

SUBJECT: AUDIT AND FINANCE COMMITTEE CHAIR REPORT

Category: For Information

Section A: Introduction

- This report provides the Board with an overview of the activities of the Audit and Finance Committee (AFC) since the Board last met in December 2016.
- The AFC met twice (9 February and 27 April) and will also be meeting on 12 June 2017. Subjects reviewed in February and April are noted below under Section B and those matters to be reviewed on 12 June are noted under Section C.
- The AFC Chair report is attached in the form of a presentation as Annex A and the AFC recommendations to the Board are attached as Annex B.

Section B: Subject matters reviewed

1) Audit and financial reporting

- Discussed with KPMG their 2016 Financial Statements audit strategy and planning;
- On track for on-time completion of financial statements; with no significant issues identified to date;
- Received from Secretariat its annual review of Gavi's accounting policy documentation including proposed updates, none of which are significant. The report also included an overview of upcoming US GAAP changes and potential impacts on Gavi's financial reporting;
- Received an update on the 2016 audit status;
- Provided the Secretariat with suggested enhancements to Annual Financial Report, to be incorporated into the 2016 report;
- Received confirmation that the Gavi Campaign was dissolved in December 2016.

2) Financial Update

- Reviewed a financial update covering 2016 actuals and an outlook for 2017. In addition, the Secretariat confirmed that to the best of its knowledge the 2016-2020 forecast completed in December 2016 is still valid;

- Concluded that all programme funding decisions (i.e. 2018 vaccine and CCEOP procurement fees) can be approved by the Board as the qualifying resources are available;
- Discussed further simplification of financial reporting. The Secretariat was requested to explore the feasibility of dispensing with the Programme Funding Envelope mechanism.

3) Technology Review

- Received an overview of Gavi's technology landscape focussing on the areas of cybersecurity, controls and related risks;
- Received an update on the status of Gavi's financial systems technology which is coming to the end of its life. KMIT and Finance are working on a replacement plan that also calls for the closer integration of Gavi's financial systems with its grant making systems.

4) Financial Risk Management

- Received an update on and reviewed Gavi's foreign currency exposure and related hedging activities. The AFC supported the work being undertaken by the Secretariat to review hedging policies and procedures in light of continued volatility in exchange rates.

5) Audit & Investigations

- Reviewed planned completion of remaining audits, including programme audits, from the 2016 plan and the planned 2017 audits. No significant issues were identified in relation to completing the planned audits;
- Discussed the findings from ongoing internal programme audits and analysed the emerging trends, with particular focus on the initiatives of Country Programmes to respond to the trends as cases of misuse continue to emerge;
- Approved one proposed change to the 2017 Programme audit plan;
- Discussed counter-fraud activity and other investigatory work;
- Received a status update on a number of initiatives undertaken to develop the capability of the A&I function in its mission to provide assurance to its stakeholders.

6) Risk Management

- Received an update on major changes in Gavi's risk profile since December 2016 and progress being made on strengthening risk management across the Alliance;
- Presented with the proposed update of Gavi's risk appetite statement and concluded that it could be recommended to the Board for approval subject to modifications arising from discussion, particularly to simplify and focus the statement as well as several changes to specific risk appetite levels.

7) Other Matters

- Received an update on the Health Campus, including financial implications;
- Received a presentation of the policy framework for managing conflict of interest at Gavi. The AFC recommended to the Secretariat that it work with the Governance Committee on timing of next review of the policies.

Section C: Subjects to be reviewed on 12 June 2017

8) Financial Statements

- Early unaudited draft of 2016 Annual Financial Report (AFR);
- Historical and forecast abridged financial statements.

9) Programme Funding Policy Revision

- Following discussion at the April AFC meeting, the Secretariat proposed an amendment to the Programme Funding Policy that would dispense with the Programme Funding Envelope.
- The Secretariat will recommend that a combination of the frequent review of the forecast with frequent updates on actual expenditures means that the envelopes are no longer necessary and complicate the understanding financial decisions.
- If the AFC (on 12 June 2017) concurs with this recommendation, it will recommend that the Board approves the policy amendment in June 2017, under the Consent Agenda.

10) Programme Audits

- Guidance sought on
 - i) AFC's preferred mode of engagement in overseeing, reviewing and monitoring the Programme Audit activity.
 - ii) The appropriate management of low risk issues emerging from internal audits.

11) Other information updates

- Technology update;
- Insurance and legal update;
- Audit & Investigations report;
- Country programmes and Programme Audit: thematic analysis follow through.

Annexes

Annex A: Audit and Finance Committee Chair report

Annex B: Audit and Finance recommendations to the Gavi Alliance Board

ANNEX A

AUDIT AND FINANCE COMMITTEE CHAIR REPORT

BOARD MEETING

David Sidwell

14-15 June 2017, Geneva, Switzerland



FINANCIAL UPDATE

Topics reviewed

- **Long term forecast** (version 14Fa)

- **2016 actuals and outlook for 2017**

Current status

- December 2016 forecast for 2016-2020 still valid – Annual update for December board meeting

- All decisions can be approved by the Board in accordance with the Programme Funding Policy

- Resources
 - 2016 FY actuals - 103% of Dec 2015 projection (100% of updated projection)
 - 2017 FY updated projection - 93% of Dec 2016 projection; 13% realised in Q1

- Expenditure
 - 2016 FY actuals - 78% of Dec 2015 projection (90% of updated projection)
 - 2017 FY updated projection - 95% of Dec 2016 projection; 20% realised in Q1

- Envelopes: Allotments were within Board mandated amounts

AUDIT & INVESTIGATIONS (A&I)

Topics reviewed

- **Internal Audit – 2016 status and 2017 plans**
- **Programme Audit - 2015 and 2016 status and 2017 plans**
- **Investigations and counter-fraud, whistleblower reporting**
- **Development of A&I function**

Current status

- 2016: All audits complete, outstanding reports being finalised. Certain high risk issues identified, remediation plans agreed with Secretariat
- 2017: Audits in progress
- Long process to report programme audits, several now being finalised
- Cases of misuse emerging – A&I update to follow
- Seeking holistic, strategic solutions – work in progress between IA and Country Programmes
- Investigatory activity reported as necessary
- Counter-fraud review, management action plan in development
- Updates on whistleblower activity – remains at low level, followed-up
- Various initiatives undertaken to strengthen the function

RISK MANAGEMENT

Topics reviewed	Current status
<ul style="list-style-type: none">• Updated Risk Appetite Statement • Major changes in Gavi's risk profile • Progress in strengthening risk management	<ul style="list-style-type: none">• AFC recommending to the Board the Updated Risk Appetite statement• Feedback taken into account in final version:<ul style="list-style-type: none">• Need to keep it high-level• Some risk appetite levels higher to be realistic and achievable• Some risk appetite levels lower to show ambition in addressing obstacles• Questions on trade-off between fiduciary and sustainability risk• Higher – Vaccine confidence, Donor support, Secretariat disruption, Leadership succession• Moderately higher - Supply shortages • Each risk being allocated to a risk “owner” in the Secretariat• Top risks have been / are due to be discussed by Board (Committees)• Continued scaling-up and institutionalisation of risk and assurance practices across the Alliance

OTHER TOPICS

Topics reviewed	Current status
<ul style="list-style-type: none">• Technology Review • Financial Risk Management – foreign currency exposure and hedging update • Health Campus • Managing Conflict of interest at the Alliance	<ul style="list-style-type: none">• Secretariat focused on replacing obsolete financial systems and integrating with grant management systems • Review under way of current policies and procedures • Financial savings anticipated, yet to be quantified • AFC recommends a review existing policies

ANNEX A

Thank you



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Annex B

AUDIT AND FINANCE COMMITTEE RECOMMENDATIONS

- **Recommendation 1 – Financial Update**

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

- a) **Approve**, within the overall Partnership Engagement Framework, a budget of:
 - I. US\$ 19.0 million for UNICEF Supply Division fees for the procurement of vaccines and related devices in 2018; and
 - II. US\$ 2.4 million for UNICEF Supply Division fees for the procurement of cold chain equipment in 2018.

- **Recommendation 2 – Risk Management**

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

Approve the updated Risk Appetite Statement, attached as Annex A to Doc 11.

- **Recommendation 3 – Programme Funding Policy Revision – TBC 12 June**

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

Approve the amended Gavi Alliance Programme Funding Policy attached as Annex A to Doc 02g.

DECISION TAKEN BY THE AFC IN THE PERIOD UNDER REVIEW

- **Decision 1 – Audit & Investigations Report**

The Gavi Alliance Audit and Finance Committee approved one proposed change to the 2017 Programme Audit plan, the deferral of the audit of programmes in Mozambique until 2018.