

INTER-AMERICAN INSTITUTE FOR GLOBAL CHANGE RESEARCH



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FAC Report

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Report of the Financial and Administrative Ad Hoc Committee Review of IAI 2014-2015 Core Budget Request

The Financial and Administrative Committee (FAC) operates as a committee of the Executive Council, providing advise to the IAI and EC on administrative and financial matters. The FAC received and has reviewed the IAI's core budget request for the coming fiscal year, and recommends that the Executive Council forward it to the Council of the Parties for approval.

Budget

The FAC found the budget request to be responsive to the changing nature of IAI operations as the headquarters transitions to a new location and additional offices are established, and the proposed expenses reasonable and appropriate. The budget proposes an increase in country contributions for \$1,286,000 to \$1,400,000 representing a total increase of about 8.9 percent. The last increase in country contributions was three years ago (2011-12 budget year), and it is the FAC's consensus that this increase is justified by the impact of inflation which has ranged between 5 and 7 percent annually in Brazil and a bit higher in Uruguay (statistics from the World Bank). The proposed increase falls well below the rate of inflation in the countries in which the IAI conducts most of its business.

The FAC notes that the proposed budget includes an annual \$30,000 payment toward the salary of a Director for Communications in Argentina, which was established by a resolution of the 19th Council of the Parties. The resolution establishing that position reads in part "We agree that this should be implemented in a manner neutral to the IAI Core Budget" and the FAC notes that this budget element may not be consistent with the CoP resolution and that the Executive Council may wish to consider the appropriateness of this particular budget element.

Audit Report

The FAC recently received the independent auditors' report on the IAI financial statement for fiscal year 2012-13. The FAC was pleased with the overall finding that the IAI's financial statement presented fairly in all material respects the financial position of the IAI. However, the report of the auditors' contained one qualifying statement stemming from how the IAI tracks and accounts for funds advanced to subawardees. In this case, the auditors found that IAI listed as a current asset \$492,121 in funds advanced to subawardees but which have not been expended over the course of the past 12 months by those subawardees. Under accounting principals used by the auditors, these funds should have been recovered or written off the IAI's books. However, it is the sense of the FAC that IAI's treatment of these funds

is appropriate; it would not be effective to recover these funds from awardees when a spending plan for them is in place. In addition, the IAI's subawardees are required to account for all funds they receive with funds unexpended at the conclusion of the award period returned to IAI.

The auditors also noted that the way the IAI recognizes awardee expenses and reconciles those against documented expenses at a future date might lead to adjustments in the statements from prior years. The FAC will work with IAI in considering ways to address this issue.

Country Contributions

As an international organization, the IAI relies on the voluntary contributions of its members to support day-to-day operations and oversee research activities. The accumulation of arrears by nations has been of interest to the EC and CoP for many years, but the recent increase in annual and total arrears is becoming a more significant issue. At the end of the last quarter, the total arrears of all countries was sufficient to support IAI operations for a full year. The increase in annual arrears (contributions due but not received in a given year) has put the IAI into a more difficult operating position where important activities such as outreach and oversight cannot be firmly scheduled and are subject to cancellation. Outreach has been a key portion of the IAI mission and oversight of research activities is essential if support is to continue. Recently (Quarter 3 report) IAI has received only about 75% of the voluntary contributions expected; some nations have not been active members in some time but the direction of the trend has taken a troubling turn.

Renewal of FAC Charter

The FAC is a subcommittee of the Executive Council, and typically has a charter renewed every two years. The current charter expires at the conclusion of the first EC meeting in 2014 (August 12, 2014 in this case). Membership on the FAC is established by country instead of by individual, and all countries are invited to participate. Typical duties include reviewing budget documents, audit reports, and working with the IAI on administrative matters such as refining procedures and operating manuals, thus individuals with a financial and management background are most frequently identified to participate. Most FAC business is conducted via e-mail and telephone although in person meetings are sometimes held; in the case of in person meetings, each country is expected to accommodate the cost of attendance.

The countries currently serving on the FAC are willing to continue in that capacity. The FAC recommends that the EC renew the existing

charter (attached) for an additional two years and that any countries interested in participating on the FAC contact the chair of the Executive committee.

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FINANCIAL AND ADMINISTRATIVE AD HOC COMMITTEE

Expires at the conclusion of the first meeting of the Executive Council in 2014

Charter: The Financial and Administrative Ad Hoc Committee (FAC) 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. These responsibilities include:

- Review and approve terms and conditions of IAI Directorate staff salaries and benefits;
- Review and approve policies for cost of living and merit increases;
- Recommend to EC changes to member country contributions;
- Review financial accounts and cash flow against approved Core Budget, Programmatic Budget and Other Funds;
- Review draft Core Budget prior to presentation to EC and CoP;
- Review and approve changes to IAI administrative and financial procedures and manuals; and
- Other duties as assigned by the Executive Council.

Composition and Mode of Operation: Membership is open to all EC member countries and is for a two-year period, with the IAI Financial Officer as a member *ex-officio*. The members of the Financial and Administrative Ad Hoc Committee elect the Chair. The Charter and membership will be reviewed every two years.

The FAC will interact regularly with the IAI Directorate through the Director. If such consultations identify an issue regarding which the FAC and the Directorate cannot agree, the issue will be referred to the Executive Council or to the Bureau, whichever is most timely. The Financial and Administrative Ad Hoc Committee will report to the Executive Committee at each EC meeting.

FAC members typically pay the costs associated with attending meetings of the FAC. However, the Directorate may, based on need and availability of funds, support expenses for the attendance at Financial and Administrative Ad Hoc Committee meetings.

Current Membership: Brazil, Canada, United States, and IAI Financial and Administrative Officer (*ex officio*)