

Board of Trustees (BoT)  
**23-24<sup>th</sup> November 2023**

Refers to agenda item 9.1

**Information Required**

Board of Trustees, note the Finance, Audit & Risk Committee (C-FAR) **report of its meeting held on 25<sup>th</sup> August 2023.**

In attendance:

C-FAR members: Elizabeth **SCHAFFER**, Chair, C-FAR  
Lakshan **SENEVIRATNE**, Member, C-FAR  
Bikash **KUNWAR**, Member, C-FAR  
Patrick **MWEBESA**, Member, C-FAR  
Alexandrine **CODJOVI**, Member, C-FAR

C-FAR ex-members:  
(special invitees) Nicolette **LOONEN**, Member, C-FAR  
Judith **MAFFON**, Member, C-FAR  
Maisarah **AHMAD**, Member, C-FAR

Staff: Alvaro **BERMEJO**, Director General  
Varun **ANAND**, Director, Finance & Technology  
Emma **BRAGGS** (note-taker)

Internal auditor: Mark **SULLIVAN**, RSM Risk Assurance Services LLP

Joined for the consent agenda items: Vanessa **STANISLAS**, Head of Safeguarding & Incident Management  
Felicity **MORGAN**, Interim Director, Risk and Assurance  
Lucy **SOAR**, USAID Finance & Contract Advisor

Joined for the consent and Finance update: Srishti **BAID**, Director Financial Planning & Analysis  
Janice **VENN**, Director, Financial Management

**Information item:**

- 1) *The C-FAR adopted the agenda item.*
- 2) *The C-FAR reviewed and approved the minutes of the previous meeting held on 25<sup>th</sup> May 2023.*
- 3) *The C-FAR took note of the following consent agenda items:*
  - a) *Safeguarding and incident management report for quarter 1, 2023.*
  - b) *Updated Strategic Risk Register 2023-24.*
  - c) *Financial wrongdoings report*
  - d) *MA Assurance Plan*
  - e) *Special payment register*
  - f) *Update against the internal audit plan for 2023*
  - g) *Update on VAT audit*
- 4) *The C-FAR took note of the*
  - a) *financial update for the five-month ending 31<sup>st</sup> May 2023*
  - b) *Quarter 3 forecasted numbers till the end of the year 2023*
  - c) *expanded remit of the **stabilisation fund***

**Action Item:**

- 5) The Board of trustees to approve the revised Indicative Planning figures for 2024 on the recommendations of the C-FAR with the following changes:
  - a) Lower unrestricted core grant income by **(US\$ 3,703)** primarily due to reduced income from Sweden, Denmark and Canada adjusted by higher income from Ireland, Germany and Australia.
  - b) Higher likely interest income due to better short term cash management US\$ 900k.
  - c) Draw down on
    - general reserves to the tune of US\$ 1,788k
    - the stabilisation fund to cover projected forex losses against the core funding to the tune of US\$ 903k.
  - d) Reduced budgetary allocation in 2024 to
    - the consortium grant from US\$ 2 Million to US\$ 1 million.
    - Funds and centres from US\$ 1 million to US\$ 800k.
    - Member Association/ Collaborative Partners Grants - Donor Support to APDA/ Japan MA from US\$ 400k to US\$ 300k
    - Counter financing grant from US\$ 600k to zero, till more funding is made available.

## **1. Welcome and Introduction**

All C-FAR members including ex-members, for whom this would be the last meeting, were requested to introduce themselves to each other. The Chair welcomed the new CFAR members and thanked the outgoing members for their immense contribution to ensuring the success of the committee.

## **2. Agenda # 2 - Procedural Items**

### **2.1. Apologies for Absence**

No apologies for absence were received from members.

A note from our external auditors stating that both Dipesh Chhatralia (Director) and Nicola May (Partner), Social Purpose & Non Profit Organisations Crowe UK LLP will be unable to attend the meeting was received and noted.

### **2.2. Draft Agenda and Timetable**

The Chair explained the agenda of this meeting was altered to ensure adequate time was available for all incoming and outgoing members to familiarise themselves and engage with each other, ensuring proper handover and adequate focus on the financial reports and the updated projections. She confirmed that subsequent meetings will ensure more time is given to all these important items in the subsequent meetings.

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

### **2.3 Minutes of the Finance & Audit Committee Meeting**

There were no comments on the minutes of the meeting held on 25<sup>th</sup> May 2023.

***Action:** The C-FAR members approved the minutes of the meeting held on 25<sup>th</sup> May 2023.*

## **3. Consent Agenda Items**

No formal presentations were made for the consent agenda items.

Nicolette expressed gratitude, specifically on the updated risk register and the VAT plan and confirmed her acceptance of all information included in the reports. She flagged and questioned on steps taken where weaknesses had been identified in the MA assurance plan, as the management response against these was left blank in the MA Assurance plan.

Lucy Soar introduced herself and responded to Nicolette's comment and confirmed the column being referred to related to any follow up actions consultation, in relation to weaknesses identified with the management of the MA, before finalisation of the report. However where there was no comment included, it meant that all consultation required had been undertaken and the management of the MA had agreed to issues raised within the report and thus the report had been finalised.

She further stated that there were a few reports still awaiting for management responses and these had not been finalised and closed.

Going forward it was agreed that a note would be included in the column to explain the context and the reason for there being no comments from the management of the MA.

#### 4. a) Finance Update as on 31<sup>st</sup> May 2023 and Quarter 3 Forecast Budget

Varun (joined by Janice & Srishti) presented the **financial update as on 31<sup>st</sup> May 2023**. The summary overview of income and expenditure (all figures in US\$ '000) for the five months ending 31<sup>st</sup> May 2023 presented are provided in the table below.

<u>Top Level Summary I&amp;E</u>												
	<u>Unrestricted</u>			<u>Designated</u>			<u>Restricted</u>			<u>TOTAL IPPF</u>		
	<u>YTD</u>			<u>YTD</u>			<u>YTD</u>			<u>YTD</u>		
	<u>YTD</u>	<u>Revised</u>		<u>YTD</u>	<u>Revised</u>		<u>YTD</u>	<u>Revised</u>		<u>YTD</u>	<u>Revised</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Var.</u>	<u>Actual</u>	<u>Budget</u>	<u>Var.</u>	<u>Actual</u>	<u>Budget</u>	<u>Var.</u>	<u>Actual</u>	<u>Budget</u>	<u>Var.</u>
Income	10,525	8,457	2,068	0	0	-	23,656	25,993	(2,337)	34,181	34,450	(269)
Expenditure	17,836	19,745	1,908	2,502	3,872	1,370	25,014	25,579	565	45,353	49,196	3,843
FX Gain	(1,969)	-	(1,969)	0	-	0	37	-	37	(1,932)	-	(1,932)
Surplus/(Deficit)	<b>(9,280)</b>	<b>(11,288)</b>	<b>2,008</b>	<b>(2,502)</b>	<b>(3,872)</b>	<b>1,370</b>	<b>(1,321)</b>	<b>414</b>	<b>-1,735</b>	<b>(13,104)</b>	<b>(14,747)</b>	<b>1,643</b>

Similar to above, the reserves position (all figures in US\$ '000) as on May 31, 2023 is close to what had been budgeted for. Fund balance as presented to the C-FAR are provided in the table below.

<u>Type of fund</u>	<u>31<sup>st</sup> May 2023</u>	<u>31<sup>st</sup> December 2022</u>
General Reserves	16,736	20,894
Restricted Reserves	36,096	39,182
Designated Reserves	12,000	12,000
Fixed Asset Reserves	22,822	24,143
Endowment fund	1,000	1,000
<b>Total Fund balance</b>	<b>88,654</b>	<b>97,219</b>
Less: Pension Liability	(4,970)	(4,575)
<b>Total</b>	<b>83,684</b>	<b>92,644</b>

Finally, our cash flows too remain reasonably strong right till the end of the year.

**Information:** The C-FAR members noted the financial update for the five-month ending 31<sup>st</sup> May 2023.

#### 4. b) Q3 financial forecast for the balance of the year

The Quarter 3 Forecast Budget too was presented. Key changes made in the quarter 3 forecast were highlighted. These included:

- On the **unrestricted core income side**, the quarter 3 forecast recognised that Sweden would not be able to provide unrestricted core grant at the level originally budgeted. Reducing the total unrestricted core income by US\$ US\$6,968K on account of reduced Swedish funding offset partly by increased Norway income US\$930K and net additional overhead recovery income from restricted projects of US\$134K.
- On the **restricted project**, the quarter 3 forecast recognised a reduced draw down from restricted reserves by US\$ 937k due to net effect of increased income of US\$ 3,776k and increased expenditure of US\$ 2,839k primarily due to addition of a few new projects and adjustments in some of the existing ones.

- c) On the **designated fund** spending, the quarter 3 forecast recognised an increased drawdown of funds from US\$ 14,811k to US\$ 15,080k due to increased draw down approved by the DLT to the tune of US\$268k to fund increased security for the LGBTQI community from the stabilisation fund.

The net impact of the above changes on the unrestricted core side, is presented in the table below, followed by the projected fund balance at the end of the year.

Particulars (figures in US\$ '000, unless stated otherwise)	Budget (Revised)	Q3 Forecast
Core Income	68,275K	62,615K
Secretariat cost (unrestricted core)	20,731K	20,668K
Secretariat budget as a % of unrestricted core income	30.4%	33.01%
(Deficit drawn down from reserves)/ Surplus	6,302K	722K

Source of Funding (figures in US\$ '000)	Opening Balance 1 <sup>st</sup> Jan 23)	Q3 Forecast	Closing Balance (31st Dec 23)
General Reserves	20,894K	722k	21,616k
Designated Funds*	31,868K	(15,080k)	16,788K
Restricted	24,143K	(11,733k)	12,410K

The following were highlight for information and record with the committee:

- a) **Stabilisation Fund** – Varun intimated the committee that in line with the recommendation of the Board of Trustees, the remit of the stabilisation fund was expanded from currently responding to covering any deficit in core income that may occur in the eventuality of any shortfall of unrestricted core grants and covering losses due to ineligible expenditure identified by the auditors as part of the forensic audits being undertaken at the Arab world regional office, to include costs relating to emergency response in connection with attacks/ opposition to the LGBTQI.

In this context the DLT had approved a drawdown of US\$268,000 from the Stabilisation Fund.

**Information:** The C-FAR noted the expanded remit of the stabilisation fund.

- b) **Funding from Germany** – Varun highlighted the uncertainty about the additional funding from Germany (€3 million euros) towards the Ukraine response budgeted in the current unrestricted core funding and the likely negative impact of not receiving these funds on the fund position at the end of 31<sup>st</sup> December 2023. He informed that the fundraising team was following up with the Government of Germany but the likelihood of receiving these funds, was not clear which has led to a higher risk being carried by IPPF on account of its own financial stability.

**Information:** The CFAR noted the update on core income from Government of Germany and the associated risk thereof.

#### 4. c) Indicative Planning Figure (IPF)

Varun whilst presenting the revised indicative planning figure, highlighted the following:

- a) Lower than expected income from Government of Germany in 2023, may lead to the possibility that reserves balance at the end of the year 31<sup>st</sup> December 2023 end up lower than projected in Q3 forecast.

- b) Possibility of lower funding from Sweden than what has been included in the income projections in 2024 (as contract for 2023 and beyond not yet finalised).
- c) At the time of projecting in 2022, for the years 2023, 2024 and 2025, the C-FAR approved draw down of reserves to cover higher cost in the context of investing in the new strategy framework.
- d) Likely forex loss in converting core funds received in non-US\$, non GBP and non-Euro identified at US\$903k approved by DLT to be drawn from the stabilisation fund.
- e) Finally this being the second year under the newly set up three-year budget allocation to the Member Associations and Secretariat, it would be best, as far as possible, to maintain budgetary allocations at the same level as was projected in 2022.

In the above context, it was agreed to

- as far as possible (with minimal changes) to ensure the revised IPF numbers maintain core budgetary allocation to MAs under stream 1 & 2 at similar levels as projected in 2022,
- to draw down from funds and reserves, as presented above and
- to minimise the risk and reduce the need to drawdown on reserves, it was also agreed to reduce certain budgetary allocations in 2024.

**Action:** The C-FAR took note and agreed to recommend the revised Indicative Planning figures for 2024 to the Board of trustees for approval.

**Information:** The C-FAR took note of the following expanded remit of the stabilisation fund.

#### **4. d) Investment Policy Changes**

As a follow up of a request from the compliance team at Morgan Stanley (our investment managers in the US) the C-FAR was requested to advise the management on which of the two following options suggested by them, should be taken forward:

- a) Adjust the policy to align it with what can be overseen or
- b) Morgan Stanley (MS) to engage with the committee (once a year) on specific areas of risks that the investments maintained by MS carry and how are these mitigated.

In both the cases, the MS team expects the management to send in a specific declaration removing the compliance responsibility with respect to specific clauses on MS.

**Action:** The C-FAR agreed to set up a committee that will engage with MS to identify a way forward. This committee comprised of Nicolette Loonen, Bikash Kunwar and Varun Anand.

#### **5. Any Other Business**

There was no other business. Liz once again welcomed the new members and thanked all the outgoing members for their work and contribution to the CFAR.