



## **GAVI Alliance Audit and Finance Committee Meeting**

30 July 2013  
Teleconference

### **FINAL MINUTES**

Finding a quorum of members present, the meeting commenced at 08.10 Washington time on 30 July 2013. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting. Standing declarations of interest were tabled to the Committee (Doc 3a in the Committee pack).

#### **1. Executive session with the external auditor**

- 1.1 The Committee held an executive session with Pierre-Henri Pingeon, Partner, and Karina Vartanova, Senior Manager, from KPMG, GAVI's external auditor to discuss the conduct of the 2012 audit (Doc 1).
- 1.2 At 08.30, the Committee convened in open session.

#### *Discussions out of executive session*

- The following outcomes were reported during general session:
- Pierre-Henri Pingeon had reviewed the key risk areas that KPMG focused on during its audit, including two risks related to cash-based programmes and the effect of the IFFIm downgrade.
- In relation to the cash-based programmes, Mr Pingeon confirmed that KPMG had worked with Simon Lamb, Managing Director of Internal Audit, and Bernardin Assiene, TAP Director, to review GAVI's risk management policies and procedures around these programmes. The Chair suggested that more proactive discussions and controls with GAVI-eligible countries should be established to further mitigate risk. The Committee also requested the Secretariat finance team and KPMG continue to work together to further improve the controls, and explore additional policies and procedures for riskier implementing countries. The Committee also mentioned the possibility of getting support from partner agencies working in the GAVI countries to reduce risk. Simon Lamb indicated new ways these processes are being scrutinised.
- In relation to the effect of the IFFIm credit downgrade, Barry Greene, Managing Director of Finance and Operations, and Louis Mkanganwi, Director of Financial Reporting, confirmed GAVI had worked closely with the World Bank to address the risks related to this matter, including the risks associated

with the World Bank's ability to call collateral on IFFIm's derivative liability position and triggered by IFFIm's downgrade.

- Derek Strocher, Committee member representing the World Bank, commented that the IFFIm downgrade and collateral matter would not result in permanent financial losses to IFFIm other than as a result of slightly higher coupon costs. It would impact the timing of when IFFIm would make certain payments to GAVI and other stakeholders. Potential donor default would be the risk related to permanent losses for GAVI (however bond holders are further protected by the gearing ratio limit) and hence the more relevant one for the Committee to follow over time. Louis Mkanganwi agreed that the collateral matter is fundamentally a cash flow timing matter and further noted that the Committee may consider reviewing the status of the collateral matter from time to time to help ensure that this cash flow timing matter does not translate into significant liquidity issues for IFFIm or GAVI.
- KPMG reported that no recurring issues were identified during the audit. The Committee acknowledged the hard work of the Secretariat and KPMG's strong working relationship with it.

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## **2. 2012 annual financial report**

- 2.1 Louis Mkanganwi reviewed the 2012 Annual Financial Report (Doc 2). The report consolidates the financial positions of the GAVI Alliance, IFFIm Company, GAVI Fund Affiliate, and GAVI Campaign.
- 2.2 Louis Mkanganwi noted that, with respect to 2012 financial statements, matters involving IFFIm's downgrade and collateral had been resolved to the satisfaction of all interested parties, which Derek Strocher on behalf of the World Bank confirmed.
- 2.3 Louis Mkanganwi noted that the GAVI Fund Affiliate (GFA) dissolution was nearing completion. Because of this, GFA's financial statements for 2012 will not be prepared on a going-concern basis. As such, certain disclosures addressing this point would be required in GFA's financial statements and an "emphasis of matter" paragraph would be included in KPMG's audit report on the GFA's standalone financial statements. Mr Mkanganwi noted that the final language for these disclosures had changed slightly from the draft included in the board papers and stated that he would circulate revised language to the Committee members.
- 2.4 Finally, Louis Mkanganwi mentioned the overhead ratio increase from 2.9% to 4.06%, due to increased business plan expenditures and postponement of programme implementations in GAVI countries. He noted that even though the percentage had increased, it was still a very good percentage for a non-profit organisation and that GAVI managed to maintain the percentage below 5% since 2010.

### *Discussion*

- The Committee recognised the Secretariat's transparency in handling the IFFIm collateral matter and the dissolution of GFA, noting that the status on these matters had been disclosed to the Committee at previous meetings.
- The Committee requested that the Secretariat either include GAVI's published strategic goal indicators in the section of the Annual Financial Report in which GAVI's goals are discussed or, alternatively, cross reference that section to the place in which that information is published. The Committee also requested that, for New Vaccines Support and Health System Strengthening performance indicators in the Annual Financial Report, a discussion be included on how GAVI is performing relative to its original goal. Louis Mkanganwi confirmed that these updates will be made to the report and circulated to the Committee for its review.
- The Committee requested clarification on why 2012 programme expenses decreased compared to 2011 when the number of programmes implemented increased. Louis Mkanganwi reported that implementation of certain programmes had been postponed due to supply constraints and country readiness. Under its accounting policies, GAVI generally records programme expenses for the current financial year and the subsequent year. Several programmes were postponed to after this period and, therefore, no programme expenses were recorded in 2012 in those cases.
- The Committee asked for further details on the GAVI Campaign's programme expenses. Louis Mkanganwi noted that the Campaign's programme expenses were approximately US\$ 6 million and all grants during 2012 were made to the GAVI Alliance. The Committee noted that this was a decrease from \$17 million in 2011. Seth Berkley, CEO, explained that the decrease was planned and due to the reduced operations in the Campaign. The Chair inquired as to whether appropriate steps were being taken to ensure that the GAVI Campaign was treated properly for accounting, legal, and governance purposes, considering its relationship to the Alliance. The Secretariat noted that the Campaign, in consultation with its external legal counsel, had put in place solicitation and grant-making procedures to manage this risk. He also confirmed that all intercompany transactions between the two companies had been appropriately eliminated when preparing the consolidated financial statements.

### **Decision One**

#### **The GAVI Alliance Audit and Finance Committee:**

- **Recommended** to the Board that it approve the 2012 GAVI Alliance Annual Financial Report.

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### **3. Chair's report**

- 3.1 The Committee noted the minutes of its meeting on 22 April 2013 (Doc 3b), which were approved by no-objection on 14 June 2013, and its action sheet (Doc 3c).
- 3.2 The Committee reviewed its forward workplan (Doc 3d). It was noted that for the next Committee meeting in October, the benchmarking of procurement process will be available to discuss. It was also noted that the TAP Policy will be shared with the Committee for its review later this year.

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### **4. Report of the internal auditor**

- 4.1 Simon Lamb delivered an update to the Committee on internal audit activities in several GAVI-eligible countries since the Committee's meeting in April 2013. He reported that Cameroon, complying with its commitment to repay GAVI after an investigation confirmed a misuse of funds, provided GAVI with a first payment and he added that a second payment is expected later this year to complete the reimbursement. He acknowledged the Secretariat TAP team's work in this successful action. Also, Mr Lamb discussed other various matters relating to TAP work with the Committee.

#### *Discussion*

- The Committee noted that the rate of repayment is currently low and queried Simon Lamb's expectation of repayment. Mr Lamb explained that US\$ 4.5 million of misused funds still need to be repaid and most countries have committed to do so by the end of the year. One country does not have a payment schedule yet: Zambia has \$200,000 remaining to be repaid. He noted that the conflict in Mali had potentially impacted Niger's ability to reimburse GAVI and that \$2.1 million scheduled for reimbursement later in the year may be compromised. Mr Lamb indicated that he would follow through to validate the status of all expected payments and would seek additional support if necessary to facilitate the reimbursements.
- The Committee asked if donor governments could assist in accelerating repayments. Simon Lamb agreed such collaboration could be explored and that GAVI will be looking into ways to improve the reimbursement process. Seth Berkley added that the TAP team has increasingly intensified its work in this area though additional work is still needed. He also noted that developing countries are normally very cooperative after a misuse.
- The Committee also asked if partnering with country agencies could be an alternative approach for TAP audits. Simon Lamb confirmed this would be examined.

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Debbie Adams, Managing Director, Law and Governance and Secretary, reviewed and agreed the decision language with the Committee. After determining there was no further business, the meeting was brought to a close.

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Ms Debbie Adams  
Secretary to the Board

## **Attachment A**

### **Participants**

#### **Committee Members**

- Wayne Berson, Chair
- Dirk Gehl
- Micheline Gilbert
- Tom Hunstad
- Yifei Li
- Ludovica Soderini
- Derek Strocher

#### **Other Board members present**

- Seth Berkley (non-voting)

#### **Regrets**

- Dwight Bush

#### **Secretariat**

- Debbie Adams
- Tony Dutson
- Helen Evans
- Barry Greene
- Alexandra Laheurte Sloyka
- Louis Mkanganwi

#### **Internal Audit**

- Simon Lamb

#### **Guests**

- Kelly Jarrett, Bill & Melinda Gates Foundation
- Pierre-Henri Pingeon, KPMG
- Karina Vartanova, KPMG