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GLOBAL CHANGE RESEARCH
(IAI)**

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Joint Position Paper
by the
Committee on Rules and Procedures
and the
Financial and Administrative Working Group

Analysis of the Structure of Internal Controls of the IAI

At the thirteenth meeting of the Executive Council held in Panamá City, Panamá on July 17-18, 2001, the EC charged the Committee on Rules and Procedures and the Financial and Administrative Working Group to “consider a new structure for the IAI Directorate.” Based on previous discussions with the Chair of the Executive Council and the Chair of the Financial and Administrative Working Group, this was interpreted to mean the structure of internal controls within the Inter-American Institute for Global Change Research.

There are several documents that are currently in place that address internal controls of various aspects of the IAI’s financial and administrative functions:

- Accounting Procedures Manual
- Contracting and Procurement Manual
- Charter of the Financial and Administrative Policy Working Group
- Standing Rules of the Directorate of the Inter-American Institute for Global Change Research

The Accounting Procedures Manual (Section 9, *Disbursement Procedures* and Section 10, *Banking and Cash Receipt Procedures*) addresses issues regarding “dual signatory authority,” procedures for handling Core Contribution checks sent directly to the IAI Directorate, and reconciliation of petty cash and bank accounts.

The Contracting and Procurement Manual addresses issues such as contractual authority and the acquisition and evaluation process for goods and services.

The new Charter of the Financial and Administrative Working Group gives the FAWG the authority to

- “review and approve terms and conditions for IAI Directorate staff salaries and benefits;
- review financial accounts and cash flow against approved Core Budget, Programmatic Budget and other funds;
- Review and approve changes to the IAI administrative and financial procedures and manuals”

The Standing Rules of the Directorate of the Inter-American Institute for Global Change Research addresses the issue of internal and external auditing.

In addition, the “Agreement Establishing the Inter-American Institute for Global Change Research” also requires that the EC “appoint an external auditor and review the annual external

audit of the financial records submitted annually by the Director to the Conference of the Parties” (Article VI.e.). This has been further strengthened by the recent practice that the letter of engagement for the external audit be sent from the EC Chair with the requirement that the auditor’s report and recommendations be sent directly to the EC Chair and with a copy to the IAI Directorate.

While the documents cited above provide general guidance to ensure a certain degree of internal control within the IAI, additional issues need to be addressed through revisions in the IAI manuals, and possibly through amendment to the Standing Rules of the IAI Directorate and the Standing Rules of the Executive Council.

It is recommended that in preparation for the Fifteenth Meeting of the Executive Council that the following actions be initiated to establish, clarify or strengthen the internal controls of the IAI.

- **Financial and Administrative Working Group** review and recommend measures to establish or strengthen internal controls and channels of responsibility in the IAI Directorate through the IAI Director and to the Executive Council and EC Chair. In addition to modifications to the IAI manuals, such measures could also include amendment of the Standing Rules of the Executive Council (and if appropriate, the Standing Rules of the Conference of the Parties). To further ensure that internal controls are maintained, provisions should be added to the Employee Manual that provide protection for employees in the case of Termination of Employment or negative Performance Evaluations based on “whistle-blowing.” In addition, Position Descriptions and chain of command may need to be modified to ensure an adequate level of external oversight.
- **Committee on Rules and Procedures** consider whether amendments to any of the IAI Rules are needed to implement the recommendations of the FAWG and, if so, initiate the amendment process.

It is anticipated that changes to the IAI manuals could be presented at the EC XV meeting in Rio in February 2002.

The following organizational chart illustrates the relationship of the various bodies within the Inter-American Institute for Global Change Research. While the staff report directly to the Director and Director reports to the Executive Council and Conference of the Parties, there are two external bodies that help oversee the scientific and financial aspects of the IAI – the Scientific Advisory Committee and the Financial and Administrative Working Group.

The Scientific Advisory Committee (SAC) is the principal scientific advisory organ of the IAI and is composed of members elected by the Conference of the Parties. In addition to making recommendations to the CoP regarding the IAI Scientific Agenda, long-range plans and the annual program of the IAI, the SAC is also responsible for directing the peer review system of the IAI. Additional responsibilities include serving as liaisons between IAI-funded Principal Investigators and the IAI scientific staff.

The Financial and Administrative Working Group (FAWG) is a standing committee of the Executive Council composed of EC members and is charged “with acting on behalf of the Executive Council in matters related to planning, preparation and implementation of IAI financial, administrative and project management issues.” In this role the FAWG provides oversight to financial and administrative issues.

