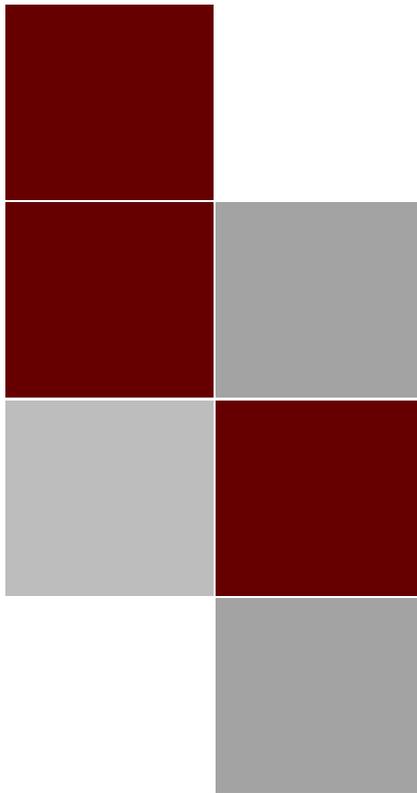




**ILRI**  
INTERNATIONAL  
LIVESTOCK RESEARCH  
INSTITUTE



# Statement of financial responsibility

July 2018

## **Financial governance**

The International Livestock Research Institute (ILRI) has an average financial year (FY) operating budget of approximately USD85 million, which is financed by contracts from major multilateral and bilateral donors, foundations, CGIAR and governments. ILRI has the ability to comply with all award requirements having sound financial management, procurement, and other systems that support compliance with donor requirements where appropriate.

## **Financial controls**

ILRI maintains records and financial accounts in accordance with generally acceptable accounting principles adequate to reflect the sources and uses of funds to finance programs until the grant closing date, and retains such accounts and records for five years thereafter. Monitoring expenditure forms a critical part of the management of both the implementation of the work program and the financial management of the grant. ILRI is not only vigilant and proactive in ensuring that expenditure by result and activities does not exceed the approved budget elements but also supervises program partners' activities including financial and administrative processes.

## **Accounting specifications**

ILRI prepares financial reports in accordance with the International Financial Reporting Standards (IFRS) and the accounting policies and the preparation is always consistent with CGIAR guidelines or advisory notes. ILRI uses a financial system called Agresso business world which is an enterprise resource planning currently being used by 10 other CGIAR centres.

## **Audited financial statements and audit reports**

ILRI has three levels of audit on its financial records: a) an external audit where the auditors are changed every four years, b) specific donor initiated independent project audits and c) ILRI's independent internal auditors that report directly to the Board of Trustees and director general. On specific donor initiated independent project audits, ILRI and program partners will have the accounts relating to the project audited by independent external auditors. The accounts will be audited either separately or within the annual audit, where appropriate. After the conclusion of such an audit and as soon as the report is available, ILRI provides a certified copy of the audited financial statement, which shall identify the grant, and the related audit report prepared by its auditors in accordance with international accounting standards.

## **Costing allocation policies**

ILRI is one of 15 CGIAR centres and it operates in accordance with CGIAR guidelines. As a result of an extensive process of consultation and negotiation between CGIAR and its donors, CGIAR centres no longer directly receive any unrestricted funding and must rely completely on restricted funding sources to fund their operations. In order to ensure that all projects are costed in a *consistent and transparent manner* and charged with an equal share of costs, ILRI must implement full cost recovery (FCR) within the framework of the CGIAR's Financial Guideline series number 5 (FG5). Implementation of this change is absolutely critical to the financial viability of ILRI in a world where unrestricted funds are no longer available to subsidize project costs.

The CGIAR FG5 guideline requires that costs are classified into three categories: 1) direct research project costs, 2) internal services for research, and 3) institutional indirect costs. Each project will need to include all these three types of cost fully in the budget to ensure the resources required to carry out activities are fully budgeted for. See below for an explanation of these categories of costs.

### **1. Direct research costs**

These are unique to a specific project and are directly charged to the project when activities are carried out. Costs for research activities pass through the accounting system, and are

charged directly. The charges may be generated through accounts payable, petty cash, or expense claims. Examples of such costs are: personnel, travel, workshops, consultants, and collaborators. All these costs have third party payment vouchers as supporting documents to prove that costs were incurred and paid. For activities that will require engagement of consultants and partners, we need to budget for expected costs and consider existing commitments based on the contracts already signed with them.

## 2. Internal services for research

These are essential direct project costs fully attributable to research activities. They are normally not directly booked to the research project, but first grouped in an ILRI service unit cost centre and then allocated to the specific research projects that these services were rendered to, using standard rates. All rates are based on the actual costs, and do not include any surcharges, profits or margins; they just try to recover the total actual costs of the service-providing units. There are four groups of internal services:

- Operational services–user request basis
- Operational services–general
- Research support services–user request basis
- Research support services–general

All these costs are supported by internal allocation mechanisms. See below for more details:

### a. Operational services–user request basis

These essential internal services are provided to specific projects on demand and relate to specific project activities and charged against a fixed tariff per service only upon usage. Examples are transport (rate per km), catering (rate per meal or per workshop participant), accommodation (rate per room per night) and communications (rate per hour).

### b. Operational services–general

These are the indispensable costs for a worker to be provided with an office and associated facilities (sometimes called occupancy costs). These costs will incur for each employee and project. They include;

#### ***Office space***

ILRI identified office space as the cost driver for the following costs: building costs, electricity, water, cleaning, security services, stores services, procurement services, repairs and maintenance etc. These costs are all bundled together in a fixed '*space charge*' rate per square metre of office space occupied by the relevant project or staff member.

#### ***Information and communication technology costs***

The Information and Communications Technologies (ICT) unit recovers all its operational and capital costs through all staff that use their services. The ICT costs include all costs related to purchase of computers, internet connections, email hosting, basic software licenses, backups, UPS, telephone/PBX and ICT support desk and maintenance etc. These costs are recovered through the *ICT service charge*; a fixed amount per year, for each computer/ employee connected to the ILRI network.

#### **Professional development or staff training–people and organizational development services**

ILRI offers various personal and professional development trainings to all their staff. These are funded by a small surcharge (per cent) on top of each employee's

staff cost. The People and Organizational Development (P&OD) directorate also charges a small percentage, to cover the costs related to recruitment and compensation and benefits work.

*Note:* These surcharges are only to cover these specific actual costs related to project staff and not to fund general human resource-related work, like the P&OD directorate, management, policymaking etc., since these are part of the overhead cost (see “3 – general costs” below), so are not included here.

c. Research support services–user request basis

These are also ‘on-demand’ services provided directly to projects and are all directly related to the science/research activities of a specific project. They are often optional and only charged upon usage. Examples are: The Animal unit (rate per animal used, weeks of stay), laboratory bench fees (per researcher with lab access), research data management (rate per user for specialist data management software), research compliance (fee per research permit) and capacity development (administration fee per student, or percentage of staff time).

d. Research support services–general

These are the functions which provide direct support to the research capacity in ILRI, and the benefit of these services is shared across all research projects. They are provided on a general basis for the benefit of all researchers at the same time ensuring projects are aligned to the ILRI strategy, ensuring quality control and compliance of research conducted in ILRI, and can therefore not be directly charged to specific projects but are spread out over all research-related projects on the basis of the head count of scientists and researchers, at rate of a fixed percentage of scientist’s staff costs charged to the project (2018=15%). ILRI tries to minimize this category and charge services as much as possible by attribution of on-demand services (like mentioned above at c). This is, however, not (yet) always possible because the services are provided at the same time for the benefit of many projects or are hard to predict and budget for.

Examples of currently included costs are: Research and laboratory supervision, quality and progress monitoring, research methods development, general laboratory compliance and safety, legal and intellectual property, general open access and open data costs, general communication and advocacy etc.

### **3. General management and administration costs (overhead)**

These are sometimes referred to as ‘institutional costs’, or ‘administrative costs’ or ‘governance and central support functions’, and often the term ‘overhead’ is used as a convenient shorthand. They are *indirect costs* because they cannot easily or logically be directly associated with research activities.

Indirect costs are applied to all activities (grants, projects or contracts) undertaken by ILRI and play a fundamental part in the FCR concept. This institutional cost rate (a.k.a. overhead rate) is expressed as a percentage of the total direct costs (categories 1 and 2 described above) and is part of each project’s total costs. This charge does not use payment vouchers as a supporting document. We, however, have annual audited financial statements which show and confirm these rates.

Annual audited rate for 2017 is 17% and the 2018 rate, based on forecasted budget, will also be 17%. Therefore, all proposals should be budgeted using an overhead rate of 17%.

Institutional costs that are covered from this overhead rate include the: Board of Trustees, director general's office, P&OD directorate, Corporate Services directorate, Finance department, Internal Audit unit, Resource Mobilization unit, web services and 2% CGIAR System service levy which is 2% of total project costs.

## Personnel costs

Being a research organization and employing many researchers, personnel expenses represent the largest single component of expenses in ILRI. It is for this reason that these costs are explained here even though they are part of direct costs. These costs are defined as the total remuneration costs of an individual: Base salary plus benefits and allowances payable to/for the individual and other employment costs. The main components are set out below:

Group	Description	Component
1	Base salary	<ul style="list-style-type: none"> <li>• Base salary</li> </ul>
2	Fringe benefits	<ul style="list-style-type: none"> <li>• Insurances and health costs, retirement contributions</li> <li>• Housing allowances, security, cost-of-living allowances, vehicle allowances.</li> <li>• Education allowances, education travel, spouse travel</li> <li>• End-of-service benefits,</li> <li>• Bonuses</li> <li>• Annual home leave fares (including family)</li> </ul>
3	Employment costs	<ul style="list-style-type: none"> <li>• Recruitment costs, including candidate travel</li> <li>• Appointment and repatriation allowances (including shipping costs and airfares)</li> <li>• Professional development or staff training costs (refer to 2 b above)</li> <li>• Payroll administration fees.</li> <li>• Transport to and from work etc.</li> </ul>

The criteria for costs to be included in personnel costs is when they can be attributed directly to individuals or when they benefit an individual directly.

ILRI thanks all donors and organizations which globally support its work through their contributions to the [CGIAR system](#)

*Patron: Professor Peter C Doherty AC, FAA, FRS*  
*Animal scientist, Nobel Prize Laureate for Physiology or Medicine–1996*

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*ILRI has offices in East Africa • South Asia • Southeast and East Asia • Southern Africa • West Africa*

