

Gavi Alliance Audit and Finance Committee Meeting

13 February 2020

Teleconference

1. Chair's report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 16.00 Geneva time on 13 February 2020. David Sidwell, AFC Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack) alongside the minutes of its meeting on 26 November 2019 (Doc 01b).
- 1.3 Mr. Philip Armstrong, Director of Governance, noted that two Committee members still need to complete their annual Declarations of Interest; the aforementioned Committee members were asked to complete these as soon as possible. In the meantime, all members confirmed they have no conflicts relative to the items to be discussed at this meeting.
- 1.4 The Committee also reviewed its action sheet (Doc 01c) and Workplan (Doc 01d).

2. Deloitte 2019 Audit Strategy and Planning

- 2.1. Fabien Bryois, Partner, Deloitte and Lisa Watson, Director, Deloitte, presented this item to the Committee (Doc 02) outlining the planned timings of the financial year 2019 audit. Mr Bryois confirmed that no other non-audit services will be provided to Gavi by Deloitte, with the exception of US tax compliance work.
- 2.2. Mr Bryois outlined significant changes for 2019, including new financial reporting requirements mandated by the Swiss oversight authority for foundations, the October 2019 launch of a new information technology system – SAP, and updates to US GAAP accounting standards. He noted that Deloitte colleagues in Geneva, the United Kingdom and the US will work closely together to ensure there is a clear understanding of the new Swiss reporting requirements.
- 2.3. Ms Watson outlined the proposed scope of the audit, noting the two main components comprising the Gavi Secretariat and IFFIm, including IFFIm Sukuk Company III which was incorporated last year. Ms Watson further noted the proposed group audit scoping is consistent with the prior year.

- 2.4. It was stated that the materiality will be set at US\$ 35 million, which is unchanged from 2018 with estimated materiality for the standalone audit to be US\$ 31.5 million.
- 2.5. In relation to significant risks, Deloitte identified these as valuation of sovereign pledges, recognition of contribution revenue, and management override of controls.
- 2.6. Ms. Watson outlined other areas of audit focus, noting scoping changes in relation to Gavi's new IT accounting application and IT systems changes, new Swiss financial reporting requirements for Gavi's 2019 financial statements, and new internal control system requirements within the Swiss Code of Obligations. She noted the new internal control requirements will require the most additional work.

Discussion

- When asked about the new reporting requirements and internal control processes, the Secretariat confirmed work has already begun for Gavi to comply with the requirements and the AFC workplan has been updated accordingly. It was further noted that Deloitte, the World Bank and Secretariat are working together and have set in place a timetable and approach to ensure IFFIm can support the new internal control requirements applying to Gavi.
- When asked about internal control requirements, Deloitte explained that any processes linked to the financial statements in relation to the financial reporting cycle will be in scope. The Secretariat noted it will inform the Committee if there are any concerns about not being able to meet the new requirements or related deadlines.

3. External Quality Assessment (EQA) Results

- 3.1. Greg Coleman and Jaap van Oerle, Consultants for the Institut Francais de l'audit et du contrôle internes (IFACI), presented results of an independent quality assessment of Gavi's internal audit service (Doc 03).
- 3.2. Mr Coleman outlined the scope of the assessment process and stated it is the opinion of the EQA Assessment Team that Gavi's Audit & Investigations (A&I) department generally conforms to the Institute of Internal Auditors' (IIA) professional standards which is the highest rating given. No gaps in conformance were identified and Mr Coleman reported that the A&I team meets all 62 requirements for an effective internal audit function.
- 3.3. He went on to commend Gavi's internal audit function noting it ranks in the top quartile of all reviews seen by the EQA Assessment team. The A&I team was recognised for its leadership and credibility, internal standing within the

organisation, strong relationship with management and its open and supportive culture.

- 3.4. The EQA Assessment team identified 14 observations as opportunities for continuous improvement, none of which are issues in terms of Gavi's conformance with the standards.
- 3.5. It was noted that the A&I team is also reviewing the results of an assessment conducted with IFACI to develop a plan based around the IIA's Ambition Model (which is a framework outlining ambition against standards and current achievement that can be used to create a plan by which the desired ambition can be achieved). The Secretariat noted that an implementation plan will be presented to the Committee at its May 2020 meeting.

Discussion

- The Committee acknowledged the A&I team's hard work and congratulated the team on the assessment results.
- In response to a question from a Committee member, the Secretariat confirmed it agreed with the EQA's observations and will share with the Committee a plan to address continuous improvement while taking into consideration resource capacity, speed and execution.

4. Audit & Investigations Report

- 4.1. Simon Lamb, Managing Director, Audit and Investigations (A&I) introduced this item indicating that Chrysantus Nyongesa, Head, Internal Audit, and Edmund Grove, Director, Programme Audit would answer questions related to their specific areas of expertise.
- 4.2. Mr Lamb noted a scheduling update was made to the 2020 audit plan which was included in the advance meeting material (Annex A, Doc 04). He further noted the A&I team will undertake a review of its audit issue tracking and reporting mechanisms to determine if improvements can be made. The Committee will be updated on any findings in due course.
- 4.3. In relation to country reimbursement schedule, Mr Lamb noted significant reimbursements have been received since the last report to the Committee and one further reimbursement of US\$ 170,000 was received from Chad in the past 10 days which brings Chad's payments back on schedule.
- 4.4. He further noted the overall recovery rate against scheduled commitments has now risen to 97.8%.

- 4.5. In relation to whistleblower reporting, Mr Lamb shared that no new substantive reports have been received since the last Committee meeting. He updated the Committee on several items from last year, one of which was closed out and two of which were carried forward into 2020. The carry-forward items relate to the same situation previously reported to the Committee concerning procurement irregularities in one Gavi-supported country. An in-country assessment will be conducted as a next step subject to agreement with the country.
- 4.6. Mr Lamb noted that only 80% of the A&I budget was utilised in 2019. He explained that as already reported to the AFC, this was due to particular circumstances presented in each country, which required four planned programme audits to be postponed: Nepal, India, Nigeria and Afghanistan.

Discussion

- In response to an enquiry from the Chair about country cooperation with the whistleblower investigation, the Secretariat noted the country previously declined to share its findings from its own review of its procurement activity but it is hoped that an in-country field visit by the Secretariat will now enable a comprehensive assessment to be conducted ideally drawing on the work of the prior review if possible.
- When asked about the Afghanistan programme audit being postponed two years in a row, the Secretariat explained that although a monitoring agent is now in place to provide information and help with the audit scope, there had been delays in receiving information from the monitoring agent to enable the audit, which will be undertaken on a fully outsourced basis, to proceed in 2019 as originally intended. The Secretariat is working closely with Country Support and plans to conduct the audit this year once relevant information has been obtained.
- In response to a question about longstanding open internal audit items, the Secretariat noted these items relate to the grant management area which will be resolved when a new grant management system is implemented. It was further noted that SAP is now operational so resources may be focused on grant management system development, which it is understood to likely commence this year.
- In relation to the EQA, the Committee asked about the level of work involved with the process and requested the Secretariat to update the Committee on any unaddressed observations.
- In response to a question from a Committee member, the Secretariat confirmed that a priority moving forward is implementation of the previously discussed counter-fraud plan.

5. Information Technology Risk Level Update

- 5.1. Laura Boehner, Chief Technology and Knowledge Officer, provided an overview of issues relating to KMTS (Knowledge Management & Technology Solutions) audit issues. She also presented the technology risk dashboard and information in relation to Information Technology (IT) governance and control.
- 5.2. Ms Boehner reported that Gavi organisational security is a key risk management focus for 2020, particularly developing an action plan that incorporates how Gavi identifies critical issues and plans to address them.
- 5.3. Ms Boehner reminded the Committee that the 2018 high-risk audit findings covered three main areas: disaster recovery, cyber security and project governance. In 2019, there had been a strong focus on strengthening IT governance, planning and resources.
- 5.4. She reported on progress made to date with audit remediation and noted issues expected to close by the end of June 2020.

Discussion

- In response to a query about new issues being quickly identified and addressed, the Secretariat noted there is a remediation framework in place encompassing additional monitoring, reviews of incidences and events happening outside of Gavi on a regular basis and a new focus on changed behaviours and IT investments that promote agility within the Secretariat.
- In response to a question from the Committee, the Secretariat noted there is now a partnership at the Global Health Campus on the Level One help desk to address any IT issue and the Audit and Investigation function tracks proper closure of these items.

6. Any other business

- 6.1 The Committee confirmed it will meet in-person on 22 June in Geneva, Switzerland and the meeting may require additional time beyond the currently scheduled two-hour timeframe. The Secretariat will update the Committee on this in due course.
- 6.2 Assietou Diouf, presented an update on Gavi's implementation of its currency hedging strategy in relation to Gavi 5.0. She updated the Committee on current activities and noted that preparations for the replenishment are on track.
- 6.3 There being no further business, the meeting was brought to a close and it then convened in close session.

7. Closed session for members only – Finance function review and evaluation

- 7.1 Members of the Secretariat left the room and the Committee proceeded with the closed session.(See separate notes from the closed session.)

Mr Philip Armstrong
Secretary



Attachment A

Participants

Committee Members

- David Sidwell, Chair
- Benjamin Carcani
- Emmanuel Maina Djoulde
- Etleva Kadilli
- Andreas Karlberg Pettersen
- Irene Koek
- Tom Morrow
- Teresa Ressel

Regrets

- Gisella Berardi
- Seth Berkley
- Anuradha Gupta
- Kwaku Agyeman Manu
- Jane Stewart

Observers

- Kelly Jarrett

Secretariat

- Philip Armstrong
- Pascal Emmanuel Barollier (Item 5)
- Laura Boehner (Item 5)
- Pauline Caywood (Items 1-4)
- Assietou Diouf
- Fabrice Dutin (Item 6)
- Edmund Grove (Items 3 and 4)
- Simon Lamb
- Kenneth Musiime
- Chrysantus Nyongesa
- Jacob van der Blij
- Awinja Wameyo (Item 4)
- Melissa Wolfe

Guests

- Fabien Bryois, Deloitte SA
- Greg Coleman, IFACI (Item 3)
- Jaap Van Oerle, IFACI (Item 3)
- Lisa Watson, Deloitte SA

All attendees participated via telephone