

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

26 February 2016

Teleconference

### **1. Declarations of interest**

- 1.1 Finding a quorum of Audit and Finance Committee members present, the meeting commenced at 16.06 Geneva time on 26 February 2016. David Sidwell, Audit and Finance Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack).
- 1.3 The Committee noted the minutes of its joint meeting with the Programme and Policy Committee on 6 November 2015 (Doc 01b), as well as the minutes of its meetings on 6 November 2015 (Doc 01c) and 1 December 2015 (Doc 01d), both of which had been approved by no-objection on 13 February 2016.
- 1.4 The Committee also reviewed its forward workplan (Doc 01e).

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### **2. 2015 audit strategy**

- 2.1 Pierre-Henri Pigeon and Karina Vartanova from KPMG, Gavi's independent auditors, outlined KPMG's plan for the audit of the 2015 consolidated financial statements, including reporting to management on any issues which might arise. They provided information on their audit strategy, highlighting that they had assessed the key audit risks on which they will continue to focus. They reviewed the materiality thresholds and provided information on the communication plan and reporting timeline.
- 2.2 They drew the Committee's attention to US GAAP standards which will become applicable when auditing Gavi's consolidated financial statements going forward, but which will not need to be taken into consideration for the 2015 audit.

#### *Discussion*

- Committee members noted that matters which might be identified through the audit process will be discussed with management and there will be a joint decision on whether or not appropriate changes will need to be made to the financial statements before they are issued.

- The Committee also noted that while new US GAAP standards do not yet need to be considered there may be a decision to adopt some of them early, in particular if it is considered that they are beneficial to Gavi. Should this be the case, the AFC and KPMG will of course be kept fully informed.

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### **3. Revision of the AFC Charter**

- 3.1 Tony Dutson, Senior Director and Senior Accounting Officer, provided information on the review of the current AFC Charter. As the AFC had noted at its meeting in December 2015, the initial review by KPMG had concluded that the Charter required a number of revisions to reflect its current work that had evolved considerably since the AFC Charter was first established and it had therefore been agreed that it would be appropriate to update the Charter accordingly. Proposed revisions would be brought back to the AFC for review, before submission to the Governance Committee which will be requested to make a recommendation to the Board to approve the new Charter.
- 3.2 Mr Dutson informed AFC members that the Secretariat had subsequently engaged Anne Molyneaux, a governance specialist with significant experience in audit and accounting, to help draft a revised Charter which will be presented to the AFC at its meeting on 4 May 2016 for consideration.
- 3.3 Philip Armstrong, Director, Governance, added that a broader review of the Gavi Statutes, By-Laws and Committee Charters will be carried out as part of the Board and Committee self-evaluation process which is underway, but that the focus is now on bringing the AFC Charter within current practices and to recognise that the work of the AFC has significantly advanced since the Charter was originally drafted.

#### *Discussion*

- The Chair informed Committee members that he had had the opportunity to speak with Ms Molyneaux and that he had expressed to her that Gavi's goal is to have a world class AFC and that its Charter should appropriately reflect this.
- He indicated that not only was it a question of updating the AFC Charter to more accurately reflect its significantly evolved work programme but it would be a good opportunity to review this against international best practices.
- This will also require the AFC to potentially add to its workplan, in particular in the area of risk, to ensure regular reporting to the AFC to fulfil its risk management function in the absence of a specific Board risk committee (noting that the Secretariat had established an internal management process for the regular review of risk as a key management tool).

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#### **4. Programme Funding request**

- 4.1 Tony Dutson, Senior Director and Senior Accounting Officer, requested that the Committee review the financial implications of the Programme Funding Request arising from the recommendations of the New Proposals Independent Review Committee (IRC) which had met in November 2015 (Doc 04).
- 4.2 He highlighted that the funding recommended for eight new vaccine support programmes, amounting to US\$ 40.7 million, was provided for in the financial forecast presented to the Board in December 2015.

#### *Discussion*

- In reply to a question from a Committee member, the Secretariat clarified that the funding request is for the purchase of vaccines and not to address issues highlighted in Table 2 of Doc 04.
- AFC members noted that the IRC, when considering applications from countries, systematically looks at the capabilities to introduce the vaccines and make recommendations for implementation. Work is then done with the country to mitigate some of the potential risks identified to ensure successful roll-out of the new vaccines.

#### **Decision One**

The Gavi Audit and Finance Committee:

- **Noted** that it reviewed the financial implications of the Programme Funding Request and **concluded** that it could be approved by the Board or Executive Committee in accordance with the Programme Funding Policy.

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#### **5. Update of the internal auditor**

- 5.1 Simon Lamb, Managing Director of Audit and Investigations, provided a report on the operation of Audit and Investigations, including the status on the operation of the Internal Audit, Programme Audit, Investigations and Counter-Fraud, and Whistleblower Reporting functions. He presented information on the processes for the finalisation of Internal and Programme Audit reports and on the status of the remediation of recommendations arising from the conduct of the External Quality Assessment (EQA) (Doc 05).

#### *Discussion*

- AFC members commended the quality both of the paper and the report.
- Committee members noted in relation to the tracking of open internal audit issues (Annexes B and C to Doc 05) that the Secretariat will be looking at ways to better

track and present these going forward. It was suggested that it would be useful for the AFC to have information in particular on the outstanding issues rated “high” and information in relation to when it is expected that they will be resolved.

- The Committee also noted that by end-2016 a majority of the internal audits of high and high-medium rated processes should be complete, but that it will require some time still to audit the medium-low and low rated processes.
- The Committee was reminded that it is not planned that they will receive detailed information on all Internal Audit reports but that information on any high risk issues will be brought to their attention in a timely manner. In this context, AFC members noted that once internal audit reports have been finalised they will be posted on the Gavi web site with due consideration to any issues that may be publicly sensitive and therefore this would require some measure of judgement where this may not be appropriate.
- AFC members were provided with an update on the status of programme audits in three countries where certain high risk concerns have been identified. In reply to a question from an AFC member, the Secretariat clarified that if potential cases of fraud were to be identified through the audit process the relevant authorities in the particular country would be alerted, as considered appropriate. AFC members noted that, as with the internal audits, information on high risk issues will be brought to the attention of the AFC Chair and a decision will be taken as to whether the committee should be notified immediately or the matter can wait until the next meeting of the AFC. These reports will also be posted on the Gavi web site with due consideration to any sensitivities.
- In addition, any common trends that start emerging from the programme audits will be shared with the AFC for its consideration.
- AFC members noted that a fraud risk assessment for Gavi is being carried out and that it is planned that the report will be finalised by June 2016. It will be shared with the AFC.
- AFC members noted that it is foreseen that resolution of the six remaining actions from the Internal Audit external quality assessment (EQA) is expected by the October 2016 AFC meeting.
- AFC members were briefed on two issues had recently been raised through the whistleblower system and the accompanying investigation process that ensued. AFC members will receive regular updates on the use of this system, and will of course be informed of any issues of significant concern that might be reported on.

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## **6. Review of decisions**

- 6.1 Philip Armstrong, Director of Governance and Secretary, reviewed and agreed the language of the decisions with the Committee.

After determining there was no further business, the meeting was brought to a close.

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Mr Philip Armstrong  
Secretary

## Attachment A

### Participants

#### Committee Members

- David Sidwell, Chair
- Shanelle Hall
- Marcus Koll
- François Lefebvre
- Clarisse Loe Loumou
- Heidi Malene Nipe
- Katherine Taylor

#### Regrets

- Jo-Ann Purcell

#### Other Board members present

- Seth Berkley

#### Secretariat

- Philip Armstrong
- Paul Catchick
- Tony Dutson
- Joanne Goetz
- Barry Greene
- Edmund Grove
- Alexandra Laheurte Sloyka
- Simon Lamb
- Chrysantus Macheso Nyongesa
- Louis Mkanganwi
- Jacob van der Blij

#### Guests

- Pierre-Henri Pingeon, KPMG
- Karina Vartanova, KPMG

#### Observers

- Kelly Jarrett, Bill & Melinda Gates Foundation
- Hannah Langfield, DFID
- Susan McKinney, USAID