



## **GAVI Alliance Audit and Finance Committee Decisions**

30 April 2014

Discussion Note of Meeting from 17 April 2014

### **1. Chair's report**

- 1.1 The meeting commenced at 8.35 Washington time on 17 April 2014. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting. A quorum was not achieved, so the Committee members present discussed the matters on the agenda and agreed that the Committee should take relevant decisions by unanimous consent in writing after the meeting. (All of the proposed decisions in this report were approved by unanimous consent on 30 April 2014.)
- 1.2 Standing declarations of interest were tabled (Doc 1a in the Committee pack). Committee members noted the minutes of its meeting on 13 February 2014 (Doc 1b), which the Committee approved by no-objection on 24 March 2014. In addition, the Committee members present reviewed the action sheet (Doc 1c) and forward workplan (Doc 1d).

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### **2. Appointment of independent auditor for 2014 to 2018**

- 2.1 As required by the Independent Auditor Selection and Evaluation Policy, the Secretariat requested, received, and analysed proposals from several audit firms to serve as GAVI's independent auditor from 2014 to 2018. Louis Mkanganwi, Director of Financial Reporting, noted that the Secretariat received two proposals but that one firm eventually withdrew. The Secretariat reported that the remaining firm, KPMG, would be well positioned to serve in the role during the five year period contemplated and recommended their appointment to the Committee.

#### *Discussion*

- To a question from the Chair, Mr Mkanganwi confirmed that KPMG would perform audits consolidating the financial positions of the GAVI Alliance, GAVI Campaign, and IFFIm. The GAVI Fund Affiliate's operations have now ceased.

- The Committee members present agreed that KPMG should be retained and were comfortable with the Committee taking the following decision by unanimous consent.

### **Decision One**

In accordance with article 2.7.3 of the By-Laws, by unanimous consent 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 5 year term from 2014 to 2018.
- **Recommended** to the Board that it appoint KPMG SA/AG as the external tax consultant of the GAVI Alliance for the 5 year term from 2014 to 2018.

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## **3. 2013 audit strategy and calendar**

### *Audit strategy*

- 3.1 Karina Vartanova from KPMG, GAVI's independent auditor joined the meeting and outlined KPMG's plan for the audit of the 2013 Annual Financial Report (Doc 3a). She highlighted the purposes and objectives of the audit, key dates and deliverables, key audit areas, and risks. She also reviewed independence and materiality thresholds.

### *Discussion*

- Ms Vartanova confirmed that KPMG had no reason to believe that there would be any significant issues arising from the 2013 audit.
- Ms Vartanova confirmed that the Advance Market Commitment funds were audited as part of the GAVI Alliance standalone financials by the KPMG team in Geneva.
- Louis Mkanganwi reported that the World Bank had signalled it would issue a new comfort letter confirming it would not call collateral to cover IFFIm's derivative liability for an additional period that would cover the 2013 audit.
- Committee members present were comfortable with the scope and timelines presented.

### *Additional audit matters*

- 3.2 Louis Mkanganwi shared the audit calendar (Doc 3c) and reminded the Committee members that the Board had asked whether it was possible to time the audit so that the Board could approve the financials at a meeting rather than through the no-objection process outlined in the By-Laws. He reported that the World Bank would be unable to complete the IFFIm reporting

package in time to finalise the financials prior to the Board's regular June meeting. In addition, the financials needed to be distributed to donors prior to the Board's regular meeting in November/December. The Committee members present acknowledged it was not thought practicable to table the financials to a meeting for approval at this time.

- 3.3 Mr Mkanganwi also noted that Board members had asked to receive the independent auditor's management letter in the regular course. After discussion with KPMG, the Secretariat recommended that the management letter regularly be shared with Board members after the completion of the audit with the understanding that it could not be shared with their constituencies or third parties. The Committee members present agreed with this approach, including the condition that the Board members alone could receive the letter without sharing it more widely.
- 3.4 Finally, Mr Mkanganwi summarised the Secretariat's annual review of GAVI's accounting policy documentation (Doc 3d) and informed the Committee members present that no substantive updates had been made to this documentation since April 2013.

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#### **4. Financial forecast and Programme Funding approvals**

- 4.1 Tony Dutson, Senior Director of Finance and Chief Accounting Officer, informed the Committee of the Programme Funding Request that the Executive Committee ("EC") will consider for approval on 12 May 2014, arising from recommendations of the New Proposals Independent Review Committee ("IRC") (Doc 4).
- 4.2 In summary, the Executive Committee will be requested to endorse a net increase in programme budgets by US\$ 50.4 million for the period 2014-2016 to implement the IRC's recommendations. It will also be asked to approve a net increase in near-term programme liabilities (a sub-component of the endorsed programme budgets) by US\$ 28.8 million for the period 2014-2015. For countries in default of their co-financing commitments, this approval is subject to them meeting their obligations.
- 4.3 In addition, the EC would be requested to endorse a net increase in programme budgets by US\$ 100 million for the pentavalent vaccine programme in India for the period 2014-2015. It will also be asked to approve a net increase of near-term programme liabilities by US\$ 60 million for the Indian pentavalent programme during 2014-2015 and a further net increase of up to US\$ 40 million for 2015 provided the 2014 annual progress report for that programme demonstrates India's readiness for timely introductions in the remaining states and taking into account the updated vaccine dose requirements.

- 4.3 He reported the Secretariat's opinion that the Programme Funding Plan could be approved by the Board or EC in accordance with the Programme Funding Policy.

*Discussion*

- It was asked why qualifying resources since March 2014 had decreased by approximately \$300 million. It was noted that about \$300 million in IFFIm proceeds, which were forecasted to be spent prior to 2015, were moved to the 2016-2020 period.
- The Committee members thanked the Secretariat for following through on the Committee's request to include country co-payments in the paper.
- The Committee members present noted they were comfortable with the Committee taking the following decision by unanimous consent.

**Decision Two**

In accordance with article 2.7.3 of the By-Laws, by unanimous consent the GAVI Alliance 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. Business plan budget update**

- 5.1 Tony Dutson reported business plan expenditure for 2013 (Doc 5). He noted that while there were areas of underspend during 2013, the Secretariat was not seeking a carry-forward budget to complete these activities, choosing instead to find resources from within the existing 2014 budget. However, in the event that such cannot be achieved, an appropriate budget carry-forward will be requested later in 2014. He also informed the Committee members present of the proposed process and timeline for the development and presentation of the 2015 business plan and budget.

*Discussion*

- It was noted that new funding allocated for spending in francophone Africa would be captured in the next update of the financial forecast.
- It was noted that an additional US\$ 3 million was contemplated to begin certain supply chain activities during 2014. It was confirmed that this programme was contingent upon the Board approving the supply chain strategy in June 2014. On that basis, the Committee members present noted they were comfortable with the Committee taking the following decision by unanimous consent.

### **Decision Three**

In accordance with article 2.7.3 of the By-Laws, by unanimous consent the GAVI Alliance Audit and Finance Committee:

- **Noted** that while some 2013 activities (representing approximately US\$ 5.9 million within the 2013 approved budget) will now be completed in 2014, no budget carry-forward request is being sought at this time as the Secretariat will strive to absorb these activities within the existing 2014 Board approved business plan budget, with the intention to revert to the AFC later in 2014 should that not be feasible.
- **Recommended** to the Executive Committee that it, in turn, recommend to the Board that it approve US\$ 3 million to be added to the 2014 Business Plan for implementation activities under the GAVI Alliance immunisation supply chain strategy, subject to the PPC recommending, and the Board approving, the implementation of these activities.

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## **6. Currency Hedging policy update**

6.1 Tony Dutson recommended updates to the Currency Hedging Policy primarily to align it with the recently updated Investment Policy (Doc 6). In doing so, he expressed his thanks to Derek Strocher for his insights.

### *Discussion*

- To a question, Mr Dutson reported the two largest donors that provide funds to GAVI in non-Dollar denominated currency. He further reported that these donors had never missed a pledge payment nor did he expect them to in the future.
- The Committee members present noted they were comfortable with the Committee taking the following decision by unanimous consent.

### **Decision Four**

In accordance with article 2.7.3 of the By-Laws, by unanimous consent the GAVI Alliance Audit and Finance Committee:

- **Approved** amendments to Schedule 1 Parts A and B of the Currency Hedging Policy as set forth in Annex 1 to Doc 06.

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## **7. Report of the internal auditor**

7.1 Simon Lamb, Managing Director of Internal Audit and Bernardin Assiene, Director of the Country Fiduciary Oversight team (formerly the Transparency

and Accountability Policy or TAP team) delivered his standing report to the Committee on internal audit activities (Doc 7a), which included a short report on country reimbursements (Doc 7b). He intended to request the Committee to approve the Internal Audit Risk Assessment and 2014 Plan.

### *Discussion*

- Mr Lamb noted his intention to assess the need to review vaccine wastage as part of his review of key initiatives including the supply chain strategy. It was further noted that the supply chain strategy would be on the Board's agenda at its June 2014 meeting.
- Mr Lamb noted his intention to review GAVI's procurement mechanisms. The prior VFM review of UNICEF's procurement activity had been well received and indicated that there was no need to revisit that activity in the near term.
- Mr Lamb and the Committee members present had an extensive discussion regarding investigations into misuse and the Secretariat's mitigation strategies. It agreed to continue these discussions at the Committee's next meeting.
- The Committee members present noted Mr Lamb's request for additional staff for both Internal Audit and Country Fiduciary Oversight and agreed that his request was reasonable and should be included in the next budget cycle.
- The Committee members present noted they were comfortable with the Committee taking the following decision by unanimous consent.

### **Decision Five**

In accordance with article 2.7.3 of the By-Laws, by unanimous consent the GAVI Alliance Audit and Finance Committee:

- **Approved** the Internal Audit Risk Assessment and 2014 Plan as presented in Doc 07.

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## **8. Insurance coverage**

- 8.1 Debbie Adams, Managing Director, Law and Governance, reviewed GAVI's insurance coverage, and the appointment of a new broker for the GAVI Alliance (Doc 8). During Q4 2013, the Secretariat commissioned an evaluation of GAVI and IFFIm's insurance portfolios recognizing that the various insurance policies of the GAVI-related charities had developed over time, that there had not been a recent review of the insurance needs; and that there may be costs savings to be gained. After an evaluation, it was determined that cost savings could be achieved so the Secretariat issued a tender for one global insurance broker that could manage GAVI, IFFIm, and

the other GAVI-related entities across Switzerland, the UK and the US, and implement the findings of the evaluation.

- 8.2 She reported the results of the tender, recommended the appointment of a broker, asked that the Committee acknowledge that the current policies had been extended for a short time to allow the broker to recommend changes to the policies, and asked the Committee to consider delegating approval of the new policies to a subcommittee. She also thanked Anthony Brown, Senior Legal Counsel, for his work on this matter.

#### *Discussion*

- To a Committee member's question, Ms Adams reported the potential cost savings that could be achieved.
- The Committee members present noted that a good process had been followed. They noted they were comfortable with the Committee taking the decision below on the new broker and acknowledging the short extension of the current policies. They also suggested that instead of forming a subcommittee, that Ms Adams seek a recommendation from the broker on final versions of the policies directly and simply consult with the Committee prior to executing them.

#### **Decision Six**

In accordance with article 2.7.3 of the By-Laws, by unanimous consent the GAVI Alliance Audit and Finance Committee:

- **Noted** the appointment of Willis as Broker of record for the GAVI Alliance.
- **Noted** that the Directors and Officers, Business Travel, Kidnap, Ransom and Extortion and US Property insurance policies have been extended to 30 June 2014 to allow the Broker sufficient time to make recommendations on potential changes to the policies.
- **Noted** that the Secretary to the Board will seek a recommendation from the Broker on final versions of the Directors and Officers, Business Travel and Kidnap, Ransom and Extortion and US Property insurance policies, and any other such policies recommended by the Broker, including the limits, terms, and premiums of such policies, and consult with the Committee on them prior to executing them.

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

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Mr Kevin A. Klock  
Assistant Secretary

## **Attachment A**

### **Participants**

#### **Committee Members**

- Wayne Berson, Chair
- Micheline Gilbert
- Tom Hunstad

#### **Regrets**

- Marcus Koll
- Yifei Li
- Derek Strocher

#### **Secretariat**

- Debbie Adams
- Bernardin Assiène
- Anthony Brown
- Tony Dutson
- Barry Greene
- Kevin A. Klock
- Minzi Lam
- Louis Mkanganwi

#### **Internal Audit**

- Simon Lamb

#### **Guests**

- Kelly Jarrett, Bill & Melinda Gates Foundation
- Karina Vartanova, KPMG (items 3-7)