

Board of Trustees
17-18 June 2022

Refers to
agenda item 8.0

Agenda Item: 8.0

Report from the Finance, Audit & Risk Committee (C-FAR) of its
meeting held on 24th March 2022 and 18th May 2022

Summary:

Under IPPF Regulation E.1.b), the Finance, Audit and Risk Committee (C-FAR) met on the 24th March 2022 and 18th May 2022. The Committee provided oversight and policy direction relating to the following key areas:

Review and took note of:

- 1) update from the Chair, about the next steps on term of office and rotation plan and agreed to receive a more formal report at its next meeting.
- 2) the special payments for the period from 1st October to 31st December 2021
- 3) all recently closed and the ongoing fraud incidents ending 28th February 2022 and agreed to put the matter relating to dealing with fraud refunds in the IPPF budget as a discussion point, during the planning and budgeting process for 2023-25.
- 4) the update on actions taken relating to the finance journey till 28th February 2022.
- 5) Auditor's report and recommendations provided as part of the audit update.
- 6) Safeguarding and incident management report for the quarter 1 of 2022.
- 7) Safeguarding and incident management report for the month of April 2022.
- 8) Financial update for the quarter one ending 28th Feb 2022.
- 9) Q1 financial forecast for the balance of the year 2022.

Approved

- 1) The minutes of the previous meetings held on the 17th February 2022 and 24th March 2022.
- 2) approved draw down of repayment of the outstanding balance of funds to GAC supported CSE project, as an unforeseen expenditure under the IPPF's current budget with an explanation provided in the management accounts.
- 3) took note of and approved the global assurance plan for 2022.
- 4) reviewed and approved the going concern note to be submitted to the auditors for the audit of financial statement for the year ending 31st Dec 2021.
- 5) Paper on term of office, rotation plan and performance review, to be submitted to the Board of Trustees.
- 6) Selection of Morgan Stanley (our current relationship managers in the US) to invest the Cape Verde endowment fund on IPPF's behalf and provide a monthly update on the fund and
- 7) Use an online debt trading portal (in the UK) to invest short term surplus in debt funds, with the guidance of members of C-FAR.
- 8) Draft audited financial statement for the year ending 31st December 2021 and recommend these to the Board of Trustees for approval at its June meeting.

Actions Required

- 1) The Board of Trustees Note the report submitted by the C-FAR chair.
- 2) On recommendation of the CFAR, the Board of Trustees to consider and approve
 - a) the new risk register.
 - b) of drawdown of US\$ 199,000 from the General Reserves for set up and launch cost of

office in Abidjan.

- c) reallocate US\$ 425,000, of stream 1 allocation to MA grants to providing funds to increase MA footprint.
- d) the Indicative Planning figure for the year 2023-25 and its allocation to: (i) Three streams of core funding; and (ii) its allocation to both MAs and the Secretariat
- e) Draft audited financial statement for the year ending 31st December 2021

Summary

The C-FAR met on the 24th March 2022. This paper provides the minutes of the meeting held.

Action Required

Finance, Audit & Risk Committee (C-FAR) **to review and approve the draft minutes of the C-FAR meeting** held on 24th March 2022

In attendance:

- C-FAR members: Elizabeth **SCHAFFER**, Chair, C-FAR
Judith **MAFFON**, Member, C-FAR
Lakshan **SENEVIRATNE**, Member, C-FAR
Maisarah **AHMAD**, Member, C-FAR
Nicolette **LOONEN**, Member, C-FAR
- Staff: Varun **ANAND**, Director – Finance & Technology
Jane **DISBOROUGH**, Financial Controller
Nisha **GOHIL** (note-taker)
- Internal Auditors: Mark **SULLIVAN**, Risk Assurance Director, RSM Risk Assurance Services LLP
- External Auditors: Nicola **MAY**, Partner, Social Purpose & Non Profit Organisations, Crowe U.K. LLP
- Joined for the relevant agenda items:
Neville **VAN SITTERT**, Director, Risk, Legal and Compliance
- Unable to attend: Alvaro **BERMEJO**, Director General
Bience **GAWANAS**, Treasurer, IPPF & Member, C-FAR

1. Welcome and Introduction.

The Chair welcomed everyone to the meeting and started proceedings with the Chairs Report Item (see point 3. below)

2. Agenda # 2 - Procedural Items

2.1. Apologies for Absence

There were apologies for absence from Bience.

Alvaro was unwell therefore unable attend. The committee expressed their best wishes for his speedy recovery.

2.2. Draft Agenda and Timetable

Varun requested to swap item 8 and 9, so that the going concern note could be reviewed and approved, in case meeting ran over time. No further requests/ comments were raised. The agenda was with the requested revision.

Action: *Adopted the revised agenda.*

2.3. Minutes of the Finance & Audit Committee Meeting

The committee members reviewed and approved the minutes of the previous meeting unanimously.

Action: *Approved the minutes of the previous meeting held on 17th February 2022.*

2.4. Matters Arising

There were no matters arising.

3. C-FAR Chairs Report

Liz briefed the committee about the deliberations at the Board of Trustees meeting held on the 09-10th March 2022 relating to the term of office and requirement of rotation of members on the board and its committees.

She highlighted the significant risk that the C-FAR was carrying due to the way it was set up post the Governance reforms. She informed the members that all those who had rolled over from the previous committee (i.e. before reforms) to the new one, were going to finish their term in office and could not be re-appointed to either the committee or the Board. This meant that if the committee did not put in place a staggered rotation strategy now, then in 2023 the entire C-FAR would change, leading to a complete loss of institutional memory/ knowledge.

Liz informed that along with Varun and Achille, she would be speaking with the Nominations and Governance Committee (NGC) to work out the next steps to smoothen this transition. She highlighted that the continuity of members was extremely important and thus it was important to work out some kind of mentoring and early onboarding of new members to the committee. Liz requested all members to start thinking about individuals that could be recommended to join the committee both from the MAs and external experts in order to maintain the correct balance at the committee.

Nicolette and Mark both enquired about the profiles of candidates that C-FAR will be looking for.

Liz advised that she had hoped that IPPF could attract individuals who could understand the relationship between finance and governance. She highlighted that the current committee is a nice blend of internal and external members and as the committee moves forward, she hoped it will take on more delegated responsibility from the board of trustees, so that all the details (as required currently) do not really need to go to the Board for approval. She highlighted that the committee needs to make sure that it focuses on what's material, what's important, how it facilitates risk management and communicates this with the Board.

She informed the members that the profiles of members will be shared soon, so that members could reach out to their networks to identify potential candidates.

Varun added that the plan must ensure adequate staggering of on and off boarding of new and old members, so that the committee doesn't face the same situation next time.

Liz informed the committee that all the above will be considered and a note on the way forward would be presented to the committee at its next meeting.

Information Item: *It was agreed to receive a plan/ strategy relating to term of office and rotation plan relating to the committee members, at its next meeting.*

4. Special Payment Register from 1st October to 31st December 2021

Varun presented the three special payments in the Special Payments register to the C-FAR. He highlighted that the current register followed the previous threshold levels to ensure setting up of a cut-off date for the period ending 31st December 2021. He informed the committee that the next special payment register will adopt the newly approved thresholds levels, by the committee.

There were no further questions asked.

Information Item: *The Committee took note of special payments for the period from 1st October to 31st December 2021*

5. Fraud Incident update ending 28th February 2022

5.1. Fraud incident report ending 28th February 2022, was presented to the C-FAR by Neville Van Sittert. He highlighted the need to present a detailed report in line with the questions raised by Charities commission on the need to keep the Trustees updated about all the fraud cases identified. He enquired whether members, felt comfortable with the details included in the report?

Neville elaborated that the donors were happy with the progress made by IPPF and were now connecting their fraud teams with him to get a regular update on matters relating to fraud and mismanagement across the federation.

Nicolette thanked the management for the detailed report, adding that it was a lot to read, but was very useful to have and asked for it to be continued.

5.2. Neville highlighted two specific cases, one relating to FHOK and the other at PPA Liberia.

- a) **On FHOK** the grievance raised by ex-board members of the FHOK, was stuck in local courts and thus there was no progress on the case. However, there was a project funded by Global Affairs Canada (GAC) supporting the 3 CSE Centers of Excellence (CoE), one of which was initially located in FHO, Kenya. For this IPPF had remitted a sum of CAD 378,311, however had not received any update relating to this from FHOK. The project was in its last year of implementation, and a call had to be taken on how these funds would be reflected back to the donor. Under normal conditions, IPPF would as part of its responsibility need to refund these funds to GAC. However, it was felt that if these funds could be drawn down from IPPF's current core budget/ reserves and paid back into the project, this could lead to the following key benefits:
 - i) Initiate a discussion with GAC to re-programme these funds during the remaining period of the current agreement enabling support to some critical interventions that could help IPPF meet certain expected results of the project as well as of Solution 3.
 - ii) IPPF had submitted a new 4-year funding which was under review and for the value of **CAD 16 million** (excluding the 2M for SAAF) to support other projects including the CoE

for CSE. This action would go a long way in building a stronger relationship with GAC and strengthen the chances of approval.

Members were asked if they would prefer to approve a draw down from the reserves, or would prefer the refund be charged as an unforeseen expenditure under the secretariat's core budget and reflected as over expenditure with an explanation.

b) **On PPAL** the committee was informed that the fraud investigation was completed and the updated numbers were reported to the donors and the Charity Commission. The donors till date had not asked many questions or a refund of their grant.

5.3. Neville highlighted that going forward the global assurance programme will be further strengthened with provision of guidance and online fraud awareness training programme across the secretariat so that fraud allegation could be swiftly dealt with. In this way, the regional team members dealing with these issues will be upskilled and have the tools and mechanism to manage these issues better. It is also expected that similar training will cascade down to member associations too.

This will help address some of the concerns that Barclays have had with us as well in terms of how we're dealing with awareness creation relating to financial crime and fraud.

Liz advised that there is a difference between overspending and changing our budget. She informed that she was in favor of overspending with an explanation rather than changing the budget. She highlighted that if we end with a deficit we will of course draw down our reserves, which is better than directly drawing down the reserves for operating expenses.

Lakshan highlighted that given reserves are a really precious asset, utilising these for covering fraud related refunds seemed not correct. In order to avoid this, he enquired, whether IPPF should provide some amount to cover such expenses as part of its regular budgeting process. After a detailed deliberation, it was agreed that for the time being, such a budgetary line will not be included for reasons of optics with IPPF's stakeholders.

Liz requested that as a follow up when deliberations for budgets for 2023 come up, C-FAR could discuss and consider various options on dealing with such payments.

Maisarah applauded the IPPF team for coming out with this extensive report which reflected tremendous transformation from where she saw IPPF when she started to where it is now. She advised that these practices including outcomes should be shared with MAs so that they are aware that these matters are being taken seriously. Liz agreed that there is potentially something different about how we look at it internally and how we present it in our audited financial statements. She stated that she liked the idea of sharing the learnings and changes with the MAs setting this up as a learning moment.

Information Item: *The committee took note of all recently closed and the ongoing fraud incidents ending 28th February 2022.*

The committee agreed to put the matter relating to dealing with fraud refunds in the IPPF budget as a discussion point, during the planning and budgeting process for 2023-25.

Action Item: *The committee approved the draw down of repayment of the outstanding balance of funds to GAC supported CSE project, as an unforeseen expenditure under the IPPF's current budget with an explanation provided in the management accounts.*

6. Risk Management – An update

Neville presented the new risk register and the process followed to build this new register including the new scoring matrix. He informed the committee that the new online risk register had been fully tested and different teams are beginning to be trained. He informed the committee that as the new online register

goes live, the next step would be generation of heat maps, that will enable the management and the board to focus on truly strategic risks.

He informed the committee that this was still work in progress, however the key changes that he saw in the overall process and going forward included:

- IPPF started to look at risks differently – focusing more on strategic risks with clear ownership across each area.
- Risk register no longer a static document – changes made depending on mitigation steps taken. This will reflect really well for the organisation as a whole.
- Process followed to develop the new register stirred up a lot of healthy discussion, which helped in streamlining the risks and their mitigation strategies in the new risk register.

Members were asked to consider if they were fine with the new format, scoring matrix and also the strategic risks and their mitigation strategies listed in the new register.

Liz invited C-FAR for feedback on the questions raised.

Nicolette complimented Neville, specifically on the bit that the process to develop the register stirred up a good discussions with teams and raised greater risk awareness, which is what needs to happen more and more across the organisation. She further highlighted that she had noticed that some risks had remained on the risk register without any action take for a long time – which could be a big risk in itself (highlighting the risk relating to VAT). This comment was noted with a need for a follow up.

Liz thanked Neville, adding that it is great that the DLT is thinking about this issue differently, as even the board is thinking about it differently, which is for sure going to lead to changes in the culture within the organisation and how it thinks about risk, which is the essence of this whole exercise.

Mark asked if the Board's idea of what risk is was consistent with that of the DLT's, highlighting that at times there could be difference of opinion or understanding. Liz agreed with Mark's assessment, and said that this was work in progress. What is important though is that we are having the risk conversation as an important first step. She highlighted that with the new strategic plan coming in place, it will be an excellent time to codify how the Board is viewing risk and then figure out how we align that with the DLT.

Action item: *The committee reviewed and recommended approval to the board of trustees, the new risk register.*

7. Global Assurance Framework – An update on action taken

Neville updated C-FAR on the actions taken under the global assurance framework and the plan for undertaking audits in 2022.

In this plan six MAs are proposed to be audited, two of them funded under the Global Affairs Canada project and the remaining taken based on recommendations from the Regional Directors. He went on to highlight that member associations, were picked up based on risk assessment undertaken, that included how much money is flowing to them; what kind of environments are they working in; what other information have we got from the accreditation visits and from the regular monitoring visits. Mark's team at RSM did the majority of that work.

He highlighted that if we can get the assurance work correctly forward, this will compliment and supplement a lot of other IPPF systems including accreditation, capacity building plans, etc. He hoped that this process will really identify key MA needs which could be picked up and supported based on identified weaknesses. This process will give IPPF and all its stakeholders, including the MAs themselves, an assurance in terms of the programs being implementing either directly or through the member associations.

He highlighted that the global assurance work supplements the work undertaken by Mark under the Internal audit too, as he focuses on the Secretariat and its systems, whereas this reviews the member

associations and its systems.

Mark further explained the difference between the internal audits and these MA audits. He informed the committee that internal audit will be kept very much on corporate systems within the Secretariat and the assurance to the C-FAR and to Alvaro. As an example, it will now be focussing on operations of the regional offices which includes their engagement with and support to member associations and whether they are complying with organisational policies, procedures, and good financial management principles. He highlighted that Neville and he are constantly in touch to ensure both the teams harmonize their work supplement each other.

Nicolette enquired how can the team assure that this process contributes to capacity building and is not just seen as a burden and administrative checklist, and that it really contributes to knowledge and professionalism of the MA. Neville responded by saying that the assurance audit will need to be carefully planned in terms of content and timing. He gave an example that if a member association goes through an accreditation process that identifies some weaknesses, this process could be used to build that capacity and vice versa, similarly if there is a large upcoming audit at the member association, the assurance team could go in advance to support with the preparation work. He highlighted that he would like the internal audit recommendations to work in the same way as accreditation recommendation, as these too will be evidence based.

Varun explained that as we move forward the global assurance and capacity building processes will become more intelligent, as they will start to respond to data points coming in from the MAs, which includes audit; financial control evaluation; the global assurance program; internal audit; field visits, project audits, and on top of that the accreditation process. So all these typically will move towards identifying areas of weaknesses, and then building capacities across the membership. Varun highlighted the need for IPPF over the next 2-3 years to become far more intelligent and nimble in the way it respond to the requirements on the ground.

Judith raised the issue of how does IPPF plan to cover over 100 MAs, if only six are going to be covered in one year. Neville responded that the assurance work is risk based and thus is commencing with the highest risk ones, but as that process is rolled out, the team builds a cadre of auditors around the world that can support IPPF in this process. He highlighted that all the audits are not going to be just financial audits, they will include audit of the governance; operational management; IT controls; its security controls and safeguarding as well as the finances systems of the organisation. Gradually a repository of best practice documents, policy and manual documents will be developed, which could be shared across the membership for support and guidance.

Lakshan asked the reason, why the budgets of audits varied so significantly from one to the other. Neville explained that the costs put in in the budgets are just estimates, based on discussions with select auditors at the country level. Some countries are just more expensive to go and audit than others. Also some auditors have very different skills than others as well. As we move forward, IPPF will have all these auditors under a framework agreement, and we will be able to assess their work better going forwards. Neville highlighted that the assurance budget will be drawn from both project funds and assurance budget to ensure we can weave these plans as part of all our project roll outs benefiting the Federation as a whole.

Liz appreciated the work undertaken under the global assurance framework and the criteria being used to identify MAs. She suggested to include a possibility of an MA requesting for help with internal audits. She suggested to include one audit per year based on a request from the MAs.

Action Item: *The committee took note of and approved the global assurance plan for 2022*

8. Going Concern Note – Audit 2021

Jane presented on the going concern note shared with C-FAR.

The Board of Trustees is required to prepare a going concern assessment, taking into account all the available information about the future that is known for at least 12 months from the date of signing the accounts, so that means through to May 2023. This paper has taken into account all the information available and included some assumptions and presented the going concern status up till the end of 2023, as per the recommendation from our auditors. The paper concludes that there are no material uncertainties that cast any significant doubt over IPPF's ability to continue as a going concern until at least December 2023, and that that assertion is primarily based on a very strong relationship that IPPF has with its core donors, and with several multi-year agreements in place. So for example, Denmark and Netherlands are committed through to 2025. Currently 60% of this year's contracts have been signed with the donors, and the only potential risk to the budgeted income is Germany.

The cash flow forecast remains positive throughout the whole period. Since the budget for 2022 was prepared for the secretariat, we have also received a confirmation from FCDO of the one year costed extension for WISH2 project. The value is £23.5 million and the knock on sort of positive impact of that is that there will be improved recovery of direct costs and also the overhead recovery that we will receive on that. The cash flow forecast also includes the repayment of the CIFF short term loan of U\$3million, which is due for repayment in April.

It is hoped that as IPPF's develops its new strategic framework and starts to roll it out from 2023, several donors will align their contracts with that. IPPF will get a better view of that in the second half of this year. One of the risk that IPPF does carry, as always, is the exchange rate risk because we receive 90% of our core income in the donor local currency. Although this year we have hedged 31% of it, so we have some certainty – however going forward as we move into a three year plan and budget, this will become more of a difficult exercise.

Liz congratulated the team for a great job on the standard of the going concern note.

There were no further comments and C-FAR adopted the note.

Action Item: *As per the delegated authority from the Board of Trustees, the C-FAR reviewed and approved the going concern note to be submitted to the auditors for the audit of financial statement for the year ending 31st Dec 2021*

9. Finance Journey – An update on action taken

Varun presented the finance journey update highlighting that there have been a few changes since the last time this paper was presented to the committee on the November 5th 2021.

He highlighted that the finance team continues to grapple with a lot of capacity issues, which get accentuated by IPPF's constantly changing requirements as it embraces reforms, challenges in not being able to find the right person for the right job through some recruitments, steep learning curve for new comers given the complex systems and the challenges with the way the system is configured itself. He informed the committee that the finance team will be undertaking a deep dive into the new structure and capacity required within the finance team to be able to respond to the ever changing needs of IPPF. He informed the committee that the result of the deep dive, is expected to be clear by the time we move to the new strategic framework (at the end of this year).

Some of the big areas which have lagged behind, include the budget upload for the secretariat for 2022 and being able to quickly address some of the significant gaps and challenges identified in the NetSuite system's master data files and workflows. He informed the committee that the budgets for 2022 had been signed off on the new system being configured, however typical of any new roll out, there are a lot of glitches that have appeared in uploading this data onto NetSuite, which is now being worked on by the consultant. As soon as that is completed, the consultant will be working on configuring management accounts/ reports on the system and setting up the workflows and templates for the quarterly forecasts and planning and budgeting systems for the three year process commencing in July 2023.

On the NetSuite side, he updated the committee on the strategy now adopted would include tendering out some of the critical tasks including fixing the master data sets, workflows and the roles as set up in the NetSuite system. He informed the committee if this can be completed in the next few months, the work on the 2023/25 planning and budgeting for the Secretariat would gain momentum and be easy to roll out.

Responding to an earlier query from Nicolette on the issue of VAT review, he agreed that this has been delayed because of serious capacity gaps which we need to strategize and address soon. As one of the steps planned is to correctly include VAT codes in the system – work on this has already commenced. He informed the committee that as soon as there is some capacity available, the finance team will try and roll out the VAT review process.

Liz informed the committee that Lakshan had to leave due to connectivity issues but had confirmed that he had read the report and was comfortable with it and appreciates the update. She confirmed the same for herself too.

Nicolette requested that the report is a presentation of the status as on a date and what she would really appreciate is if the team can include the status presented in the past and highlight the change from then. This way the report will become much easier to understand the progress made.

Nicolette further enquired about the status of work load on the finance team, given all that is being proposed to be delivered along with business as usual. Varun confirmed that there was no balance being maintained as of now, the workload remains really high and stressful. He further stated that he hoped that by the end of the year, we could have a better understanding of the structure and capacities required and start to fill those, which will hopefully balance out the work pressures. He further highlighted that the finance team besides having some challenges in getting the right person for the right job, also unfortunately lost significant capacity, due to the unfortunate incident reported in the last meeting. This has created more load on the existing team. He informed the committee that as highlighted in the note, the team will focus on some key big points and then will look at the other ones.

Liz stated that the team is currently doing a lot of ground laying all at the same time as running the ongoing operation, which is really hard task which also leads to a lot of stress and pressures but the whole intent is that the future state is different than the current state.

Liz reminded Varun that the committee felt that that the resources required to deliver had been underestimated in terms of the cost and what it would take. She recommitted her full support to the finance team to get more resources to deliver all this and fund it from the budget already approved by the committee. The rest of the committee members confirmed the same. She stated that 2023 must feel different.

Varun thanked the committee for all the support and agreed to work on identifying resource requirement to ensure this journey becomes smoother.

Information Item: *The Committee took note of update on actions taken relating to the finance journey till 28th February 2022.*

10. Any Other Business (Aob)

There were no other matters to be discussed.

Liz and Varun thanked everyone for their valuable contribution to the meeting.

Action Required

Finance, Audit & Risk Committee (C-FAR) **to review and approve the draft minutes of the C-FAR meeting held on 18th May 2022**

In attendance:

- C-FAR members: Elizabeth **SCHAFFER**, Chair, C-FAR
Bience **GAWANAS**, Treasurer, IPPF & Member, C-FAR
Lakshan **SENEVIRATNE**, Member, C-FAR
Nicolette **LOONEN**, Member, C-FAR
- Staff: Alvaro **BERMEJO**, Director General
Varun **ANAND**, Director – Finance & Technology
Jane **DISBOROUGH**, Financial Controller
Neville **VAN SITTERT**, Director, Risk, Legal and Compliance
Nisha **GOHIL** (note-taker)
- External Auditors: Nicola **MAY**, Partner, Social Purpose & Non Profit Organisations, Crowe U.K. LLP
Dipesh Chhatralia, Director, Non Profits, Crowe U.K. LLP
Kaa-Choon Ng, Manager, Non Profits, Crowe U.K. LLP
- Internal Auditors: Mark **SULLIVAN**, Risk Assurance Director, RSM Risk Assurance
- Services LLP Joined for the relevant agenda items:
Vanessa **STANISLAS**, Head of Safeguarding
- Unable to attend: Judith **MAFFON**, Member, C-FAR
Maisarah **AHMAD**, Member, C-FAR

1. Executive Session – Agenda # 3.0

As per C-FAR Chair instructions, it was agreed that all C-FAR members present along with Alvaro and Varun, would meet in an executive session, to deliberate on paper submitted under Agenda # 3.0 - C-FAR Chairs' report on term of office, rotation plan and performance review system.

Action: *C-FAR approved the paper on term of office, rotation plan and performance review, to be submitted to the Board of Trustees.*

All other attendees joined the meeting at approximately 14:20.

2. Agenda # 2.0 - Procedural Items

2.1. Apologies for Absence

Apologies for absence from Judith was shared. Bience advised members that she will need to leave the meeting early due to work travel plans. Maisarah was unable to attend the meeting.

2.2. Draft Agenda and Timetable

The meeting commenced with an executive session to deliberate on agenda 3.0, other than that there were no further requests for changes.

Action: *The C-FAR adopted the agenda incorporating the stated change.*

2.3. Minutes of the Finance & Audit Committee Meeting

There were no comments on the minutes of the previous meeting held on 24th March 2022. These were approved unanimously.

Action: *The C-FAR approved the minutes of the previous meeting held on 24th March 2022*

2.4. Matters Arising

Jane presented an update on IPPF's progress with appointing an investment manager. She highlighted that as the funds available for long term investment were not too significant in size, circa US\$ 1.6 million, both Nicolette and Varun (sub-committee set up by the C-FAR) felt that hiring an investment manager, may not be financially viable. Also for short term investments, there were online portals available, which could be used to transparently invest short term funds.

The committee members agreed with the suggested way forward and approved the recommendations provided in the paper.

Information Item: *The C-FAR approved the*

- a) *Selection of Morgan Stanley (our current relationship managers in the US) to invest the Cape Verde endowment fund on IPPF's behalf and provide a monthly update on the fund and*
- b) *investment of available short term surplus cash funds using an online debt trading portal (in the UK), with the guidance of members of C-FAR.*

4. Financial statement for the year ending 31st December 2021

Financial Statement update

Jane provided a brief overview of the Financial statement for the year ending 31st December 2021.

The current financial year ended showing a better financial performance leading to the general reserves as on 31st December 2021 ending at US\$24.1M, which is within the recommended levels, as stated in the reserves policy i.e. between US\$19 and US\$26M.

The designated reserves ended at US\$38.5M, much higher than the previous year's primarily due to a lot of income received at the end of last year. In line with this the board designated these funds to be spent in 2022, inter alia the:

- stream 2 projected budgets to be incurred in the next year,
- individual giving programme funding allocated for the next few years,
- Danish triple whammy funds to be released in cash and commodity between 2021 and 2022, and
- funds set aside for the pension negotiations.

On the restrictive side the total restricted income for the group is US\$98.3M which is US\$5.9M lower than 2020 and that reflects the decrease in funding from FCDO. So it is US\$20M down on the previous year, but offset by an increase of US\$15M income from DFAT that came in, in 2021 to be spent over a three year period.

Restricted reserves are at US\$33.7 million, that is reflecting the timing of income and expenditure, and the balance sheet shows that at year-end we had US\$95.8M of cash, and that includes the US\$3M CIFF loan which has now been paid back.

Auditors Report

Elizabeth requested Nicola May (Crowe's partner) to present the draft audit report and auditors recommendations.

Nicola highlighted that this was Crowe's first year as IPPF's auditors, and expressed her delight to be working with IPPF. She went on to highlight that this being the first year, inevitably this meant a longer timeframe to an audit as Crowe got to know IPPF as an organization; document its understanding; the tested all the systems and controls; and looked at how IPPF operated with a fresh pair of eyes.

Nicola thanked the IPPF team for the support and efforts put in to ensure the audit work got to this point. She informed the committee that:

- the audit work was still carrying on, as highlighted in the report which included the audit report from the Africa office,
- reliance had to be placed on overseas teams, in relation to information that comes from these offices, which did cause some challenges through the audit and
- there are no further points of significance that have arisen as the teams start to close down all outstanding areas.

She informed the committee, that both teams had agreed to do a debrief after the audit, where thoughts and ideas to ease some of the pressures faced, going forwards and work within the timeline that you have as an organization, would be discussed.

She went onto explain the contents of the auditors report submitted, which included:

- 1) Section 1 does set out the areas that are outstanding at the time of writing the report, and these are detailed out within Section 2 and 3. In Section 1, in terms of **materiality** we shared our approach at the planning stage. Nothing has changed since then. Materiality levels continue to be taken @ 1% of income.

2) Section 2 feeds back on the work completed in relation to what we call the key risk areas. These are the areas where there's a higher potential risk of material misstatement in the accounts. This include:

- **Revenue recognition – Grant Income.** Your grants are split largely into two types: (i) performance (restricted grants) and (ii) non-performance related grants (unrestricted core grants). The performance related grants are recognized in line with key performance indicators and milestones that have been reached and the non-performance broadly on a cash receipts basis. **There are no significant issues arising from the testing.**

We were notified through the course of our work of a clawback for US\$177,000, which we reported in Appendix 1, and that's been adjusted in the financial statements.

- **Grant expenditure.** We reviewed and understood your basis of recognition of expenditure both for your annual core grants, which are recognized in the year as well as the multi-year grants, which are recognised at the point of fulfilment of milestones.

With the grants to the MAs that may be agreed over a number of years there are hurdles for them to pass before future tranches are payable – you do therefore have some commitments that haven't met the criteria to be recognized as expenditure in the year, and that historically hasn't been disclosed, but we have requested that that disclosure be included for this year in line with the SORP and so we are just finalizing our testing around that area.

We have also been looking at how you review the MAs and the work that's undertaken, and the updated accreditation process that is coming into place, and we've included our support of that in Appendix 2 in the recommendation that we've made in in this area

There was also one double payment that was made in the year that was identified by the executive and corrected. We have referenced it here as a significant event during the year, but that's been appropriately corrected within the financial systems.

- **Going concern.** Last year brought in a number of updates from an auditing perspective around going concern. The underlying guidance from the Financial Reporting Council (FRC) in terms of the need to look at least 12 months ahead from the date of signing, and a consideration around reserves as well as liquidity, hasn't changed, but we had an updated auditing standard that came in that was much more prescriptive than what we'd had in the past, and there were associated updates to the wording in the audit report as well. From last year the wording is much more positive from the auditor around the going concern position, than it had been historically, and so we reviewed the information and paper that's been prepared by management; we set out at a high level the points here, although management obviously have shared the detailed paper, which is being considered and **we have no additional issues to raise around that.**

As we move to the completion of the audit and the signing of the accounts, we will update our work in this area and understand the latest financial position, any further significant events we should be aware of but at present there's nothing, nothing further to raise around going concern.

- **Management override of controls.** Here we are looking at journals that have been posted. We use data analytics to look at the whole population of journals and identify any exceptions, and that helps us to tailor our detailed testing and also around the key areas of judgment and estimate, and they've been identified around income recognition which we've

already covered and also around the pension assumptions which we talk about in the next section. **But again, from those areas, nothing specific to raise**

- 3) **Section 3** covers a number of our other audit comments and findings. These include:
- **Overseas components** - we've had all of the reporting through from Europe. Africa there have been some delays in that coming through and we've been liaising with Crowe Erastus and IPPF, with the Africa team. There's a final meeting on Friday this week and we should be getting the final information through within a few days from that.
 - **East and Southeast Asia and Oceania.** We did our own specific testing on material balances, so particularly around the fixed assets and, and we've included a specific Board representation around the Malaysia property and the ownership in existence of that property.
 - **Laws and regulations.** Legality questionnaire was shared, which was also sent to each of the overseas offices. We are waiting for the final questionnaires to come through so we can complete our review of the responses. From an audit perspective it will help identify any issues that require us to investigate further. From a management perspective, organizations find it useful to review those and see if there is any rising issues – maybe there are areas where people have an opportunity to request additional training or support, maybe highlight things that hadn't previously been reported through centrally, so hopefully a useful management tool as well.
 - **Defined benefit pension scheme** is a key area of judgement. We looked at the key assumptions and benchmarked those against what we see elsewhere. There wasn't anything I wanted to particularly highlight there or any concerns that we had around where your assumptions landed.
 - **Verification of Assets.** Specific work around the verification of the assets of the pension scheme was done. This had to be undertaken, following some recent updates from the FRC and the ICAEW.
 - **Special reviews.**
Our IT auditors looked at the general controls. Recommendations arising therefrom have been included in the appendices.
Our tax colleagues undertook a high level review as well, just to see if there are any significant issues that we should be aware of from an audit perspective and no issues were raised from that work either.
- 4) Both adjusted and unadjusted audit differences that were identified through the course of audit are presented in Appendix 1. Since the report was written, the US\$ 780,000 unadjusted difference in relation to Forex too has now been updated in the financial statements. So there are no remaining unadjusted audit differences to report through.
- 5) Included recommendations in Appendix 2 & 3 of our report. This includes a follow up on the previous auditors recommendations that had all either been cleared or were no longer relevant as things have moved on.
- 6) We have included the draft representation letter in Appendix 6,, which has the specific issue around the Malaysia property, but otherwise those are all the standard representations.

Questions and comments

Elizabeth thanked Nicola for her presentation and the Report. She enquired if Crowe had any reflections on the audit process, now that the audit was nearing completion. Nicola stated that there are some outstanding issues that are still being worked on. These are probably a few more than what I would ideally like at this stage, but we're all clear what is outstanding and working together to get those finalized.

She highlighted that the team in London is reliant on getting information in from overseas offices which had some challenges and given the complexity of the audit, the timetable is very tight, even though there were some small adjustments made in that this year too. Crowe team will reflect with Varun and the team on how things can be streamlined even further going forwards.

Nicolette thanked Nicola, adding that she had no questions for the auditor. Nicolette was very happy with the report and noted that there was a very limited number of audit differences. Nicola agreed that if they compare this report and the number of findings, with similar organisations that Crowe audits, they normally see much greater number of audit adjustments/ differences, and so its a great point to make with respect to the IPPF Audit.

Bience advised that she also had no questions and was pleased that there were minimal differences. She expressed her thanks to both the auditors and the IPPF team for the hard work put in.

Varun reciprocated a big thank you to Nicola and her team, highlighting that the whole audit process was a great learning experience for the team, far more than the experience of audits in the previous years. He thanked the Crowe team for the same.

C-FAR moved to accept the draft audited statements and recommend for approval to the Board.

Action:

At the end of the C-FAR:

- d) approved delegation of authority to the C-FAR Chair to sign any documentation to finalise the audited financial statement, including the representation letter to the auditors.*
- e) took note of the auditors recommendations provided as part of the audit update.*
- f) reviewed and accepted the draft audited financial statement for the year ending 31st December 2021 and recommended these to the Board of Trustees for approval at its June meeting.*

5. Safeguarding and Incident Reports

Vanessa was welcomed to the meeting and updated C-FAR on a few highlights from the following reports:

- a) Safeguarding and incident management report for the quarter 1 of 2022
- b) Safeguarding and incident management report for the month of April 2022

In terms of incident management and cases since launch of the system IPPF has received 225 cases to date, of which to the end of quarter one 2022 187 had been closed, which leaves 38 open. 7 of those relate to the Secretariat and 31 to MAs.

Vanessa highlighted that the team was continuing to work on improvements clearing the backlog cases with these coming down by 18% and 46% in 2020 and 2021 respectively.

She highlighted that there were three sticky safeguarding cases at the MA level, that are progressing with close oversight.

In terms of safeguarding training, she highlighted that a mandatory safeguarding refresher training was rolled out last year and the end of the report under Appendix 1 shows the completion rates,

which were somewhat lower than we hoped. Discussions happened at DLT and corrective action around this has been taken.

Finally we are making good progress on a new initiative to align safer recruitment practices across the Federation in terms of the Secretariat. This is to prevent people that want to reach vulnerable people to harm them from getting into the organization in the first place.

Elizabeth thanked Vanessa and invited C-FAR for comments and questions.

Questions and comments

Lakshan enquired the reason for such high numbers in the current quarter. He requested clarification on the time frame. He also enquired typically the time required for closure of one case. Vanessa informed that the 225 was a cumulative number from the very beginning of when the system went live, which was December 2018. In terms of the timeframe, we're dealing with work which happens to get done on a case by case basis, because of course each individual case takes is going to be very different. It's going to involve different levels of people, and there are always various nuances that apply. If you have a really simple case within the secretariat, and doesn't relate to an MA, you can probably expect for that case to be progressed within one to two months if the investigators are readily available; and all of the people who might need to be part of that investigation present able to be interviewed, etc. However we are a global organization so we work across lots of different time zones. Many of our cases are far more complicated with many more people involved. Also remember our MA's are independent organizations and whilst we have this oversight around some of the topics that come to us on the safe report, we cannot really influence all the cases that are reported, as these are within the MAs' jurisdiction.

In terms of a time frame, it is a challenge to give a definite answer because every case is so very different. In terms of trends it's much easier to do an internal case and our pace with those cases has definitely improved and getting better all the time.

There were no comments and the committee thanked Vanessa for her presentation.

Information Item: *The committee took note of the:*

- a) *Safeguarding and incident management report for the quarter 1 of 2022 and*
- b) *Safeguarding and incident management report for the month of April 2022*

6. Finance Update as on 28th February 2022 and Quarter 1 Forecast

a) Quarter 1 forecasted budgets

Looking at the current financial situation, the committee suggested we take up only the quarter 1 forecast and not dwell too much on the management accounts ending 28th Feb. In this context Jane presented the highlights of the Q1 forecast to the C-FAR.

The Quarter 1 forecast was prepared using three months of actual results and nine months of projections. Only significant changes were updated, which included projects that had not been included in the 2022 budgets, like the WISH1, and WISH2 and their costed extensions which came through after the year end.

On the unrestricted side, the surplus had increased from US\$0.5M to US\$1.1M in the quarter one forecast. This is a result of increased overhead recovery income (circa US\$ 1.8 M) from the restricted projects that are now included in the forecast and adjustment made to projected core income using the hedged rates rather than the budgeted rates, leading to offset the increased

overhead recovery by circa US\$1.3M. Additionally there is a reduction of about US\$0.2M of core expenditure, where core salaries are now going to be recovered from new projects.

The designated expenditure for the year has reduced from US\$16.7M to US\$15M. That's a small reduction mainly down to US\$2.1M which is a reversal of some items that were double counted in the revised budget last time; offset by US\$330,000 which is going to be spent in 2022 for the global assurance fund.

Finally for restricted the overall improvement is US\$3.7M is made up of a large increase in income of US\$38.4M with the associated expenditure for those projects. Most of that sits in WISH2 – US\$29.5M income and the cost extension runs from April this year through to March 2023.

The committee was made aware of the significant strengthening of the US dollar and its knock on effect on the projected grant income, given a large amount of grants comes in non-US\$ denominated currencies. The committee was also apprised of the fact that 32% of IPPF's core income had been hedged to reduce exactly this type of risk, however the balance is still exposed. We are looking at taking out more hedges as the income becomes confirmed.

Questions and comments

Nicolette questioned as to why did the top-level income and expenses show an overall deficit of US\$30M in the management accounts. Varun informed the committee that this is a deficit for the year, however as can be seen from the numbers, this is being contributed by designated and restricted funds only. The reason for the same is primarily a timing issue, where funds or income have been received in previous years and is being spent in this year.

Lakshan requested that it may be helpful in future for the committee if there is a small side note explaining this negative value under chart one in the report. Elizabeth asked if it was also possible to consider how to present this for the Board, as the summary table is probably not as helpful as the full tables. He agreed with the committee members suggestion, of seeing a better way of presentation of these numbers.

b) Review and recommend budgetary draw down for opening of Abidjan office.

Varun presented to C-FAR an action item relating to a new office that IPPF are proposing to set up in Abidjan. The paper shared with C-FAR presented a cost benefit analysis for setting up that office including tentative assessment of savings that could be made due to this office. He highlighted that the basic purpose was to get closer to the Member Associations becoming more responsive.

The request to the committee was to approve a drawdown from reserves of US\$199,000.

c) Review and recommend approval of adjustment of stream 1 allocation to provide funds to increase MA footprint

Varun presented the 2nd paper request. He highlighted that this was for the first time IPPF was going to actively be working to add its footprint in newer countries. DLT had worked across multiple parameters on two fronts (i) developing a clear process and strategy on how we will bring in new partners and (ii) transparently work towards identifying new partners in different countries.

As of date we expect about 15 country partners to be added, where we have either lost a partners or we didn't have a partner at all. He highlighted that the secretariat will actively go out searching for these partners across the world. DLT recognizes the fact that it may slow down a little depending on where the funds come in but that is the plan.

He highlighted that the request to the committee was to allow re-appropriation a sum of US\$425,000 from grants allocated but not appropriated to MAs either due to suspension/ expulsion of MAs or where MAs do not exist in those countries, under Stream 1 grants.

This would be utilised to set up the process and systems and to develop a clear structure of how we will do it, and hiring consultants who would really go out in search of different partners undertaking a standard evaluation processes across all the countries, rather than being driven by biases or interests at any level.

Questions and comments

Nicolette asked about the opening of the new office and associated risks of office management including inability of finding the right staff. She enquired if IPPF had the resources to allocate to that office? She also enquired why a large amount allocated for buying a car?

Alvaro advised that IPPF was aware of risks, which will we are dealing with as we go along. He informed the committee that it is expected that in most cases (barring the finance, security and driver) the existing staff will be redeployed rather than hiring new staff.

Once such risk was the government telling us to commence the operations, even without receiving a formal registration. However we had decided not to do this, as this could be really risky. Additionally there is some amount of de-risking in terms of the likely negative impact on the office in Nairobi during the upcoming elections would be countered by setting up this office in Abidjan.

With regards to the purchase of a car, IPPF, like many NGOs that operate in Africa and Asia, it is a necessity to have a car per office to manage travel in the city, as well as conduct errands, and some of the field visits as well. That is why a car purchase has been proposed.

Alvaro highlighted that we had tried Senegal first as a location for this office but we didn't get enough support from the government to open it. They were worried about the controversial nature of the work that we do, and we've ended up in in Abidjan as our second preferred option, which I believe will be a good one.

He went onto say that this is not the first time IPPF has had an office in West Africa. IPPF did have one before, which had to be closed due to mismanagement, which could also have been due to the old governance structure and system. This time round, the same mistakes will not be repeated.

There were no further questions and C-FAR took note and action on the items presented

Information Item: C-FAR took note of the

- a) financial update for the quarter one ending 28th Feb 2022;
- b) Q1 financial forecast for the balance of the year 2022.

Action Item:

- c) Review and recommend to the Board of Trustees approval of draw down of US\$ 199,000 from the General Reserves for office set up and launch cost.
- d) Review and recommend to the Board of Trustees approval of adjustment of stream 1 allocation to grants to provide funds to increase MA footprint to the tune of US\$ 425,000.

7. Indicative Planning Figure 2023-25

Varun presented the Indicative planning figure for 2023-25 to the C-FAR. He informed the committee that this is for the first time IPPF is moving to a new three-year planning and budgeting cycle.

Highlighting the reasons for moving to a three year plan and budget cycle, one was just to reduce the transactional cost year-on-year and the second being giving clarity/ stability to MAs in projecting the kind of funds that IPPF will be able to make available over a three year period of time.

It was not an easy exercise, a special thanks to the fund raising team who worked really hard to come up with clear projections. This was also in the context of setting up a new individual giving program.

For calculating the unrestricted core funds available over the next three years, we also projected restricted project receipts over the next three years, to understand the impact of possible overhead recovery.

Keeping in line with the forward looking thought process a year-on-year growth of allocation by 3% has been incorporated in the IPF, both for the MAs and the Secretariat budgetary allocation. This should be able to take care of inflationary increases and other cost increased due to set up of the individual giving programme, as we move forward.

Finally it was highlighted to the committee that despite all the effort there is a small deficit that remains in the current budget, which has been covered by estimating a drawdown from the reserves of US\$4.3M to cover the projected expenditure.

We will keep a very close eye on trends as they move forward, but we feel that the projections as presented is achievable – especially as we are currently sitting on relatively healthy reserves and cannot be a better time to allocate those reserves to a new strategy. Aligning that strategy with funding that goes to MAs and a clear projection of what is going to be available for the next three years.

Elizabeth added that this is a big milestone to be able to prepare a multi-year plan and budget, it's very suited to the moment where we are with strategic planning, and we're very excited about this. We also know that we live in a world of uncertain times and although we want to make these multi-year commitments, but we know that we have to be flexible in our thinking and so as world events change, we will continue to keep an eye on different scenarios. DLT is already looking at some world events that may affect different elements of planning, and so we just want to say that as we move forward we will consider this to be a rolling process that will remain part of our ongoing conversations.

C-FAR complimented the team for reaching this milestone, hopefully it will give many insights into how to navigate in this turbulent world and be on top of the financial numbers.

There were no further comments or questions and C-FAR agreed to recommend this indicative forecast with the Board at the upcoming meeting.

Action Item: *C-FAR reviewed and recommended approval to the Board of Trustees, the Indicative Planning figure for the year 2023-25 and its allocation to*

- a) *Three streams of core funding and*
- b) *Its allocation to both MAs and the Secretariat.*

8. Any other business

Varun shared the news that Jane had decided to move on and that this is going to be her last meeting with the committee. He thanked Jane for her support.

Jane thanked Varun, and thanked all the C-FAR members for all their support. She appreciated how professionally the C-FAR meetings were conducted. I know some of you are due to come off the

committee next year and so it might be changing but thank you to everyone, and good luck as you move forward, there's lots of challenges ahead where your guidance will be needed.

The C-FAR members thanked Jane for her professionalism and the many, many talents she brought and the ways in which she helped us see things in a new way. C-FAR members wish you all kinds of success in your future endeavours.

Elizabeth thanked everyone and before bringing the meeting to a close advised the C-FAR that we will go forward to the Board of trustees with the recommendations that the committee has put forth. As always, we'll keep you informed about the board decisions and also conversations with donors about their future commitments that affect our future forecasts.

There were no further comments. The meeting was closed with both Elizabeth and Varun thanked everyone for their valuable contribution to the meeting.