

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

26 July 2018

Teleconference

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

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 16.00 Geneva time on 26 July 2018. David Sidwell, AFC Chair, chaired the meeting.
- 1.2 The Committee held an executive session with Pierre-Henri Pingeon and Evgenia Lopushanskaya from KPMG, Gavi's independent auditor, to discuss conduct of the 2017 audit (Doc 01 in the Committee pack). See separate confidential notes.
- 1.3 The Committee convened in open session at 16.35.

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

- 2.1 Standing declarations of interest were tabled to the Committee (Doc 02a).
- 2.2 The Committee noted the approval of the minutes of its meeting on 4 June 2018 by no objection consent on 23 July 2018 (Doc 02b). The Committee also reviewed its action sheet (Doc 02c) and its forward workplan for 2018 (Doc 02d).
- 2.3 It was confirmed that a session will take place at the AFC meeting in October in person regarding the Gavi grant management system.

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### **3. 2017 Annual financial Report**

- 3.1 Louis Mkanganwi, Director, Financial Accounting and Reporting, presented the Gavi Alliance Annual Financial Report (AFR) for the year ended 31 December 2017 (Doc 03, Annex B).
- 3.2 Mr Mkanganwi confirmed that all internal reviews of the AFR were complete and that previously proposed amendments from the Committee had been incorporated. He also explained that the report would be updated to reflect that the lease for the Global Health Campus had now been signed, with a recorded start date of February 2018.

- 3.3 Mr Mkanganwi raised that KPMG had included an uncorrected misstatement in their audit presentation to record a doubtful debt provision related to US\$ 5 million for yellow fever vaccines in Brazil (a non-Gavi supported country). Refer also to discussion in the executive session. He noted that the Secretariat was of the opinion that the amount is recoverable and accordingly disagreed with the audit finding and have not made a provision for this amount. It was also explained that finalising of audit procedures on journal testing would take place in the coming days with KPMG but that these relate to very small amounts.
- 3.4 Mr Mkanganwi concluded by confirming that the IFFIm Board and IFFIm Audit Committee had reviewed the IFFIm-related information in the AFR and had no comments.

### *Discussion*

- When asked about documentation for reimbursement from non-Gavi countries in response to the discussion regarding the yellow fever receivable from Brazil in 3.3 above, the Secretariat explained that a standard set of legal documents were being developed which, in the event of an outbreak, the country and relevant partners would need to sign prior to the provision of Gavi support. They also assured the Committee that Country Programmes colleagues would follow up thoroughly in-country. The Committee reiterated the need to learn from this experience and put in place appropriate legal safeguards.
- In response to questions from the Committee on the increase in operating expense and overhead ratios, the Secretariat noted that in absolute terms the overhead is under budget. It was explained that the modest increase in the ratios is due to a small decrease in programme expenditure. The Secretariat noted that going forward they anticipate the overhead to stay at around 3% but this is dependent on programme costs.
- Responding to a question from a member on the doubtful debt policy, the Secretariat noted that all evidence on contribution receivables which may indicate whether an amount is doubtful, such as history of payment or correspondence with the party, is assessed at year end. It was stated that over the past 10 years there have been very few instances of doubtful debt.
- In response to a query from the Chair, the Secretariat confirmed that in the unlikely event of any changes to the IFFIm figures following the auditor clearance in May that these would be reflected in the consolidated figures and noted that no adjustment would be made for the Brazil receivable discussed under 3.3 above.

### **Decision One**

The Gavi Alliance Audit and Finance Committee is requested to recommend to the Gavi Alliance Board that it:

- **Approve** the 2017 Gavi Alliance Annual Financial Report (AFR), contingent upon the inclusion of any amendments agreed during this meeting.

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#### **4. Finance update**

##### **4a Finance systems and processes transformation**

- 4a.1 Mr Dutson, Senior Director, Finance & Chief Accounting Officer, provided an update to the Committee on the Enterprise Resource Planning (ERP) project. He reminded the Committee of the reasons for updating the system, the vision for the new system and noted the actions to date. He informed the Committee of the selected implementation partner and noted that the contract is due to be signed in August 2018.
- 4a.2 Mr Dutson outlined the proposed timeline to roll-out the various functionalities of the system through 2018-2019. He noted that core finance, donor accounting, grant accounting and procurement functions will be included in Phase 1 for implementation in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters of 2019. He further explained that budgeting and forecasting modules as well as management reporting are planned for Phase 2 in quarter four 2019.
- 4a.3 Mr Dutson highlighted the additional functionality available in the system which will allow payments to be made directly to the bank, requiring no manual interventions. He further noted the potential for utilising an additional governance, risk and compliance module.
- 4a.4 Finally, Mr Dutson outlined the estimated costs associated with the ERP and explained that the costs will be covered under the existing approved budget for 2018/19.

##### *Discussion*

- The Secretariat clarified that the total cost of implementing the system over five years 2018-2022 is estimated at US\$ 7.3 million, including implementation and annual costs for licence fees and support.
- The Chair reminded the Secretariat of the preference to use off-the-shelf products with limited tailored add-ons to ensure that the system is simple and easy to update, and to ensure optimisation of Gavi's processes.
- In response to a question from a member, the Secretariat clarified that the US\$ 5.3 million outlined in Doc 04 consists of both implementation and annual costs for 2018-19. It was noted that the 2018 licence fees were reduced following negotiation with SAP.
- The Chair requested a detailed update on this project at the October AFC meeting.

#### 4b Enhancing internal controls

- 4b.1 Mr Greene, Managing Director, Finance and Operations, outlined to the Committee the progress with implementation of the internal control enhancements recommended by the Kroll review.
- 4b.2 In relation to Category A recommendations, Mr Greene explained that the actions regarding the segregation of duties for key areas will be complete for the June 2018 close, with some areas to be completed upon arrival of new staff. The other completed Category A actions were also noted, including changes to the preparation and review of bank reconciliations, strengthening of system access rights management, monthly review of accounts payable debit balances, and plans regarding some outsourced services. .
- 4b.3 Mr Greene stated that 65% of Category B actions and 67% of Category C actions will be complete for the June 2018 close. Category B actions include recruitment of new staff and creation of reports to facilitate review of overdue and open invoices. In terms of Category C actions, Mr Greene noted that all remaining actions are on track for completion by end of September 2018, dependent on recruitment and arrival of additional staff.
- 4b.4 He concluded by stating that Kroll would be returning in the 4<sup>th</sup> quarter to evaluate implementation progress and efficacy of enhanced controls.

#### *Discussion*

- The Committee recognised the positive steps taken quickly by the Finance team in relation to Category A recommendations. In response to a question from the Chair, the Secretariat confirmed that no additional information had come to light from the fraud investigation since the last AFC meeting.
- In response to a question on communicating the actions taken to address issues from the investigation, the Secretariat noted that staff had been addressed at the most recent all-staff meeting to reinforce the importance of process controls.
- The Chair requested an update at the AFC meeting in October 2018 on further completion of actions.
- It was agreed that a communication should be prepared for the Board at its November meeting providing a summary synopsis of steps taken following the discovery of the fraud, outlining the thoroughness of the process and highlighting the comprehensive independent review, confirming that the implementation of the Kroll recommendations had been completed and tested and that the investigation had been concluded. This would be helpful for Board constituencies required to report back on the event.

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## **5. Audit and Investigations report**

### **5a Review of A&I dashboard on performance metrics**

- 5a.1 Simon Lamb, Managing Director, Audit & Investigations (A&I), presented to the Committee updated information from audits and investigations (Doc 05a, Annexes A-D) as well as a mock-up of the A&I dashboard (Doc 05a, Annex E).
- 5a.2 With regard to Internal Audit, Mr Lamb informed the Committee that a consultant had been hired to support the low risk verification review, which was in progress. In relation to Programme Audit, Mr Lamb referred the Committee to Annex C (Doc 05a), highlighting the recent posting of five reports to the Gavi website, including the Nigeria report. Regarding country reimbursement it was reported that the overall picture remains positive, however it was highlighted that Gavi had not yet received the final tranche of US\$ 250,000 from Nigeria.
- 5a.3 With regard to the dashboard, Mr Lamb referred the members to Annex E (Doc 05a), explaining the data provided around resourcing, plan execution and actions closed in relation to the A&I team, Internal Audit and Programme Audit.

#### *Discussion*

- Responding to a question on whistle-blower reports, the Secretariat stated that two recent reports remain under evaluation and certain past reports previously communicated to the Committee including one from 2017. In response to some concern raised over the length of time since 2017, the Secretariat explained that this is dependent on the individual case circumstances and it may be that there is insufficient information to make a determination on progressing, instead requiring further enquiry and clarification of the circumstances before deciding the best disposition of the item.
- In response to concerns from members on the outstanding Nigeria reimbursement, the Secretariat explained that the Nigerian Government had apparently approved the payment but due to a technical issue with the bank account the payment was delayed and is expected within the next week.
- Responding to a question on repayment from Madagascar, the Secretariat stated that they had received written commitment of full reimbursement.
- A member asked about the process of resolving similar issues found in Programme Audits across different countries, such as redirection of funding through third parties. The Secretariat proposed combining a discussion on this with the item on grant management, planned for the AFC meeting in October 2018.
- In response to a question on how closure of audit findings are effectively communicated by countries, it was clarified that responsibility for follow-up on the remediation of reported issues rests with Senior Country Managers. The Secretariat outlined plans by which Senior Country Managers may in future be provided with detailed extracts from the A&I issue-tracking system to facilitate their

following up on the remediation of issues in-country. It was noted that this may take some time given that the process has yet to be agreed and system linkages developed. It was also added that certain themes through the process of Programme Audits had been identified and discussed with Country Programmes, as previously shared with this Committee.

- Committee members responded positively to the dashboard and proposed several additions including investigatory activities, report quality metrics, team skills mix and actions which are behind schedule. The Secretariat agreed to look at these proposals for additional information but were encouraged by the AFC Chair to continue with implementation of the dashboard and A&I can pick up these additional suggestions as part of further enhancements.
- With reference to reducing the amount of time between producing draft reports and website posting, the Secretariat stated that new processes implemented in the A&I team have already shown improvements for programme audits. Clearer, shorter timeframes by which management will provide feedback on internal audits are being introduced with enhanced management of expectations around them.

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Discussions and decisions in relation to Agenda Item 5b: *Review of IT audit issues with KMTS* are recorded separately due to their confidential nature.

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## **6. Any other business**

6.1 Mr Armstrong outlined the proposed AFC meeting dates in 2019, as below.

- Thursday 7 February (Teleconference)
- Thursday 25 April (In-person, Washington DC)
- Monday 24 June (In-person, Geneva)
- Thursday 25 July (Teleconference)
- Thursday 10 October (In-person, Washington DC)
- Tuesday 26 November (Teleconference)

6.2 Mr Armstrong also noted the change in the AFC meeting date from 27 November 2018 to 26 November 2018.

6.3 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
- Gisella Berardi
- Craig Burgess (until agenda item 5b)
- Reina Buijs
- Irene Koek
- Emmanuel Maina Djoulde (until agenda item 4a)
- Chris Taylor

#### **Regrets**

- Seth Berkley
- Alexandru Cebotari
- Ted Chaiban
- Kwaku Agyeman Manu

#### **Guests**

- Pierre-Henri Pingeon
- Evgenia Lopushanskaya

#### **Secretariat**

- Philip Armstrong
- Jacob van der Blij
- Caroline Bradley
- Tony Dutson
- Barry Greene (agenda item 3 onwards)
- Edmund Grove (agenda item 5)
- Anuradha Gupta
- Simon Lamb
- Louis Mkanganwi
- David Nix (agenda item 5)
- Chris Nyongesa (agenda item 5)

#### **Observers**

- Kelly Jarrett, Bill & Melinda Gates Foundation
- Nick Jeffreys (until agenda item 4a)
- Andreas Karlberg Pettersen