

Explanatory notes to IACA's Budget 2020

The explanatory notes provide a commentary on IACA's draft Budget 2020.

Budget format

The draft Budget 2020 is presented in accordance with the organization's new (draft) financial regulations, to be adopted by the Board of Governors, which foresee a clear distinction between the Budget and extra-budgetary resources of the Academy.

Under these regulations, the Budget contains appropriations for expenditures, fundamental to the existence of IACA and its institutional mandate as well as the implementation of activities in the work programme (budgeted activities) which are not covered by extra-budgetary funding. As projected income, it includes on the one hand the target amount of voluntary contributions required to cover these appropriations, and on the other the projected service revenues of IACA as well as miscellaneous income.

Budgeted activities are IACA's academic programmes and standardized trainings, as well as its operations as intergovernmental organization, including the fostering of international cooperation and networking in the fight against corruption (Article I.d. of the IACA Agreement).

Extra-budgetary resources mean resources financial resources received to fund specific projects and activities outside the scope of the Budget. The post-cost result/balance and the project support costs related to extra-budgetary activities are listed in the Budget as revenue.

The Budget is structured in chapters. Separate sub-chapters are included for further clarity and ease of reference.

In principle, appropriations are disbursement authorizations for 2020 only, therefore they does not reflect the deferred income or liabilities accrued in previous financial years. Deferred income and liabilities are outlined in the end year financial statement.

Based on the request by IACA's auditors, accounting of acquisitions are accrual based and not cash based, which means that instead of cash outflow the depreciation in the respective budget year is reflected in the document.

The financial statements of IACA's accounts, including all documentation related to extra-budgetary resources are examined by external auditors.

Budget Level

The total appropriations of the draft Budget 2020 are EUR € 3,418,200, which is a decrease of more than 30 % compared with the budget 2019 (€ 4,933,094.55)

The amounts are based on audited expenses of 2018 and assumptions for the year 2020.

Annual inflation adjustment of 2 % which affects salaries and other budget lines has been absorbed in the proposed budget.

For purchases of goods and services VAT refunds can be requested for invoices of at least € 73. Therefore, the budgeted amounts are without VAT (net).

Organizational structure and staff costs

The secretariat is composed of the following six departments under the office of the Dean:

- General Management Department
- Legal Department

- Programmes & Activities Department
- Academic Programmes Department
- Research & Science Department
- Strategic Partnerships and Projects Department

Adjustments to the organizational structure were made as two departments were merged resulting in one less Head of Department function.

Currently at IACA, 14 out of 24 posts foreseen in the Budget 2020 are filled. Filling the vacant posts will be done according to operational needs and availability of financial resources.

Staff members engaged in implementing extra-budgetary activities are not foreseen in the budget, as these posts will be financed by extra-budgetary resources. Currently two extra-budgetary resources financed positions are filled.

Given the financial situation of IACA and the lack of clarity as to the amount of voluntary contributions which will be received in 2020, IACA's secretariat needs the flexibility to implement the staff costs category. In practice that means that in some cases instead of filling the vacancy certain operational needs could be met by external service provider's, individual contractors, etc..

Notes to particular budget lines:

REVENUE

In case the amount of revenues including voluntary contributions are below the level foreseen in the draft, the prioritization of the expenses is necessary and would depend on operational requirements.

1. Voluntary contributions:

This budget line outlines how much would be necessary in voluntary contributions to fulfill the appropriations.

2. Fees from academic and standardized programmes

This budget line includes the programme and application fees for IACA's academic programmes (MACS and IMACC) as well as the tuition fees for IACA's budgeted activities (Summer Academy and Alumni Reunion). Discounts for programme, application, and tuition fees due to IACA's preferential treatment scheme for contributing Parties are considered in the amount of € 131,700.

It is assumed that the MACS 2018 class, the MACS 2019 class, and the IMACC 2019 class continue in the year 2020 and that two additional classes, one of the MACS programme and one of the IMACC programme, each with 15 students will start in 2020.

In addition, internal credit notes, which are budgeted as expenditures for the budgeted activities are added as income in this budget line. As the same amount is reflected as appropriation (expenditure), this way of presenting does not influence the overall budget amount but provides a full picture of expenditures for IACA's activities. Examples for internal credit notes are seminar fees, coffee breaks, and seminar rooms.

3. Revenue from IACA's extra-budgetary resources

This budget line includes the balance and internal credit notes of extra-budgetary resources. Internal credit notes are issued inter alia for project support costs, seminar rooms, seminar fees, and coffee breaks.

The revenue of extra-budgetary resources is budgeted based on the experience of former years and assumptions for the year 2020. Any additional financial resources received from extra-budgetary activities in the course of the financial year will be reported in the budget report.

APPROPRIATIONS:

1. Chapter DEAN REMUNERATION AC1

IACA's Board of Governors decided to offer the upcoming dean a remuneration not higher than D2 of the UN system. For the Budget 2020, a remuneration equivalent to AC1 of IACA's salary scale was assumed.

2. Chapter STAFF COSTS

For all posts the dependency rate of IACA's salary scale was budgeted. Accident insurance is calculated with 1.2 % of the maximum contribution base of € 5,370 (estimation) per month. No further social insurance contributions or allowances are foreseen in IACA's staff rules.

3. Chapter GOVERNANCE/COOPERATION and NETWORKING/ADVOCACY

3.1.1. The service level agreement provides IACA with two offices at the VIC and related services such as conference support, incl. conference facilities.

3.1.2. The IACA Agreement foresees at least one annual meeting of each Advisory Board (ISAB and IAAB). The organization needs to cover the participants' travel and accommodation costs. IACA's Board of Governor members are usually supported by their governments. In some cases, Board members do not receive the full support for their participation of the Board meetings. This budget line should allow the organization to support these BoG members.

4. Chapter ADMINISTRATION and LOGISTICS

4.1. ADMINISTRATION

Students and participants care:

For students and participants coffee breaks are provided. Expenditures in this regard for coffee, milk, fruits, etc. cannot be allocated to the activities. Therefore, the appropriation is foreseen in this budget line and credited via internal credit note to the respective activities.

4.2. FINANCE and REPORTING

Bookkeeping and financial consulting:

IACA's bookkeeping incl. the establishment of the end year financial statement is outsourced. Currently Austrian accounting standards are applied. In case the BoG decides to apply IPSAS, an additional € 25,000 are needed for this transfer.

5. Chapter CAMPUS MAINTENANCE and OPERATIONAL COSTS

Operating costs under the facility agreement

A company of the Federal State of Lower Austria owns the campus and has rented it to IACA. Based on a funding agreement between IACA and Austria the rent is paid by the Republic of Austria. However, the organization has to pay operating cost in the amount of currently € 17,000 gross per month for general maintenance of the building. These costs are not static but are likely to increase over the years, due to wear and tear.

8. Chapter ACADEMIC PROGRAMMES

Appropriations for following modules in the year 2020 are foreseen:

MACS 2018 class Module VI, VII, and defence and graduation

MACS 2019 class: Module II, III, IV, V

IMACC 2019 class: Module II, III, IV, V

MACS 2020 class: application phase and Module I

IMACC 2020 class: application phase and Module I

8.1. TEACHING EXPENSES

The sub-chapter teaching expenses includes following expenditures: Remuneration and travel and accommodation costs for lecturers, supervisors, external evaluators, and defence committee member and other related costs to the syllabus.

8.2. NON-TEACHING EXPENSES

The sub-chapter non-teaching expenses includes following expenditures:

Transportation for students, board, promotion of IACA's academic programmes, awards, expenses for the graduation ceremony, etc.

8.3. INTERNAL EXPENSES – internal credit cotes

Internal credit notes are issued for teaching material, seminar fee, seminar rooms, coffee breaks etc. These amounts are reflected in the revenue as well and therefore, are not influencing the total budget amount but provide a full picture of the activities' costs.

9. Chapter STANDARDIZED PROGRAMMES

IACA's annual Summer Academy and the annual Alumni REUNION are foreseen as standardized budgetary activities in the year 2020.

GLOSSARY:

This glossary contains short descriptions of terms used in the Budget and which are not self-explanatory:

“Advocacy” means outreach and marketing.

“Work Programme” means the work programme established by the Dean, considered by the Board of Governors and approved by the Assembly of Parties. The Work Programme is based on IACA's mandate and an outline of IACA's activities under the Budget as well as outside the scope of the Budget. What is foreseen as budgeted activities is mirrored by appropriations for expenditures in the Budget. Expected income generated from these activities, as well as required Voluntary Contributions are stated on the income side of the Budget.

“Appropriations” means the aggregate of the expenditure authorizations for a fiscal year for purposes approved by the Assembly under the Budget;

“Budget” means the budget of the Academy, consisting of the Appropriations for expenditures, fundamental to the existence of IACA and its institutional mandate, including the implementation of budgeted activities, as well as all expected income to cover these Appropriations;

“Chapters” means major sub-divisions of the Appropriations within the Budget;

“Deferred income” is, in accrual accounting, money received for goods or services which have not yet been delivered. According to the revenue recognition principle, it is recorded as a liability until delivery is made, at which time it is converted into revenue.

“Extra-Budgetary Resources” means financial resources received to fund specific projects and activities outside the scope of the Budget;

“Project” means a temporary extra-budgetary undertaking agreed with a donor under a project arrangement and consisting of one or a series of activities to produce results and achieve a planned specific objective which is fully financed by Extra-Budgetary Resources;

“Project support costs” is a percentage charged on all extra-budgetary projects and activities’ direct costs, designated to cover the indirect costs of an extra-budgetary project or activity.

“Voluntary Contributions” means cash contributions to the Budget.