

Agenda Item: C-FAR Chair report

Summary:

Under IPPF Regulation E.1.b) the Finance, Audit and Risk Committee (C-FAR) met on the 19th April 2024 & the 24th May 2024. The Committee provided oversight and policy direction relating to the following key areas:

- 1) *The C-FAR reviewed and approved the*
 - a. *minutes of the previous meeting held on 23rd February 2024 and 19th April 2024.*
 - b. *the auditors' finding report for the year ending 31st December 2023.*
 - c. *delegate the authority to the C-FAR chair to sign any documentation to finalise the Annual report and accounts.*

- 2) *The C-FAR took note of the*
 - a. *incidents management report for the month ending 31st March 2024 and Safeguarding and incident management report for the quarter 1 of 2024.*
 - b. *updated risk register and the proposed approach to revising the current register.*
 - c. *the financial update and the progress made till 31st March 2024,*
 - d. *Update on internal audit of the secretariat and assurance at the MA level.*
 - e. *status update as part of implementation of the finance journey as on 29th February 2024.*
 - f. *status update as part of implementation of the IT journey as on 29th February 2024.*
 - g. *key budgetary risks envisaged as on 31st March 2024 and high-level changes expected in budgets since this was last approved.*
 - h. *the forecast numbers for the Quarter 2 of 2024.*

- 3) *The C-FAR reviewed and recommended for approval by the Board of Trustees the:*
 - a. *going concern note 2024-25.*
 - b. *Annual report and accounts for the year ending 31st December 2023.*
 - c. *Delegation of specific additional areas of financial oversight to the C-FAR, as listed in the document attached.*
 - d. *Draft Letter of representation*
 - e. *additional allocation of core funds amounting to US\$ 984k as part of Quarter 2 forecast, contributed by allocation of*
 - i. *additional Core grants \$540K under stream 2 (regional opportunity grant),*
 - ii. *Kalavai partnership allocation \$656K (specifically requested to be earmarked by Netherlands),*
 - iii. *\$305K in other sec costs offset by \$463k savings in staff costs.*
 - f. *updated risk management policy.*

Action

The Board of Trustees (BoT) **to review and note the C-FAR Chair report and approve recommendations made during its meetings held on 19th April 2024 and the 24th May 2024 as presented below.**

Meeting held on 19 th April 2024	Meeting held on 24 th May 2024
<p>In attendance:</p> <p>C-FAR members: Elizabeth SCHAFFER, Chair, C-FAR Lakshan SENEVIRATNE, Member, C-FAR Bikash KUNWAR, Member, C-FAR Patrick MWEBESA, Member, C-FAR Alexandrine CODJOVI, Member, C-FAR</p> <p>Staff: Alvaro BERMEJO, Director General Varun ANAND, Director, Finance & Technology Janice VENN, Director, Financial Management Victoria SADLER, Director, Risk and Assurance Srishti BAID, Director Financial Planning & Analysis Emma BRAGGS (note-taker)</p> <p>External Auditors: Nicola MAY, Crowe U.K. LLP</p> <p>Joined for the relevant agenda items: Vanessa STANISLAS, Head of Safeguarding & Incident Management Prashant CHITKARA, Director, Knowledge Information</p> <p>Board of Trustees Observer: Karina VARTANOVA, Member, BOT</p>	<p>In attendance:</p> <p>C-FAR members: Elizabeth SCHAFFER, Chair, C-FAR Patrick MWEBESA, Member, C-FAR Alexandrine CODJOVI, Member, C-FAR</p> <p>Staff: Alvaro BERMEJO, Director General Varun ANAND, Director, Finance & Technology Victoria SADLER, Director, Risk and Assurance Srishti BAID, Director Financial Planning & Analysis Emma BRAGGS (note-taker)</p> <p>External Auditors: Nicola MAY, Crowe U.K. LLP Kaa-Choon NG, Crowe U.K.LLP</p> <p>Joined for the relevant agenda items: Vikas SARDANA, Finance Consultant</p> <p>Unable to attend: Lakshan SENEVIRATNE, Member, C-FAR Bikash KUNWAR, Member, C-FAR</p>

Minutes of Meeting held on 24th May 2024

1. Agenda 1.0 - Welcome and Introduction

C-FAR chair welcomed those present.

2. Agenda 2.0 - Procedural Items

2.1 Apologies for Absence

Lakshan Seneviratne sent his apologies and Bikash Kunwar was unable to join. Lakshan apology was sent to Director Finance and Technology however he had not provided his proxy for the meeting.

2.2. Draft Agenda and Timetable

The agenda was adopted following slight changes to the order of the agenda items as some of the members joined slightly late, due technical issues with their connections and for approving any papers, the committee had to be in quorate.

Action: The C-FAR members adopted the agenda.

2.3 Minutes of the Finance & Audit Committee Meeting

Action: The C-FAR members approved the minutes of the meeting held on the 19th April 2024.

2.4 Matters Arising

No matters had arisen.

3. Agenda 5.0 - Update on internal audit of the secretariat and assurance at the MA level

As the committee was not quorate, the C-FAR chair requested that the committee took note of papers that were for information. In this context the paper updating actions taken under internal audit of the secretariat and assurance at the MA level were discussed.

Victoria provided an update on the significant progress made by the secretariat on all the open issues listed in the internal audit reports. She also update the committee about the increased engaged of the MA, with the MA level assurance process. She highlighted that different MAs were at different levels, in terms of actions taken, however there were MAs who had progressed well like Pakistan and Mexico whereas others like Indonesia & Cote D'Ivoire were lagging behind.

Elizabeth raised a question on the cooperation on the 2 MA's that are having issues with their control environment as this can be an area of risk. She added that it would be good to include this type of challenge in future reports to give CFAR an idea of the issues being faced.

Victoria confirmed that the cooperation from the 2 MA's was not forthcoming and thus the team is engaging with the AOC and other senior staff in the regional office.

Victoria highlighted the plan going forward for 2024, had undergone some changes. She highlighted that in case of significant serious allegations, where an investigation may be warranted, an audit will not be undertaken in parallel. The two highlighted were Egypt and Solomon Islands who are likely to be under investigation very shortly.

Patrick checked whether language was ever an issue to which Victoria responded that the language was being addressed, with the presence of the AOC's as they are language specialists/bilingual. Further wherever required, documents were being translated.

Alexandrine raised an issue to look into a new legislation that has come in a lot of African countries that obligates companies (possibly charities too) to put in place an accounting system that complies with these new requirements. Victoria confirmed that this is something that the team will follow-up with the regional office.

Alexandrine also raised a point on the selection process/rotation of the auditors. Varun confirmed that there was a guidance note, that was circulated to all MAs, that had a clear terms of reference and selection process that the MA needed to undertake. CFAR requested that the management comes back on a later date, with the requirements of the audit as per the guidance and then if required, it could put forward recommendation for the MAs, to the Membership committee.

Information: C-FAR took note of update/ action taken as on date on recommendations as part of secretariat internal audit and MA assurance programme

4. Agenda 3.0 a) Auditors Finding Report for year ending 31st December 2023

Nicola May & Kaa-Choon NG presented the key points from the audit findings report. They highlighted overall, the audit went very smoothly. They were now working on some final outstanding points, before the accounts are assigned off. The key points highlighted included:

- **Section 1:** Key areas of disclosure required as part of audit. At the planning stage of the audit, significant areas of risk were identified. During the course, legacy income recognition was escalated into a significant risk due to its materiality as compared to last year. In terms of overall materiality there was no change in the basis of the assessment and there were no unadjusted audit differences.
- **Section 2:** The key risks identified that required closer attention included:
 - Going Concern. There are currently no issues to report.
 - Grant Income. At the time of writing the report the WISH 2 action project was being finalised but this has now been finalised and no issues to report on this. Highlighted that there is a pipeline disclosure that is required.
 - Grant Expenditure. No issues to report on the testing and the work is nearly completed.
 - Pensions. Highlighted the salary increase and the salary growth assumptions that were included by the defined benefit pension scheme trustees, were reviewed and have now been cleared.
- **Section 3:** Highlighted the overseas components of the audit – including Europe and Africa.
 - Europe the work is now complete and no issues to report. Africa region we are just waiting on some final document, but no material alerts have been raised at this stage.
 - Internal Audit & Incident Managing Reporting including documenting the process.
 - Arab World Region office investigation has been closed.
- Nicola highlighted
 - Appendix 2 included low level recommendations.
 - Appendix 4 included Draft Representation letter, which alongside the financial statements had to be approved & signed by the Board of Trustees. These are all standard representations – there was nothing specific.

5. **Agenda 3.0 - Draft Financial statement for the year ending 31st December 2023**

The audit finding report was followed by a high-level presentation of IPPF Financial Statement 2023 by Varun (joined by Vikas Sardana). Key points presented including

- Fund position (2023 vs 2022) across all funds, general reserves, restricted and designated funds.
- Presentation of income and expenditure trends –unrestricted, restricted and designated, reasons for variance including yearend position.

Patrick commented that his name was omitted as a member of the audit and finance committee. Varun confirmed that this will be corrected before releasing the next draft.

Action: *The Committee reviewed and approved*

- the auditors' finding report.*
- delegate the authority to the C-FAR chair to sign any documentation to finalise the Annual report and accounts.*

The committee reviewed, accepted and recommended for approval to the Board:

- Annual report and accounts for the year ending 31st December 2023.
- Draft Representation letter

6. **Agenda 4.0 - Proposed financial governance oversight role for C-FAR (Action Item)**

Elizabeth provided the committee the background for this request to the Board. She reminded the committee that this agenda item was briefly discussed at the previous meeting. She referred to the context within which some of the responsibilities of the CFAR were pulled back to ensure that the Board had full oversight into the workings of this committee. However the situation had now changed and the Board now sees the CFAR as a transparent body and defers to the committee on certain key financial, audit and risk matters. In this context this proposal has now been developed, so that the C-FAR committee could take on more financial governance oversight, and keep the Board informed about any actions taken.

Action Item: *The Committee reviewed the paper and recommended to the Board, approval of delegation of specific additional areas of financial oversight to the C-FAR, as listed in the document attached.*

7. **Agenda 6.0 & 7:0 - Finance Update as on 31st March 2024 and Quarter 2 Forecast 2024**

Srishti Baid presented the finance update as on 31st March 2024 and the quarter 2 forecast for 2024.

Patrick raised a question on the likely impact of UK election on the WISH project. It was confirmed that there is a high chance that the final signing of the next round of funding under WISH would get delayed, so plans are afoot to see, how the risks associated with this could be mitigated.

C-FAR stated if this would mean that the quarter 2 forecast needs to be revisited the management should do so and circulate the updated numbers. Varun responded by saying that it is unlikely that any change would be required, as the WISH next contract numbers had not been taken into consideration, at the contract had been signed. However he confirmed that in case any change, the paper would be recirculated with the committee.

Information: *C-FAR took note of the*

- financial update for the three month ending 31st March 2024.;*
- forecast numbers for the Quarter 2 of 2024.*

Action Item: the C-FAR reviewed and recommended for approval to the Board of Trustees an additional expenditure allocated to core funds of US\$ 984k, contributed by

- i) Additional Core grants \$540K under stream 2 (regional opportunity grant),
- ii) Kalavai partnership allocation \$656K (specifically requested to be earmarked by Netherlands),
- iii) \$305K in other sec costs offset by \$463k savings in staff costs.

8. Any Other Business

As part of any other business Alvaro provided a short brief on events that had recently happened in relation to funding being provided to IPPF's Member Association Family Health Alliance Korea in North Korea. He highlighted the significant contribution being made by the association in responding to the very high vulnerability, crippled health system and huge problems accessing commodities/contraceptives. The MA has around 25 staff and 2000 volunteers across 9 branches in the country, each branch has a static clinic and they have 8 mobile clinics. It has a private/public partnership where it works through 350 associated health facilities. Through all of this they provided 400,000 sexual & reproductive health services to 112,00 people last year (94% of the beneficiaries are women and girls from rural areas). They have income from other partners which includes a grant from the government, restricted projects, Save the Children & from us. The grant from us is particular important for their survival and maintaining the infrastructure they have.

Varun then provided an overview on the challenges recently faced by IPPF's regional office in Kuala Lumpur in connection with the above funding, including suspension of its bank accounts. He gave an update on actions taken by the management to respond to this situation, which included:

- Onboarding legal counsel in Kuala Lumpur, the US and the UK.
- Interim support provided to the office in Kuala Lumpur, to continue its operations.
- Deep dive/ review of the processes and policies to identify gaps and address them.
- Work on letters to update the Office of the Financial Assets Control (OFAC) in the US and Office of the Financial Sanctions implementation (OFSI) and Charity Commission in the UK.

Victoria further highlighted the challenges faced in identifying documentation in relation to the due diligence process that had been undertaken in Kuala Lumpur.

Elizabeth added that the management is undertaking an internal review to be sure the process and policies are further strengthened, so that this kind of a situation does not occur again. She highlighted that the management should have some more information in the next few weeks which will be made available to the committee members.

Minutes of Meeting held on 19th April 2024

1. Welcome and Introduction.

The Chair welcomed all to the meeting and introduced Karina Vartanova who had joined the CFAR meeting for the first time as an observer.

3. Agenda # 2 - Procedural Items

3.1. Apologies for Absence

None received.

3.2. Draft Agenda and Timetable

The committee reviewed the agenda and adopted the same unanimously.

Action: *The C-FAR members adopted the agenda*

3.3. Minutes of the Finance & Audit Committee Meeting

Patrick raised the point that he had joined the meeting (though a bit late) and thus requested a minor edit in clause 2.3 of the minutes of the meeting held on 23rd February 2024. There were no further comments.

Action: *The C-FAR members approved the minutes of the meeting held on the 23rd February 2024 with a minor edit in clause 2.3.*

3.4. Matters Arising

There were no matters arising.

4. Safeguarding and Incident Management Reports ending 31st March (Information Item)

Vanessa Stanislas gave an overview of the incidents management report for the month ending 31st March 2024 and Safeguarding and incident management report for the quarter 1 of 2024. The key points highlighted were –

- Total number of open cases at the end of March 2024 were 39.
- One backlog case relating to Financial Wrongdoing in an ESEAOR MA was reopened, following identification that the lifecycle of the issue had not been completed.
- Recruitment to the new secretariat structure continued apace, Safeguarding Induction training was delivered to 45 new joiners.
- Achieved a 23% improvement rate of new starters attending their safeguarding induction within the first four weeks of joining IPPF.
- Q1 commenced with the roll out of Member Association Safeguarding Communities of Practice. One was held in ACR, one in ESEAOR and one in SAR. The other three regions are still working on plans for the launch of their MA Safeguarding CoP meetings.

Information Item: *The committee took note of the incident management report for the month ending 31st March 2024 and the safeguarding and incident management report for the quarter 1 of 2024.*

5. Risk Register (Information Item)

Victoria Sadler presented the risk management paper to the Committee and gave an overview of the assessment of the current risks in the Strategic Risk Register (SRR).

Patrick enquired the reason why IPPF was unable to attract and retain high calibre trustees. He went onto explain the possible reason being the MA EDs not circulating the adverts to a larger number of high calibre volunteers at the country level, when the call for a Board or a committee position comes out.

She further explained the DLT's approach to revising the current register to reflect changes in the key strategic risks they wish to monitor. It was proposed to C-FAR that this will be the last presentation of this current register, and that a new Register will be developed that takes into account the revised strategy. Further Victoria highlighted the ongoing work in relation to getting project level risks, which will be more operational in nature to be uploaded on to the risk management system.

Elizabeth (C-FAR chair) highlighted the fact that the C-FAR will be interested to see key operational risks on the risk register beyond just the strategic risks, which could then be abridged when presented to the Board, to include only the strategic risks. Victoria noted this point.

Information: *The committee took note of the updated risk register and the proposed approach to revising the current register.*

Action Item: *The committee reviewed and recommended for approval to the Board of Trustees, the updated risk management policy.*

6. Finance Journey Update as on 31st March 2024 (Information Item)

Janice Venn provided an update on the finance journey. She highlighted several significant milestones achieved, some of which included:

- Establishing the new Shared Services Unit
- Ensuring the Regional Transitions of roles/ responsibilities
- Secretariat wide procurement policy developed and approved by the Board
- Consistent improvements in London VAT Compliance
- Systems launched including the -
 - Phase 1 of the Timesheet Management System – which included inputting time
 - Vendor Management System – in select offices
 - Unrestricted Core Funding Agreement management system
 - Banking Automation and Improvements

Information: *The CFAR noted the finance journey update, appreciating the progress made till 29th February 2024, the challenges being faced and next steps in the implementation of the journey.*

7. IT Journey Update as on 31st March 2024 (Information Item)

Prashant Chitkara joined the meeting to give an update on the IT Journey. The key achievements highlighted were:

- IPPF Dashboard phase 1 launched for the secretariat -In Q4, 2023.
- Solution for SPAM and impersonating emails to employees identified. The new policy updated on the firewall is now working, and the message content filter identifies email impersonating users thereby strengthening further our IT security.

Prashant highlighted that going forward the focus will be on:

- Security enhancements
- Complete ongoing projects

A question was raised about one of the key challenges noted in the paper about recruitment for the position of “Technology Enablement Officer”. It was explained that there was a recruitment freeze due to funding uncertainty, which has now been lifted and the recruitment process is already underway.

***Information:** The CFAR noted the IT journey update, appreciating the progress made till 29th February 2024, the challenges being faced and next steps in the implementation of the journey.*

8. Going Concern Note (Action Item)

Nicola May (Crowe U.K.LLP) provided a summary of the need for the going concern note. She highlighted that in order to comply with Financial Reporting Standard 102 ('FRS 102') and the Charities SORP, the Trustees with management, are required to make an assessment of the charity's ability to continue as a going concern, as well as determining if there are material uncertainties in respect of going concern. In making this assessment they are required to take into account all available information about the future, covering a period of at least 12 months from the date on which the report and accounts are approved by the Trustees.

Janice Venn then presented key highlights of the going concern note that the management had prepared. In summary, she highlighted that the management believes that although there are some uncertainties on the unrestricted core income side, these are not material enough to cast significant doubt about IPPF's ability to continue as a going concern until at least 31st December 2025.

***Action:** The Committee reviewed and recommended for approval to the Board of Trustees, the going concern note 2024-25.*

9. Key Budget Risks as on 31st March 2024 (Action Item)

Srishti Baid presented the key budget risks as on 31st March 2024. The key updates included:

- **Restricted income** likely to go up by \$4.1Mn due to new projects contracted after 2024 budget was approved. Further reduced risk in case of some project budgets that had been included in the 2024 numbers. These include:
 - GAC Global project already included in the original budget, however, now that the agreement is signed, element of risk associated with grant has been eliminated.
 - FCDO provisionally awarded the WISH contract to IPPF (contract value £75 million for a 5-year period) and the contract is expected to be signed soon.
- **Unrestricted Core** income likely to go up by £2.57Mn due to:
 - Netherlands increased grant contribution from €3.6Mn to € 7.6Mn partially offset by
 - reduction in Sweden's grant from \$80Mn (currently budgeted) to \$60Mn based on the most recent indications from SIDA.

- **Lower overhead recovery** - circa \$1.3Mn of overhead recovery continues to remain unallocated to any project in the pipeline. This gap is expected to reduce with new projects recently won.

- **Restricted Project Delivery** - This is the year of delivery but the trend of restricted grant spending by MAs is not as expected, and this can impact future funding/projects and consequentially the overhead recovery.

A detailed Q2 forecast is underway. It will be presented to CFAR in its meeting on 23rd May.

Information: *The Committee took note of the budget update as on 31st March 2024.*

10. Any Other Business

No other business. The C-FAR chair thanked all for great participation.