are being followed.

Audits;

- j. CE will ensure ICAR's Financial Inspectors have access to annual accounts.
- k. If and when required by the Sub Committee the CE will be instructed to recruit and select the External Auditor which is then approved by the Sub Committee.
- l. Review the Draft audit Report as presented by the auditor(s).
- m. Present the audit reports to the full board of directors (if the auditor does not do this).
- n. Review the management recommendation letter from the auditor and ensure CE and staff follow up on any issues mentioned.

Investment:

- o. Draft an investment policy detailing the objectives of the investment portfolio, guidelines on the asset allocation of the portfolio based on a predetermined level of risk tolerance, authorisations for executing transactions, disposition of earned income, etc.
- p. Review the policy at least annually and update if necessary.
- q. Hire and evaluate the investment managers/advisors.

Risk:

- r. Finance Sub Committee, with the CE, will develop an ICAR **Financial Risk Register**.
- s. The Sub Committee will ensure that it engages with CE and staff in order to discuss and evaluate the effectiveness of strategies in place to mitigate this risk. It will reflect its conclusions in its periodic reports to the Board

3. Governance & Reporting

3.1 Committee Composition

The ICAR Boards' Sub Committee for Finance will be governed by the ICAR Board. The Sub Committee will be chaired by a Board Member appointed by the President of ICAR. Members will be comprised by Board members who cover some or all, depending on the level of interest and participation in ICAR activities, of the following interests:

- a. **Proven history of Financial and Operational Responsibility.**
- b. **ICAR's Financial Inspector(s)**



- c. **Geographical regions:** Europe (West and East), North America, South & Central America, Asia, Africa & Oceania.

The President will review annually the make-up of the Finance Sub Committee and any changes as required, shall be recommended to the Board.

The Sub Committee, may from time to time, co-opt specialist and expert advice as required based on issue(s) at hand.

The Sub Committee shall meet at least quarterly.

The CE will act as Secretary to the Finance Sub Committee. Minutes will be circulated to all ICAR Board members.

Quorum for meeting will be 50% of the membership plus one.

Each member of the Sub Committee shall have one vote with the Chair having a second or casting vote as required.

Table 1. Members of ICAR Boards' Sub Committee for Finance (Feb 2017)

Role	Name
Chair	
Member	
Member	TBD? Accounting exp?
Member (Inspector)	Neil Petreny
Member (Inspector)	Josef Kucera
Secretary (CE)	Martin Burke

3.2 CE, Secretariat & Reporting

Role of CE and Secretariat:

- a. **Business Meetings** – CE to agree dates and venues in consultation with Chairperson, provide notice of meetings to members, agree agenda with Chairperson, distribute agenda, take minutes, agree minutes with Chairperson, and distribute minutes.
- b. **Group Composition** – Secretariat maintain list of Group members with up-to-date contact details, in consultation with Chairperson and ICAR Board.

3.3 Communications with the ICAR Board

- a. Based on activity provide an Annual Report (at least) to the ICAR Board.

4. Priorities

Priorities are to be established by the Sub Committee taking account of its terms of reference and any requests from the ICAR Board. That the priorities for Sub Committee for Finance in the next 2 years to include the following:

- a. Financial Budgets – 2016 External Audit Response, 2017 monitoring
- b. Develop Financial Risk Register for ICAR.
- c. Develop and Investment strategy.
- d. Others...?



ANNEX 2: ICAR BOARD SUB-COMMITTEE FOR HUMAN RESOURCES

TERMS OF REFERENCE FOR ICAR BOARD SUB-COMMITTEE FOR ; HUMAN RESOURCES

Version: 1.0
Date: 23rd February 2017
Status: Draft for Board March 28th, 2017

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1. Background

The purpose of this paper is to outline the terms of reference for the ICAR Board's Sub Committee for Human Resources

This proposal follows on from the discussion in the ICAR Board which took place on 10th February 2017 in Rome, Italy.

This report is for consideration by the ICAR Board at its March 28th 2017 meeting.

The following sections cover the key elements of the recommended new Terms of Reference for the ICAR Board's Sub Committee for Human Resources.

2. Objectives of the Sub Committee for Human Resources

The objectives of the Sub Committee for Human Resources are to:

- e. Recruitment and Selection of ICAR CE – ensure that ICAR's recruitment and selection procedures are consistent with best practice.
- f. Review and agree the contract and remuneration for ICAR's Chief Executive (CE).
- g. To agree annual objectives and perform the annual appraisal of the CE.
- h. To convene a Review Committee in the event of any grievance or disciplinary matter that may arise with ICAR staff or consultants.
- i. To ensure ICAR CE has implemented the appropriate Organisational structure to run ICAR efficiently.



- j. To ensure ICAR has in place best practice Human Resource policies with regard to staff performance appraisal and development.
- k. To ensure ICAR has addressed succession planning at Board, CE and staff levels.
- l. To develop a **Human Resources Risk Register** for ICAR which is to be presented to and be reviewed annually by, the ICAR Board.
- m. Ensure ICAR has an appropriate Health & Safety policy.

3. Governance & Reporting

3.1 Committee Composition

The ICAR Boards' Sub Committee for Human Resources will be governed by the ICAR Board.

The Sub Committee will be chaired by the President of ICAR.

Members will be comprised by Board members who cover some or all, depending on the level of interest and participation in ICAR activities, of the following interests:

- d. **Proven Operational/Management experience.**
- e. **Geographical regions:** Europe (West and East), North America, South & Central America, Asia, Africa & Oceania.

The Chair (President of ICAR) will review annually the make-up of the Human Resources Sub Committee and any changes as required, shall be recommended to the Board.

The Sub Committee, may from time to time, co-opt specialist and expert advice as required based on issue(s) at hand.

The Sub Committee shall meet at least twice per year or more frequently if the business requires its attention.

The CE will act as Secretary to the Human Resources Sub Committee. Minutes will be circulated to all ICAR Board members.

The Sub Committee may ask the CE to leave the meeting for particular items on the agenda.

Quorum for meeting will be 50% of the membership plus one.

Each member of the Sub Committee shall have one vote with the Chair having a second or casting vote as required.

Table 1. Members of ICAR Boards' Sub Committee for Human Resources (Feb 2017)

Role	Name
Chair (ICAR President)	Hans Wilmink
Member	Japie van der Westhuizen
Member	Jay Mattison
Member	Kaivo Ilves
Member	TBD?
Secretary (CE)	Martin Burke

3.2 CE, Secretariat & Reporting

Role of CE and Secretariat:



- c. **Business Meetings** – CE to agree dates and venues in consultation with Chairperson, provide notice of meetings to members, agree agenda with Chairperson, distribute agenda, take minutes, agree minutes with Chairperson, and distribute minutes.
- d. **Group Composition** – Secretariat maintain list of Group members with up-to-date contact details, in consultation with Chairperson and ICAR Board.

3.3 Communications with the ICAR Board

- a. Based on activity provide an Annual Report (at least) to the ICAR Board.

4 Priorities

Priorities are to be established by the Sub Committee taking account of its terms of reference and any requests from the ICAR Board.

That the priorities for Sub Committee for Human Resources in the next 2 years to include the following:

- a. CE Annual Appraisal.
- b. Board Succession – review and appoint one new Board Member in 2017
- c. Review adequacy of ICAR's Organisational Structure.
- d. Develop Human Resources Risk Register for ICAR.
- e. Others...