

**Board of Trustees**  
**02-03 June 2021**

**Refers to agenda  
item 5.1**

**Agenda Item: IPPF's Assurance Mechanism**

**Summary**

In response to an ask from the Board of Trustees and the C-FAR members, the management developed a plan to upgrade IPPF's Assurance mechanism. This note highlights the initiatives that will be taken up in the short, medium and long term in building and strengthening the assurance mechanisms.

***Action Required:***

On the recommendation of the C-FAR the Board of Trustees to consider and approve a drawdown of US\$ 350,000 for implementation of initiatives identified in this paper, for strengthening/ building IPPF's much needed assurance mechanism.

## Contents

<b>1. Introduction</b> .....	<b>3</b>
<b>2. Background</b> .....	<b>3</b>
<b>3. Purpose</b> .....	<b>4</b>
<b>4. Risk Based Assessment</b> .....	<b>4</b>
<b>5. Short, Medium and Long term strategies</b> .....	<b>5</b>
5.1 Short term initiatives (immediate, within the next six months).....	6
5.2 Medium term initiatives (1-3 years).....	7
5.3 Long term strategies (4-5 years) .....	8
5.4 Ongoing strategies .....	8
<b>6. Structural oversight</b> .....	<b>9</b>
<b>7. Budgetary requirement</b> .....	<b>9</b>
<b>8. Conclusion</b> .....	<b>10</b>
<b>9. Next Steps</b> .....	<b>11</b>
Annex 1 – Indicative Scope of Work – Programme Review .....	12
Annex 2 – Indicative Scope of Work – Expenditure Verification.....	13
Annex 3 – Action Plan for Short term strategies.....	14

## 1. Introduction

International Planned Parenthood Federation (IPPF) is a UK registered charity and a worldwide federation of one-hundred and eighteen (118) national Member Associations (MAs) working in one-hundred and twenty-nine (129) countries across the globe. It is a leading civil society organisation working on issues of sexual and reproductive health and rights. IPPF's Secretariat comprises its London, Brussels, Tunis, Nairobi, Bogota, Port of Spain, Kuala Lumpur, Bangkok, New York and Delhi offices.

In 2020, IPPF undertook significant reforms, which included moving from a regional (geography-based representation) to a global governance structure (skill based representation) comprising trustees from Member Associations (MAs) as well as external experts, a new Resources Allocation Funding Model (RAFM) with a shift of core grants being made available under three streams. Stream 1 comprises a minimum of 80% of funding to be allocated to MAs on a combination of assessed country need and performance parameters and to the Secretariat based on a clear business case presentation and for the first time compiling a unified secretariat plan and budget in 2021 working across the Federation in reaching out to the poor, marginalised and underserved. Under stream 2, there has been a provision for strategic funding in which focused investments will be made possible to priority themes, and MAs with experience and skills will have greater opportunity to bid for large funds. The third funding stream (also referred to as Stream 3) focuses on SRHR responses in emergency settings.

## 2. Background

Over the past two years, IPPF has also made significant investments and taken steps in improving its incident reporting and response system, through which anyone, in any part of the world, can now escalate matters relating to bullying, harassment and victimisation, employment and workplace matters, fraud and malpractice, sexual harassment and all other forms of abuse, security and quality of service.

The change in governance has also provided with an opportunity to ensure transparent and accountable financial systems. This ensure both the Secretariat and MAs are encouraged to whistle blow and question any malpractices or frauds, which otherwise could have been more difficult to unveil.

As expected, there has been a significant rise in incidents reported of fraud and malpractices. The matters raised ranged from a fraudulent action negatively impacting the organisation's finances by about US\$ 2000 to a range of fraudulent actions/ malpractices like over-charging on account fraudulent education invoices to a sophisticated way of orchestrating fraud by setting up a maze of organisations over several years. The maximum amount of questionable expenditure identified through investigation is US\$ 4.3 million. All these incidents have had negative impact not only through loss of significant amounts of donor funds through fraud or mismanagement and subsequent investigation of the reported cases but also affecting donors confidence in IPPF's oversight systems.

Some of these cases, have been really alarming and raise questions on whether IPPF's current assurance systems have really been affective, given such serious fraud/

mismanagement cases were perpetrated at the MAs, without any knowledge or very limited knowledge of IPPF staff/ teams.

In response to this rising trend, the Board of Trustees and the Finance, Audit and Risk committee (C-FAR) asked the management to come up with an action plan that both proactively and reactively works with the Member Associations, in addressing these issues, both in the short-term and systemically in the long term. In response to this, the Directors leadership team (DLT) asked the secretariat’s finance teams to come up with a plan and a budget to support the Federation in the above exercise.

This document is an outcome of the work put in by the secretariat’s finance teams.

### 3. Purpose

The purpose of the initiatives listed in this document are *“to strengthen the financial oversight of the country level programmes and support the Member Associations in developing strong financial management systems, policies and procedures that make IPPF more transparent and accountable, thereby reducing the possibility of loss of funds and reputation due to fraud and other organisational malpractices”*.

### 4. Risk Based Assessment

As a first step, it is proposed that IPPF will categorise its Member Associations into three broad clusters, i.e., high, medium and low risk. The clustering will be undertaken using external and existing data available within IPPF, assigning a risk to the MA, based on a combination of issues such as:

1. Global funds External Risk index (ERI) or Transparency International country risk score mapping exercise or World Bank ‘Doing Business’ report.
2. Level of IPPF funding vs MA budgets (all sources)
3. Significant funding spikes.
4. Financial control evaluation results.
5. Management letter issues identified as part of the annual audit process.
6. Results from the accreditation
7. Incidents identified/ received through Safe Report.
8. Financial monitoring tool results.
9. Intelligence available with regional and project teams.

The list of parameters including an indicative risk assessment framework (low/ medium/ high) is provided in the table below. This will need to be further deliberated and agreed to, including on how to provide weights to each of these parameters.

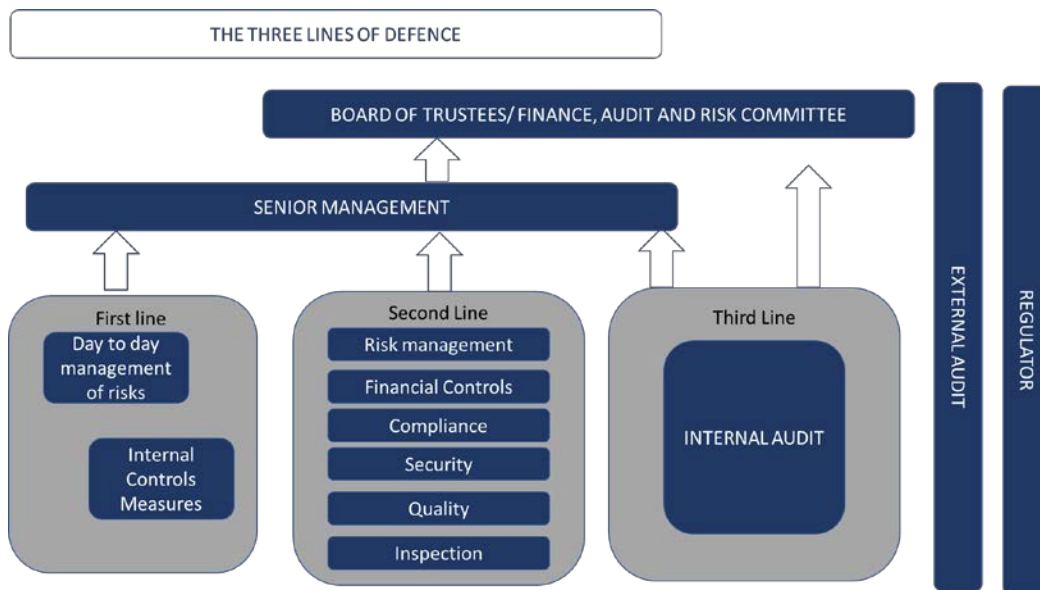
Cluster Parameters	Low Risk	Medium Risk	High Risk
ERI Risk assessment	Low	Medium	High

Cluster Parameters	Low Risk	Medium Risk	High Risk
Level of IPPF funding vs MA budgets (all sources) ( <i>dependency levels</i> )	25%	26-74%	>75%
Spike in funding	Similar levels	Upto 50% greater than regular budget	Greater than 50% of the regular budget
Audit Finding (Management letter)	No or few minor issues	Limited issues relating to internal control, governance and risk mgt practices	Inadequate internal control, governance and risk mgt practices or serious gaps identified.
Audit Finding (Financial control evaluation)	Adequate	Inadequate (with not so significant issues)	Inadequate (with significant issues)
Accreditation outcomes	No significant internal controls/ systems and/ or oversight issues identified	Procedural lapses & non-availability of appropriate policies	Significant weakness internal controls/ systems and/ or oversight issues identified.
Incidents identified/ raised	None	Not so significant (based on initial investigation)	Significant issues escalated, requiring an audit.
Financial monitoring tool results	No issues identified	Some procedural lapses identified	Significant lapses identified, requiring action.
Intelligence available with regional and project teams.	No negative intelligence	Delay in project closure/ submission of programmatic/ financial reports	Significant issues identified including capacity gaps by Regional/ project teams.

The above assessment will continuously be updated with data available on perceived risk at country level.

## 5. Short, Medium and Long term strategies

In identifying the overall strategies to be rolled out in strengthening and building the federation wide assurance structure and systems, IPPF will use The Three lines of Defence model, as presented in the diagram below.



All initiatives that will be identified will work on parameters of building assurance capacity within the Secretariat and also the MA level that responds to strengthening the Three lines of Defence across IPPF.

In response to the requirements identified, the initiatives to be put in place, have been identified under Short (within the next six months), medium (within the next one to three years) and long (beyond three years) term initiatives and are provided in the subsequent paragraphs.

### 5.1 Short term initiatives (immediate, within the next six months)

As a first step, IPPF London office, will seek feedback from all regional offices and project teams, to identify Member Associations that they would consider as High Risk and explain why do they consider them so? The regional offices/ project teams, will be asked to use their best assessment, looking at the parameters already listed above. This would be further updated with the high risk country, as per the ERI framework of the Global fund.

Once this information is available, the short-term actions that are proposed to be undertaken include:

- 1) A detailed programmatic review in MAs identified as high risk. The sample scope of work (which will be further improved), is provided in Annex 1.
- 2) The global oversight function on fraud and malpractice incidents will be strengthened by introducing RSM Risk Assurance UK, IPPF's internal auditors to provide the required oversight to all incident reports relating to fraud and malpractices. The tasks assigned to RSM Risk Assurance UK, would broadly include:
  - a. Provide of oversight to all fraud and malpractices incidents received through the SafeReport or otherwise.
  - b. Engage and follow up with the regional coordinators including commissioning of investigations/ audits. This will include provision of oversight and support (wherever required) including reviewing the ToR for undertaking investigations/ audits developed by the regional teams.

- c. Support drafting and finalising regular updates to donors and charities commission, in line with the contractual and statutory requirements.
  - d. Where appropriate engage with local auditors to clarify reports, challenge findings and ensure speedy action and subsequent closure of all cases reported.
  - e. Provide regular updates (at least once a month) to the Director, Finance & Technology – on the status of each case.
  - f. Where appropriate make recommendations for improvement to the oversight fraud response system.
- 3) Develop and use standard financial monitoring tools at the country level (using existing tools already developed within the secretariat).
  - 4) Roll out training on ethics, fraud management, code of conduct, conflict of interest, etc in all MAs (online).

## 5.2 Medium term initiatives (1-3 years)

- 1) Set up a global assurance team reporting within the management to the Director General and C-FAR and Board of Trustees, as per requirement. This team may have to be outsourced initially, however over a longer period of time, should comprise of adequately trained staff members, based within the secretariat and also at the MA level.
- 2) Introduce Governance reforms to bring the most needed changes at the system, processes and people level to increase accountability at all levels and safeguard ethical use of donor resources. Initially this programme is getting rolled out on a voluntary basis. However, if need be, may need to be considered to be made compulsory for all high-risk MAs.
- 3) On the basis of results of the risk assessment, set up and/ or undertake any of the following (based on assessed need):
  - a. Programmatic review which would include a review at the MA level delivery of programmes against the investment, key decision-making processes, financial performance, operations and procurement effectiveness, recruitment processes, cash flow management etc. **(See high level scope of work in annex 1)**
  - b. Specific expenditure verification based on risk identified within a specific project. **(See high level scope of work in annex 2)**
  - c. Internal audit review process, wherever MAs receiving grants greater than US\$ 500k, either do not have their own internal audit oversight mechanisms or it is found to be weak.
  - d. Forensic Audit on specific allegation / evidence of fraud received through the Safe Report system.
  - e. Set up local fund agent/ partner (a third party) to oversee and sign off at the country level, project budgets and expenditure, in cases of sudden spike in MA funding (including if any, through the new RAFM), with low overall management capacity. As an alternative option, this could be undertaken by

deputing an administrator, who would report directly to the Director Finance/ Operations at the Regional office. The budget for this support will have to come from the project/ country level funds.

- 4) Make annual training on ethics, fraud management, code of conduct, conflict of interest, etc mandatory for all grant receiving MAs and Collaborative partners .
- 5) Set up a mechanism to regularly disseminate the zero-tolerance policy relating to financial crime including fraud, bribery and corruption.
- 6) Continue to engage with MAs to emphasise and identify capacity building initiatives based on the assessed risks. A combination of both strengthening systems and building capacity will need to be put in place, as systems on their own, will be as good as the people managing these. One of the strategies that will be adopted for this will include identifying good systems implemented across different MAs, work out a strategy to replicate these systems from one country to the other in consultation with the MAs. These will include systems relating to:
  - a. finance, budget, asset management, etc.
  - b. people management
  - c. service delivery and monitoring, etc.
- 7) At the secretariat level, automate the process of collection, collation, and analysis of
  - a. Financial monitoring reports.
  - b. Financial Control Evaluation results including overseeing FCE roll out across all MAs.
  - c. Audit findings recorded in the management letters.
  - d. risk based on key parameters and monitor response mechanism.

### **5.3 Long term strategies (4-5 years)**

- 1) Continue to invest in Governance reforms.
- 2) Start to triangulate issues emerging in countries deemed to be high risk to operate, in external models with the data emerging from internal assurance systems, including audits, to keep a track of what is working and what is not, and take corrective steps wherever required.
- 3) Continue to work with the MAs, to emphasise on the need to have the right person in the right job and to build capacity including systems, again using the risk framework, at the MA level.

### **5.4 Ongoing strategies**

- 1) Alongside all the above actions, the regular assurance functions already in place, will continue to be rolled out, and where required, further strengthened. These include:
  - a. Accreditation reviews, with stronger and more regular reviews of assurance systems based on assessed MA level risks.
  - b. Statutory audits, using one of the top twenty audit firms or their affiliates at the country level, for all Member Associations receiving grants from IPPF greater than US\$ 50,000.



- c. Project audits and/ or forensic audits in response to specific allegations received.
  - d. Financial oversight visits.
  - e. All MAs receiving on an average annual grant of US\$ 300k over a three-year period to get financial control evaluation certification from their auditors with adequate follow up and in case of lower average turnover, this certification be signed off by the Board of the MA.
  - f. Continue to roll out due diligence under the financial crime policy.
- 2) The Secretariat to ensure the planning, budgeting and reporting tool to capture plans, budgets and reports from the MAs, will be strengthened before the end of 2022. The funds for this will be drawn down from the solution # 7 budget.

The level of assurance and oversight would be dependent on the level of risk identified at the MA level.

A detailed action plan identifying the initial steps to be undertaken is provided in Annex 3.

## **6. Structural oversight**

- 1) To ensure the above actions are fully complied with a regular update of actions taken by the Secretariat will be provided at the Finance, Audit and Risk Committee (C-FAR) and the Board of Trustees.
- 2) At the secretariat level, the oversight and coordination of action will be taken up under the overall oversight of the Director General and will be the responsibility of:
  - a. Director Legal, Risk and Compliance (currently being acted upon by Director, Finance & Technology) in the London Office. The Director would be supported by the Internal Auditors.
  - b. At the MA level by the Director of Operations/ Finance at the Regional Office Level.
  - c. Update of relevant data on IPPF systems from the country level will be the responsibility of the Director/ Head of Finance at the Member Association/ Collaborative partners.
  - d. Compliance with the due diligence process at the country level, will be the responsibility of the CEO/ ED at the Member Association.

## **7. Budgetary requirement**

- 1) To roll out select recommendations, an initial additional funding of circa US\$ 350,000 is requested to be drawn down from the IPPF general reserves. The estimation of this amount, is based on:
  - a. 10 Member Association requiring financial review/ audits.

- b. Putting in place consultancies and support systems to assist secretariat offices at different levels to implement the strengthening of financial oversight.

This cost will have to be included as part of the budgetary estimates of the secretariat, effective 2022, to enable setting up of a strong global assurance function.

- 2) To roll out select recommendation, in response to incidents or concerns received. It is estimated that a sum of US\$ 400,000 would be required. This will not be an additional budgetary requirement, however is proposed to be recovered out of funds allocated to selected MA (s), as their unrestricted core or designated funds grants. The actions that may be implemented, include:
  - a. Internal audit (for one year) including reporting to their boards and follow up on recommendations presented. (circa US\$ 250k).
  - b. Appointing administrators (for a period of 3-6 months), in cases where the senior management of the MA is found to be lacking. (circa US\$ 150k).
- 3) Technology roll out for strengthening risk assessment including collecting, collating and analysing results of the audits, financial monitoring visits and financial control evaluation. (circa US\$ 150k). This will be drawn down from funds allocated to solution # 7.
- 4) The current budgetary request does not include funding request for investment in MA level systems and capacity building initiatives, which is something that will be developed and presented as a more considered strategy in consultation with select list of MAs and presented to the DLT over the next few months, as we move ahead with the roll out of the current actions listed out in this document.

## 8. Conclusion

IPPF believes that it is very important and necessary for the Federation to have control mechanisms in place to ensure the MA's and the Secretariat are complying with good practice of policies and procedures to reduce and minimise mismanagement, fraud and wrong doings. It is believed that with implementation of the listed assurance mechanisms, IPPF will be able to significantly improve donor confidence and trust in IPPF. IPPF is confident that by implementing the proposed action plan, it will over a period of time, become a much more *transparent and accountable* federation.

As next steps IPPF will work towards provision of greater amount of funds/ investment to MAs/ partners in countries with high need and with a high level of confidence on their systems and a minimal level of monitoring requirements.

IPPF is also confident that through these initiatives it would be able to build greater credentials of its brand and ultimately greater access to more funds to fulfil its *vision where*

*all people are free to make choices about their sexuality and well-being, in a world free of discrimination.*

## **9. Next Steps**

This paper has been developed based on inputs from all finance teams across the Federation, the Director General, our internal auditors (RSM Risk Assurance LLP) and now is being presented to the Directors Leadership Team for their comments and suggestions.

Any agreed additional comments/ steps received shall be incorporated, into this document and presented for review and recommendation to the Finance, Audit and Risk committee (C-FAR) and subsequently to the Board of Trustees for their approval in the first week of June 2021.

## **Annex 1 – Indicative Scope of Work – Programme Review**

### **1) Scope of Work:** The broad scope of work will include:

- a) Undertake a detailed programmatic review in the areas of:
  - i) Agreement of the funding and distribution
  - ii) Budget actual assessment.
  - iii) Bank and cash controls.
  - iv) Control obligations are understood, measurable and verifiable
  - v) Review project report and undertaking testing to verify delivery
  - vi) Understand and test expenditure – assess relevance to the delivery of the programme
  - vii) Verify programme outputs
  - viii) Verify programme costs including people and venues
  - ix) Review reports and supporting documents.
  - x) Fixed asset management.
  - xi) Retention of records.
  - xii) Data security and safeguarding
  - xiii) Procurement management in the area of goods and services (including consultancies).
  - xiv) Grant and project management.
  - xv) Hiring, retention and management of people.

Each of the above, needs to be reviewed, keeping in mind that adequate checks and balances are in place. This would include examination of procedures around the delegation of authority/ responsibilities, approval processes and paperwork.

- b) Review existence of adequate minimum standard of audit oversight (both external and internal) are present in line with contemporary practices and in compliance with national laws.
- c) Review existence of adequate risk management policies and procedures in line with contemporary practices which clearly highlighting the methodology of identifying, prioritizing and managing risks.
- d) Identify specific areas of weaknesses, including evidence of the same and suggest solutions and next steps in each of the areas listed above.

### **2) Deliverables**

Key deliverables to be completed under this assignment are as follows:

- a) Findings and recommendations report in terms of
  - i) programmatic delivery in line with committed deliverables and spending
  - ii) policies, procedures and systems weaknesses/ issues identified.
- b) Specific issues of financial mismanagement or likelihood of fraud identified.

## **Annex 2 – Indicative Scope of Work – Expenditure Verification**

- 1) **Scope of Work:** The broad scope of work paying specific attention to the contractual provisions relevant for the following aspects:
  - a) documentation, filing and record keeping for expenditure and income
  - b) eligibility of expenditure and income
  - c) procurement and origin rules insofar as these conditions are relevant to determine the eligibility of expenditure
  - d) asset management (management and control of fixed assets; e.g. equipment).
  - e) cash and bank management (treasury)
  - f) payroll and time management
  - g) accounting (including the use of exchange rates) and financial reporting of expenditure and income; and
  - h) internal controls and notably financial internal controls.
  
- 3) **Deliverables:** Key deliverable of this assignment will be a expenditure verification report, highlighting disallowances, non-compliance with contractual obligations and other internal control weaknesses.

### Annex 3 – Action Plan for Short term strategies

Actions	May 20	June 21	July 21	Aug 21	Sept 21	Oct 21	Nov 21	Dec 21
Undertake Risk Assessment								
C-FAR to Review & Recommend								
BoT to Review and Approve								
Finalisation of ToR/ Scope of work to identify local Programmatic/ Financial Audit/ Review including identification of auditors								
Undertaking Programmatic/financial reviews/ audit in select list of 10 MAs								
Undertake internal audit reviews/ depute administrators								
Develop ToR to select a firm to automate risk assessment process.								
Automation of Risk assessment process								
Undertake Forensic Audit/ Internal Audit								
Deploy administrator, as required								