

**Subject: MA & Partner Assurance to 30 April 2024**

**Agenda Item 4.0: Proposed financial governance oversight role for C-FAR**

**Summary**

This paper highlights the various responsibilities of the Board of Trustees and those of the C-FAR with the perspective of determining further operational areas that the committee can focus on; giving the board the bandwidth to focus on Strategic matters. It provides the options for C-FAR's consideration so that a mapping can be undertaken by the Secretariat for future meeting consideration.

**Action required**

C-FAR **to consider** the proposed options and **make** the appropriate decisions

**Proposed financial governance oversight role for C-FAR**

**1. Background**

- 1.1 IPPF is a UK registered charity and a worldwide Federation of national Member Associations working in over 150 countries across the globe.
- 1.2 IPPF's governance structure was reformed in 2020. The highest authority of the new governance structure is a General Assembly of IPPF Member Associations, convened once every three years. A Board of Trustees governs the IPPF secretariat and provides leadership for the Federation. The Board is supported by a committee system, some committees having delegated authority and others providing advice to the Board. The Board is made up of Trustees drawn from the IPPF membership and from outside the Federation. The board of trustees reports to the General Assembly.
- 1.3 A Nominations and Governance Committee too reports directly to the General Assembly.
- 1.4 The Board is supported by standing committees as well as any ad hoc committees or task forces as may be established from time to time. Executive staff provide input to Board meetings as determined by the Director General.
- 1.5 One of the key standing committees that supports the Board of Trustees is referred to the Finance, Audit and Risk Committee (C-FAR).

**2. Role of the Board**

- 2.1 Statutory duties under Charity Law:
  - a) Carry out IPPF's purpose for the public benefit
  - b) Ensure IPPF complies with its governing document and the law
  - c) Act in IPPF's best interests

- d) Manage IPPF's resources responsibly
  - e) Act with reasonable care and skill
  - f) Ensure that IPPF is accountable to its stakeholders
- 2.2 The specific role of the Board of Trustees in order to fulfil their statutory duties and beyond as listed in the policy 1.9 are listed below:
- a) Appoint the Chair of the Board from amongst the Trustees and appoint other Trustees to serve in any other office that is required.
  - b) Appoint, evaluate the performance of and dismiss the Director General
  - c) Ensure that IPPF has a clear vision and a strategy focused on its achievement
  - d) Ensure that IPPF meets its objectives and retains its ethos and values
  - e) Ensure that IPPF complies with its legal and regulatory requirements
  - f) Establish committees of the Board and review and amend terms of reference and reporting arrangements of all such committees and any ad hoc committees
  - g) Ensure that expert advice is received and considered from Standing Committees and others before decisions are made
  - h) Act as guardians of IPPF's assets and ensure the financial stability of the organisation
  - i) Approve guidelines and indicative financial allocations to Member Associations.
  - j) Establish performance objectives of the Director General, ensuring that they appropriately address the needs of members and are in keeping with global SRHR developments.
- 2.3 To shape strategy by:
- a) Ensuring that IPPF pursues sound and proper principles, policies and procedures in relation to all areas of its work
  - b) Shaping IPPF's global strategy in consultation with Member Associations and other stakeholders for approval by the General Assembly, identifying priorities and developing a long-term financial strategy to ensure adequate resources
  - c) Conducting a midterm review of its implementation
  - d) Engaging actively in strategic decision making and policy decisions to implement the agreed strategy
  - e) Keeping under review the long-term development of IPPF in light of the political, economic and social environment in which it operates
  - f) Approving IPPF's business plan
  - g) Approving the annual budget
  - h) Approving three yearly plans for allocation of resources to Member Associations
- 2.4 To inspire effective leadership by:
- a) Appointing the Director General and reviewing the DG's performance
  - b) Agreeing and delegating appropriate levels of responsibility and authority to the Committees of the Board, Board members, groups of Board members and to the Director General and other senior staff
  - c) Agreeing annually the delegation of financial responsibilities
  - d) Lending its own expertise to IPPF
  - e) Acting as advocates of IPPF
  - f) Advising and giving feedback to the Director General
- 2.5 To monitor performance by:

- a) Ensuring that appropriate risk management and effective internal control systems are in place
  - b) Ensuring that the necessary management information systems exist to assess IPPF's overall performance and progress in meeting its objectives, including evaluation of operational effectiveness and efficiency, compliance with laws and regulations and the reliability of management and financial information
- 2.6 To ensure accountability by:
- a) Acting in accordance with the Nolan Committee's Seven Principles of Public Life – selflessness, integrity, objectivity, accountability, openness, honesty and leadership
  - b) Declaring any interest which may conflict with those of IPPF and managing in accordance with best practice principles
  - c) Ensuring that Director-General has clear accountability
  - d) Accounting for the Board's action in appropriate ways as required by law and good practice, approving the form and content of the Annual Reports to members, and making arrangements for the General Assembly of members
  - e) Proposing changes to the Regulations where necessary
  - f) Making changes to the Procedural byelaws and presenting to the GA for approval
  - g) Reporting appropriately to the General Assembly and ensuring that General Assembly and Regional Forums have the opportunity to express their views to the Board
  - h) Facilitating review of the Board's performance and effectiveness conducted annually by the Nominations and Governance Committee
- 2.7 To ensure effective management by:
- a) Delegating all management tasks not specifically mentioned as responsibilities of the Board of Trustees to the Director General

In order to fulfil the roles highlighted in grey above, the C-FAR has been set up as a standing committee, with clear roles listed below, as laid out in IPPF's policy 1.9.

### 3. Role of Finance, Audit and Risk Committee (C-FAR)

#### 3.1 *Function and Purpose*

The C-FAR is an expert standing committee that monitors IPPF's financial performance ensuring the financial integrity of the organisation; oversees risk management ensuring effective internal control systems are in place; recommends the appointment of the external auditors to the Board; appoint the internal auditors; review and approve the work of both the external and internal auditors; and ensure timely and appropriate responses to audit findings and recommendations.

The Committee shall have the following functions and responsibilities:

#### 3.2 *In relation to Financial Management:*

- a) Ensure appropriate financial policy framework is in place to guide the IPPF's financial decision making.
- b) Guide and advise trustees on financial policies, numbers and systems, in simple language, so that these are fully understood by all.

- c) Review and recommend secretariat wide plans and budgets for approval by the Board of Trustees. As part of this process, ensure these are:
  - financially appraised including the key assumptions taken; and
  - aligned to IPPF's short-term and long-term objectives.
- d) Ensure transparency and accountability regarding resource allocation in accordance with IPPF's guidelines and policies.
- e) Ensure compliance with accounting and reporting requirements as set out in the Charities (Accounts and Reports) Regulations 2015 and the SORP guidelines.

### 3.3 ***In relation to the Financial Management:***

- a) Management Reporting: Ensure a high standard of financial oversight is maintained in order to safeguard IPPF's assets. This will include:
  - Overview of the management accounts of the organization
  - Overview of the forecasting processes and forecasted numbers.
  - Ensure appropriate budgetary controls are in place.
- b) Statutory Financial Reporting:
  - Provide oversight of preparation and scrutiny of annual accounts of the charity (in line with the Statement of Financial Activities (SOFA), presenting the annual financial statement to the Board.
  - Guide and advise fellow trustees to formally approve the annual report and audited accounts.
- c) Reserves Policy:
  - Develop and maintain oversight on the reserves policy to safeguard the organization's finances and ensure its ongoing solvency.
  - Work with the management on regularly undertaking a risk-based assessment of the organizations' general reserves levels.
  - Keep the Board informed of the reserves position from time to time and advise it to cope with changing circumstances.
- d) Financial Governance:
  - Ensure proper accounting records are kept, financial resources are controlled, invested and economically spent in line with governance, legal and regulatory requirements.
  - Advise on the financial implications of the charity's strategic plans.
  - Lead in the development and implementation of financial policies including for cost management, investment management, cost recoveries, etc.
  - Approval of the schedule of delegated financial authority.

### 3.4 ***In relation to audit***

- a) Recommend to the Board of Trustees the appointment of the external auditors once every 3 years and recommend for annual re-appointment.
- b) Approve:
  - appointment of internal auditors and intimate to the Board of Trustees.
  - revision of external/ internal auditors' fee, based on revision of audit programme, if required. Intimate the same to the Board.
  - annual external and internal audit plans. This includes actions required to be taken under the global assurance programme.

- Intimate the Board of Trustees about these approvals.
- c) Board level liaison with external and internal auditors.
- d) Receive reports from the internal and external auditors and review and monitor the response and actions taken by management
- e) Ensure timely and appropriate responses to audit findings and recommendations.

### 3.5 ***In relation to risk***

- a) Review the annual risk management plan and recommend it to the Board of Trustees for approval.
- b) Provide oversight to risk management processes ensuring an adequate risk management and assurance framework is in place.
- c) As part of the overall risk assurance framework, provide oversight on implementation of policies and guidelines relating to Safeguarding and Financial Crime.

## **4. Key Learnings/ Principles**

Following its establishment, the C-FAR has been performing all its functions in line with the listed roles and responsibilities and their delegations as listed above.

In the process of performing its specific tasks/ processes, the committee has learnt/ identified areas that could be further delegated by the Board, in order for the board to focus on more strategic areas and overall governance whereas the committee to :

- a) be more accountable to some of the operational policies/ processes/ systems related decisions.
- b) handle operational, financial and audit matters.
- c) focus more on operational risks oversight, as compared to the board focusing more the strategic risks.

## **5. Request for additional delegation**

In line with the above key principles, some of the areas that could be further delegated to the Committee include:

- a) Policies and Internal Controls
  - Review and approve accounting policies applicable to IPPF Secretariat.
  - Review and approve policies that enable build stronger oversight and control of the secretariat's functions. These include the procurement policy, delegation of authority in line with the overall delegation approved by the Board, expense management policy, etc.
  - Review the effectiveness of internal control systems and processes.
  - Ensure adequate safeguards are in place to protect assets and prevent fraud.
- b) Financial oversight
  - Monitor financial performance and key financial metrics including the reserves and cash flow levels, as agreed by the Board of Trustees.

- c) Risk management
  - Assess financial, compliance and operational risks and propose strategies to mitigate them like the risks related to change management on the systems, structures and processes.
  - Review and approve the risk register containing both operational and strategic risks, clearly highlighting the strategic risks that need to be approved by the Board of Trustees.
  - Review and approve the risk management plan and oversee implementation of risk mitigation measures.
  
- d) Compliance oversight
  - Review the effectiveness of compliance programs and controls.
  
- e) Ethical and Legal Compliance:
  - Oversee the organization's code of ethics and whistleblower policies.
  - Review potential conflicts of interest and related-party transactions.
  - Ensure compliance with legal and regulatory requirements related to financial reporting, taxation, and other areas.

## **6. Oversight of the Board**

In line with the overall responsibility lying with the Board of Trustees, all the decisions taken in the above context, by the Finance, Audit and Risk committee will have to be formally confirmed by the Board, at its next meeting.

## **7. Way forward**

Once considered by the C-FAR, the Secretariat should do a mapping of the various items related to the work area of the C-FAR; such as procedures, guidelines and policies. The main principles should be as follows:

- i. IPPF management has the authority to approve procedures
- ii. C-FAR should approve guidelines and
- iii. The Board of Trustees should approve policies upon the recommendation of C-FAR.

In addition, there is merit, in the future to consider defining the actions of the C-FAR around the following areas:

- a) Actions for C-FAR information
- b) Actions for C-FAR approval
- c) Actions for recommendation by the C-FAR for the Board of Trustees' approval

In line with the above points, the C-FAR report to the Board of Trustees should focus only on points b and c while re-iterating to the Board that access to C-FAR papers remains open to any interested trustee.