

AGENDA ITEM 9: REPORT FROM THE FINANCE, AUDIT & RISK COMMITTEE (C-FAR)

Summary

Under IPPF Regulation E.1.b), the Finance, Audit and Risk Committee (C-FAR) met on 30th September 2020, 15th October 2020 and 28th October 2020. The Committee provided oversight and policy direction relating to the following key areas:

- **Reviewed and took note of**
 - actions taken by the management in relation to hedging forex risks.
 - Extended Due Diligence undertaken by the Barclays Bank.
 - the Management Accounts including key risks and opportunities for the Quarter 2 ending 30th June 2020 and for the eight months ending 31st August 2020.
 - background and action taken in relation to the Western Hemisphere regional office and some of the Member Associations in the Western Hemisphere Region.
 - action taken against recommendations presented in the Forensic Audit Report.
 - all open incidents, relating to fraud and/ or safeguarding in the Incident Register as on 31st August 2020
 - the Action taken report of the Arab World Regional office financial review.
 - background of NetSuite implementation, outcome of the Suite Review and status of actions taken.
 - action taken on last year's mitigation strategies identified against all the risks recorded in the risk register for 2019/20.
 - action taken by the Internal Auditors.
 - the Special Payment register for the period 1st January to 30th Jun 2020 for the regional offices and from 1st January to 30th September for London.
 - letter received from Charities Commission, UK about salary and benefits disclosures and response from Trustees thereof.

Action Required

The Board of Trustees to approve

- i) **note** the report of the C-FAR Chair.
- ii) **consider and approve** recommendation of the C-FAR to Board of Trustees to:
 - a. *Re-purpose US\$ 575,975, earlier allocated to the WHRO for the period from September to December 2020, from the unrestricted core, towards a **'transition fund'** that will be utilized to cover cost separation from WHRO and MAs and setting up the new sub-office (s) in the Americas and the Caribbean.*
 - b. *As an exceptional case, ensuring that this does not set a precedent, set up a designated fund of US\$ 500,000 from general reserves to allow transition of existing WHRO loans to MAs that stay with IPPF from WHRO to IPPF, on terms similar to those provided by WHRO.*

- iii) Consider and approve recommendations of the C-FAR to the Board of Trustees to amend to the overall allocations to streams one and two, as presented below:

| Allocation | Amount (US\$) | Amount (US\$) |
|--|---------------|-------------------|
| Stream 1 | | 54,484,075 |
| Secretariat allocation | 20,213,781 | |
| Member Association allocation | 34,028,316 | |
| Member Associations in Pacific | 641,978 | |
| Member Association/ CP with Donor Programmes | 600,000 | |
| Stream 2 | | 3,843,029 |
| Consortium Based Grant (one grant led by MA/ CP) | 2,543,029 | |
| Core support to Business Plan Centers | 260,000 | |
| Provision of Counterpart financing for MAs | 500,000 | |
| Regional Rapid Grant (calculated at 3x30,000 per RO) | 540,000 | |

- iv) **consider and approve** recommendations of the C-FAR to the Board of Trustees to
- Allocate 5% to 'Investment Vouchers' (US\$ 1,701,415) out of Stream One allocation to MAs and
 - revised allocation under stream one to regions (for MAs) as provided below:

| REGION | TOTAL US\$ 2020 | TOTAL US\$ 2021 | Revised IPF Allocation Member Associations 2021 | |
|--------------|-------------------|-------------------|---|-------------------|
| | | | Investment Voucher | IPF By Region |
| Africa | 16,327,182 | 15,610,929 | 1701,416 | 14,830,382 |
| Arab World | 3,669,030 | 3,508,074 | | 3,332,670 |
| ESEAOR | 3,485,579 | 3,332,670 | | 3,166,037 |
| Europe | 1,467,613 | 1,403,230 | | 1,333,068 |
| South Asia | 5,870,448 | 5,612,918 | | 5,332,272 |
| WHR | 5,870,448 | 5,612,918 | | 4,332,471 |
| TOTAL | 36,690,300 | 35,080,739 | 1,701,416 | 32,326,900 |

- v) **consider and approve** recommendations of the C-FAR to the Board of Trustees a total budget of US\$ 1.9 M to cover the statutory defined benefit pension scheme payments, to be covered out of:
- Forex exchange (US\$ 1 M) gains secured through hedging and
 - Draw down from General Reserves (US\$ 0.9 M)

- vi) **consider and approve** recommendation of the C-FAR to the Board of Trustees the budget for the Unified Secretariat for 2021, as presented in the tables below.

| Source of Funding | Unrestricted Core | Restricted Project | Draw down from Funds | Total (US\$) |
|--|-------------------|--------------------|----------------------|--------------------|
| Grant Income (including WISH Fee and reimbursable) and draw down | 56,941,861 | 79,488,275 | 6,535,333 | 142,965,469 |
| Donation Income | 300,000 | 0 | 0 | 300,000 |
| Commodities Income | 200,000 | 0 | 0 | 200,000 |
| Investment Income | 40,000 | 0 | 0 | 40,000 |
| Overheard Recovery | 3,902,363 | 0 | 0 | 3,902,363 |
| Bank Interest | 160,000 | 0 | 0 | 160,000 |
| Total Income | 61,544,224 | 79,488,275 | 6,535,333 | 147,567,832 |
| Cash Grants to MAs and Partners (including WISH Fee and reimbursables) | 40,324,080 | 63,597,308 | 3,026,474 | 106,947,862 |
| Staff Salaries and Benefits | 12,951,831 | 7,723,405 | 199,617 | 20,874,852 |
| Other Expenses | 3,026,134 | 460,899 | 2,470,252 | 5,957,286 |
| Overhead Recovery | 0 | 4,276,019 | 48,494 | 4,324,513 |
| Professional Fees | 918,857 | 1,936,948 | 596,537 | 3,452,342 |
| Travel and Transportation | 675,937 | 1,866,154 | 10,000 | 2,552,091 |
| Conference and meetings | 1,005,883 | 637,029 | 3,000 | 1,645,912 |
| Software licenses and subscription | 433,538 | 40,448 | 135,244 | 609,230 |
| Office rent, services, supplies, utilities, and charges | 908,692 | 191,202 | 0 | 1,099,894 |
| Media, publication, and subscription | 160,264 | 356,042 | 0 | 516,306 |
| Audit Fees | 347,351 | 95,692 | 45,716 | 488,759 |
| Cost of commodities supplied | 170,500 | 84,056 | 0 | 254,556 |
| Phone and Internet Charges | 188,792 | 12,575 | 0 | 201,367 |
| Insurances | 198,335 | 0 | 0 | 198,335 |
| Building repairs and maintenance | 163,152 | 1,056 | 0 | 164,208 |
| Bank/ Financial Charges | 50,916 | 939 | 0 | 51,854 |
| Equipment and furniture | 12,999 | 24,355 | 0 | 37,354 |
| Membership fee/ registration | 6,964 | 6,709 | 0 | 13,673 |
| Total Expenditure | 61,544,225 | 81,310,836 | 6,535,334 | 149,390,394 |
| Surplus/ Deficit | - | -1,822,561 | - | -1,822,561 |

The overall budgeted expenditure for the **secretariat** broken down by unrestricted core, restricted and earmarked fund for the year 2021 is presented in the table below:

| Source of Funding | ARO | AWRO | EN | ESEAOR | SAR | Americas & Caribbean | London | Total* |
|--------------------------|------------------|------------------|------------------|------------------|------------------|----------------------|-------------------|-------------------|
| Unrestricted | 4,502,607 | 1,273,028 | 1,521,615 | 1,176,895 | 1,030,684 | 1,245,430 | 9,463,435 | 20,213,694 |
| Restricted | 1,780,292 | 83,282 | 1,286,985 | 2,210,539 | 99,910 | 0 | 9,287,514 | 14,748,521 |
| Unrestricted - earmarked | 438,212 | 0 | 236,973 | 0 | 0 | 0 | 2,940,015 | 3,615,200 |
| Total Income | 6,721,111 | 1,356,310 | 3,045,573 | 3,387,434 | 1,130,594 | 1,245,430 | 21,690,964 | 38,577,415 |

* Excluding overhead recoveries, if any.

The overall expenditure in terms of **grants payable to MAs and partners** budgeted for in the year 2021, broken down by unrestricted core, restricted and earmarked is presented in the table below:

| Source of Funding | ARO | AWRO | EN | ESEAOR | SAR | Americas & Caribbean | London | Total |
|---------------------|----------------|----------|------------------|------------------|----------|----------------------|--------------------|--------------------|
| Unrestricted | 0 | 0 | 0 | 0 | 0 | 0 | 41,330,530 | 41,330,530 |
| Restricted Income | 398,722 | 0 | 2,210,919 | 2,587,978 | 0 | 0 | 63,597,308 | 68,794,927 |
| Designated Draw | 0 | 0 | 0 | 0 | 0 | 0 | 3,026,474 | 3,026,474 |
| Total Income | 398,722 | 0 | 2,210,919 | 2,587,978 | 0 | 0 | 107,954,312 | 113,151,931 |

- vii) **consider and approve** recommendation of the C-FAR to the Board of Trustees IPPF’s risk register for 2020-21.
- viii) **consider and approve** recommendation of the C-FAR to the Board of Trustees
 - a. the global audit plan and fee for 2020 of **£ 161,700** and
 - b. delegation of authority to the C-FAR Chair to sign the letter of engagement from the Deloitte LLP.
- ix) **consider and approve** recommendation of the C-FAR to the Board of Trustees, the funding formula allocation of Stream 1 funding to the Member Associations, to be implemented effective 1st January 2022.

FINANCE, AUDIT & RISK COMMITTEE (C-FAR)

| <u>Wednesday, 30th September 2020</u> <u>14:00 hours (UK time)</u> | <u>Thursday, 15th October 2020</u> <u>14:00 hours (UK time)</u> | <u>Wednesday, 28th October 2020</u> <u>14:00 hours (UK time)</u> |
|--|---|--|
| <u>Teleconference</u> | <u>Teleconference</u> | <u>Teleconference</u> |
| <p>In Attendance:</p> <p>Elected members: Elizabeth SCHAFFER (Chairperson, C-FAR) Bience GAWANAS (Treasurer, IPPF) Ms Nicolette LOONEN Judith MAFFON Prof Maisarah AHMAD</p> <p>Staff: Dr Alvaro BERMEJO, (Director General) Varun ANAND (Director - Finance & Technology) Jane DISBOROUGH (Financial Controller) Nisha GOHIL (note-taker)</p> <p>Joined for the relevant agenda items: Vanessa STANISLAS (Head of Safeguarding) Mariama DARAMY-LEWIS (Director, People, Organization and Culture division)</p> <p>Internal Auditors: Mark SULLIVAN (Risk Assurance Director, RSM)</p> | <p>In Attendance:</p> <p>Elected members: Elizabeth SCHAFFER (Chairperson, C-FAR) Bience GAWANAS (Treasurer, IPPF) Ms Nicolette LOONEN Judith MAFFON</p> <p>Staff: Dr Alvaro BERMEJO, (Director General) Varun ANAND (Director - Finance & Technology) Jane DISBOROUGH (Financial Controller) Nisha GOHIL (note-taker)</p> <p>Joined for the relevant agenda items: Fadouah BAKHADDA (Regional Director, AWRO)</p> <p>Internal Auditors: Mark SULLIVAN (Risk Assurance Director, RSM)</p> | <p>In Attendance:</p> <p>Elected members: Elizabeth SCHAFFER (Chairperson, C-FAR) Bience GAWANAS (Treasurer, IPPF) Ms Nicolette LOONEN Judith MAFFON</p> <p>Staff: Dr Alvaro BERMEJO, (Director General) Varun ANAND (Director - Finance & Technology) Jane DISBOROUGH (Financial Controller) Nisha GOHIL (note-taker)</p> <p>Invited for agenda #8: Redstone Strategy Group Sam GREENBERG Lee GREEN</p> <p>Auditors Deloitte LLP: Reza MOTAZEDI, Partner, Audit & Assurance Cecile LEBOYAN, Senior Manager, Audit & Assurance</p> <p>Internal Auditors: RSM: Mark SULLIVAN, Risk Assurance Director, RSM Risk Assurance Services LLP</p> |

FINANCE, AUDIT & RISK COMMITTEE (C-FAR)

| | | |
|--|--|--|
| <p>1. Welcome and Introduction The Chair welcomed all committee members to the meeting of the Finance, Audit and Risk (C-FAR). The committee members introduced themselves to each other and were briefly introduced to staff.</p> <p>The Chair explained that due the fact that members are based in multiple-time-zones, going forwards her suggestion was to have shorter and more frequent C-FAR meetings. She hoped that this will allow for better focus, especially in the next two months leading up to the Board of Trustee meeting.</p> <p>2. Agenda # 2 - Procedural Items</p> <p>2.1. Apologies for Absence All C-FAR members were present. There were no apologies for absence.</p> <p>2.2. Draft Agenda and Timetable It was confirmed that the agenda would be adjusted slightly regarding item # 3, adjusting it to bring the Member Engagement forward. Revised agenda is provided at annexure 1.</p> | <p>1. Welcome and Introduction The Chair welcomed all committee members and staff to the meeting.</p> <p>2. Agenda # 2 - Procedural Items</p> <p>2.1. Apologies for Absence Apologies for absence was received from Maisarah Ahmad, Member, C-FAR and was acknowledged</p> <p>2.2. Draft Agenda and Timetable There were no comments from members.</p> <p><i>Action: The C-FAR members unanimously adopted the agenda for the meeting.</i></p> <p>2.3. Minutes of the Finance & Audit Committee Meeting</p> <p>The minutes of the C-FAR meeting held on the 30th September were reviewed. Ms Nicolette Loonen, member C-FAR highlighted that as part of discussion about the extended due diligence undertaken by the Bank, the committee had deliberated about the impact of this decision on the programmes in high risk countries. She requested this be included under the relevant section (section</p> | <p>1. Welcome and Introduction The Chair welcomed all committee members and staff to the meeting of the Finance, Audit and Risk (C-FAR).</p> <p>2. Agenda # 2 - Procedural Items</p> <p>2.1. Apologies for Absence Ms Maisarah Ahmad Member C-FAR was not present at the meeting. No apologies prior to the meeting had been received.</p> <p>2.2. Draft Agenda and Timetable There were no comments and the agenda was adopted. <i>Action: The C-FAR members unanimously adopted the agenda.</i></p> <p>2.3. Minutes of the Finance & Audit Committee Meeting</p> <p>C-FAR were asked to approve the minutes of the previous meeting. Varun advised members that there is a small amendment required to the previous minutes. Under 2.4 the reference to 'August 20' was</p> |
|--|--|--|

FINANCE, AUDIT & RISK COMMITTEE (C-FAR)

Action: *With the above change, agenda for the meeting was unanimously adopted.*

2.3. Minutes of the Finance & Audit Committee Meeting

The committee reviewed the minutes of the July 20 meeting. The Chair of C-FAR thanked the staff for putting together well documented minutes, which as per her had recorded all the deliberations and agreements of the meeting well.

There were no further comments.

Action: *The minutes of the meeting held on 20th July 20, were unanimously adopted by the C-FAR members.*

2.4 b). Following this recommendation, the paragraph below was added to the section 2.4 b) of the minutes:

“Members enquired if there were any significant implications/ risks to programmes in countries that were in the high-risk category. They were informed that in the case of Iran and Syria, funds were remitted from our bank account in the United States to our Regional Office in Kuala Lumpur and Tunis, from where funds were remitted to these countries online. In case of Cuba and Venezuela, unfortunately due to the separation of WHR, IPPF ceased to have programmes. Finally, in the case of North Korea no bank was willing to assist in remittances, which continued to pose a challenge for IPPF.”

The Chair thanked staff for a good recording of the meeting. There were no further comments.

Action: *The C-FAR members approved the minutes of the meeting held on 30th September, following the recommended amendment.*

requested to be removed. The relevant section now reads:

2.4 Matters Arising

- *Review Management Accounts and provide comments*

Action: *The C-FAR members agreed that with suggested amendment, the minutes of the previous meeting were accepted and approved.*

2.4. Matters Arising

There were no matters arising.

2.4 Matters Arising

- a) **Hedging trades and contracts:** A paper on forward contracts executed by IPPF and its impact on the next year's budgetary commitments was briefly presented to the C-FAR by the Financial Controller. Key highlights presented included:
- i) IPPF's core functional currency is US\$.
 - ii) However over 90% of IPPF's core income is received in non-US\$.
 - iii) To create certainty over the budgetary commitments for 2021 IPPF executed forward contracts for specific inflows through selected forex partners.
 - iv) These contracts locked-in IPPF with a fixed conversion rate, within a fixed forward time-period leading to de-risking IPPF from a negative impact of any forex fluctuation.
 - v) As these contracts were signed up at a time when the US\$ was weak, our current committed rate, has projected a small surplus over the next year.

Director, Finance and Technology, thanked Ms. Nicolette Loonen, member, C-FAR, for her contribution in the selection process of forex partners.

- b) **Update on Extended Due Diligence (EDD):** An update on the status of EDD undertaken by IPPF for sign off by the Barclays Bank (our primary bankers), was provided to the C-FAR members.

The committee was updated about the disappointing outcome of the EDD, wherein, whilst the 'Charities Risk Review Forum' of the Barclays Bank acknowledged the great progress made by IPPF in rolling out its financial crime policy, it still felt that there was more work to be done and that IPPF still had to prove that it had done everything possible to prevent, even inadvertently providing funds, service or goods to a sanctioned person, vendor or organisations.

Therefore, the Bank's forum was unable to clear the EDD for IPPF and thus could not lift the restrictions it had currently placed on IPPF, around making payments to broadly sanctioned countries.

The committee was informed that the five broadly sanctioned countries, on whom the restrictions of fund transfer continued, included Cuba, Venezuela, Iran, North Korea and Syria. In order to lift some of these restrictions, the Bank wanted IPPF to provide training, not only to all Secretariat staff, but to the staff and volunteers at these and other Member Associations (MAs) too. This would ensure that all MA staff and their Board Members are aware of all issues related to financial crime.

Members enquired if there were any significant implications/ risks to programmes in countries that were in the high-risk category. They were informed that in the case of Iran and Syria, funds were remitted from our bank account in the United States to our Regional Office in Kuala Lumpur and Tunis, from where funds were remitted to

these countries online. In case of Cuba and Venezuela, unfortunately due to the separation of WHR, IPPF ceased to have programmes. Finally, in the case of North Korea no bank was willing to assist in remittances, which continued to pose a challenge for IPPF.

The committee was informed that the Bank was requested if they could provide some leads to IPPF, to an online tool that could provide country contextualised financial crime training, so that access to this could be provided by IPPF to its MAs. This would be critical, as without this, it would be an impossible task to undertake. The Bank promised to come back, however, admitted that there was no such tool readily available.

The committee members enquired, as to how does IPPF assess the risk themselves? They were informed that:

- For the broadly sanctioned countries, on an annual basis, IPPF was undertaking a due diligence search on all the Board Members, Staff, Consultants and Vendors of MAs in these countries, using a software that crawls across all government sanction lists, searching for these names. As part of this search, in case any names emerged on the sanctioned list, further explanations were sought from the MAs till the name was found to be clear.
- IPPF asked all MAs, receiving grants above a certain threshold level, to get an annual audit undertaken, by one of the top twenty audit firms or their affiliates.
- Additionally, as part of the audit process, the auditors had to sign a detailed policy and process evaluation checklist, called the Financial Control evaluation (FCE), confirming that these policies and procedures were in place and fulfilled the requirements as provided by IPPF. The FCE check is required to be undertaken for all MAs that received from IPPF, an average grant of over a three-year period, equal to or greater than US\$ 300,000. However, the FCE check was not applicable for MAs in the broadly sanctioned countries, as they did not receive such large grants.
- Finally, IPPF also undertakes a detailed review of systems and procedures, as part of the accreditation process, once every five years.

The Director General added that IPPF is currently in talks with the UN, to get clearance to use their systems to transfer funds to North Korea and other sanctioned countries. Ms Bience Gawanas, Treasurer, IPPF offered to assist in these discussions, to enable humanitarian assistance transfers through the UN system.

3. C-FAR Calendar and Member Engagement

In line with the discussion, during the first agenda item, the Chair confirmed that C-FAR has already agreed to shorter and more frequent meetings. All members were asked, if they were fine with the paper presented containing tentative agenda items and dates for the future meetings over the next couple of months.

Action: All members unanimously approved the paper containing the rolling agenda items and dates for C-FAR meetings.

4. Financial Update (Quarter II ending 30th June 2020)

The Financial Controller presented the highlights for the management accounts.

- The accounts show that we are US\$ 25million ahead of budget at the end of June and most of that positive variance sits in unrestricted core; on the restricted side there is a small negative variance of US\$ 1.5million. The positive variance is due to two things:
 - Receipt of additional income that was not in the budget from the German Government; plus some income received earlier than planned;
 - At the end of June IPPF was due to pay the full second instalment of core funding to MAs. DLT approved to waive the requirement for deliverables for the second instalment and payment was made in July.
- On the restricted side we are quite far behind on expenditure. The biggest risk sits with the WISH II project. The pandemic has made it difficult for the project to spend the money but they have a performance holiday so there will not be any financial penalty.

The Chair confirmed to members that as C-FAR are meeting more frequently it has been agreed that quarterly financial updates will continue to be presented.

There were no questions from C-FAR on the management accounts.

Action: C-FAR members moved to review and note the management report.

5. Western Hemisphere Regional Office departure

A detailed update was provided to the C-FAR by all the staff and the Treasurer, who was part of the negotiating delegation with WHRO.

The current status was that 10 MAs had decided to stay back whereas 14 had decided to separate from IPPF.

The main issue was that the departure of the Western Hemisphere Regional Office (WHRO) was not at all planned or envisaged. It took all by complete surprise. This meant a lot of pressure on the existing teams at IPPF, wherein staff had to be either taken out of their regular jobs or in some cases asked to take on additional responsibilities, in ensuring the separation was completed smoothly.

It was highlighted that all donors had been fully briefed. They were all dismayed about the situation but were very supportive of IPPF. None of them froze their funding to IPPF.

Ms Bience Gawanas, Treasurer, IPPF informed the group that during negotiations the IPPF team was clear that it could not go back on the decisions taken during the Delhi meeting in December, of building a unified federation and secretariat. She highlighted that the sticking points included:

- Allowing sole rights to fund raising to WHRO of the Americas and beyond
- All funds to Americas MAs and engagement with the Americas MAs, had to continue to be channelled through WHRO.

She said although the separation was unexpected, this should now be utilized as an opportunity to continue with the reforms across the Federation. She expressed optimism that MAs that had separated would subsequently re-join IPPF.

The C-FAR committee was informed that the Board had taken a decision to ensure separation with WHR office, effective 1st September, however given IPPF's policy, it provided more time to MAs to take a call about their decision.

Finally, the following key areas have been identified as complex and require more work:

- Financial reconciliations/ clarity of reporting lines/ handling of restricted projects:
 - Intercompany reconciliations with WHRO – which includes unrestricted core funds released in 2019/ 2020 by IPPF to WHRO for MAs in the region; unrestricted core funds released by IPPF to WHRO for running the office; expenses incurred by IPPF and/ or WHRO, on behalf of each other; and restricted project funds released by IPPF to WHRO. Any funds not spent by 31st August 2020 would be requested to be returned to IPPF.
 - For the purposes of continuing releasing unrestricted core funds for 2020, all MAs were requested to sign a deed of variation in relation to the third payment of unrestricted core funding as they will be with us until the end of the year. The deed of variation made payment to MAs of the third instalment conditional on MAs supplying their financial and performance related data for 2020 directly to IPPF rather than through WHRO. This is critical for IPPF to comply with its donor requirements. IPPF is working closely with the MAs that are staying with IPPF and are almost ready to start paying the third instalment. Unfortunately, none of the MAs that are leaving IPPF, have signed and returned the deeds of variation. In case MAs that are leaving IPPF, refuse to sign the deed of variation, it may require IPPF to contemplate requesting for refund of the first two instalments of unrestricted core funds, for 2020 from the MAs.
 - Added complexity in cases where restricted project funds have been provided to IPPF, for work in the Western Hemisphere Region with the MAs that have decided to leave IPPF. For this a detailed deliberation is taking place on a case by case basis, with the donors of these projects.
 - Luckily, there is very little impact on the audited accounts of IPPF. There most probably will be a requirement of the mention of separation of the WHRO and its MAs in the notes to accounts and from the Trustees. The reason for this is, since 2017 IPPF has been reporting WHRO as an aggregate to the group accounts in the form of unaudited numbers rather than have their accounts consolidated within the audited numbers.

- Technology and Systems separation
 - Most of our communications channels using O365 are currently hosted on a tenancy owned by WHRO, with ippfwhr also as a sub-domain to the main ippf domain. IPPF has successfully negotiated a way forward on this with WHRO. It is expected that the O365 separation would be completed by the end of November 2020 and a fully compliant O365/ M365 would be set up for IPPF by the end of the year.
 - IPPF has negotiated separation of development and production servers for OpenEMR for all the MAs staying back with IPPF. It is expected that the entire separation would be completed by 15th Oct.
 - IPPF has worked out support for MAs that are staying back with IPPF on PRISM – the nuts and bolts of signing of agreements with consultants is being finalized, over the next couple of weeks.
 - IPPF is also in negotiations with WHRO, in identifying support to MAs on NetSuite. This discussion is taking longer than expected.

- Sharing of financial and programmatic data

All regions across IPPF have been using PRISM/ global DHIS 2 for half yearly and annual data submission. A detailed deliberation is underway on finalizing the way forward for 2020 and it is hopeful that the offer that goes out to MAs, ensures that no additional burden falls on them, due to this separation. We are waiting for WHRO's response to this.

- Use of IPPF brand

Another area is with branding. WHRO is planning to retain their name despite their departure which adds another layer of complexity. We are talking to lawyers and PPFA to see if we can find another route but this is proving difficult.

C-FAR asked what was being done to mitigate the risk of other ROs leaving IPPF. It was confirmed that the DLT had had a detailed discussion on this a couple of days ago. It was agreed that this issue would be presented in the next risk register, with identification of some solutions to prevent a recurrence of a similar situation. This risk register will come to the Committee on 28th October. The Director General added the separation of WHRO was an exceptional circumstance because of the way it was registered in the US (as a 501 3c organisation) for tax purposes and fund raising. He further added that this was accentuated because of the fact that IPPF had allowed WHRO to accumulate a large quantity of reserves that enabled them to guarantee sustained funding for those MAs that had decided to part way from IPPF, for at least a couple of years in a way that no other ROs could do. He added that he did not foresee, any other ROs to be in a similar situation.

The Director General informed the committee that donors too had asked this question and in fact the Dutch are considering a clause in their new contract that if there are other block departures, they will reconsider their funding to IPPF. Donors are clear that they want to fund a global organisation.

The Chair invited the Director, Finance and Technology to confirm the actions that C-FAR are to vote on. After due deliberation, the C-FAR members agreed to recommend the following two approvals, after minor amendments.

C-FAR asked that as part of the action of the recommendation that it be made clear that it is the repurposing of money; that it is exceptional circumstances due to the transition period; and that there are clear terms and conditions of the loans.

Action: *C-FAR members unanimously recommended to the Board of Trustees approval*

- *For re-purposing US\$ 575,975, earlier allocated to the WHRO for the period from September to December 2020, from the unrestricted core, towards a ‘**transition fund**’ that will be utilized to cover cost separation from WHRO and MAs and setting up the new sub-office (s) in the Americas and the Caribbean.*
- *As an exceptional case, ensuring that this does not set a precedent, set up a designated fund of US\$ 500,000 from general reserves to allow transition of existing WHRO loans to MAs that stay with IPPF from WHRO to IPPF, on terms similar to those provided by WHRO.*

6. IPPF Forensic Audit – Action taken report

Director, Finance and Technology updated the committee on the report and the actions taken. One of the areas that required specific inputs from the C-FAR members was on the format of the financial update. Some members requested for additional information in the update, including adding non-financial indicators relating to the organisational risks. The C-FAR Chair recommended that a separate agenda item be added to one of the next meetings, where members could focus on and provide specific recommendations on additional information/ format for the financial updates.

Another aspect that was discussed was preparation of finance manual. The committee was briefed that work on updating the Finance Manual had commenced. This was a very critical requirement, as no amendments had been made to the existing manual, despite significant changes in both policy and procedure, since 2012.

IPPF’s Internal Auditors, commented that they have been looking in particular at the procurement processes and would be coming up with recommendations and suggestion on improvements in the current policies and procedures. Some C-FAR members went on to say that it is not good enough to see changes in the written policies and procedures only but would look toward the internal auditors to advise them on whether the Management is ensuring that these have been implemented in practice too.

The Chair asked members to vote on the recommendations to the report.

Action: *All C-FAR members unanimously voted to take note of the Forensic Audit recommendations and actions taken till date.*

7. Update on current incidents

The incident register as on 31st August 2020, was presented to the C-FAR. Head of Safeguarding and Director, People, Culture and Organization, were present to answer any questions that members may have.

In response to a question raised by the C-FAR member, Head of Safeguarding, confirmed that this had been discussed at the last DLT meeting, where it was agreed that a paper be produced and presented to the DLT to look at how the function of incident management and safeguarding be separated.

C-FAR asked if the report could indicate the financial impact of the breach or fraud that may have taken place. To which it was confirmed that once the investigation has been completed, numbers could be presented for the relevant incident. The Chair requested that C-FAR be kept informed of updates to outcomes of incidents and that retrospective reporting be shared once an investigation has been concluded.

The Director General added that if there was an alleged fraud in connection with donor funding – as per the policy all donors and the charity commission, depending on the severity of the allegation were informed by IPPF. He added that IPPF does also ensure local action is taken to protect the reputation of IPPF and the member associations.

Head of Safeguarding also informed the committee, that an escalation protocol is currently being developed, which will be deliberated and then may be presented to the Committee for its approval.

Head of Safeguarding confirmed that she would be able to present the data in more readable form through dashboards, etc, once the data is migrated to a new system.

The Chair thanked all for the great work being done and appreciated the members for their suggestions on the way forward.

8. Plan of Action and Dates of Next Meetings

The date for the next meeting was agreed for 15th October 2020 to be held online from 2 pm to 3:30 pm BST.

9. Any Other Business

The Chair thanked everyone.

There was no other business and the meeting ended.

MINUTES OF FINANCE, AUDIT & RISK COMMITTEE (C-FAR)

15th October 2020

2.4 Matters Arising

- Review August Management Accounts and provide comments

The committee was reminded that as one of the recommendations of the Forensic Audit, C-FAR had to review the current presentation of the financial accounts and recommend any changes that it would suggest to these accounts.

It was highlight, that recommendations as provided by Ms Nicolette Loonen, member C-FAR, in the previous meeting, had already been noted.

The Chair stated that it would be a good practice going forward to provide updated year end projection. She recognized all the existing pressures on the management but recommended that all efforts must be made to include this in the accounts, for the subsequent year (2021).

There were no further comments from members.

3. Action Taken Report – AWRO Financial Review

Following a recommendation from the Finance and Audit Committee in April 20, the action taken report in response to the recommendations from the financial review undertaken by PwC of the Arab World Regional Office was presented to the C-FAR.

For this presentation, the new Regional Director, Ms Fadoua Bakhadda was invited to the meeting. The Director General highlighted that Ms Bakhadda was the first woman Regional Director ever, in that region. Ms Bakhadda introduced herself and was congratulated on her appointment and welcomed by the C-FAR members.

The Director, Finance & Technology commended the region and specifically thanked both the previous interim Regional Directors, Drew Penland and Elizabeth Bennour, on the excellent work undertaken to implement the recommendations that came out of the review. He mentioned that barring a few, all other recommendations had been fully acted upon. He further went on to highlight that the newly appointed AWRO RD had already identified areas that required some further work, which included full closure (currently lying dormant) of the organization in Dubai and fully rolling out the policies and procedures in the office. She had reached out to PwC to understand and agree on the next steps.

The C-FAR Chair thanked both Director, Finance and Technology and the AWRO RD. She offered the committees support going forward in terms of setting deadlines for implementation of policies and procedures in the Arab World Regional Office. *It was agreed*

that the management would review the status and come back to the committee with the suggested timelines for the implementation, to be considered at the next meeting.

The AWRO RD added that she would like the Region to be a success story and lessons learned be documented and shared across the Federation, as an important message for building transparency and accountability.

Mr Mark Sullivan, IPPF's Internal Auditor recommended that as policies and procedures had still not been fully implemented, the status of action taken against this area, should be reported as 'amber' from 'green'. *This recommendation was looked at and agreed to.*

Ms Loonen asked whether the above review and actions taken would be followed up with an internal audit review. All agreed that this would be a good next step. *It was agreed that an internal audit review would be undertaken in October 2021, as a follow up.* Mr Sullivan confirmed that this had already been discussed with management and agreed.

Action: *With those broad recommendations the C-FAR members noted the action taken report.*

4. Netsuite Strengthening Project – An Update

The Director, Finance & Technology updated C-FAR on Netsuite journey. He acknowledged that there had been many challenges since the system was rolled out in 2017. The key points highlighted through the paper included:

- The premise of setting up an enterprise resource planning tool (ERP), as far as possible, is to standardise policies/ procedures across the organization.
- To do this it is critically important to do a proper needs assessment before the system is procured and implemented. However, this was never undertaken prior to system procurement. The system thus got configured/ adjusted to suit the needs of each office.
- A detailed systems review was undertaken (in April 20), gaps identified along with their impact and steps required to be taken to address these gaps listed.
- An update on where we are, steps currently being taken and expected timelines. It is expected to address most of the issues by the Q1 of 2021. However, some significant ones, like the budgeting, planning and reporting tool roll out would be implemented only by July/ Aug 21.
- Total amount spent on the implementation across the seven offices was US\$ 1.5 M. Although not too high, the key issues here were that at the time of approval, the DLT was presented the following cost:
 - US\$ 500k towards implementation and thereafter
 - Annual spend of circa US\$ 46k (around the same as being currently spent).
- It is expected that the projected spending both for implementation and annual outflow will go up, as the roll out of number of modules is enhanced.

The Chair recommended that irrespective of the roll out timelines, an effort must be made to include forecasted expenditure in the management accounts for 2021.

Ms Gawanas, Member C-FAR and Treasurer, raised a concern about the timelines provided, enquired about the assumptions behind these and if there was a Plan B in case things did not work out. The Director Finance & Technology accepted that there were a lot of assumptions taken, whilst presenting the timelines, the immediate three were:

- Key stakeholders (users) to devote adequate time on system configuration, testing and roll out. This is a risk, given the Secretariat is already quite stretched.
- The budgeting, planning and reporting system offered by Oracle is fit for purpose. The first review undertaken by IPPF, found key aspects of the requirement not getting fulfilled. However, the Oracle team was confident that it could resolve all IPPFs' requirements. A proposal has been submitted, awaiting review.
- Current implementation team continues to stay with IPPF, for some more time.

He further highlighted that as far as Plan B is concerned, IPPF had very few options, given the investment already made into the system. He stated that it will be advisable to pull forward and implement all pending actions to ensure that the existing system responds to all the requirements.

Ms Judith Maffon, member C-FAR, asked what the guarantees were there that the system will work as it has had so many problems. The Director, Finance & Technology stated that it was very difficult to give guarantees, however seven (London, Nairobi, Tunis, Kuala Lumpur, Fiji, Bangkok and Delhi) out of 8 of the secretariat offices were now running their accounting systems on NetSuite and the current state of the system was much stronger, as compared to about a year ago. An example of this was that IPPF was able to generate its first consolidated set of Income & Expenditure and Balance Sheet for the entire secretariat with the July 20 management accounts.

He highlighted that going forward, some parts of the system will have to be re-configured from scratch, like some of the master data fields, work-flow, travel management system, etc.

Alvaro added that after the reforms, it is only now that there is an opportunity to implement a more standardised system across the unified Secretariat.

Ms Gawanas, Member C-FAR and Treasurer, enquired about the type of support the committee could provide to ensure that this system is fully rolled out across the Secretariat. Director, Finance & Technology requested the committee to keep an eye on the progress being made by the team, against the deliverables listed in the action plan and live the NetSuite journey with the team.

Mr Mark Sullivan, Internal Auditor, IPPF, commented that Oracle had invested heavily in the system and it would thus be advisable not to make bespoke changes to the system to align it with the organizations requirements. He stated that this could create problems and prove costly. The Director, Finance & Technology, agreed with him fully, however informed the

committee, that a scripts had already been built within the system to make some parts of the system be-spoke, which is what the team is currently working on un-doing.

The Chair enquired if there were any questions. There were no further questions.

Action: C-FAR members moved to review and take note of the NetSuite report submitted to the Committee.

5. Risk Register – 2019/20 – Action Taken Report

The Director, Finance & Technology presented the action taken report, against the mitigation plan listed in the Risk Register for 2019/20. He informed that the Risk Register for 2020/21 will be presented to the Committee at their next meeting. He informed that all the actions taken against the 2019/20 register, were deliberated at the DLT wherein some resource gaps were identified, due to which some mitigation steps could not be taken.

He highlighted one area of significant risk for IPPF, which was lack of compliance with General Data Protection Regulation (GDPR). He informed the committee, that this was being resolved in the areas of Office 365, by using the multi-geo licensing system, whereby the system will assign, and host data related to different regions and in different locations. This was expected to be in place by 30th November, latest 15th December 2020, however IPPF still required to take several other steps, including having a Data Protection Officer (DPO) in place and an assessment of risks in all areas relating to data management.

Ms Nicolette Loonen, member C-FAR, complimented Varun and Alvaro for the comprehensive overview of the risks including management actions taken. She enquired about plans for investment in the sharing platform for IPPF and how would the management prioritise, where so many actions are required to be taken?

The Director General confirmed that this had been some of the thinking behind a unified Secretariat, as an opportunity for IPPF to strengthen its knowledge sharing capacity and platform. The function which sat within performance monitoring and implementation, has now been separated and moved into knowledge sharing and closer to MAs and the programs. IPPF is now looking at appointing a new Director in that area. He highlighted that IPPF will look to sharing the knowledge sharing strategy with committee members as it is developed.

On prioritisation, the Director, Finance & Technology, confirmed that there were too many actions for 2019/2020 and that is why the DLT had agreed to use a new format for the risk register in 2020-21 and had agreed to consolidate the number of risks and proposed actions. He highlighted that the new risk register will be presented to the Committee with numerical values assigned to risk appetite, current level of risk, and resultant levels based on actions put in place.

The Chair C-FAR stated that she looked forward to reviewing the risk register for 20-21 along with the budget for the unified secretariat. She agreed that risks and mitigation actions needed to be presented in a more distilled and prioritised manner in the new register.

Mr Mark Sullivan, Internal Auditor, IPPF added that a risk register should be kept simple and informative for the Board to review and make decisions on. He highlighted that the register should also have a section that highlights the risk appetite of the organization. The Director, Finance & Technology, acknowledged the gap and highlighted that the new register will have a section on risk appetite. He agreed to share this new format with the internal auditors for their advice.

Ms Loonen, member C-FAR, enquired about the risk relating to the well-being of staff, and actions being taken to ensure the well-being of staff especially given the recent circumstances of working from home. The Director General confirmed that discussions were taking place, including with the Chair of the Board on what is expected of leadership in this area. He informed that there was an employee assistance program but more needed to be done, given that at least in London, the office, will remain closed for at least another three months, with individuals continuing to work from home. The Director General requested and welcomed any ideas, or best practice, that could be shared by the C-FAR on provision of support and welfare of staff.

There were no other comments by members.

Action: *C-FAR reviewed and took note of action taken by the management on last year's mitigation strategies identified against all the risks recorded in the risk register 2019-20.*

6. Update on Actions taken under the Internal Audit

Mr Mark Sullivan, Internal Auditor, IPPF asked members if the C-FAR was happy with the format and style of the report submitted. He highlighted that the report shared was a summarised position paper of a much larger report that is available upon request. The summary provides an idea of progress to plan and the key messages coming out of the audit. He enquired if the Committee would want to receive a more detailed report, which the internal auditors would be more than happy to provide.

He further went onto inform the committee that the internal audits of Procurement and Contract Management and Control Self-Assessment Audit (CRSA) commenced in mid-August 2020. Both reports were now under review and will be issued in draft format shortly to the management for their comments.

He informed the committee that they:

- had agreed with the management to postpone the Key Financial Controls Audit by one month, given all the other priorities that the management was responding to.
- were discussing with management if it was required to prioritize HR audit across all offices.

The Chair confirmed that the Committee in partnership with leadership, as well as the Board, are taking internal audit seriously and that the Internal Audit team had their full support and could access them directly for any support.

The Chair raised the issue of accessibility of the more detailed report and highlighted that IPPF already has an issue where the current audit report is only in one language and is required to be translated in more languages for increased access to the committee/ board. She went on to highlight the additional resources would be required to translate a detailed report in multiple languages, however, stated that if the committee felt otherwise, these could still be ask for. Mr Sullivan suggested that they could provide the executive summary of the report and provide more detailed report, where they felt that the internal auditors could provide limited assurance in a particular area to the Committee/ Board. *The committee fully agreed with Mr Sullivan's suggestion.*

Ms Loonen asked about the delays due to the availability of staff and its impact. She further went onto ask if the internal auditors, were planning to undertake a soft-control audit on culture and behaviour, given the restructuring that had just been concluded. Mr. Sullivan confirmed that gaps were being filled by more senior members of staff and confirmed that they would meet the requirements of the audit plan. In response to the second question, he informed that year 1 they would be taking stock of baseline, may be they could take this up in year 2, but would undertake this not as compliance but more highlighting the best practices. Ms Loonen agreed that this may be tougher but would be a good idea to discuss with management and see, how this could be incorporated in the internal audit plan. *This was agreed and noted.*

In response to a question raised by Ms Judith Maffon, Member C-FAR, Mr Sullivan, informed the committee of the process that is followed by the internal auditors and highlighted how and what report would come to the committee.

Action: *C-FAR members reviewed and took note of action taken as part of the Internal Audit.*

7. Status of Special Payment Register

The Special Payments register was presented to the C-FAR. The committee was informed that as per policy, this was required to be presented once every six months. For the period Jan 2020 to Jun 2020 there were special payments reported by

- South Asia Regional Office
- East South East Asia Oceania Regional Office.

And there is a special payment (loss) reported by Central office for the period Jan 20 to Sept 20, which was payment for commodities loss, in connection with the WHRO separation.

Mr Sullivan enquired that as per definition, fraud and theft should also be reported in this register, however the recent fraud identified and reported in the last C-FAR meeting was not included in this report. The Director, Finance & Technology confirmed that currently this was shown in the incident management report but recognised the point of bringing in identified fraud into the Special Payments report.

The Chair suggested that as part of the internal audit process the Director, Finance and Technology and the Internal Auditor consult and come back to the Committee on suggestions on what would be the best way to present these reports.

The Chair asked members to take note of the special payments, compensations and losses that have taken place.

Action: *C-FAR members reviewed and took note of the Report.*

8. Plan of Action and Dates of Next Meetings

The date for the next meeting is scheduled for 28th October 2020 at 2pm GMT for two hours.

9. Any Other Business

The Chair thanked everyone.

There was no other business and the meeting ended.

3. Financial update

i) *Management Accounts (period ending 31st August 2020)*

Jane presented highlights for the management accounts for the eight months ending 31st August 2020, as below:

- The unrestricted core surplus was US\$22 million higher than budgeted, due to:
 - Income received in advance of when it was budgeted, from governments including of Germany, Sweden and Denmark.
 - Core grant payments scheduled to be released in September, to be released in October/ November.
 - Technical assistance budgeted to be drawn down from unrestricted core grants allocated to MAs not yet been drawn down by Regional Offices and
 - Savings of US\$0.6 million due to the current travel restrictions due to Covid-19.
- Restricted projects are showing a deficit of US\$1.8 million as compared to a projected surplus, due to a net effect of delayed receipt of income under WISH2Action programme and lower than budgeted disbursement of grants to MAs and partners.
- Key risks identified include:
 - Slow spends in 2020/ reduced programmatic activities.
 - A detailed review currently underway, of the amount recovered under the Negotiated Indirect Cost Rate Agreement (NICRA) as part of the IPPF SIFPO Programme 2015-19. The amount at risk of being returned is US\$1.7 million.
 - GCACI programme recently been informed of significant budgetary cuts of circa 47%. The donor has also requested to return all unspent funds from the prior period. The GCACI team is currently working colleagues from the Regions and MAs, to identify where could these cuts be recovered from.
- Other key matters highlighted included:
 - JTF have reduced their core grant funding to IPPF by US\$2.2 million
 - The Secretariat restructuring has now mostly been concluded. The net cost for the CO restructure is US\$600k. It is expected that this will be absorbed through savings under contingency and travel underspends. It is also expected that the ROs will cover their restructuring costs from designated regional funds.

Elizabeth thanked Jane for the update and summary and invited members to raise any comments or questions they may have.

Nicolette asked whether any budgetary deficit/ surplus is expected to arise at the end of the year, as the budget seem to be prepared on cash basis, whereas the actual income/expenditure is getting reported on accrual basis. In response to this, Varun acknowledged that in the case of Restricted projects, there could be a variance in the way budgets have been prepared and income and expenditure recorded, however this would not be the case under unrestricted core funding.

There were no further questions from C-FAR on the management accounts.

Action: *C-FAR members moved to review and take note of the Management Accounts including the highlighted risks and opportunities for the eight months ending 31st August 2020*

ii) **Letter received from Charities Commission UK about salary/ benefits disclosures – An update**

Elizabeth confirmed that a letter had been received by the UK Charity Commission and Varun updated members about the contents.

Following the review of IPPF Accounts for 2018, the Commission had come back with the following two points:

- Acknowledged that the accounts aligned with SROP recommendations but suggested further explanation on how senior level salaries are benchmarked.
- Recommended, although not compulsory, that senior level salaries be disclosed in our accounts for full transparency.

An update was provided to the C-FAR about the salary and benefits benchmarking that has been commissioned at IPPF. The C-FAR members were informed that on behalf of the Trustees, it was agreed, that the CFAR Chair would respond to the Charity Commission. The response to the commission is attached for ready reference in Appendix 1.

Elizabeth informed the members that the Chairperson of the Board of Trustees had asked the C-FAR to be involved in reviewing and taking decisions on certain policy level outputs from the salary and benefits benchmarking study. Varun confirmed that C-FAR will be engaged to take certain key decision in this regard.

Nicolette asked if there was a legal framework for NGO salaries in the UK like there was in the Netherlands. Jane confirmed that there is a public sector rule but it does not apply to charities in the UK.

Alvaro confirmed that the senior management team had taken a decision that it will not object to its salaries being disclosed. However, disclosure of individual salaries was only possible, with the prior consent of the staff member.

There were no further questions from members.

4. Revision of Indicative Planning Figure 2021

Varun, updated the members about the recommended revisions to the Indicative Planning Figure (IPF) under stream one and two intimated to the committee in July 20. The key highlights of the revision included:

- Additional funding made available to the Secretariat for its operation for 2021.

- Introduction of 'investment voucher' scheme for technical assistance/ support from other MAs, Secretariat and even externally. This would be decided by the MAs and the decision-making process would be facilitated by the Secretariat.
- US\$500k allocated for co-financing of bids in the areas of SRHR under stream 2.
- US\$260k allocated towards financing the business plan under stream 2.

Varun reminded the C-FAR members that as part of one of the previous meetings they had asked the management to request for the entire budgetary approval in one go. In line with this, an approval was requested for additional funding to the tune of US\$ 1.9 million for the statutory defined benefit pension scheme, to be funded out of a draw down from reserves of US\$900k and US\$ 1 million from the gains secured through forex exchange hedging.

Nicolette raised the issue of 47% cut of GCACI and the implications on the overall budget for the Secretariat. Varun confirmed that the cut will have an impact on the overall budget, however as the announcement of the cut came in quite late, the GCACI team is working with both the MAs and the Secretariat team to identify how to absorb the impact, through re-appropriating/ re-allocating budgets to other projects within the Secretariat.

Elizabeth acknowledged all the uncertainties and the fact that a consolidated budget for the Secretariat was prepared for the first time, in such a short period. She acknowledged that the current budget would undergo revisions, for which the committee may have to meet earlier than the current scheduled meeting on the 26th February 2020. In the meantime, Elizabeth enquired if the Committee were comfortable in recommending approval of the current budget to the BoT, with the understanding that there may be some changes required that will be presented by the management to the committee at its next meeting.

Elizabeth went on to ask if the committee members would be happy to move onto hearing the next agenda item, which related to the Unified Secretariat Budget 2021. She informed the committee members that the next agenda item will provide a clearer picture on how the secretariat is utilizing its budget. She suggested that the committee could thereafter consider both agenda items together, i.e. recommend approval of the revision of IPF and budget for the Unified Secretariat as a whole.

All C-FAR members agreed to this suggestion.

5. Unified Secretariat Budget 2021

Elizabeth invited Varun to present the Unified Secretariat Budget to the Committee.

Varun, acknowledged that this was a historic and proud moment for IPPF, as this was, may be the first time ever that a consolidated secretariat wide budget was being presented for review, recommendation and approval to the C-FAR and BoT. Some of the key points highlighted included:

- The paper provides the entire journey and plan for budgeting and budgetary control within the secretariat.
- The current budget is
 - for the entire Secretariat.
 - for restricted; unrestricted earmarked source of funding.
 - Fully balanced budget under unrestricted core.
 - Unbalanced budgets (under earmarked and restricted funding sources) is due to funds being drawn down from the balance sheet.
 - 90% there, with changes expected to the tune of 10%.
- The following are the reason, due to which revisions may be required to be undertaken in the current budget:
 - Income has been budgeted on cash basis rather than accrual basis.
 - Income drawn down from the balance sheet, however recorded as receivable in the budget.
 - Small projects that could not meet the internal deadlines.
 - Adjustment in salaries incorrectly charged to various projects.
 - Last minute revision in budgetary allocations, like GCACI.
- Once approved, it would be uploaded into NetSuite.

He highlighted that the current budget presents a total

- Income of US\$141 million with a US\$3.9 million overhead recovery and
- Expenditure of US\$149 million, of which US\$6.5 million is from the drawdown of designated funds allocated for specific projects.

Alvaro agreed that this was as proud a moment as Delhi, which was significant in terms of reforming and modernising the Federation. And which now allows strong management and governance oversight in a way we could not do before. Previously, there was no consolidated budget that brought the whole Secretariat together, or even the whole CO together, in terms of restricted and unrestricted income and expenditure. We are very pleased to be able to present this budget today.

C-FAR members congratulated and thanked Alvaro and his team for the budget presented.

Judith expressed support for the budget but also raised three issues that would need ongoing attention: (i) WISH; (ii) pension benefit scheme; and (iii) focus on internal controls.

In response to the above, Varun confirmed that whilst budgeting, the team has:

- Taken a conservative view of the projected income. Like in the case of WISH, income that IPPF may get in case it receives an extension of the WISH programme, has not been included.

- In the case of Defined Benefit Pension Scheme requested Nicolette, Member C-FAR to join IPPF in the upcoming Board Meeting so that the Committee has an oversight on how the scheme is operating. Further he reiterated that due to our negotiations last year with the trustees, the scheme had yielded significant gains through its investments, as compared to losses that it had suffered in the previous valuation period.
- On internal controls, we now have a strong internal audit team, that will be working with the management to review and advise on setting up and strengthening existing internal controls.

Elizabeth thanked the team and acknowledged Alvaro's note that highlighted Jane involvement in the whole budgeting process. The entire finance team was thanked by the Committee for their terrific work.

There were no further questions and Elizabeth asked members to approve and recommend the budget as presented before moving back to agenda item #4.

Action agenda # 5: *C-FAR members took note of the Unified Secretariat budget for 2021 as presented to the committee and recommended it to the Board of Trustees (BoT) for its approval.*

- Action agenda # 4:** *C-FAR recommends to the Board of Trustees approval of amendments to the overall allocations to streams one and two, as presented below:*
- Revised allocation of Stream One to MAs (US\$ 34,028,316) and to Secretariat (US\$ 19,213,781)*
 - Allocation of 5% to 'Investment Vouchers' (US\$ 1,701,415) out of Stream One allocation to MAs*
 - Allocation for an additional amount to the Secretariat US\$ 1,000,000 from Stream two*
 - Allocation of US\$ 3,843,029 which is the balance available under the stream two.*

Action agenda # 4: *C-FAR recommends to the Board of Trustees the approval of revised allocation under stream one to regions (for MAs) as provided in column "Revised IPF Allocation - Member Associations 2021", in table provided along with point # 6.*

- Action agenda # 4:** *C-FAR recommends to the Board of Trustees approval of additional budget to cover the statutory defined benefit pension scheme payments to the tune of US\$ 1.9 M, to be covered out of:*
- Forex exchange (US\$ 1 M) gains secured through hedging and;*
 - General Reserves draw down (US\$ 0.9 M).*

6. Risk Register – 2020-21

Elizabeth thanked the team for the restructuring of the risk register which has made it a lot easier to manoeuvre than the previous version.

Nicolette asked about GDPR and why this risk is ranked so high. Varun confirmed that this area has not yet been fully addressed. IPPF is currently working on its O365 solution,

with the hope that in terms hosting, security and data exchange relating to its email communication system it will be fully compliant by the end of the year. However, IPPF still needs to work on its overall data safeguarding, governance, privacy policies and training setup, to ensure full compliance. For this, IPPF needs to undertake a detailed assessment of its data needs across the organisation, assess how and what controls have been placed, set up its own governance and policy framework relating to data management. RSM have already identified this and will review and advise us on this area.

There were no further questions and the committee moved to approve.

***Action:** C-FAR reviewed, took note and agreed to recommend IPPF's risk register for 2020-21 for approval by the Board of Trustees.*

7. Audit Plan and fee for 2021

Reza Motazed, Partner, Audit & Assurance and Cecile Leboyan, Senior Manager, Audit & Assurance were welcomed to present the audit plan paper.

The representatives from Deloitte, presented the plan, responsibilities of the auditors and the committee members, process to be followed by Deloitte in undertaking the audit, the materiality levels given the slightly reduced projected turnover and audit committee reporting threshold, scoping by offices being covered under the audit, risks identified, prior year adjustments and finally the proposed fee for the audit.

The professional fees expected to be charged by Deloitte for the period from 1 January to 31 December 2020 is GBP 161,700, as compared to a total fee paid last year of GBP193,385.

Nicolette asked about the risk assessment and why the prioritised risks did not correlate with the risks identified in IPPF's risk register for 2020-21. Partner, Audit and Assurance confirmed that the risks for audit purposes are very different to risks to organisations. These were identified, keeping in mind International standards for risk identification, keeping the totality and completeness of income and management override of controls in mind.

In terms of scoping, Nicolette, enquired in percentage terms how would the scope A, B and C, be defined when looking at the coverage of audit. Deloitte confirmed that they will come back with exact percentages of coverage.

Biencec enquired about early warning systems built into the auditing process and assessment of challenges faced due to COVID-19 and impact thereof on the audits. Partner, Audit and Assurance responded by confirming that

- IPPF being a charity was audited as per the regulatory framework set up by the Charity Commission.
- IPPF had three layers of control (i) management; (ii) C-FAR; and (iii) internal auditors.
- Finally, as in the last year, a detailed assessment will be undertaken of the impact on going concern status of the COVID 19.

Elizabeth thanked Deloitte for the planning report for the 2020 audit. There were no further questions.

Action: *C-FAR members reviewed and recommend for approval to the Board of Trustees, the global audit plan and fee for 2020, and delegate authority to the C-FAR Chair to sign the letter of engagement*

8. Funding formula – Stream 1

Sam Greenberg and Lee Green from Redstone, the technical consultants, who had supported in developing the resource allocation formula, joined the meeting for this agenda and were welcomed by the Chair to the meeting.

The proposal outlining the needs-based formula to allocating unrestricted funding to MAs for Stream 1 has been circulated to the Committee. A webinar, hosted by Redstone was held on October 26 for BoT and C-FAR members to review and discuss the new resource allocation formula for Stream 1 in advance of forthcoming meetings of C-FAR (October 28th) and BoT (November 17-18).

Bience and Maisarah had been unable to attend. Varun confirmed that the presentation and recording of the webinar will be shared with them before the board meeting. Bience confirmed her support to the views of other members of the committee who had had the opportunity to go through the presentation and better understood the process; stipulating the challenges and concerns previously raised about resource allocation.

Elizabeth invited the Committee members to raise any comments or questions they may have.

Nicolette raised that there are many indicators that influence outcome of the formula. When you look at table figure 2 presented with the graph you see a high correlation between population and grants – it appears as if this is the only indicator that influences grant amount. Sam confirmed that the scatter plot labelling was required to be made clearer as the graph shows the relationship between grant size and population **adjusted to country needs** and not just the population.

Elizabeth asked Alvaro to share the feedback received from the MAs. Alvaro confirmed that donors had asked the same question and he responded in a similar manner to them. He stated that the presentation had gone smoothly and had been well received by all stakeholders. He highlighted that the formula was welcomed by the MAs from across all the regions, who felt that it had responded to the principles and the intentions highlighted in Delhi and through subsequent survey. The concerns raised were more around the changes in the process and whether it may be too cumbersome or complicated to fully understand the new process. He highlighted that he believed that it wasn't more complicated and in fact as IPPF moves to a three-year budgeting cycle, this will further reduce the transactional costs.

Bience asked what additional support will be provided to MAs that will enable them to navigate the system. She felt that this was critical going forward and should be highlighted to the Board during its November meeting.

Alvaro informed members that the support processes included

- Piloting the process this year, using the old formula, in two regions (EN and SAR).
- Learning from this would be used to roll out the new formula for 2022 allocations.
- Learning from roll out in 2022, will be used to adjust the formula, as and if required for full roll out in 2023-25 and
- Finally, all the Regional Offices will have the responsibility to support their MAs in producing a solid plan/ business case through this entire process.

Nicolette asked about governance and if there are any political issues around the process. Alvaro responded by stating that a possible political issue could be the shift of resources from one region to the other. He highlighted that in all likelihood allocations may shift from SAR, ESEAOR and some countries in Latin America to Africa. He stated that Donors want to see this happening. The further concern raised was will this respond to the concern raised during the WHR withdrawal, with respect to the MAs in the Latin America and Caribbean. He hoped that the MAs that would be affected, are big one and would be able to withstand the shift of funding. Further it was also highlighted that in case of countries that were in the high-income category, which was a concern raised by the WHRO, these would continue to receive their funding under stream 2, 3 and also through restricted projects.

Elizabeth asked that Alvaro share this context to the Board when discussing this item at their meeting as it was helpful.

There were no further comments and Elizabeth asked the Committee to review and recommend approval. Bience confirmed her support if all members were in agreement. The motion was carried unanimously by the Committee.

Action Item: *The Committee reviewed and recommended for approval to the Board of Trustees, the funding formula allocation of Stream 1 funding to the Member Associations, to be implemented effective 1st January 2022*

9. Plan of Action and Dates of Next Meetings

Elizabeth acknowledged that the Committee may have to meet again, before the scheduled date of 26th Feb, for approval of any revisions to the unified secretariat budget and any other matters that may come up before its meeting today and the next one scheduled on the 26th Feb. All members present agreed.

Action: It was agreed that the Committee will be updated shortly about the date and time of the next C-FAR meeting.

10. Any Other Business

The Committee expressed their appreciation and thanked all staff for their hard work.

Elizabeth thanked everyone.

There was no other business and the meeting ended.

27 October 2020
Mike Maher

Case Manager of Charity Commission England & Wales

Dear Mr Maher,

We acknowledge receipt of your letter of October 14th (your ref MM/229476/C-516722/PCMT) in relation to executive pay across the sector. We take note that the Charity Commission has recently reviewed the accounts of a sample of larger charities looking at disclosures relating to pay to their highest earners and that this included our charity's accounts for the financial year ending 31 December 2018.

Your review concluded that the accounts for the year ended 31 December 2018 included the required disclosure of the total employee benefits received by the charity's Trustees and its key management personnel. We also attempted to describe (page #23 as you note) the arrangements for setting the pay and remuneration of the charity's key management personnel and any benchmarks, parameters or criteria used in setting their pay'. We accept your comment that this can be done with greater clarity and will attempt to do so in our next financial report and accounts.

In fact early September we engaged Birches Group to provide guidance and assistance in the areas of compensation and organization design. The primary focus is on salary benchmarking and benefits review. The outcomes we are looking for include: updated compensation philosophy; market assessment and revised salary scales in all markets as well as gender pay gap/equity analysis.

We are scheduled to discuss the market analysis in the Finance Audit and Risk Committee early in the next calendar year and prepare recommendations for the Board of Trustees (BoT) to consider at its first meeting in 2021. We are still hoping to deliver against this tight timeline in spite of the disruptions caused by Covid19. The BoT will then determine where we need to be, in line with our key comparators, and what steps should be considered to close any potential gaps. We shall include in the financial report and accounts - going beyond what Charities are required to provide – to help those interested understand pay levels and how they are set.

Warm regards,

Elizabeth Schaffer
Trustee and Chair Finance Audit and Risk Committee
IPPF

Cc: Kate Gilmore, Chair of Board of Trustees IPPF
Varun Anand, Director, Finance & Technology, IPPF
Alvaro Bermejo, Director General, IPPF