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Report of the Financial and Administrative Committee (FAC)

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Financial and Administrative Committee
Meeting Minutes: April 20-23, 2009
Sao Jose dos Campos

William Smith, United States of America
Rosanna Proto, Canada

The FAC would like to recognize the outstanding efforts of two former members who have resigned from the FAC. Evair Sérgio da Silva, Brazil, and Louis Grittani, Canada, each have left the FAC since the last meeting, and each made significant contributions to the FAC and the IAI. As of the April meeting, a new member from Brazil had not been named, however, Mrs. Rosanna Proto from Canada participated in the meeting.

Core Budget

The FAC reviewed the draft IAI core budget proposal, and found it to be a fiscally responsible plan for the coming year. To help smooth the transition to a new FAC composition, Mr. Grittani participated in some discussions of the core budget via telephone. Major points on the budget discussed included:

Salaries and Benefits

The proposed salary and benefits budget is significantly lower than last year. With Gerhard Breulmann leaving the IAI, an active recruitment is underway for a new science officer. It is expected that this new and relatively junior appointment will initially be at a lower salary than the former Science Officer, resulting in some savings to the IAI.

The Post Adjustment for the coming year will be unchanged from the previous fiscal year, so has no impact on the budget. In recent years, the US dollar had been weakening, leading to a growing Post Adjustment, but that trend reversed and the \$BR, \$US exchange rate appears to have stabilized.

An adjustment of 5% for inflation is proposed. The official rate of inflation last year in Brazil was approximately 5.9%, and the FAC considers that the proposed 5% increase appropriate.

Travel

The proposed travel budget is somewhat below that budgeted for the previous fiscal year. The reduction is due to the proposed change in the EC meeting schedule, which results in less staff travel.

Equipment

The proposed equipment budget is significantly below that of last year. The budget for the previous year included a one-time purchase of new office furniture to enable the more efficient use of space.

Operations

The proposed operations budget this year shows a significant increase. The bulk of the increase reflects IAI building up a pool of funds to cover contractual obligations for severance and relocation costs when staff depart the institution. Other significant

changes are the inclusion of \$6,500 for contracting out basic accounting services to enable IAI staff to concentrate on more complex tasks and activities, and \$12,000 to relocate the new IAI Science Officer to Sao Jose dos Campos.

Review of IAI Quarterly Report

The FAC reviewed the latest quarterly report with IAI staff. Expenditures are running somewhat below the budgeted amount. The primary reasons for this are the strengthening of the US dollar which results in lower local expenses, a reduction in the Post Adjustment from what was originally approved in the budget, and lower travel costs due in part to not holding the mid-year EC meeting.

Based on IAI's recent experience with a staff member departing, the FAC recommended that IAI budget for and accumulate funds to pay severance and other contractual obligations when staff depart the institution. The IAI agreed with this recommendation, and will work to quantify the accumulated liability so this issue can be addressed. Funds are included in the 2009-10 Core Budget Request for this purpose.

Audit Report

The FAC has held a number of discussions regarding the report received from BDO Trevisan, the current audit firm. The most recent of these was a teleconference with the FAC, IAI staff, and the audit firm. The audit report gave a "qualified" opinion on the IAI's financial statement. This opinion was issued because of uncertainties regarding one of IAI's bank accounts – the bank was sold and it took significant time for the account in US dollars to be properly migrated. The FAC felt that this one account, containing approximately \$250 at the time, did not constitute a material deviation from accepted accounting procedures, and has been working with the audit firm to resolve this issue so IAI can receive an unqualified audit report.

The FAC recommends that the Executive Council accept the current report, understanding that an update with an unqualified opinion is hoped for.

Recompetition of the Audit Contract

IAI is preparing to release a Request for Proposals soliciting bids on a three-year audit contract. The FAC will review the RFP prior to release to ensure key elements such as competency in English are included. The FAC will then work with IAI to select an audit firm for the new contract.

Post Adjustment

The FAC spent considerable time at this meeting working with IAI staff to develop a simplified Post Adjustment system. Post Adjustments are sometimes proposed to compensate staff with salaries fixed in US dollars for fluctuation in the exchange rate between the \$US and \$BR. This is necessary because most staff expenses are in \$BR, and significant swings in the exchange rate can impose hardship on affected staff. Discussions are ongoing, but no impact on the core budget request is expected to result from any changes.