



ICES
CIEM

International Council for
the Exploration of the Sea
Conseil International pour
l'Exploration de la Mer

Council Meeting 2019

October 2019

CM 2019 Del-Doc 3.1

Agenda item 3.1

New Finance Report

At its 2018 meeting Council requested the Finance Committee to present their report with main messages summarised when submitted for consideration in Council. This has been discussed, and a new reporting format endorsed, in the Finance Committee and Bureau.

This document presents the outcome of the Finance Committee, using the new reporting format, summarising the main trends and uncertainties for revenues, expenditures, and costing of the recurrent advisory requests. In addition, the report contains a two years' projection, based on the audited accounts for the previous year, and the estimate for the current year. Furthermore, the report contains an overview of realized and estimated revenue for recurrent advice, and an overview of on-going external projects, projects in the pipeline and contracts.

Based on the description below, and the information contained in the attachments Council is invited to:

- *approve the final accounts 2018, including Audit Book, noting that the Final Accounts for 2018 did not give rise to any qualifications or emphasis on any specific matters, cf. Attachment 4;*
- *approve the proposed budget for 2020, noting that the national contributions have already been decided, and a 1.5% inflation regulation agreed, cf. Attachment 1;*
- *approve the 2021 forecast budget, with a 1.7% inflation regulation of the national contributions, noting that Attachment 1 shows the implications on the budget without an inflation regulation of the national contributions*
- *note the trends in revenue and expenditure, contained in the two-year projections, compared to the realized and audited 2018 budget, and the current 2019 budget*
- *note the positive development in the trend towards 100% cost recovery of recurrent advisory requests. Future versions of the report will provide additional information about the specific MoUs, depending on the agreement of how costs are shared between advice requesters*

Two year projections, compared to the realized and audited 2018 budget and the current 2019 budget

Attachment 1 contains a two-year projection, 2020-2021, of revenue and expenditures, compared to the audited 2018 figures and the estimated figures for the current budget year, 2019.

It should be noted, that the figures for 2020 and 2021 have been made on the basis of the following (conservative) assumptions:

Revenue

- The size of the national contributions is based on a 1.5% increase in 2020, and 1.7% in 2021
- Only known project revenue has been listed, and thus not expected revenue from projects in the pipeline, not yet approved
- Special requests and contracts (apart for those with HELCOM, OSPAR, AMAP) have been capped, based on current revenue, at a fixed level of DKK 1,500,000 this includes on-going negotiations with EC Directorate General for Environment, about an annual agreement on special requests in the range of DKK 4,500,000 over a period of four years (DKK 1,125,000/year)
- The unknown value of future national contributions, project revenue, and special requests have cumulative importance to ensure a balanced operating result
- Revenue from potential new advice requester has not been included (e.g., Iceland and United Kingdom) nor has the discussions of future inclusion in the MoUs of costs for database developments been reflected

Trends

- The increase in the revenue from recipients of advice from 2018 to 2019 is due to the increase in the EC contribution from DKK 11,900, 000 in 2018, to DKK 14,100,000 in 2019.
- The decrease in revenue from 2019 to 2020 is due to the payment in 2019 of 2018 special requests. 2018 saw an exceptionally high number of special requests.

Uncertainties

- The two major unknowns are usually “special requests + contracts” and projects. “Special requests + contracts” usually pose less than 10% of the revenue from advisory requesters, but can come with large and unexpected fluctuations on an annual basis. Likewise, projects are fluctuating over the budget years, with different resource commitments, and thus revenue. Around 1/3 of the projects are based on lump sums, with fairly generous financing. A new EU Framework Program for Projects, Horizon Europe 2021-2027, as well as a new European Maritime and Fisheries Fund 2021-2027, all included under the Multiannual Financial Framework for 2021-2027, also contribute to the uncertainty, with the risk of gaps in-between current and future project financing. Attachment 3 contains an overview of on-going external projects, external projects in the pipeline, and contracts.

Expenditures

- Salary figures are based on best knowledge, of recurrent and special requests, and resources needed to fulfil these
- Other expenses are based on actual and estimated expenditures

Trends

- The increase in salaries from 2018 to 2021 is due to maternity/paternity cover, inflation regulation and step-increases, and are thus estimates for which final figures will be available by the end of the year.
- The increase in “Travelling and meetings” in 2019 as compared to 2020 and 2021 is due mainly to the following; a new budget line included for covering ADG participation in connection with non-EU special requests, a new budget line for expenses related to travels for projects, an underspend of the Steering Group Chairs budget, and the increased number and thus expenditures for ICES supported symposia. Especially for the increases in travel, it is important to note that this is due to a change in accounting practises, and therefore not reflecting increased travel. In addition, the coverage of ADG participation in connection with non-EU requests are funded by the advice requesters.
- The increase in IT expenses are based on a stable IT budget over the past 10 years, and increasing demand for services for a growing community, and the Secretariat.

Costing the recurrent advisory requests

Attachment 2 contains an overview of realized and estimated revenue and costs for recurrent advice, for 2016, 2017, 2018 and 2019.

Trends

- The total revenue has steadily increased, from DKK 14,100,000 in 2016 to DKK 17,900,000 in 2019
- The increase in direct costs, and corresponding decrease in indirect costs, are based on a marked decrease in the overhead costs from 35% to 7%, dictated by a new Advisory Framework Agreement with EC
- The fluctuation in the total costs is due to changes in staff, an additional ACOM vice-chair, and is in 2019 based on a predefined total cost, with the EC contribution having been capped at DKK 14,100,000, including a special budget line for special requests of DKK 900,000 based on documentation of resources and hours used, the latter part of 2019 will therefore have to be used to verify the actual costs.
- Generally, there is a positive trend towards the 100% cost recovery of cost incurred for recurrent requests

Uncertainties

- New advice requesters (e.g. Iceland and UK) will require the development of a standardized costing mechanism, according to an agreed cost-sharing key between new and established advice requesters. This will take time to get in place.

Proposed Budget 2020 and Forecast Budget 2021

Attachment 1

		Audited	Estimate	Proposed	Forecast
		2018	2019	Budget 2020 incl. 1.5%	Budget 2021 incl. 1.7% (based on 2020 with 1.5%)
	Note				
Contributions from member countries	1	22.363.000	22.657.250	23.005.000	23.406.250
Contribution from Faeroe Island and Greenland		418.000	423.500	430.000	437.500
Recipients of Scientific Advice	2	18.383.315	22.254.101	21.185.500	21.202.500
Revenue from Projects		3.057.383	4.060.431	2.274.755	1.478.438
Other revenue	3	3.100.763	3.098.000	2.760.000	2.760.000
Sales of publications		16.111	5.000	5.000	5.000
Total revenue		47.338.572	52.498.282	49.660.255	49.289.688
Salaries	4	35.259.301	38.273.057	38.230.000	39.067.000
Office expenses		2.010.799	2.069.885	2.120.000	1.966.885
IT expenses		3.705.952	3.097.263	3.526.117	3.518.764
Expenses for Council and ASC		1.129.795	955.000	2.500.000	930.000
Travelling and meeting expenses	5	4.866.808	7.121.000	6.021.000	5.966.000
Publications		453.837	510.000	510.000	510.000
Total operating expenditures		47.426.492	52.026.205	52.907.117	51.958.649
Operating result		-87.920	472.077	-3.246.862	-2.668.961
Financial revenue		715.857	200.000	200.000	200.000
Financial expenses		-88.386			
Transfer from equity	6	0	1.743.000	2.789.372	940.000
Net result		539.551	2.415.077	-257.490	-1.528.961

1. Contributions from member countries (shares)

Belgium (2)	836.000	847.000	860.000	875.000
Canada (3)	1.254.000	1.270.500	1.290.000	1.312.500
Denmark (3)	1.254.000	1.270.500	1.290.000	1.312.500
Estonia (1)	418.000	423.500	430.000	437.500
Finland (1,5)	627.000	635.250	645.000	656.250
France (4)	1.672.000	1.694.000	1.720.000	1.750.000
Germany (4)	1.672.000	1.694.000	1.720.000	1.750.000
Iceland (3)	1.254.000	1.270.500	1.290.000	1.312.500
Ireland (2)	836.000	847.000	860.000	875.000
Latvia (1)	418.000	423.500	430.000	437.500
Lithuania (1)	418.000	423.500	430.000	437.500
The Netherlands (3)	1.254.000	1.270.500	1.290.000	1.312.500
Norway (4)	1.672.000	1.694.000	1.720.000	1.750.000
Poland (3)	1.254.000	1.270.500	1.290.000	1.312.500
Portugal (2)	836.000	847.000	860.000	875.000
Russia (3)	1.254.000	1.270.500	1.290.000	1.312.500

Spain (3)	1.254.000	1.270.500	1.290.000	1.312.500
Sweden (3)	1.254.000	1.270.500	1.290.000	1.312.500
United Kingdom (4)	1.672.000	1.694.000	1.720.000	1.750.000
The USA (3)	1.254.000	1.270.500	1.290.000	1.312.500
	22.363.000	22.657.250	23.005.000	23.406.250

2. Recipients of Scientific Advice

European Commission	11.939.040	14.100.000	14.100.000	14.100.000
NEAFC	2.403.611	2.442.309	2.486.500	2.486.500
OSPAR	834.374	1.404.213	1.200.000	1.200.000
HELCOM	540.988	480.000	480.000	480.000
NASCO	550.220	559.079	560.000	560.000
Norway	845.934	844.500	859.000	876.000
Special request and contracts	1.269.148	2.424.000	1.500.000	1.500.000
	18.383.315	22.254.101	21.185.500	21.202.500

3. Other revenue

Revenue from ICES Journal	1.571.722	1.688.000	1.500.000	1.500.000
Revenue from Training courses	492.995	700.000	550.000	550.000
ASC Fees	764.706	490.000	490.000	490.000
Miscellaneous	271.340	220.000	220.000	220.000
	3.100.763	3.098.000	2.760.000	2.760.000

4. Salaries

Salaries	31.445.713	33.690.885	33.740.000	34.400.000
Fees external consultants	31.481	250.000	250.000	250.000
Overtime for Secretariat staff	0	15.000	15.000	15.000
Social activities and training	242.121	305.000	305.000	305.000
Honorarium ACOM/SCICOM Chair and ACOM Vice Chairs	3.406.204	3.787.172	3.710.000	3.887.000
ATP pensions 2/3 share	133.782	225.000	210.000	210.000
	35.259.301	38.273.057	38.230.000	39.067.000

5. Travelling and meeting expenses

President, Bureau + sub Groups, statutory meeting, Finance Committee	256.498	370.000	340.000	335.000
Expenses special request (incl. travel) not EU		750.000		
Secretariat travel	739.438	765.000	765.000	765.000
External reviewing of assessments/benchmarking	455.077	500.000	500.000	500.000

Expenses projects (incl. travel)		600.000		
Travel costs for RAC	9.103	60.000	60.000	60.000
ACOM travel and meeting costs	266.924	311.000	311.000	311.000
ACOM Chairs and vice chairs travel	442.909	480.000	480.000	480.000
Advice Drafting Groups travel	1.630.216	1.700.000	1.700.000	1.700.000
SCICOM travel and meeting costs	319.807	400.000	400.000	400.000
ICES co-sponsored Symposia	145.686	250.000	300.000	250.000
SCICOM strategic activities	176.204	115.000	115.000	115.000
Steering Group Chairs budget (travel)		550.000	550.000	550.000
Training support for DG MAREs officials			100.000	100.000
Course revenue/expenses	424.945	620.000	400.000	400.000
	4.866.807	7.471.000	6.021.000	5.966.000

6. Transfer from Equity

SCICOM strategic activities		115.000		
Investment in quality assurance for the financial administration		353.000	900.000	940.000
ACOM assessment workload issue		1.275.000	319.372	
ASC in Copenhagen			1.570.000	
	0	1.743.000	2.789.372	940.000

Attachment 2

Overview of realized and estimated revenue and costs for recurrent advice, in million DKK – for 2016, 2017, 2018, 2019

	Total (EC, NEAFC, NASCO & Norway)			
Year	2016	2017	2018	2019
Revenue	14,1	14,2	15,7	17,9*
Direct Costs	15,2	13,9	15,0	18,0
Indirect Costs	2,9	3,1	2,9	1,2
Total Costs	18,1	17,0	17,9	19,2
Balance	-4,0	-2,8	-2,2	-1,3

*) Including special request DKK 900,000

Attachment 3

Overview of on-going external projects, external projects in the pipeline, and contracts

ESTIMATED PROJECT INCOME 2019 – 2023

Tables 1a and b list the 12 ongoing projects, indicating their time of conclusion. One out of 12 projects are without eligible costs.

Table 1.a.

		Original project budgets (incl. "other" expenses)			
	Project	Estimated total costs and overhead 2019	Estimated total costs and overhead 2020	Estimated total costs and overhead 2021	Estimated total costs and overhead 2022
Hours Dependent Projects	2016-ETC ICM				
	2033-AORA-CSA	1,461,234	388,230		
	2034-AtlantOS	23,812			
	2039-ClimeFish	208,846			
	2045-PANDORA	117,300	173,525	121,938	102,483
	2046-JMP-EUNOSAT				
	2049-ETC ICM	760,000	760,000	760,000	
	2057-MEESO	150,000	300,000	300,000	450,000
	2051-QuitMed2	102,146			
	2042-SeaDataCloud	60,000	60,000		
Lump Sum	2056-EMODPhys IV	65,000	130,000	65,000	
	2040-EMODIng II	384,188	52,000	26,000	
	2043-EMODnet Biology IV	279,570	186,000	93,000	
	2044-EMODnet Chemistry IV	448,335	225,000	112,500	
	TOTAL	4,060,431	2,274,755	1,478,438	552,483

Table 1.b.

	Ongoing project with no eligible costs	
Project Name	Project Period	Max Lifetime Grant
LME LEARN	October 2016 - December 2019	888,269 Only "Other Costs" (training courses, travel, meeting rooms)" - no income

Table 2.

	Projects in pipeline	
Project Name	Project Period	Max Lifetime Grant
H2020 BG8b Mission Atlantic	2021-2024	265K EUR (to be negotiated) (DKK 2 million)
H2020-INFRAIA-2018-2020 – SeaDataCloud2	2018-2020	Tasks are still being negotiated
TOTAL estimate – until 2023		DKK 2,000,000

Table 3.a

	Ongoing contracts and sub-contracts		
Contract Name	Contract Period	Payments 2019	Payments 2020
JMP-Eunosat Joint Monitoring Programme of the Eutrophication of the North Sea with Satellite data	Finalized 2019	No further income (covered meeting participation and travel 2018)	
Impulsive noise registry for OSPAR	2017 – 2019	DKK 35.000	
Impulsive noise registry for HELCOM	2017 – 2019	DKK 35.000	
HELCOM contaminants assessment tool	2018-2019	DKK 75.000	
AMAP–ICES DoME–DCE Co-operation	2018-2019	DKK 19.000	
ECOMAR	2019-2020	DKK 60.000	DKK 40.000
Total		DKK 224.000	DKK 40.000

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Letter of representation on the Final Accounts for 2018

We submit this letter of representation in connection with your audit of the Final Accounts 2018. We confirm to the best of our knowledge:

1. That we are aware that Management is responsible for preparing the Final Accounts in accordance with Rule 18 of the Rules of Procedures, and for the Final Accounts giving a true and fair view of the organisation's financial position and the results of its activities, and for the General Secretary's review containing a fair review of the affairs and conditions referred to therein.
2. That the Organisation's capital resources, including its financial position, and its future prospects support the application of the principle of going concern.
3. That the management commentary contains all the required information, also for the purpose of evaluating the profit/loss for the year and the financial position.
4. That the General Secretary's review and the Final Accounts comprise the required disclosures about any unusual or uncertain circumstances.
5. That we are aware of Management's responsibility for the design and implementation of internal controls to prevent and detect fraud.
6. That we have disclosed the results of our assessment of the risk that the Final Accounts and the General Secretary's review may be materially misstated as a result of fraud.
7. That we have disclosed all information on known alleged or suspected fraud that may have involved Management, employees who have significant roles in internal control or others where the fraud could have a material effect on the annual report.
8. That the Final Accounts does not contain material misstatements.
9. That we have made available all accounting records and supporting documentation up to this date.
10. That the disclosures provided to Deloitte on related parties are correct and complete.

11. That we have provided information about all existing or possible violations of law or other regulations of relevance to the Final Accounts.
12. That the Organisation has complied with all aspects of contractual agreements that could have a material effect on the Final Accounts in the event of non-compliance.
13. That all assets have been recognised in the balance sheet, that these assets exist and belong to the Organisation, and that they have been measured reliably, and also that any impairment losses, etc are adequate to match the risk associated with the assets.
14. That there are no liens or encumbrances etc on the Organisation's assets other than what is disclosed in the Final Accounts.
15. That all existing liabilities and contingent liabilities incumbent on the Organisation have been recognised or disclosed in the Final Accounts, and that these items have been measured reliably.
16. That there are no pending or threatening claims for damages, lawsuits, tax cases, etc or contingent liabilities such as pension, recourse and non-recourse guarantee commitments or financial obligations, including currency exposure and lease commitments, other than those disclosed in the Final Accounts which could have a material influence on the evaluation of the Organisation's financial position.
17. That we have no plans or intentions that may materially alter the carrying value or classification of the assets and liabilities reflected in the Final Accounts.
18. That such insurance policies have been taken out as are considered sufficient in the Organisation's circumstances to cover any situations of loss which the Organisation might experience.
19. That all transactions carried out in the financial year under review have been carried out on an arm's length basis.
20. That no events have occurred after the balance sheet date to this date which influence the evaluation of the Final Accounts, and which require adjustment of or disclosure in the General Secretary's review or notes to the Final Accounts.

Copenhagen, 14 May 2019

International Council for the Exploration of the Sea



Anne Christine Brusendorff, General Secretary



Kirsten Gudmandsen, Finance Officer

Deloitte Statsautoriseret Revisionspartnerselskab
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Statement on the Final Accounts for 2018

This statement is given in connection with the audit of the Final Accounts for 2018. On behalf of the Finance Committee, I confirm the following to the best of my knowledge:

1. That the Finance Committee is aware of Management's responsibility for designing and implementing internal controls to mitigate and detect fraud.
2. That the Finance Committee does not consider a specific risk of fraud to exist and that the organisation has an efficient control environment mitigating the risk of material misstatement in the Final Accounts, including misstatements in the Final Accounts as a result of fraudulent financial reporting or misappropriation of the organisations assets.
3. That the Finance Committee has no knowledge of information about actual, presumed or alleged fraud which may have involved Management or staff and which may be material for the Final Accounts.

Copenhagen, 14 May 2019

International Council for the Exploration of the Sea (ICES)



Ari Leskelä
Chairman of Finance Committee

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Final Accounts 2018

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General Secretary's and Finance Committee's statement

The General Secretary and the Finance Committee have today considered and approved the Final Accounts of International Council for the Exploration of the Sea (hereinafter referred to as "the Council" or "ICES") for 2018.

The Final Accounts have been prepared in accordance with Rule 18 of the Rules of Procedure.

We consider the accounting policies applied appropriate and the accounting estimates made reasonable. Therefore, in our opinion, the Final Accounts give a true and fair view of the financial position at 31 December 2018 of International Council for the Exploration of the Sea and of the results of its operations for the financial year 1 January to 31 December 2018.

We believe that the General Secretary's review contains a fair review of the affairs and conditions referred to therein.

We recommend that the Final Accounts be adopted.

Copenhagen, 14 May 2019

General Secretary



Anne Christine Brusendorff

Having examined the Final Accounts, we recommend that the Bureau submit the document to the Members of the Council for approval.

Finance Committee



Ari Leskelä
Chair
Finland



Karin Victorin
Sweden



Markus Vetemaa
Estonia



Pablo Abaunza
Spain



Fritz Köster
Denmark.

Independent auditor's report

To the members of International Council for the Exploration of the Sea Report on the Final Accounts

We have audited the financial statements of International Council for the Exploration of the Sea for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, balance sheet and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Rules of Procedure of 22 October 2008.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 in accordance with the Rules of Procedure of 22 October 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

General Secretary's responsibilities for the Final Accounts

The General Secretary (Management) is responsible for the preparation of final accounts that give a true and fair view in accordance with the Rules of Procedure, and for such internal control as Management determines is necessary to enable the preparation of final accounts that are free from material misstatement, whether due to fraud or error.

In preparing the final accounts, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the final accounts unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Final Accounts

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Rule 20 (VII) of the Rules of Procedure adopted by the Council on 22 October 2008, ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if,

Independent auditor's report

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with the Rules of Procedure adopted by the Council on 22 October 2008, ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the General Secretary's review

Management is responsible for the General Secretary's review.

Our opinion on the financial statements does not cover the General Secretary's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the General Secretary's review and, in doing so, consider whether the General Secretary's review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the General Secretary's review provides the information required under the Rules of Procedure adopted by the Council on 22 October 2008.

Copenhagen, 14 May 2019

Deloitte

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General Secretary's review

General Operating Principles

The operations of International Council for the Exploration of the Sea ("ICES") are governed by the 1964 Convention agreed among the 20 Contracting Parties¹ and entered into force on 22 July 1968.

According to Article 2 of the Convention, ICES shall be concerned with the Atlantic Ocean and its adjacent seas and primarily concerned with the North Atlantic, with the following main goal:

- (a) to promote and encourage research and investigations for the study of the sea particularly those related to the living resources hereof;
- (b) to draw up programmes required for this purpose and to organise, in agreement with the Contracting Parties, such research and investigations as may appear necessary;
- (c) to publish or otherwise disseminate the results of research and investigations carried out under its auspices or to encourage the publication thereof.

In addition, the 2002 Copenhagen Declaration stresses the need for ICES to strengthen working relationships with users of scientific information on living marine resources and marine ecosystems, including fisheries management organisations, environmental commissions, as well as with stakeholders, thus requiring that ICES:

- apply a quality assurance scheme for its advisory function;
- adopt procedures to include the full consideration of data from a wide range of stakeholders;
- be flexible and timely in providing scientific advice to meet the needs of decision makers responsible for the stewardship of living marine resources and marine ecosystems without compromising the quality or reliability of the advice;
- ensure that ecosystem considerations, including the effects of human activities and climatic and oceanographic conditions, are taken into account; and
- frame advice in relation to fisheries management, giving full consideration to the ecosystem context.

The ICES Secretariat is located in Copenhagen, Denmark. A Host Agreement between the Government of Denmark and ICES on the office and the privileges and immunities entered into force on 24 July 1968.

The Council is an international legal entity with the capacity to enter into contracts, to acquire and dispose of immovable and movable property, and institute legal proceedings. The Council and its property, income and expenditures are exempt from all national direct and other taxes or duties.

Primary activities

The Final Accounts for the year 2018 show total revenue for ICES of DKK 47,338,572, of which DKK 22,363,000 was from national contributions. Another major component was income received from recipients of scientific advice amounting to DKK 17,114,167.

¹ Belgium, Canada, Denmark, Estonia, Finland, France, Germany, Iceland, Ireland, Latvia, Lithuania, the Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, the United Kingdom, and the United States of America.

General Secretary's review

The difference between revenue and expenditures for 2018 resulted in a minor surplus of DKK 539,551. This surplus arose mainly due to an increase in the revenue from Advice Recipients, an increased revenue from External Projects, and a doubling in the revenue from interest earned on equity/Capital Reserve Fund.

National contributions to ICES are due in advance, or by the end of January of the budget year. As of April 2019, seven national contributions were not paid (reminders have been sent). There are no outstanding contributions from previous years.

Development in activities and finances

Over a ten-year period (2009-2018)², increases in national contributions were agreed in 2011 (2%), 2016 (1.9%), and 2019 (1.3%, with reference to the need for inflation adjustment); in the other years, national contributions remained stable. The relative share of national contributions in 2018 was 47%.

On the expenditure side, salaries increased by the cost of living (based on the Danish inflation rate) and by the step increases. The secretariat salary cost in 2018 was DKK 31,853,097, roughly equivalent to the 2017 amount. The total amount of salaries, including honoraria for the ACOM Chair, ACOM Vice-Chairs, and SCICOM Chair, amounted to DKK 35,259,301. Following the Council's directions to achieve full cost recovery for the advisory services, an increasing share of the salary costs are covered by MoUs, inter alia through financing of special request outside the ICES-EU Administrative Arrangement (AA).

Work continues, with the aim to implement during 2019 a system that better reflects a full cost recovery agreement with advisory clients, through verification and documentation of resources used to fulfil the advisory services in the Secretariat and the ACOM and SCICOM leadership.

² The value of the 2020 national contributions will be known after May 2019, when the remaining ICES member countries will have secured a mandate to vote on the proposal for an inflation adjustment by 1.5% of the 2020 national contributions.

Income statement for 2018

	Notes	2018 DKK	2017 DKK'000
Contributions from member countries	1	22.363.000	22.363
Contribution from Faeroe Island and Greenland		418.000	418
Recipients of Scientific Advice	2	17.114.167	15.893
Income from Projects		3.057.383	3.275
Other income	3	4.369.911	3.994
Sales of publications		16.111	28
Total revenue		47.338.572	45.971
Salaries	4	(35.259.301)	(34.093)
Office expenses		(2.010.799)	(2.322)
IT expenses		(3.705.952)	(3.144)
Expenses for Council and ASC		(1.129.795)	(1.017)
Travelling and meeting expenses		(4.866.808)	(5.803)
Publications		(453.837)	(427)
Total expenditure		(47.426.492)	(46.806)
Result of revenue and expenditure		(87.920)	(835)
Financial income	5	715.857	410
Financial expenses	6	(88.386)	(233)
Income over expenditure		539.551	(658)
The years income over expenditure is distributed as follows			
Accumulated income over expenditure (equity)		539.551	(658)
Total		539.551	(658)

Balance sheet at 31 December 2018

	Notes	2018 DKK	2017 DKK'000
Capital Reserve Fund – Investment & cash at bank	10	10.730.552	9.043
Non-current assets		10.730.552	9.043
Receivable member contribution	7	12.493.250	10.450
Other receivables	8	6.920.495	5.877
Prepayments and accrued income	9	304.693	303
Receivables		19.718.438	16.630
Investments	10	17.500.900	24.595
Cash at bank and in hand		2.346.199	54
Current assets		39.565.537	41.279
Assets		50.296.089	50.322

Balance sheet at 31 December 2018

	Notes	2018 DKK	2017 DKK'000
Capital Reserve Fund (CRF)		9.096.664	9.186
Accumulated income over expenditure		<u>15.670.408</u>	<u>15.131</u>
Equity	11	<u>24.767.072</u>	<u>24.317</u>
Bank debt		307.092	835
Prepaid/pre-invoiced contributions		22.657.250	22.363
Prepaid projects funded by third parties		844.828	1.137
Other payables	12	<u>1.719.846</u>	<u>1.670</u>
Total short-term liabilities		<u>25.529.016</u>	<u>26.005</u>
Equity and liabilities		<u>50.296.088</u>	<u>50.322</u>
Lease of IT equipment	13		
Additional information	14		

Notes

	2018 DKK	2017 DKK'000
1. Contributions from member countries (shares)		
Belgium (2)	836.000	836
Canada (3)	1.254.000	1.254
Denmark (3)	1.254.000	1.254
Estonia (1)	418.000	418
Finland (1,5)	627.000	627
France (4)	1.672.000	1.672
Germany (4)	1.672.000	1.672
Iceland (3)	1.254.000	1.254
Ireland (2)	836.000	836
Latvia (1)	418.000	418
Lithuania (1)	418.000	418
The Netherlands (3)	1.254.000	1.254
Norway (4)	1.672.000	1.672
Poland (3)	1.254.000	1.254
Portugal (2)	836.000	836
Russia (3)	1.254.000	1.254
Spain (3)	1.254.000	1.254
Sweden (3)	1.254.000	1.254
United Kingdom (4)	1.672.000	1.672
The USA (3)	1.254.000	1.254
	<u>22.363.000</u>	<u>22.363</u>
2. Recipients of Scientific Advice		
European Commission	11.939.040	10.447
NEAFC	2.403.611	2.374
OSPAR	834.374	1.169
HELCOM	540.988	519
NASCO	550.220	543
Norway	845.934	841
	<u>17.114.167</u>	<u>15.893</u>

Notes

	2018 DKK	2017 DKK'000
3. Other income		
Income from ICES Journal	1.571.722	1.659
Income from Training courses	492.995	713
ASC Fees	764.706	574
Miscellaneous	271.340	267
Special request	1.269.148	781
	4.369.911	3.994
4. Salaries		
Salaries are divided as follows:		
Salaries Secretariat	(31.058.239)	(29.886)
Other salaries relating costs	(794.858)	(930)
	(31.853.097)	(30.815)
Honorarium to external Chairs	(3.406.204)	(3.277)
	(35.259.301)	(34.093)
5. Financial income		
Interest	715.840	410
Exchange gains	17	0
	715.857	410
6. Financial expenses		
Exchange losses	(38.049)	(158)
Bank charges	(50.337)	(75)
	(88.386)	(233)

Notes

	2018 DKK	2017 DKK'000
7. Receivable member contributions		
Belgium	847.000	836
Denmark	1.270.500	1.254
Latvia	423.500	0
Estonia	423.500	418
Germany	1.694.000	1.672
Ireland	847.000	836
Finland	635.250	0
Portugal	847.000	0
Russia	1.270.500	1.254
Sweden	1.270.500	1.254
Spain	1.270.500	1.254
United Kingdom	1.694.000	1.672
Related to the following year	12.493.250	10.450
8. Other Receivables		
European Commission	5.324.640	4.043
VAT due from the Ministry of Foreign Affairs	439.147	1.036
Deposits due from parking spaces	7.723	5
Miscellaneous receivables	1.127.884	793
	6.920.495	5.877
9. Prepayments and accrued income		
Prepaid pensions	304.693	303
	304.693	303
10. Investments		

General investment and Capital Reserve Funds are invested in Danish short-term bonds listed on the Copenhagen Stock Exchange.

Notes

11. Equity

	Capital Reserve Fund DKK	Accumulated income over Expenditure etc. DKK	Total equity DKK
Equity at 1 January 2018	9.186.146	15.130.860	24.317.006
Unrealised fair value of bonds	(89.482)	0	(89.482)
Profit/loss for the year	0	539.548	539.548
Equity at 31 December 2018	9.096.664	15.670.408	24.767.072

12. Other Payables

	2018 DKK	2017 DKK'000
Accounts payable	1.618.590	1.618
Danish State Pension (ATP)	101.256	52
	1.719.846	1.670

13. Lease commitments

Lease obligations falling due within:		
0-1 years	315.862	870
1-5 years	459.258	734
> 5 years	00	0
	775.120	1.604

14. Mortgages and securities

Investments have been provided as security for bank debt.

Accounting policies

The Final Accounts have been prepared in accordance with Rule 18 of the Rules of Procedure.

The Final Accounts have been presented applying the accounting policies consistently with last year.

Recognition and measurement

Assets are recognised in the balance sheet when future economic benefits are probable and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that economic benefits will flow out of the Organisation and when the value of the liability can be measured reliably.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the Final Accounts that evidence conditions existing at balance sheet date are taken into account.

Income statement

Contributions and costs

Contributions are recorded as revenue in the financial year to which they relate. Equally, costs incurred to generate the earnings of the year are recognised in the income statement.

Financial income and expenses

Financial income and expenses comprise interest income and expenses. Realised gains and losses on bonds classified as investments are recognised in the financial year to which they relate. Unrealised gains and losses on bonds classified as investments are recognised directly in equity.

Projects funded by third parties

Revenue from projects funded by third parties is recognised as income at the same time as costs related to the project are incurred as expenses.

Profit or loss on projects funded by third parties is recognised in the income statement when the project is finalised.

International Council for the Exploration of the Sea

Audit book comments on the Final Accounts 2018

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Audit book comments on the Final Accounts for 2018

1. Our audit of the Final Accounts

1.1 Final Accounts

We have finalised our audit of the Final Accounts of International Council for the Exploration of the Sea (ICES/the Organisation) for 2018 as presented by the General Secretary and the Finance Committee.

1.2 Affairs and conditions materially influencing the evaluation of the Final Accounts

Based on our audit, we point out the following particular affairs and conditions of relevance to the Finance Committee's evaluation of the Final Accounts:

1.2.1 Segregation of duties

As mentioned in our audit engagement letter of 25 September 2018 issued upon acceptance of the audit, the possibility of preventing material misstatements in the Final Accounts, including misstatements caused by fraud, primarily depends on the extent to which sound internal control is ensured in the organisation of the recording systems and business processes.

We draw attention to the size of ICES' administration and limited resources. Smaller administrations increase the risk of misstatements in the Final Accounts as a result of intentional or unintentional actions or omissions. Any misstatements in the Final Accounts that result from fraud may not necessarily be detected during our audit since misstatement of this nature are usually concealed or hidden.

We point out that these comments should not be taken to mean that our audit revealed specific matters that could indicate irregularities or fraud, but they are intended to emphasise that segregation of duties is usually a material element in the internal control. We also point out that during our audit we did not find any misstatements caused by fraud.

1.2.2. Inquiries of the Executive Board and the Board of Directors about the risk of fraud

We have made inquiries of the General Secretary and the Chairman of the Finance Committee about the Organisation's risk of fraud as well as the internal controls implemented by the Finance Committee to mitigate such risk. They have informed us that the Finance Committee and the General Secretary do not have any knowledge of actual, presumed or alleged fraud and that no particular risk of material misstatement is estimated to exist in the Organisation's Final Accounts as a result of fraudulent financial reporting or misappropriation of organisation assets. We should point out that, during our audit, we did not identify any misstatements in the Final Accounts caused by fraud.

2. Audit of business processes and internal controls

Our audit included determining whether the Organisation's financial reporting systems, business processes and internal controls function properly in the areas covered by our audit. The purpose of the audit was to determine whether the internal controls are satisfactory, meaning

- if the controls have been designed appropriately in relation to the control objectives they are intended to ensure
- if they have actually been implemented in the enterprise, and
- possibly if they have functioned throughout the period covered by the audit

The focus of our audit efforts has been on the internal controls relevant for the financial reporting areas and the financial statement items which we consider material and risky in terms of auditing. Accordingly, our review will not necessarily disclose all weaknesses or inadequacies of the business processes and internal controls reviewed.

As mentioned in the audit book comments issued upon acceptance of our appointment, it is the responsibility of Management to plan business processes as well as recording and control systems that are appropriate for bookkeeping and asset management to be handled in a way that is satisfactory in the Organisation's circumstances, and the auditor is responsible for reviewing these business processes and internal controls as part of the audit of the financial statements.

Internal controls are those established in and around the enterprise's business processes to ensure achievement of Management's directions (control objectives) in relation to financial reporting.

Our review included an assessment as to whether

- the internal controls ensure complete, accurate and timely processing of authorised transactions
- the internal controls prevent errors from occurring or ensure detection and adjustment of errors occurred
- documentation exists of the data processing and controls performed.

We have reviewed the following financial reporting areas:

Financial reporting area	Financial statement items
Revenue	Income from Projects
Salaries	Salaries
Cash and payment systems	Cash at bank and in hand

For the financial reporting areas Revenue and Cash and payment systems, we have only tested if controls have been designed appropriately and if they have actually been implemented in the enterprise. We have not for these areas tested if controls have functioned throughout the period covered by the audit.

We consider the administrative processes and internal controls generally to function satisfactorily and to form an adequate basis for ensuring complete, valid, accurate and timely registration and recording of the enterprise's transactions in the above areas that have been covered by our audit.

However, we should point out that our audit revealed certain internal control weaknesses – primarily in relation to the payment of salaries and controlling of the project accounts, including the amount in the balance sheet for prepaid projects funded by third parties.

We have walked through the business process regarding expenses and the approval process. We recommend that the Finance Department implement stronger controls regarding approval of expenses so that the Organisation has the same approval procedures for all expenses.

We have walked through the business process regarding time recording. There has not been any approval process for time recording before. We know that ICES has developed some new guidelines and controls for salaries that we believe will improve the processes in relation to projects funded by third parties.

To improve the financial reporting process we recommend that the Finance Department perform a quarterly reconciliation of the balance sheet.

We have not found any material misstatements in our review.

3. Comments on the Final Accounts

3.1 Income statement

The individual items of the income statement have been reviewed and analysed based on specifications, vouchers and other reconciliation records prepared by ICES. We have taken a number of samples, made analyses and reconciliations to verify the reliability of the recordings.

We have checked that contributions from member countries are recognised in accordance with agreed amounts at ICES Council. A total of DKK 22,363k has been recognised as income, according to agreement, and has not given rise to any comments.

Recipients of Scientific Advice are recognised in accordance with memorandum of understanding and other agreements between ICES and the donor. A sample of contracts has been reviewed which did not give rise to comments.

The audit of revenue did not give rise to any comments.

We have examined costs and checked against invoices, contracts or other bases. We have compared salary costs to contracts and to Salary Table.

The audit of expenses did not give rise to any comments.

We have checked cut-off regarding recurring expenses. We recommend that ICES write down their business processes regarding cut-off which are consistent with their accounting policies.

3.2 Balance sheet

On 31 December 2018, the Capital Reserve Fund in the equity amounts to DKK 9,097k, corresponding to approx. 19% of total income.

We have compared ICES' investments to confirmation letters from the bank, which did not give rise to comments.

We have made a surprise cash audit on 26 February 2019, which did not give rise to any comments.

When auditing cash and cash equivalents we obtained lists of accounts from the Organisation's bankers, and we checked the cash at bank at 31 December.

We have analysed or reconciled receivables to supporting documentation of DKK 19,718k recognised in the Final Accounts. The receivables consist primarily of member contributions (DKK 12,493k) and other receivables (DKK 7,225k).

The individual items of the income statement have been reviewed and analysed based on specifications and decisions from the Council with respect to contributions from member countries.

Liabilities have been reconciled to contracts, agreements etc. and consist primarily of pre-invoiced member contributions for the following year.

The audit of the balance sheet did not give rise to any comments.

4. Other comments

4.1 Letter of representation and unadjusted misstatements in the Final Accounts

As part of our audit of complex areas, the General Secretary has issued a letter of representation to us on the Final Accounts for 2018.

The audit did not give rise to any comments, and no misstatements were found during the audit.

4.2 Insurance

Our audit did not include insurance taken out by the Organisation. We recommend that the Organisation's insurance cover be reviewed with the insurance organisation or insurance broker at least once a year in order to assess the cover taken out etc., including whether the cover provided by the insurance taken out is adequate, and whether the Organisation may need to take out insurance in special areas.

In connection with the closing of accounts, we asked the General Secretary to confirm that the insurance taken out is considered adequate in view of the Organisation's circumstances to cover potential loss or damage arising in the Organisation.

3.3 General IT controls

We have not reviewed the Organisation's general IT controls as any weaknesses or inadequacies therein will not in our view cause the Final Accounts to be materially misstated. We recommend that the Organisation assess whether its back-up procedures are appropriate to ensure restoration of the books of account, if lost.

5. Conclusion

If the Finance Committee approves the Final Accounts 2018 in their present form, we will provide the Final Accounts with an auditor's report without qualifications or emphasis of matter.

6. Objective and scope of the audit, including definition of responsibilities

Our audit engagement letter of 25 september 2018 issued upon acceptance of our appointment as auditors contain a description of the objective, scope and performance of our audit, our reporting as well as a definition of the responsibilities of Management and auditors. Please refer to those audit engagement engagement letter. We recommend that a copy thereof be handed out to any new members of the Finance Committee.

Our audit did not include the General Secretary's review. However, we read the General Secretary's review to ensure that the disclosures in this report are consistent with the financial statements and with the information that came to our knowledge during our audit. Having read the General Secretary's review, we are to issue a statement on whether or not the General Secretary's review is consistent with the Final Accounts. Our statement on the General Secretary's review has to be placed immediately after our auditor's opinion on the Final Accounts.

7. Advisory services and assistance assignments

Since our audit book comments of 29 May 2018 we have done several audit services for the organization:

- Advisory regarding new EU contract for 2019
- Smaller queries regarding accounting etc.

8. Auditor's declaration

We declare that we comply with the legal requirements of independence and that we have received all the information requested during our audit.

Copenhagen, 14 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab



Nikolaj Erik Johnsen
State-Authorised Public Accountant

Presented at the Finance Committee' meeting on 14 of may 2019

Finance Committee



Ari Leskelä
Chair



Karin Victorin



Markus Vetemaa



Pablo Abaunza



Fritz Köster

Accounting policies

Balance sheet

Non-current assets

Non-current assets comprise investments and cash at bank dedicated to Capital Reserve Fund.

Investments

Investments comprising listed bonds are measured at fair value at the balance sheet date, however, at a maximum price of 100, corresponding to the redemption price. Gains and losses on investments from the Capital Reserve Fund and General Fund are recorded in the related equity accounts. All other gains and losses are recorded in the income statement, except for unrealised fair value adjustments of investments, which are recognised directly in equity.

Receivables

Receivables are measured at cost. Provisions are made for bad debts.

Unpaid contributions from projects funded by third parties (assets)

Unpaid contributions from ongoing projects comprise costs related to work performed on projects during which funding is not yet received from third party.

Unpaid contributions are measured at cost.

Prepayments from projects funded by third parties (liabilities)

Prepayments from projects funded by third parties comprise funds received from third parties regarding projects, which are not finished at the end of the year.

Prepayments from projects funded by third parties are recognised as funds received from third parties.