

Gavi Alliance Audit and Finance Committee Meeting

28 July 2016

Teleconference

1. Executive session with the independent auditor

- 1.1 Finding a quorum of Audit and Finance Committee members present, the meeting commenced at 10.03 Washington, DC time on 28 July 2016. David Sidwell, Audit and Finance Committee Chair, chaired the meeting.
- 1.2 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 2015 audit (Doc 01).
- 1.3 The Committee convened in open session at 10.20.

2. Chair's report

- 2.1 Standing declarations of interest were tabled to the Committee (Doc 02a in the Committee pack).
- 2.2 The Committee noted the minutes of its meetings on 4 May 2016 (Doc 02b), which had been approved by no-objection on 24 June 2016.
- 2.3 The Committee also noted its forward workplan (Doc 02c). Committee members requested that future meeting agendas specifically include recurring topics related to the section on ethics, fraud and whistleblowing listed in the workplan.

3. 2015 Annual Financial Report

- 3.1 The Chair introduced this item noting that during the executive session with KPMG, Mr Pingeon explained in response to a question that there were no requirements to disclose disbursements to related parties incurred under the Partners' Engagement Framework (PEF) in the Annual Financial Report (AFR). Louis Mkanganwi, Director of Financial Accounting and Reporting concurred.
- 3.2 Mr Mkanganwi presented the main highlights of the draft 2015 AFR (Doc 03).
- 3.3 Mr Mkanganwi noted that the structure of the AFR was similar to previous years, and included the financials for the Gavi Campaign and the IFFIm Company. Mr Mkanganwi noted the second IFFIm Sukuk issuance, of which the Committee had

been informed at the previous meeting, had been successful and appropriately treated in the AFR.

- 3.4 Mr Mkanganwi reminded the Committee of the size of IFFIm's derivatives exposure to the World Bank related to swap contracts, and the risk associated with the World Bank's right to call collateral against this exposure. He noted that, as in previous years, the World Bank had confirmed in writing that it will not exercise its right to call collateral for at least 12 months and that robust procedures were in place to mitigate and monitor this risk.
- 3.5 Mr Mkanganwi informed the Committee that, at its meeting in June 2016, the Board of the Gavi Campaign resolved to develop a process and plan for the eventual winding up and dissolution of the Campaign. He indicated that all Gavi Campaign financial and human resources will be transferred to the Alliance and the process is scheduled to be completed by the end of this year. Mr Mkanganwi noted that from a financial and reporting perspective, this change on the AFR will not be material.
- 3.6 Finally, Mr Mkanganwi pointed out that the Chair and the Secretariat have been assessing the impact of the United Kingdom referendum – commonly known as "Brexit" – on the financial statements. He noted that given its developing nature, the current description statements related to Brexit, developed with the Committee Chair, will need to be reassessed prior to finalising and publishing the AFR.

Discussion

- Mr Mkanganwi thanked Committee members who sent comments on the AFR before the meeting and noted that they will be included in the AFR.
- Regarding Brexit, the Chair clarified that it could potentially create adverse shifts in the foreign exchange rate of the British Pound in relation to the US Dollar and the discount rate used to value the United Kingdom's contributions receivable. Should there be any changes in the language, it would be related to these two items. The Chair and Secretariat discussed the impact on Gavi and it was determined as currently being not significant.
- In response to questions from AFC members, Mr Mkanganwi confirmed that the World Bank confirmation not to call collateral was for the total amount and could not be exercised partially.
- A few Committee members made a request for additional information to be included in the AFR, beyond what is required under US GAAP. After discussion, Mr Mkanganwi agreed to follow up with the Committee members on possible additional disclosures around the Gavi Group's expenses, with a view to including these disclosures in next year's 2016 AFR.
- In response to a question on a possible acceleration to produce the AFR and to receive it for approval outside of the summer holiday season, Barry Greene, Managing Director, Finance and Operations, shared that it was still a matter of

discussion with the World Bank and that an update will be provided as previously agreed with the committee at the AFC meeting in October. Mr Philip Armstrong, Director, Governance, noted that the Governance Committee had discussed the timing of the AFR at a meeting in December 2015 in relation to the feasibility of holding an additional Board meeting to review and approve the AFR in September but there was little appetite for this given the number of significant international events around that time.

- In response to a question from a Committee member about investment results for 2015, the Chair noted that the Investment Committee had an independent investment advisor which provides advice, that benchmarks were used to measure the portfolio's performance, and highlighted that the Investment Committee and the Secretariat are responsible to take the best approach to manage the investments. He added that a detailed review of the performance and risk in the portfolio had been shared at the last Board meeting in June.
- The Committee noted that the current AFC Charter allowed the Committee to delegate its authority to the Chair and it was agreed that the Chair will sign off the final edits to the final version of the AFR before it is sent to the Board for approval and will only recirculate the AFR to the AFC if there are any major changes.
- The Committee Chair, on behalf of the Committee, thanked Mr Pingeon and Ms Vartanova from KPMG and the finance team for their hard work and professionalism.

Decision One

The Gavi Alliance Audit and Finance Committee:

- **Recommended** to the Board that it approve the 2015 Gavi Alliance Annual Financial Report (AFR), as amended for minor clarifications raised by the AFC members.
- **Authorised** the AFC Chair, on behalf of the AFC, to review and confirm any amendments necessary to conclude and finalise the 2015 Gavi Alliance AFR.

4. Programme Funding request

- 4.1 Tony Dutson, Senior Director and Senior Accounting Officer, requested that the Committee review the financial implications of a proposed Programme Funding Request (Doc 04) arising from the recommendations of the New Proposals Independent Review Committee (IRC), which met in June 2016. Following the AFC's decision, the Programme Funding Request will be presented to the Executive Committee at its September meeting for approval.

- 4.2 He highlighted that the funding recommended was for a new rotavirus vaccine programme for Pakistan, amounting to US\$ 42.7 million, and was provided for in the financial forecast presented to the Board in December 2015.

Discussion

- It was reiterated that the Committee was reviewing the request from a financial capacity point of view only, and not on the programmatic merits of the request.
- It was noted that there will be an update regarding the Yellow Fever stockpile as part of the Programme Funding policy review at the AFC meeting in October.
- In response to a question from an Committee member related to Pakistan, Mr Greene offered to put the Committee member in contact with the appropriate Secretariat staff.

Decision Two

The Gavi Alliance Audit and Finance Committee:

- **Noted** with regard to the availability of resources 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.
- **Further noted** that the responsibility of the AFC in this context is to confirm that Gavi has the overall capacity to fund the Request and not to opine on the programmatic merits of the Request.

5. Committee Charter review

- 5.1 The Chair introduced this item, noting that the Charter was now close to its final stage. Mr Armstrong reviewed the three documents circulated to Committee (Doc 05): (i) draft charter with additional edits since the May Committee meeting in response to comments raised at that meeting; (ii) skills and competencies matrix and (iii) presentation summarising key points from this material that will be used for the Governance Committee's guidance. This is mostly taken from best practice and Gavi's particular status. He noted that the competencies are an aggregate, designed as a gap analysis, and that Committee members are not expected to meet all of them.
- 5.2 In addition, Mr Armstrong informed the Committee that the Governance team is currently assessing the need to revise a number of Board policies, specifically the conflicts of interest policy and ethics policy. He also noted that the Board reference manual is undergoing a comprehensive revision, with a greater emphasis on the business and operations of Gavi and how this is supported by the governance framework.

- 5.3 Mr Armstrong indicated that the Governance Committee is increasingly looking towards a more rigorous approach on to how it evaluates nominations to the Board and Committees and will be informed to some extent by the findings of the Board and Committee self-evaluation being undertaken by Egon Zehnder. He added that a similar exercise is taking place with the review of the charters of the Investment Committee, Governance Committee and Programme and Policy Committee.

Discussion

- Committee members expressed satisfaction with the draft Charter as presented and concurred that the skills and competencies are aspirational but provided important and relevant guidance.
- It was noted that a question on delegation of authority from the Board to the Committees in the interviews conducted by Egon Zehnder for the Board and Committee self-evaluation highlighted that little authority can actually be provided to Board Committees that do not have a majority of Board members.
- A concern was raised around the question of where the “value for money” evaluation took place in respect of the programmatic relevance for each programme funding request, as neither the Programme and Policy Committee (PPC) nor the AFC appeared to cover it in their current mandates. It was suggested that as the PPC Charter is under review, to consider if the PPC would be the appropriate Committee to fill this apparent gap. Mr Armstrong noted that this will be discussed with the PPC Chair, Dr Richard Sezibera.
- The Governance Committee will review the findings of the Board and Committee self-evaluation in September and October and the final findings and recommendations will be presented at the Board meeting in December. Some of the issues highlighted in this discussion will likely be included in the findings.
- Committee members were invited to submit any comments dealing with the substance of the terms of the revised Charter by the middle of August so that it could then be finalised and presented to the Governance Committee at the next possible opportunity.

6. Risk management

- 6.1 Jacob van der Blij, Head of Risk, provided an update to Committee members on the progress in relation to risk management. He mentioned the creation of a top down report categorising and prioritising top risks according to their likelihood and impact, setting out the methodology used and options for further mitigation, depending on the risk appetite.

- 6.2 Mr van der Blij also reported on the preparation of an early mapping of key risks against assurance and audit plans to ensure the effectiveness of the mitigation and if there is a need for additional mitigation. It will be first presented to the AFC in October for recommendation to the Board for its approval at its December meeting. It will be a strategic discussion for the Board to confirm if its risk appetite is reflected in the proposed recommendations and to provide guidance regarding a number of risks for which the Board's appetite is not yet defined. Some of these top risks could be selected for a further in-depth assessment which would be reported at a following AFC meeting.
- 6.3 Mr van der Blij noted that internal workshops to redesign the corporate risk register are ongoing and a call will also be organised with the Alliance Partners in September.
- 6.4 Finally, he noted that the risks will be allocated to "risk owners", ensuring oversight by all Board Committees.

Discussion

- The Chair indicated that the last point was an important addition as some of the risks (cyber or operational risks) are managed by the AFC but others would be better placed with the relevant Committee, particularly in relation to programmatic risks. He highlighted that the risks needed to be categorised clearly, acknowledging which risks were mitigated to be able to overview the risks still pending, and to assess these to the risk appetite.
- It was noted that Mr van der Blij may reach out directly to the Committee members during the development phase for feedback.

7. Report from Audit and Investigations

- 7.1 The Chair introduced this item by noting that Simon Lamb, Managing Director, Audit and Investigations, had to travel on a mission with the CEO Dr Seth Berkley, certain donors and the Global Fund to one of the audited countries to settle discussions with high-level country representatives.
- 7.2 Edmund Grove, Director, Programme Audit, Audit and Investigations, provided a report on the status of the operation of the Internal Audit and Programme Audit functions (Doc 07). Mr Grove reviewed the audit plan status for 2015 and 2016, as well as the internal audit status. Mr Grove highlighted that most of the countries were audited for the first time and that the Audit and Investigations team had engaged with eight countries, out of the ten initially planned. The two remaining countries will be assessed in 2017, with the Committee's agreement.
- 7.3 Mr Grove informed the Committee members that the recruitment of a French-speaking Head of Programme Audit was ongoing and envisages the current round should lead to an appointment by the end of the year.

- 7.4 Mr Grove highlighted the change of format for Annex F to increase transparency and noted that additional information had been gathered since the last Board meeting, which would improve the recovery statistics.

Discussion

- Committee members thanked Mr Grove for the clarity of the report.
- Committee members concurred that quality and safety should prevail while engaging in countries and that the assessment of the two remaining countries scheduled in 2016 could be done in 2017.
- It was suggested to consider all the Gavi countries and look at how they fit in the audit cycle based on Gavi's commitments and how this relates to the audit coverage. It was also suggested to include the date of the previous audits, and in case of misuse, the amount of money owed and reimbursed. Finally, comparison between the original and the current timetables with the rationale of postponing could be included in a table at the next report. Taking note of these requests, Mr Grove added that the paper to be presented at the Committee meeting in October will offer a more detailed analysis of what it will take to cover the internal audit and the programme plans with the current resources, and potential implications on the planning schedules.
- In response to a question from a Committee member, Mr Grove noted that there has been no whistleblower report in Q2, and will report back to the Committee if there has been any reports from Partners where this information is available.
- Mr Grove also reported that Audit and Investigations met the Global Fund Inspector General and any potential areas for collaboration will be reported to the Committee on an ongoing basis.

8. Review of decisions and any other business

- 8.1 Philip Armstrong, Director of Governance and Secretary, reviewed and agreed the language of the decisions with the Committee.
- 8.2 The Chair thanked the Secretariat for its quality work.

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

Mr Philip Armstrong
Secretary

Attachment A

Participants

Committee Members

- David Sidwell, Chair
- Shanelle Hall
- Marcus Koll
- Clarisse Loe Loumou
- Emmanuel Maina Djoulde
- Heidi Malene Nipe

Regrets

- Alexandru Cebotari

Secretariat

- Philip Armstrong
- Tony Dutson
- Barry Greene
- Edmund Grove
- Alexandra Laheurte Sloyka
- Louis Mkanganwi

Guests

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

Observers

- Kelly Jarrett, Bill & Melinda Gates Foundation
- Lawrie Harper-Simmonds, DFID
- Timothy Poletti, DFAT