



GAVI Alliance Audit and Finance Committee Meeting

10 October 2013

Geneva, Switzerland/Washington, DC, USA

FINAL MINUTES

1 Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 17.00 Geneva time on 10 October 2013. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled. (Doc 01a in the Committee pack). Dirk Gehl, Audit and Finance Committee delegate, noted that he recently accepted an appointment to join the Secretariat but had not yet started. Wayne Berson had agreed prior to the meeting that he could attend the entire meeting.
- 1.3 The Committee noted the minutes of its meeting on 30 July 2013 (Doc 4a), which were approved by no-objection on 20 September 2013. In addition, the Committee reviewed its action sheet (Doc 4b) and its forward workplan (Doc 4c).

2 Benchmarking of GAVI's vaccine procurement arrangements

- 2.1 Helen Evans, Deputy CEO, reported the outcome of the benchmarking review of GAVI's vaccine procurement arrangements with UNICEF as requested by the Board at its meeting in December 2012 (Doc 5).
- 2.2 In short, the study revealed that UNICEF's procurement activities bring cognizable value and its operational performance is good but has potential for improvement. The report offered recommendations that a joint UNICEF-GAVI working group will take forward.

Discussion

- The Committee noted that the Executive Committee discussed the study's results in September 2013 and would be continuing the discussion during its November meeting.

- The Committee appreciated receiving the report, noting that it would provide useful context for its discussion on the procurement fee mechanism (see section 10).

3 Financial forecast/Programme funding envelope

- 3.1 Tony Dutson, Senior Director of Finance and Chief Accounting Officer, reviewed the updated financial forecast for 2011-2020 along with recommended programme budgets that the Board will consider at its November meeting in Cambodia (Doc 6). In addition, he updated the Committee on allocations and disbursements from existing programme funding envelopes, and provided some commentary on the financial implications of the forecast, allocations, disbursements, and budget requests.
- 3.2 He confirmed the Secretariat's view that the Board could approve the budgets in accordance with the Programme Funding Policy.

Discussion

- The Chair referred the Committee to the graphical overview of needs and resources (Doc 6, Figure 6) and the cash flow chart (Figure 7). He confirmed his belief that there were sufficient projected cash flows to take the programme requests forward.
- The Vaccine Investment Strategy contemplates future investments in a cholera stockpile, additional yellow fever campaigns, and possibly malaria vaccine procurement. A budget for a potential malaria vaccine is not required in this cycle.
- The forecast accounts for all financial decisions under contemplation during this meeting, including the adjustments made to the business plan budget. Any changes that could be made to the UNICEF procurement method would likely not have a material impact on the forecast.

Decision Two

The GAVI Alliance Audit and Finance Committee:

- **Noted** that it reviewed the financial implications of the requests for the following and that they could be approved by the Board in accordance with the Programme Funding Policy:
 - Programme funding for a Yellow Fever stockpile
 - Programme funding for a Cholera stockpile
 - Programme Funding Envelope for 2014
 - An IPV Programme Funding Envelope.

4 Whistleblower facility

- 4.1 Simon Lamb, Managing Director of Internal Audit, sought guidance on a proposal to establish an internet-based whistleblowing facility that would allow third parties anywhere in the world to report concerns to GAVI's Whistleblower Compliance Officer (Doc 7). The system would allow the reports to be delivered anonymously and confidentially on the operation of GAVI-supported cash or vaccine programmes, the performance of GAVI contracts, and any other area of concern.
- 4.2 He noted that budget for the facility is included in the 2014 business plan update.

Discussion

- Simon Lamb reported that the programme's scope would be slightly more limited than the Global Fund's programme, but would also be substantially less expensive to implement.
- Simon Lamb confirmed that a weblink to the facility's web portal would be easy to find on the front page of GAVI's website.

5 Report of the internal auditor

- 5.1 Simon Lamb delivered a comprehensive update on his activities (Doc 8). The update included reports on the Transparency and Accountability Policy (TAP) team's country activity; country reimbursement to GAVI due to misuse; conclusions from the audit of GAVI's enterprise risk management processes; resourcing and coverage considerations for TAP and internal audit for 2014; the development of communication protocols to support the briefing of relevant stakeholders on emerging events relating to country oversight; and various risk assessment, audit planning, and issue tracking tools necessary to support the activities of his team.

Discussion

- With regard to vaccine programme audits, Simon Lamb commented that the greatest risk to GAVI is in the delivery of newer technologies. While there is little secondary market for older technologies, newer vaccines that are not yet universally offered may generate a secondary market into which misappropriated vaccines might be sold.

6 Dissolution of the GAVI Fund Affiliate

- 6.1 Debbie Adams, Managing Director of Law and Governance, and Louis Mkanganwi, Director of Financial Reporting, outlined the progress made to dissolve the GAVI Fund Affiliate (GFA) (Doc 9). They reminded the

Committee that, in 2012, the Secretariat in collaboration with GFA, IFFIm, the World Bank and the IFFIm donors restructured the IFFIm mechanism to remove GFA from the structure, which could save up to US\$ 1.4 million per year. GFA was removed in February 2013 and now the company needed to be dissolved.

- 6.2 They reported that the GFA Board agreed to a Members Voluntary Liquidation (“MVL”). The GAVI Alliance, as the sole member of the GFA, needed to pass a number of resolutions to execute the MVL, including consenting to the wind up, appointing the liquidators, agreeing to the remuneration of the liquidators, and setting out the liquidators’ scope of power. Consequently, they requested the Committee to recommend to the Board that it approve the needed resolutions.

Discussion

- Louis Mkanganwi confirmed that GFA’s balance sheet had been completely cleared effective 30 June 2013 and therefore, GFA had no asset or liabilities. It was also confirmed that GFA’s original purposes in the mechanism were no longer relevant.
- Louis Mkanganwi also confirmed that both GFA’s independent auditor and English law advisors had been involved in the process to dissolve GFA.

Decision Three

The GAVI Alliance Audit and Finance Committee:

- **Recommended** to the Board that it:
 - Approve that the GAVI Fund Affiliate be wound up voluntarily.
 - Approve that John David Thomas Milsom and Allan Watson Graham of KPMG LLP, 8 Salisbury Square, London EC4Y 8BB, United Kingdom, be and are hereby appointed joint liquidators for the purpose of such winding up and that any power conferred on them by the GFA, or by law, be exercisable by them jointly, or by either of them alone.
 - Approve that the remuneration of the joint liquidators be fixed at their normal charging rates, which may be amended from time to time, according to the time properly spent by them and members of their staff in attending to matters arising prior to and during the winding up of the GFA (including those falling outside their statutory duties) and that they be authorised to draw their remuneration on account.
 - Approve that the joint liquidators be and are hereby authorised to make distributions in specie, as and when determined by the joint liquidators, of the assets of the GFA during the administration of the winding up.

- Approve that the joint liquidators be and are hereby authorised to exercise any of the powers to make compromises as contained in paragraphs 2 and 3 of Part 1 of Schedule 4 of the UK Insolvency Act 1986.

7 Amendments to the Budget Variance and Programme Funding Policies

- 7.1 Tony Dutson proposed changes to the Budget Variance and Programme Funding Policies to enable the Secretariat to adjust programme budgets arising from changes to price and dose estimates subsequent to original approval so long as the changes remain within the annual Board-approved funding envelope (Doc 10). This would eliminate the need to obtain Audit and Finance Committee and EC approvals of relatively minor adjustments. The Secretariat would not have the authority to make adjustments that would go outside the boundaries of the Board-approved funding envelope.

Discussion

- The Committee concurred that the Secretariat ought to have the flexibility to approve relatively small adjustments to programme budgets that did not result in expenditures over and above the Board-approved funding envelope.

Decision Four

The GAVI Alliance Audit and Finance Committee:

- **Recommended** to to the Board that it approve the revised GAVI Budget Variance and GAVI Programme Funding Policies attached as Annex A and B to Doc 10.

8 Appointment of the independent auditor

- 8.1 Louis Mkanganwi requested the Committee to make a recommendation to the Board to appoint an independent auditor and tax advisor (Doc 11). In December 2012, the Board approved the Independent Auditor Selection and Evaluation Policy and, as required by this policy, a process for selecting an independent auditor for the 2014-2018 financial years would shortly be commenced. However, the policy allows the Committee to recommend the renewal of KPMG, GAVI's current independent auditor, for the 2013 financial year if it so desires.

Discussion

- The Chair noted, and the Committee agreed, that the work of GAVI's current independent auditor was satisfactory and that it would be efficient to renew KPMG's appointment for the 2013 financial year.

Decision Five

The GAVI Alliance Audit and Finance Committee:

- **Recommended** to the Board that it:
 - Appoint KPMG SA/AG as the independent auditor of the GAVI Alliance for the financial year ending 31 December 2013.
 - Appoint KPMG SA/AG to provide Swiss tax services for the GAVI Alliance for the financial year ending 31 December 2013.
 - Appoint KPMG LLP to provide United States tax services for the GAVI Alliance for the financial year ending 31 December 2013.

9 2012 IRS Form 990

- 9.1 Louis Mkanganwi presented GAVI's draft IRS Form 990 for the year ended 31 December 2012 (Doc 12). The Form 990 is GAVI's annual return to the United States' Internal Revenue Service and is required for entities that are exempt from income tax under US law. He noted that KPMG Tax would shortly be completing its review of the Form 990 and, after that review, the document would be final. Once final, Barry Greene as GAVI Alliance Treasurer would sign the Form 990 and the Secretariat would file it with the IRS by the 15 November 2013 filing deadline.
- 9.2 To enhance transparency, Louis Mkanganwi noted that the Secretariat reconciled in Doc 12 certain key amounts disclosed in the draft Form 990 to related amounts disclosed in the 2012 Annual Financial Report.

Discussion

- Once the Form 990 is filed, it would be publically available on Guidestar's website (www.guidestar.org).

10 UNICEF procurement fee adjustment mechanism

- 10.1 Barry Greene, Managing Director of Finance and Operations, informed the Committee of the method UNICEF Supply Division developed to control its procurement services fees to GAVI, and proposed a process for review and adjustment of those fees (Doc 13).

- 10.2 He reported the Secretariat's opinion that the methodology, which is built on a robust activity-based cost driver model, is fair and appropriate to the services rendered. This conclusion is also supported in the recent procurement benchmarking work. He requested the Committee to note the method and provide any guidance it considered appropriate.

Discussion

- Barry Greene confirmed that a fees review would take place each June and that he was aware of nothing that would give rise to a fee adjustment this coming year.
- Debbie Adams confirmed that the memorandum of understanding between GAVI and UNICEF ("MOU") incorporated the fee mechanism.
- The Committee endorsed the mechanism as laid out in Doc 13 and noted the Secretariat's intention to update the MOU by the end of October.

11 Currency hedging update

- 11.1 Tony Dutson provided an update to the Committee on the Secretariat's currency hedging activities. He shared details of the currency hedges employed and highlighted the proportion of foreign currency contributions (split out by currency) that had been hedged for 2013 and 2014. He confirmed that these hedges were consistent with the Currency Hedging Policy.

Discussion

- 11.2 The Committee requested clarification on the number of institutions that GAVI was working with for performing the currency hedges. Tony Dutson replied that GAVI worked with three banks.

12 Review of decisions

- 12.1 Debbie Adams reviewed and agreed the language of the decisions with the Committee.

13 Other business

- 13.1 Louis Mkanganwi noted that, in July 2013, the Committee reviewed KPMG's Audit Highlights Presentation for the 2012 audit. He reported that the Swedish government requested a copy of this presentation. As an administrative matter, considering that the presentation was originally prepared by KPMG for the Committee's purposes only, he asked if any

Committee member had objections to sharing the presentation with donors. There were no objections and, therefore, he noted that the Secretariat would coordinate with KPMG to send a copy of the presentation to the Swedish government.

- 13.2 At the invitation of the Chair, Dwight Bush noted that this would be his last meeting as a member of the Audit and Finance Committee if the U.S. Senate confirmed his appointment to serve as U.S. Ambassador to Morocco. The Committee congratulated him on his appointment and thanked him for his service to GAVI.

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

Mr Kevin A. Klock
Assistant Secretary



Attachment A

Participants

Committee Members

- Wayne Berson, Chair
- Dwight Bush
- Dirk Gehl
- Micheline Gilbert
- Tom Hunstad
- Derek Strocher

Regrets

- Yifei Li

Secretariat

- Debbie Adams
- Tony Dutson
- Helen Evans
- Barry Greene
- Kevin Klock
- Louis Mkanganwi

Internal Audit

- Simon Lamb

Guests

- Kelly Jarrett, Bill & Melinda Gates Foundation