

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

21 July 2015

Teleconference

Finding a quorum of members present, the meeting commenced at 16.00 Geneva time on 21 July 2015. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting.

### **1. Executive session with KPMG**

- 1.1 The Committee held an executive session with Pierre-Henri Pingeon and Karina Vartanova from KPMG, Gavi's independent auditor, to discuss the conduct of the 2014 audit (Doc 01).
- 1.2 The Committee convened in open session at 16.20.

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### **2. Chair's report**

- 2.1 Standing declarations of interest were tabled to the Committee (Doc 2a in the Committee pack); there were no additional conflicts declared.
- 2.2 The Committee reviewed the minutes of its meeting on 22 May 2015 (Doc 2b). It agreed to add language noting that the Secretariat would address the financial implications of vaccine presentation switching through future updates in the financial forecast.
- 2.3 The Committee also reviewed its action sheet (Doc 2c) and forward workplan (Doc 2d).

### **Decision One**

The Gavi Alliance Audit and Finance Committee:

- **Approved** the minutes of its meeting on 22 May 2015 contingent upon inclusion of the amendment agreed at this meeting.

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### **3. 2014 annual financial report**

- 3.1 Louis Mkanganwi, Director of Financial Reporting, presented the draft 2014 Annual Financial Report (Doc 03).

- 3.2 As in years past, the financials for the Gavi Campaign and the IFFIm Company were consolidated into the Report after approval by those organisations' respective boards. In addition, in 2014 a Cayman Islands company, the IFFIm Sukuk Company, was consolidated into IFFIm's financials. That company had been created as part of the financial structure underlying IFFIm's November 2014 inaugural sukuk transaction. Mr Mkanganwi noted that the IFFIm Sukuk Company's financials were produced by Maples and Calder and that the Secretariat was satisfied with the quality and timeliness of Maples' ongoing reporting.
- 3.3 Mr Mkanganwi reminded the Committee of the size and risk profile of IFFIm's derivatives exposure to the World Bank and the steps taken to mitigate that risk.
- 3.4 Seth Berkley, CEO, requested KPMG and the Committee to confirm whether they were satisfied with the Secretariat's management letter responses. KPMG and the Committee confirmed that it was satisfied.

#### *Discussion*

- The Committee noted and reviewed the disclosure concerning the derivatives exposure contained within the notes of the financials.
- The Committee asked whether credit and debit valuation adjustments were included in the valuation of all derivatives. The Secretariat confirmed that they were included for all derivatives unless deemed immaterial.
- The Committee discussed how and to what extent the risks around IFFIm's derivatives exposure were disclosed in the Report. The Secretariat highlighted to applicable disclosures and, after discussion, the Committee felt that the disclosure was sufficiently transparent.
- The Committee discussed disclosures around a particular case of country misuse of Gavi funding and agreed it was sufficiently transparent.
- It was agreed to align the language used to describe Gavi's 2016-2020 strategy and the replenishment yield (US\$ 7.539 billion) with the language used in Gavi's public pronouncements on these matters.
- The Committee enquired as to whether any additional disclosure was required in the consolidated financial statements to address the fact that debt is carried at fair value rather than amortised cost. The Secretariat agreed to research this matter, communicate its findings to the Committee Chair, and update the disclosures in the financial statements if necessary.
- It was also agreed to include language describing the debit valuation adjustment on derivatives in the consolidated financial statements.

## **Decision Two**

The Gavi Alliance Audit and Finance Committee:

- **Recommended** to the Board that it approve the 2014 Gavi Alliance Annual Financial Report contingent upon the inclusion of the amendments agreed at this meeting.

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### **4. Audit and investigations update**

- 4.1 Simon Lamb, Managing Director of Audit and Investigations, delivered a short update on his activities. He anticipated that in future such updates would be undertaken through a reporting dashboard, allowing the Committee to focus on any points of exception.
- 4.2 Mr Lamb reported that he had developed a remediation plan for the findings of the external quality assessment (EQA) performed by the Institute of Internal Auditors (IIA). He confirmed he would distribute the plan to the Committee shortly to allow it to monitor progress. He anticipated that many of the actions could be implemented by the end of 2015.
- 4.3 Mr Lamb reported that most vacancies on the Audit and Investigations team had been filled and that only one vacancy would be remaining by the end of September; he stated that he was taking steps to fill the last position. Notably, the new Head of Internal Audit had just started and was tasked with executing the risk assessment and preparing the 2016 internal audit plan that would be presented to the Committee in Q4 2015.
- 4.4 Regarding programme audit, Mr Lamb noted that nine audits are planned for 2015; three are in progress and outsourcing contracts for two more should be finalised later in the week. Regarding the 2015 internal audit plan, the new function head is scheduling its execution. Though work is just commencing, the plan has been crafted recognising that staff would only be available in the second half of the year.
- 4.5 He reported on reimbursements, noting that a significant new payment had brought the overall reimbursement rate to 92%. Should the largest remaining repayment be made, the rate will rise to 98%.
- 4.6 Finally, he reported that with the new Head of Risk having recently joined the Secretariat, a number of outstanding issues that he had raised in the course of the Enterprise Risk Management audit previously completed were being addressed under that person's management.

### *Discussion*

- Committee members welcomed the report and reiterated their willingness to be consulted on any of these issues between meetings should it be helpful.

**5. Review of decisions and any other business**

- 5.1 Kevin A. Klock, Head of Governance and Assistant Secretary, reviewed and agreed the language of the decisions with the Committee.
- 5.2 Then there being no further business, the meeting was brought to a close.

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Mr Kevin A. Klock  
Assistant Secretary

## Attachment A

### Participants

#### Committee members

- Wayne Berson, Chair
- Marcus Koll
- Tom Hunstad
- Yifei Li
- David Sidwell
- Shanelle Hall
- Katherine Taylor

#### Other board members present

- Seth Berkley (non-voting)

#### Regrets

- Jo-Ann Purcell
- François Lefebvre

#### Secretariat

- Tony Dutson
- Barry Greene
- Kevin A. Klock
- Louis Mkanganwi

#### Audit and Investigations

- Simon Lamb

#### Guests

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