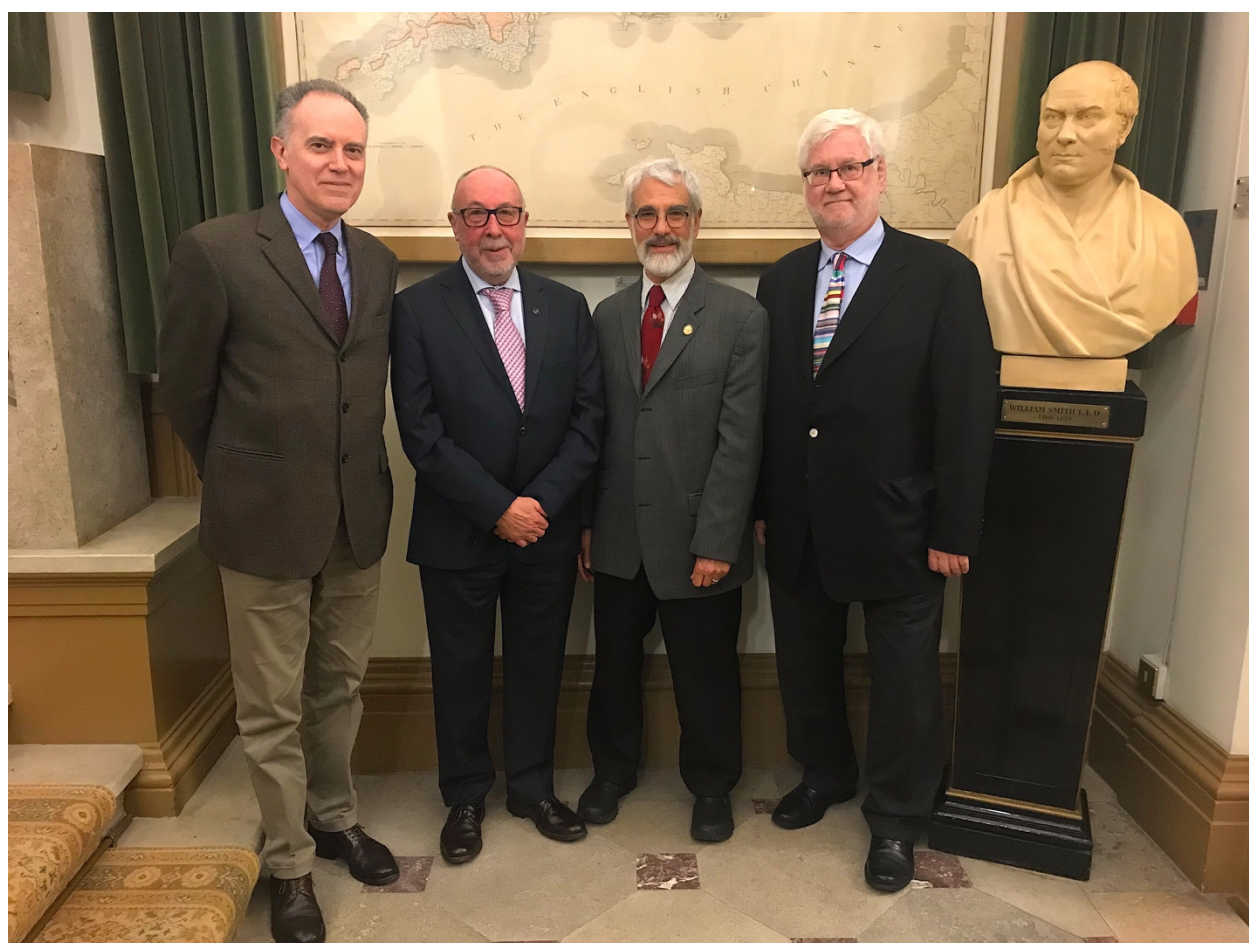


## IUGS Finance Committee 2018-2020 Report

The Finance Committee (FC) is an independent body overseeing the financial aspects of the various IUGS activities. As such, the FC reports directly to the Executive Committee and every four years, on the occasion of the International Geological Congresses, to the Joint IUGS-IGC Council. According to the IUGS Statutes and Bylaws (2012) *"The Finance Committee ... plan(s) for the finances of the Union, evaluate(s) proposals for the independent auditing of the Union for Council, and advise(s) the Executive Committee on the management of funds and improving the funding of the Union. ... Its primary roles are to identify external financial opportunities for the IUGS and to propose to the Executive Committee ways to improve IUGS financial operations, including (i) the allocation of funds in relation to the strategic priorities and missions adopted by the Executive Committee; and (ii) overseeing the conduct of an independent external audit of IUGS finances..."* [1]

After a long time of quiescence, the FC was reestablished in 2018. The members of the Committee (pictured below, left to right) are: William Cavazza (Chair; IUGS Vice-President), Edmund Nickless (formerly Executive Secretary, Geological Society of London), Jack Hess, (formerly President, Geological Society of America Foundation and GSA Executive Director); Andy Fleet (Chair and Trustee, Dorset County Museum, formerly Assistant Director of Science, Natural History Museum, London).



## RESULTS

The main results of the FC activity during 2018-2022 can be summarized as follows:

- quantitative analysis of the current financial situation of the Union;
- identification and analysis of present sources of income and expenses;
- definition of historical trends in the Union's finances;
- evaluation and consolidation of financial investments;
- search for alternative business models for *Episodes*;
- development of a competitive funding program for the IUGS constituent groups;
- preliminary analysis of copyright issues and marketing value of IUGS intellectual property;
- alignment of IUGS expenses with strategic priorities;
- increased level of auditing.

## RECOMMENDATIONS

Periodically, the FC has made a number of recommendations to the IUGS Executive Committee. Following are those needing further consideration.

1. **Increasing the transparency of the Union's budget.** Overall, IUGS financial operations are well run and the Treasury provides adequate technical support. A minor concern regards the detail of the annual Treasurer's report and *Episodes* financial report. Detailed reporting allows for more informed decisions. In recent years, the IUGS financial reports have been somewhat streamlined compared to the past ones. Similarly, the budget published annually in *Episodes* has been significantly simplified. The FC recommends (i) presenting financial data in a fixed and coherent manner through the years in order to facilitate comprehension and comparison and (ii) adopting the previous detailed format for both the Treasurer's and *Episodes* reports
2. **Increasing the level of auditing.** According to the Statutes and Bylaws, the IUGS financial operations must undergo an independent financial audit every four years. Results of the audit are to be presented during the Joint IUGS-IGC Council Meetings. In recent times (e.g. Brisbane 2012 and Cape Town 2016 IGCs), financial auditing was done by an external auditor which assured that the yearly IUGS financial statements were drafted in conformity with the principles generally accepted in the country where the IUGS Treasury resided. The FC recommended in 2018 that IUGS financial auditing ideally should be undertaken at a higher level of detail, in line with similar organizations. This year's audit (attached) represents a significant improvement. In order to follow best practice and attract potential sponsors and donors the detail of financial auditing must be increased further.
3. **Alternative business models for Episodes.** The FC was tasked to explore alternative business models for the journal *Episodes*. The mandate dictated three pre-requisites to which all alternatives to be considered should adhere: (i) IUGS should retain title ownership; (ii) considering that most IUGS funding comes from public sources, *Episodes* should remain freely available to the public; (iii) the journal should become cost-neutral if not income-generating. After several months of contacts and negotiations, the responses from both non-commercial and commercial publishers to the FC initiatives have underlined the weakness of *Episodes* in the competitive world of scientific publishing. In the face of major changes within the sector, the IUGS Publications Committee should make all steps necessary to improve further the IUGS flagship publication. Whatever will be the attitude of the next IUGS EC, no significant alternative business models will be

achievable unless the journal publishes a higher number of articles and reaches higher bibliometric indices.

4. **Improving the Union's funding.** How to improve funding has been the topic of much debate within IUGS in the past. Several documents have outlined potential strategies<sup>[2-5]</sup>. It is the opinion of this committee that the next EC should consider this issue as one of its primary goals. As there is little margin for additional income from membership fees, we recommend to focus the efforts on other potential sources. Some of the strategies identified in previous IUGS documents toward this goal have been implemented successfully (capitation fees from IGCs, financial investments), others could be improved (income from publications), others have failed to materialize (income from special events like the International Year of Planet Earth). Plans for the set-up of an IUGS Foundation (other than the Hutchison Fund) should be considered to tap donations from individuals, agencies, private and public bodies and foundations. It is important as a first step for IUGS to identify and clearly communicate its unique role. Unless a strong case can be made for financially supporting IUGS efforts, it will be impossible to effectively and successfully solicit philanthropic support from individuals, groups, or industrial partners. Donations could be driven towards specific events/items, as for example a self-contained project (education, public awareness, etc), the activity of a task group, or the organization of a congress/meeting. Alternatively, donations and sponsorships could be given without a specific task. Technically, it will be relatively easy to implement the activities of an IUGS Foundation, as the IUGS is already an organization exempt from income tax. Donations and gifts will be tax deductible to the extent of the law. A more general issue to be considered is whether IUGS should receive funds from industrial partners as this could somehow taint the image of a scientific union.

## FINANCIAL AUDIT

An independent external financial audit of the IUGS financial statements for the quadriennium 2016-2019 was arranged by the IUGS Treasury through the accounting firm Kazuhiro Tanaka (Tokyo). The Auditor's report is an integral part of this document (Appendix A). The Auditor has concluded that the financial statements give a true and fair view of the financial position of the Union. The Auditor concluded that the financial statements are free of material misstatements and are presented fairly, in accordance with the generally accepted accounting principles.

## References

- [1] International Union of Geological Sciences, 2012, IUGS Statutes and Bylaws: <http://iugs.org/index.php?page=statutes-bylaws>
- [2] International Union of Geological Sciences, Strategic Planning Committee [Cook, P., Bensaid, M., Green, A., Gustafson, L., Jakes, P., Murangari, D., Plant, J.A., Ramos, V., Boriani, A., Brett, R., Johan, Z., Aaron, J., Eder, W.], 2000, International Earth Science in the 21st Century-Science and Organizational Strategies for the International Union of Geological Sciences: Trondheim, Norway, International Union of Geological Sciences, 49 p. [http://iugs.org/uploads/images/PDF/iugs\\_stratplan.pdf](http://iugs.org/uploads/images/PDF/iugs_stratplan.pdf)
- [3] International Union of Geological Sciences, 2004, Mid-Term Vision and Strategic Action Plan: [http://iugs.org/uploads/images/PDF/iugs\\_vision\\_20and\\_20stratactplan.pdf](http://iugs.org/uploads/images/PDF/iugs_vision_20and_20stratactplan.pdf)
- [4] IUGS Strategic Planning Committee [Boriani, A., Charvet, J., Cook, P.J., Cordani, U.G., Finney, S.C., Gerel, O., Lewis, G.], 2012, International geoscience in the 2<sup>nd</sup> decade of the 21<sup>st</sup> century - Science and organizational strategies for the International Union of Geological Sciences: [http://iugs.org/uploads/IUGS\\_2012\\_Strategic%20Plan.pdf](http://iugs.org/uploads/IUGS_2012_Strategic%20Plan.pdf)
- [5] IUGS Finance Committee [Brambati, A., Johan, Z., Leahy, P.], 2012, IUGS Finance Committee Report (IGC 2012 - Brisbane), 11 p.


## **Report on Factual Findings of Agreed-Upon Procedures**

February 27, 2020

To: Hiroshi Kitazato

Treasurer

INTERNATIONAL UNION OF GEOLOGICAL SCIENCES



Kazuhiro Tanaka ,CPA

I performed an agreed-upon procedures engagement as requested by Hiroshi Kitazato, (hereafter, "you"), Treasurer.

The purpose of this engagement was to assist you and International Union of Geological Sciences Executive Committee (hereafter, "other intended users of the factual findings in this report") with assessing the accuracy of the total balances in the fiscal years of (hereafter, "FY") 2016, 2017, 2018, and 2019, and of the incomes and expenses in FY2017, 2018 and 2019 that were stated in Treasurer's Reports of the respective years.

### ***Responsibilities of the engaging party:***

Your responsibilities were to determine the adequacy and appropriateness of the agreed-upon procedures and draw its own conclusion based on the factual findings of procedures performed as reported by the practitioner. In addition, you were responsible for the data and other subject matters of this agreed-upon procedures engagement, provided that those were relevant to the practitioner.

### ***Responsibilities of other intended users:***

The responsibilities of other intended users were to judge the adequacy and appropriateness of the agreed-upon procedures and draw their own conclusion based on the factual findings of procedures performed as reported by the practitioner.

### ***Responsibilities of the practitioner:***

My responsibilities were to perform the agreed-upon procedures and to report the factual findings thereof, achieving the purpose for which the engaging party requested performance of the procedures and the purpose for which other intended users will use the factual findings of the procedures.

I performed the procedures in accordance with the Professional Guidelines 4400

“Practical Guidelines on the Agreed-Up on Procedures” issued by the Japanese Institute of Certified Public Accountants (JICPA).

***Professional ethics and quality control:***

In undertaking the engagement, I complied with the Code of Ethics (and Part 2 of the Guidance on Independence) issued by the JICPA, as well as other rules relating to professional ethics. The Code (, the Guidance) and the other rules offer principles of (independence,) integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. In addition, I undertook the engagement in accordance with the Quality Control Standards Committee Statement No. 1 (Quality Control for Audit Firms) issued by the JICPA. This required development and operation of a quality control system that included policies and procedures relating to compliance with professional standards and the applicable laws and regulations, as well as documentation of those policies and procedures.

***The agreed-upon procedures:***

I performed the following procedures agreed upon with you and other intended users:

A: Concerning Total Balance details in FY 2016, 2017, 2018 and 2019

1. Carry out a physical inventory count of cash in hand by reconciling the existing cash in hand and the corresponding balance on Treasurer's report on January 7, 2020
2. Carry out bank balance confirmations as of fiscal year ends of 2016,2017,2018, and 2019 respectively by reconciling the cash balances reported by Mitsubishi UFJ Bank with those on Treasurer's Report. In case any discrepancies were found, reconcile the balances on the bank reconciliation statements you had prepared with those on Treasurer's Report.
3. Verify no transaction with Mitsubishi UFJ Bank other than the bank deposits by reviewing the bank balance confirmation from the aforementioned bank.
4. Confirm no discrepancy between the balances in Reserve Account and the market value (Valore di riscatto) on the report you had obtained from Generali,Italia S.p.A via Prof. William Cavazza, the former treasurer.

5. Confirm that the current foreign exchange rates on Treasurer's Report would match those on the exchange rates table you had prepared.
  6. Verify that the assets denominated in yen and euro were correctly stated in the US dollars by recalculating the amounts.
- B: Concerning Income and Expense details in FY 2017, 2018 and 2019 that you prepared
1. Verify that the total deposit income and its details would match the corresponding amounts in "Incomes in Allocation Table" in the respective fiscal years.
  2. Verify that the total income and its breakdown by the item in "Incomes in Allocation Table" would match the corresponding amounts on Treasurer's Report.
  3. Verify that the total deposit expense and its details would match the corresponding amounts in "Expense in Allocation Table" in the respective fiscal years.
  4. Verify that the total expense and its breakdown by the item in "Expenses in Allocation Table" would match the corresponding amounts on Treasurer's Report.
  5. Conduct the following procedures for such incomes that were Category 4 allocation equivalent and above on Treasurer's Report. i.e. \$4,270, \$4,354, and \$4,438, for 2017, 2018, and 2019 respectively:
    - (1) Confirm that the dates and amounts for individual transactions in the deposit income details would match the corresponding records on the bank statements by reconciliation.
    - (2) Confirm that the categories of each membership country would match those on the copies of invoices that you had retained.
    - (3) Confirm that the sum of deposit incomes and bank service charges would match the amounts on the respective invoices by reconciliation.
  6. Conduct the following procedures for such expenses that were above \$5,000, €4,000, or ¥500,000 (except for bank transfers).
    - (1) Confirm that the dates and amounts for individual transactions in the deposit expense details would match the corresponding records on the bank statements by reconciliation.
    - (2) Confirm that the project dates of your approval were before corresponding disbursements for the project expenditures that were recorded on Request for fund Allocation by International Union of Geological Sciences
    - (3) Verify that the project expenditures were the same as those budgeted in Expense in Allocation Table.
    - (4) Verify that the expenses were reimbursed after obtaining your approval by comparing the dates of approval and payment recorded on International Union of Geological

Science Reimbursements form.

7. Confirm that the current exchange rates employed in Treasurer's Report in FY2017, 2018, 2019 would match those you had prepared in the exchange rates table.
8. Verify that the incomes and expenses denominated in yen and euro were appropriately exchanged into the US dollars by recalculating the amounts.

***Factual findings of performing the agreed-upon procedures:***

The factual findings of performing the agreed-upon procedures above are as follows:

A: There was no issue in terms of A-1 to A-6 concerning Total Balance details in FY 2016, 2017, 2018 and 2019

(A-1) The result of a physical inventory count of cash in hand I conducted was the same as that on Treasurer Report for FY2019.

(A-2) I found some discrepancies between the balances reported by the Bank and those on Treasurer's Report for FY2016, 2017 and 2018. However, the balances of bank deposits on the respective bank reconciliation sheets matched those reported by the Bank and the book balances on the bank reconciliation sheets were the same as those on Treasurer's Report respectively. As for 2019, the balance reported by the Bank was equal to the corresponding amount on Treasurer's Report.

(A-3) I found no transaction with Mitsubishi UFJ Bank other than the bank deposits as a result of reviewing the bank balance confirmation letter.

(A-4) The reserve account balance on Treasurer's Report was equal to what was recorded as its market value (Valore di riscatto) obtained from Generali, Italia S.p.a.

(A-5) The current exchange rates employed for Treasurer's Reports from FY2016 to 2019 respectively were the same as those in the exchange rates table.

(A-6) the assets denominated in yen and euro were judged to have been correctly stated in the US dollars as a result of my recalculation.

B: There was no issue in terms of B-1 to B-8 concerning Income and Expense details in FY 2017, 2018 and 2019.

(B-1) The total deposit income and its details matched the corresponding amounts in "Incomes in Allocation Table" in the respective fiscal years

(B-2) The total income and its breakdown by the item in "Incomes in Allocation Table" matched the corresponding amounts on Treasurer's Report.

(B-3) The total deposit expense and its details matched the corresponding amounts in "Expense in Allocation Table" in the respective fiscal years.

(B-4) The total expense and its breakdown by the item in "Expenses in Allocation Table" matched the corresponding amounts on Treasurer's Report

(B-5) 1) the dates and amounts for individual transactions in the deposit income details matched the corresponding records on the bank statements.

2) The categories of each membership country matched those on the invoices.

3) The sum of deposit incomes and bank service charges matched the amounts on the respective invoices.

(B-6) 1) The dates and amounts for individual transactions in the deposit expense details matched the corresponding records on the bank statements.

2) The project dates of your approval were before corresponding disbursements.

3) The project expenditures were the same as those budgeted and recorded.

4) The expenses were reimbursed after obtaining your approval.

(B-7) The current exchange rates on individual Treasurer's Reports matched those in the exchange rates table.

(B-8) The incomes and expenses denominated in yen and euro were judged to have been appropriately exchanged into the US dollars as a result of my recalculation.

***Characteristics of the agreed-upon procedures engagement:***

The above procedures were not performed in accordance with generally accepted audit or review standards for the purpose of reporting an audit opinion or review conclusion relating to financial statements. Accordingly, I hereby report no conclusion drawn from the factual findings of procedures performed with regard to IUGS' treasury reporting, and offers no assurance.

If I had performed an audit or review of financial statements in accordance with generally accepted audit or review standards, had performed additional procedures, or had extended the scope of the existing procedures, other matters might have come to our attention that would have been reported. Furthermore, the subject matter of this report comprises only IUGS Treasurer's Report; the report does not refer to any financial statements for INTERNATIONAL UNION OF GEOLOGICAL SCIENCES as a whole.

***Restriction on distribution and use***

This report was produced solely to assist the Union and other intended users with assessing the accuracy of IUGS Executive Committee (subject matter information). It must not be used for any other purpose, and is not intended to be distributed to or used by any parties other



than the Union and other intended users.

This report was originally written in Japanese and translated into English. The Japanese report should be considered original and the English version is for reference purpose only. If there are any differences between these two versions, the Japanese one shall prevail.