

## Gavi Alliance Audit and Finance Committee Meeting

26 April 2018

Gavi Offices, Washington, DC, USA

### 1. Chair's report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 9.00 Washington, DC time on 26 April 2018. David Sidwell, AFC 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 approval of the minutes of its meeting on 8 February 2018 by no objection consent on 15 March 2018 (Doc 01b). The Committee also reviewed its action sheet (Doc 01c) and its forward workplan for 2018 (Doc 01d).
- 1.4 The Chair noted his appreciation for the time and effort the secretariat had put in to preparing for the meeting.

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### 2. Financial update

- 2.1 Barry Greene, Managing Director, Finance and Operations, and Tony Dutson, Senior Director, Finance and Chief Accounting Officer, provided the Committee with the updated Gavi financial resources and expenditures for 2016-2020 (Doc 02), which rely on the latest financial forecast for 2016-2020 presented to the Board in November 2017, and which remains the current forecast.
- 2.2 The Secretariat noted that it was not aware of any matters which would significantly change the forecast; whereupon Mr Dutson stated that for the current period, assuming donor pledges are extended to 2020, and including the cost of the proposed additional work programmes in Figure 1, Gavi would still have US\$105 million of available funding.
- 2.3 Mr Greene highlighted the financial implications of the funding decisions which would be subject to review of the Programme and Policy Committee (PPC) when it meets the following week, and which would then be submitted to the Board for its consideration in June 2018. He pointed out that the role of the AFC was to assure the Board that these decisions could be taken in accordance with the Gavi Programme Funding Policy, which requires that qualifying resources are available to fund these decisions.

- 2.4 Mr Greene provided a verbal update on the Health Campus. He noted that the building is functional, the canteen is working and they are now waiting for furniture ahead of the move of the Gavi Secretariat. He noted that the IT is on schedule, although initially Gavi and Global Fund will have two separate room booking systems. Mr Greene also stated that the financial projections previously presented to the AFC remain appropriate.
- 2.5 Mr Greene provided an update on a previous concern that had been raised regarding the other tenants' terms and confirmed that they have now signed up to Gavi's terms and are in the course of moving into the building. He proposed to provide a further update to the AFC meeting in June 2018.
- 2.6 Mr Dutson provided a verbal update on the Financial Systems Infrastructure project. He noted that the original ERP system was installed in 2007 and received an update in 2013. The Request for Proposal (RFP) was sent out in January this year and two candidates had been shortlisted. The aim is to have selected the final vendor by June 2018 and implement Stage 1 including all core financial accounting and grant accounting by April 2019 with the new system fully installed by the end of 2019.
- 2.7 Seth Berkley, Gavi CEO, provided an update on Gavi's approach to value for money (VfM). He noted that the Secretariat had consulted with various donors and performed an extensive desk review of available information on VfM. This review confirmed that there is currently no single agreed approach to defining and measuring VfM across the industry, however the UK's VfM framework appears to provide the most interesting model for Gavi. This framework defines VfM using '4Es': (i) economy: the cost and quality of inputs, (ii) efficiency: the productivity of inputs relative to outputs, (iii) effectiveness: the extent to which objectives, outcomes and impact is achieved against outputs (iv) equity: cross-cutting consideration based on the concept that development is only of value if it is equitable.
- 2.8 Dr Berkley noted that Gavi is combining this VfM framework with a set of underlying principles including the need to focus on quality to achieve value, to look at the long-term sustainability of outcomes, prioritising 'best' options (not just the easiest) and acknowledging limitations in measuring VfM and the need to consider qualitative assessments as well.
- 2.9 Dr Berkley provided examples of metrics Gavi is using and monitoring for VfM in relation to each element of the framework and across the different areas of Gavi's business. He further invited comments from the Committee on Gavi's approach.

### *Discussion*

- Several members of the Committee asked about the process, should an unplanned programme emerge which needed funding in this period. The Secretariat responded that any new programmes would first need to be considered

by the AFC to confirm availability of funding, and then be recommended by the PPC for approval at the Board.

- The Secretariat also stated that the first source of funding would be the US\$105 million of available funds forecast to become available through 2020 and a second option would be to activate a drawdown of funds available from IFFIm. Further options would be to draw from the cash and investments reserve, and/or to ask donors for specific funding in response to a crisis, such as was the case for Ebola. They also noted that the investment decision framework that accompanies new investment options can inform the allocation of available resources by the Board.
- When asked about the cash and investments reserve, the Secretariat noted that a provision within the Programme Funding Policy requires that an amount of cash and investments equivalent to eight months' expenditure should be retained as a buffer for unforeseen needs, and this is excluded when estimating available resources.
- Following a question from a member about the confidence of future funding, the Secretariat stated that all donors have honoured their pledges to date and that any agreements with IFFIm are legally binding. Therefore, confidence in donors meeting any outstanding pledges remains high.
- In response to a question on the expected increase in PCA (Programme Capacity Assessment) costs impacting on operating costs, the Secretariat confirmed that this will not impact operational costs because the funding will be re-directed from already earmarked costs in grant funding.
- On the Health Campus update, the Secretariat in response to the Chair stated that no unexpected costs had been incurred thus far and the current Gavi offices should not need significant work to bring it back to its previous state when first occupied.
- When asked about the finance system infrastructure project, the Secretariat indicated that while some customisation might be required, they agreed with the Committee's proposals to keep this to a minimum and instead to adapt and create more efficient, simplified financial processes within the new system that would require significant reengineering of existing processes.
- The Secretariat agreed to bring regular updates on the finance infrastructure project and the controls put in place, to the upcoming AFC meetings.
- On VfM, the Chair asked for DFID to comment given the choice of UK framework. The DFID representative explained that the methodology is used for business case development, to analyse complex trade-offs in business cases, and for stepping back and looking across the whole DFID/ODA portfolio. He noted there is a whole team looking at the portfolio level given its complexity.

- Committee members were positive about the approach to VfM by the Secretariat, and two donor representatives noted that the general narrative and clear examples are helpful.
- The representatives from UNICEF and WHO noted that they are also looking at VfM within their organisations and are grappling with this in different ways. It was also noted by another Committee member it was important not to lose the country perspective and qualitative elements around for instance health care workers, and to think holistically around the Universal Health Care context.
- It was recommended by the Committee Chair that Gavi further engage with UNICEF and WHO to share knowledge and experience in relation to VfM approaches and measurement. The Committee Chair proposed that the Secretariat view the AFC and PPC as advisors and seek guidance as required in Gavi's considerations of VfM for the MTR.
- The Committee members requested that in future, the Secretariat should provide brief talking points or slides to accompany their verbal updates which should be circulated in advance where practicable.

### **Decision One**

The Gavi Alliance Audit and Finance Committee:

**Confirmed** that under the Programme Funding Policy, the Board could approve the recommendations the Programme and Policy Committee will consider, the financial implications of which are set out in Figure 1 of Doc 02.

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### **3. Audit and Investigations report**

- 3.1 Simon Lamb, Managing Director, Audit and Investigations (A&I), presented to the Committee an update on the execution of the internal audit and programme audit plans (Doc 03). He noted that by the next AFC meeting in June all internal audit reports from 2017 should be complete and he is also looking to provide a dashboard of key data covering A&I activities to facilitate the Committee's oversight.
- 3.2 Mr Lamb noted that expressions of interest are being received from interested parties to undertake the low risk verification review. He noted that the main part of the work should be underway in the second half of 2018. He also highlighted the opportunity to engage with wider Gavi management and raise the understanding of the responsibility managers hold in the first and second lines of defence. This will be undertaken in collaboration with the Risk function.
- 3.3 Mr Lamb noted that the Programme Audit area was progressing well and that the team had learned a lot about engaging effectively in countries. He highlighted to

the Committee the proposal to reschedule work in Afghanistan and Burundi originally planned for 2018 and instead to undertake programme audits in Eritrea and Lao PDR. He outlined key updates for Bangladesh, Kenya and Nigeria, noting that in the last few days a letter of commitment from the Minister of Health for Nigeria had been received for the full reimbursement of US\$5.3 million.

- 3.4 Mr Lamb provided an update to the Committee on collaboration with the UNICEF and WHO audit teams. He noted that the proposed actions may appear somewhat convoluted because any co-ordinated audit activity must take place recognising the operating requirements of partner audit functions.
- 3.5 The Secretariat provided updates on the investigations taking place in Cameroon and Madagascar.

### *Discussion*

- The Chair asked Mr Lamb whether he was comfortable that the design of the grant management system would address the issues highlighted in the internal audit. Mr Lamb assured the Committee that, while confident that the identified issues will be addressed once the system has been installed, A&I will validate that the implementation and associated procedures are adequate, which is standard procedure on issue closure.
- The members asked Mr Lamb to provide more detailed dashboard to the Committee in June that would include the outstanding actions from 2015, 2016 and 2017, as well as a deep dive on internal audit processes and the determination of the risk levels.
- The Chair noted the importance of identifying cross-cutting themes across audits and working with Country Programmes and other partners to try to identify solutions and avoid the same issues recurring.
- The Chair asked the WHO and UNICEF representatives whether their audit teams take findings from Gavi audits and link them into their country work. The WHO representative noted that the single audit principle relates to external audits only and that internal audits in WHO are currently only shared on request with member states and not partner organisations such as Gavi. He stated that the main focus of WHO internal audits is the WHO country office itself – the extent to which they are correctly applying WHO procedures, and whether the said procedures are appropriate risk mitigation in that working environment. He clarified that there is usually no direct contact between the WHO internal audit team and the recipient Ministry of Health.
- It was noted that the WHO Head of Audit is collaborating with A&I and that they do look at the Gavi audit findings but that more could perhaps be done in this area. He also noted similar collaborative conversations between the WHO and Global Fund.

- The UNICEF representative noted that where UNICEF has conducted similar audits in the past to Gavi, they have used each other's materials to look at systemic issues. However, he also acknowledged the challenges of potential collaboration because of the differing management priorities and focus but proposed closer alignment on the second line of defence between Alliance partner organisations.
- The Chair noted that it was important for Alliance partners to work together to ensure countries do not get frustrated by multiple points of contact.
- The Secretariat reported that it was sensitive to the need to obtain assurance even in insecure settings. In proposing the deferment of the planned audit in Afghanistan, alternative means to obtain assurance would be evaluated.
- In response to a question from a member on the impact of misuse on vaccination programmes, the Secretariat responded that they have seen a correlation between significant levels of misuse identified in both Madagascar and Nigeria and poor vaccination outcomes.

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#### **4. Programme Capacity Assessments deep-dive (incl. how these lead to action in the first line of defence)**

- 4.1 Barry Greene, Managing Director, Finance and Operations, Hind Khatib-Othman, Managing Director, Country Programmes and Awinja Wameyo, Director, Programme Capacity Assessment, presented a deep-dive on Programme Capacity Assessment (PCA) activities, as requested by the Committee in November 2017 (Doc 04).
- 4.2 They provided an overview of the PCA process including how it links with Grant Management Recommendations (GMRs) and Monitoring Reviews. They highlighted that 39 PCAs had been completed to date with 13 in progress and that the Monitoring Reviews will take place in late 2018. They also noted how this links with the third line of defence such that the Programme Audits subsequently evaluate the effectiveness of the actions taken.
- 4.3 An illustrative case study was outlined for Mauritania, which had a PCA conducted in Q1 2016 which highlighted weak governance and financial systems. Key issues and PCA recommendations were outlined, alongside the actual steps taken by the country since the assessment. The Secretariat felt that Mauritania was a good example of building country systems through which funding was enabled, attracting other partners.

#### *Discussion*

- In response to questions from members, the Secretariat confirmed that the assessments cover both the national and sub-national levels. They indicated that the first Monitoring Reviews would commence later in the year after the baseline PCAs had been finalised. The Secretariat also noted that Country Programme

Managers, as a first line of defence, had escalated some of the issues highlighted in audits and had originally sent red flags to the audit team for them to look into.

- Several members asked about the role of the country in PCAs, in particular in taking more responsibility for actions such as tracking compliance of GMRs. The Secretariat noted that in the medium term they are looking to create an online tool for countries to track the implementation of the GMRs.
- In response to several questions from the Committee members in relation to handling fragile countries, the Secretariat noted that Gavi has a fragile country policy and that they are working with partners to look at this challenging area. They also noted that fragile countries are likely to be an area of focus for the Gavi 5.0 strategic discussions.

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## **5. Risk Management update**

- 5.1 Jacob van der Blij, Head of Risk, presented a high-level update on significant changes in Gavi's risk profile following the discussion of the Risk & Assurance Report at the November 2017 Board meeting. He also provided to the Committee an update on actions being undertaken to strengthen Gavi's risk management capacity (Doc 05).
- 5.2 He outlined that risk is becoming integrated into the operations, culture and performance management of Gavi. He also noted that he is looking to engage Alliance partners on risk management, specifically relating to PEF functions and inviting partners to risk discussions.

### *Discussion*

- The Committee members supported the idea of collaborating with Alliance partners on risk management to increase visibility of the area. Mr van der Blij noted that risk management is tailored to each organisation but that they are trying to learn from each other in some select areas by sharing intelligence and risk registers.
- The AFC members praised the work of the Secretariat in integrating risk management into business as usual. The Secretariat and members agreed that the optimal approach is to be risk aware rather than risk averse, however one member did caution that the current risk mitigation strategy should not decrease the Secretariat or Alliance partners' appetites for being innovative when working in difficult circumstances to implement Gavi's mission.

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## **6. Accounting Policies update**

- 6.1 Louis Mkanganwi, Director, Financial Accounting & Reporting, presented an update on Gavi's accounting policies made since April 2017 and those anticipated

for 2018 (Doc 06). He highlighted that there are implications for the presentation of Gavi's financial statements for 2018 in ASU 2016-14 on page 2 of Annex E. This relates to classifying Gavi's net assets to those with donor restrictions and those without, but which may include self-imposed limits.

- 6.2 Secondly, he noted that ASU 2016-02 on page 5 of Annex E will require Gavi to record certain lease arrangements as assets and liabilities on the balance sheet in 2019.

#### *Discussion*

- In response to a question from the Committee on KPMG's role, the Secretariat noted that as part of KPMG's audit they review the changes to Gavi policies to ensure that they are compliant with US GAAP accounting guidance updates. They then test Gavi's transaction processing to ensure that it is also in compliance.
- When asked about how the changes impacted the 2017 accounts, the Secretariat noted that the changes were outlined in Annex D and that they are relatively minor for 2017. They also noted that the 2018 statements will look quite different with new disclosures and reporting on lease arrangements and the Secretariat would provide a preview of how this will look in the 2018 accounts at the AFC meeting in April 2019.
- A member of the AFC asked the Secretariat to provide an example of the self-imposed restrictions as opposed to donor-imposed restrictions. The Secretariat noted that Gavi may impose restrictions on itself if it wanted to maintain a certain cash flow for example.

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## **7. Financial Risk Management – Currency Hedging Update**

- 7.1 Tony Dutson, Senior Director, Finance & Chief Accounting Officer updated the Committee on the arrangements in place to manage currency exposure (Doc 07). He highlighted to the Committee that for the current strategic period (2016-2020), 91% of Gavi's direct contribution pledges have now been either received or hedged.

#### *Discussion*

- In response to a question from an AFC member, the Secretariat confirmed that Gavi only arranges a hedge against confirmed donations.

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## **8. External Audit**

### **8a. External Auditor selection **COMMERCIALY SENSITIVE****

The minutes relating to this section are held in a separate, commercially sensitive document.

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### **8b. Engagement of KPMG in South Sudan**

- 8b.1 Louis Mkanganwi, Director, Financial Accounting & Reporting, and Barry Greene, Managing Director, Finance & Operations, presented to the Committee a proposal to engage KPMG to verify human resources related costs from Gavi's HSS funding in South Sudan (Doc 08b).
- 8b.2 Mr Mkanganwi noted that usually Gavi prefers to avoid using their auditor in other capacities but this was exceptional as Gavi was unable to find another firm that would match KPMG's quality.

### **Decision Three**

In accordance with the Gavi Independent Auditor Selection and Evaluation Policy, the Gavi Alliance Audit and Finance Committee:

**Authorised** the Gavi Secretariat, on an exceptional basis, to engage KPMG to provide short term consultancy services to Gavi in relation to HR related costs under its HSS programme in South Sudan, for a fee not exceeding \$15,000.

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## **9. Review of decisions and any other business**

- 9.1 Philip Armstrong, Director of Governance and Secretary, reviewed and agreed the language of the decisions with the Committee, making agreed modifications to Decisions One and Three which was shared with the Committee for its approval.

### *Discussion*

- A Committee member enquired about the progress on the conflict of interest (COI) and ethics policy updates, noting the recent issues in other large charities. The Secretariat responded that this was well advanced regarding the COI and the Ethics Policy review would take place in 2019. Regarding the issues of safeguarding and Secretariat response, this was being handled through the human resources mechanisms already in place including a submission to DFID that had been requested.

- The Chair thanked everyone for showing up in person to the meeting and commented on the difference it made to the rich dialogue of the meeting.
- 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
- Kwaku Agyeman-Manu
- Gisella Berardi
- Craig Burgess
- Reina Buijs
- Alexandru Cebotari (Items 5-9)
- Ted Chaiban
- Emmanuel Maina Djoulde
- Irene Koek
- Chris Taylor

#### Secretariat

- Philip Armstrong
- Seth Berkley (Items 1-4)
- Jacob van der Blij
- Caroline Bradley
- Paul Catchick (Item 3)
- Tony Dutton
- Barry Greene
- Edmund Grove (Item 3)
- Alex de Jonquières (until agenda item 5)
- Simon Lamb
- Sebastian Meany (item 2)
- Louis Mkanganwi
- Hind Khatib-Oman (until agenda item 4)
- Simon Picot (Item 5)
- David Powell (until agenda item 4)
- Awinja Wameyo

#### Observers

- Nick Jeffreys, WHO
- Kelly Jarrett, Bill & Melinda Gates Foundation
- Andreas Karlberg Pettersen, Norad

#### Guests

- Fabien Bryois, Deloitte (Item 8a)