

Gavi Alliance Audit and Finance Committee Meeting

27 November 2017

Crowne Plaza Hotel, Vientiane, Lao PDR

1. Chair's report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 16.00 Lao PDR time on 27 November 2017. 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 approved the minutes of its meeting on 19 October 2017 (Doc 01b), subject to the minutes reflecting that the Committee had a discussion on partners' capacity and flagged it as a high risk, at the request of a Committee member. This was duly noted and recorded by the Secretariat. The Committee also reviewed its action sheet (Doc 01c).

Decision One

The Gavi Alliance Audit and Finance Committee **approved** the minutes of its meeting on 19 October 2017, subject to the requested amendment.

2. Forward year workplan review

- 2.1 The Committee reviewed its forward workplan for 2018 (Doc 02).

Discussion

- The Chair informed the Committee members-elect who had joined the meeting as observers that the annual workplan was used as a tool to guide the meeting agendas throughout the year, ensuring the Committee fulfils its mission. He noted that these could be updated during the year as required to accommodate deep dives requested by the AFC.
- He also explained that the April and October in-person meetings are more comprehensive; and are preceded by a closed session to ensure that the Committee has sufficient time in executive discussion to consider issues and priorities.

- The Committee requested that it should be involved in the discussions regarding value for money considerations, in the context of the Gavi mid-term review (MTR). The Secretariat noted this request and agreed to add it to the workplan.

3. Gavi standalone financial statements (Q3 2017) and forecasted consolidated financial statements

- 3.1 Tony Dutson, Senior Director, Finance and Chief Accounting Officer presented Gavi's standalone financial statements (Q3 2017) and the forecasted consolidated financial statements (until 2020) (Doc 03). He explained to the Committee that due to unavailability of IFFIm's financial statements for Q3 2017, which are received from the World Bank, Gavi's Q3 2017 Consolidated financial statements were not yet available to be presented to the Committee.
- 3.2 In reviewing the third quarter standalone financial statements, Mr Dutson explained the key changes in Gavi's total assets, liabilities, revenue, expenses and their impact on net assets. He provided a year-on-year comparison with 2016 commenting on the significant balances and fluctuations from 2016 to 2017.
- 3.3 Barry Greene, Managing Director, Finance and Operations, provided a verbal update to the Committee about the Gavi external auditor recruitment process. As previously discussed with the Committee, Gavi would propose using the same audit firm as selected by the World Bank, with a focus by the Secretariat on fee negotiation with the firm and selection of the audit engagement partner. He informed the Committee that the Secretariat was overall satisfied with the World Bank's external auditor selection process, and that a further update would be provided to the AFC at its meeting in April 2018 when the World Bank would be expected to have finalised its process and announced the appointment of a new external auditor.
- 3.4 Mr Greene also provided a brief verbal update about the progress on Gavi's move to the Global Health Campus (GHC), noting that it was generally on track, however the Global Fund had not yet concluded sub-tenancy agreements for the 25% of space expected to be occupied by other organisations.

Discussion

- The Chair thanked the Secretariat for its update on the financial statements and forecast figures.
- The Committee discussed the importance of the Secretariat's fee negotiation with the audit firm and ensuring the selection of the best possible audit engagement partner.
- In response to the Chair's question, the Secretariat informed the Committee that other tenants had not yet formally signed up for tenancy at the GHC, and that the situation was continuing to be monitored by Gavi.

- The Chair underscored the importance of ensuring that this issue gets resolved, given the partnership agreement between the Global Fund and Gavi as the lead tenants exposed Gavi to financial risk of unoccupied space. He referenced the discussion of the Committee at its October 2017 meeting, stressing the importance of a clear cooperation plan as well as a staff communication plan regarding Gavi's collaboration with the Global Fund in this context.

4. Audit & Investigations report

- 4.1 Simon Lamb, Managing Director, Audit and Investigations (A&I), provided an update (Doc 04) to the Committee on the cycle of risk coverage for 2018 and beyond for Internal Audit and Programme Audit (Doc 04).
- 4.2 Mr Lamb presented proposed changes to the 2018 Internal Audit and Programme Audit plans including responding to certain matters that were requested by the Committee during its October 2017 review of these plans, in large part to eliminate the recurrence of any backlog going into 2019. These updates were considered and agreed.
- 4.3 He also informed the Committee that per its request at the October meeting, the Internal Audit team would be able to complete a review of the key aspects of the Global Health Campus move in January 2018 and the results of this would be reported to the Committee at its meeting in February 2018.
- 4.4 He provided a country update for the results of the A&I work in Nigeria. He also presented the Country Reimbursement schedule, noting an overall rate of 100% repayment of the amounts agreed as misuse. Finally, he provided the Whistleblower reporting update.

Discussion

- The Chair thanked the Secretariat for following up on the discussion held at the last Committee meeting in October 2017, which resulted in the request for a multi-year view of planned Internal Audit and Programme Audit coverage.
- The Chair observed that the Committee had originally sought to have more frequent Internal Audit cycles for high risk areas, as well as to ensure coverage of the low risk areas over a four-year cycle.
- The Committee discussed with the Secretariat the knowledge gained since the A&I function was at full strength, about the risk universe and the complexity of conducting some of the audits. Given the projections provided, it now seemed that audit coverage of high risk items would be achieved by 2020, and other risks beyond 2020, the fifth year of the audit cycle.

- Given the importance to the Committee of achieving a four year cycle of risk coverage, the Secretariat was requested to consider a modified approach on audit execution to determine if it was possible to achieve audit coverage of all high risks by 2019 and all medium-low risks by 2020. It was recognised that the real challenge could be completing the audit of high-medium risks by 2020.
- The Committee suggested that the Secretariat consider whether a different audit approach was necessary to ensure that none of the medium-low and low-risk items were missed.
- The Committee agreed with the Secretariat that the objective of medium-low and low-risk audits was to ensure that all areas were reviewed and that risk assessments were accurate, with no embedded, unidentifiable high risks. The Committee was in favour of the Secretariat's suggestion of evaluating the use of review procedures possibly by a third party of these risks.
- The Committee discussed the importance of getting audit coverage for the risks categorised as high-medium, instead of having alternate review procedures in place for them.
- The Secretariat informed the Committee that it would look into different approaches for the conduct of Internal Audit to achieve appropriate coverage, based on the experience of the last two years and would update the Committee at its February 2018 meeting.
- The Committee also requested the Secretariat to consider whether there was a way to ensure clearer and transparent reporting to the Committee on anticipated risk coverage through the audit cycle.
- In relation to a question on Programme Audit, the Secretariat explained that the audits were focused on previous periods when the first and second lines of defence within Gavi were not as strong, and systems and processes were still in development and implementation. It was noted, that going forward, the changes within the control environment will in due course impact the nature, scope and cycle-time for Programme Audits, and this should be considered when evaluating the Programme Audit approach in future.
- A Committee member highlighted the importance of understanding the extent to which the Programme Audit results were a reflection of the operational processes in place across the Alliance and whether there was a linkage between the work of Internal Audit and Programme Audit so that some degree of mutual assurance could be leveraged. The Secretariat confirmed that as A&I progressed, it is beginning to view these two audit streams in a more holistic way and there may indeed be opportunity for such synergies which will be examined.
- A Committee member sought information on how Programme Capacity Assessments (PCAs) are used in the Programme Audit process so that any duplication is avoided. The Secretariat responded that the Programme Audit delved deeper and tested operational systems compared to the PCA. It was

acknowledged that it is useful to consider how the findings of one could be leveraged by the other and this is done routinely, case by case. The Secretariat provided the example of Nigeria where the PCA followed the Programme Audit and therefore took into consideration the risk areas highlighted by the Programme Audit.

- The Committee recognised that Programme Audit, as the third line of defence, was typically identifying issues, not taking assurance from, and validating, issues identified in the first and second lines. Ideally the configuration of the three lines of defence would operate in a more classic arrangement whereby issues would be identified by first and second lines of defence in the first instance and audit would then validate those, identifying new issues by exception only, which seems not to be the case currently.
- The Secretariat was requested to consider how to achieve better clarity and execution by the first two lines of defence as the third line was producing too many fundamental issues. Going forward it would be critical that through Country Programmes and the PCA's, issues are addressed with the countries rather than wait for these to be raised through programme audit.

5. Update on Programme Capacity Assessments (PCA)

- 5.1 Barry Greene, Managing Director, Finance and Operations, provided an overview to the Committee about the PCA process that commenced in 2016.
- 5.2 Mr Greene informed the Committee that Gavi's Transparency and Accountability Policy set the context of the PCA and noted that PCA is a core element of the second line of defence within Gavi's three lines of defence approach to risk management.
- 5.3 In addition to informing the Committee about the PCA process and its components, he provided a status update on the current and anticipated coverage of PCAs, indicating that 38 PCAs had been undertaken, and that 14 more were planned for 2017, to complete coverage of countries (excluding those transitioning from Gavi support). He noted that going forward, the focus of the Secretariat would be on monitoring the implementation of Grant Management Requirements (GMRs) notably at the Joint Appraisal (JA) stage, and on refreshing PCAs on 3-year cycle, generally. As a result, reliance on outsourcing, which was essential to getting broad initial coverage quickly, would decline going forward.

Discussion

- The Committee appreciated the overview which helped set the basis for a more comprehensive discussion at the AFC meeting in April 2018. A Committee member who had recently accompanied Gavi's PCA mission, said that the possibility to join such missions and seeing the process first-hand was very useful.

- In response to a question from the Committee about whose responsibility it was to ensure that the GMRs and recommendations of the PCA are put in place, the Secretariat informed the Committee that, as the first line of defence, the Country Programmes team provides the necessary oversight and support to the countries. It was noted that the second line of defence will also have a role in monitoring, going forward, and will remain cognisant of avoiding any overlaps with the monitoring system which is already in place through the JA process.
- The Committee was interested to know if the PCA reports were shared with the respective countries. The Secretariat confirmed that they were indeed shared with the country as well as in-country partners.
- The Secretariat, in response to a question from the Committee, said that since shortly after commencement of the PCA activity, once the in-house team of 4 was fully staffed, a PCA team member is present on all PCA missions to ensure consistency of approach by the various contractors to whom the PCA work is outsourced. The Secretariat further informed the Committee that for countries in transition, instead of a PCA, a transition assessment is undertaken.
- The Committee suggested a list of questions/areas for the Secretariat to consider providing their input on when a deep-dive into the PCA process is undertaken at the April 2018 meeting. These are listed below:
 - To understand how the PCAs are being used to improve the systems and capacities in country, it would be important to study an example of where a PCA was used by the CP team, and see what was done to ensure that the GMRs and recommendations were addressed by the country;
 - Who is responsible for validating that GMRs and recommendations from the PCAs are being addressed, and is there a structured approach that can be taken for this information to flow from the countries to Gavi? Who is the focal point within countries for implementation of GMRs and PCA recommendations, is it the EPI or Ministry of Health?
 - How to ensure that there is good quality assurance across PCAs, and that GMRs are reasonably consistent, so that they can be used as a tool for ensuring that there are consistent controls in place as well?
 - How does the work on PCA help ensure alignment with Gavi's risk appetite and that the underlying risks identified are being appropriately mitigated?
 - How does Gavi draw on the work of its partners and existing areas of knowledge (e.g. UNICEF reports, DfID reports etc.)?
 - Develop a graphic on how the different tools like JAs, PCAs fit together as a cycle e.g. one-year cycle and five-year cycle, to discuss whether the timing for PCA should be based on grant cycle and series of commitments instead of a standard approach of conducting PCAs every three years;

6. Closed session

- 6.1 The members of the Secretariat left the room and the Committee proceeded with the closed session to evaluate the A&I function and conduct the assessment of its Managing Director's performance. The AFC also undertook an evaluation of the Finance function.

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
- Ted Chaiban
- Clarisse Loe Loumou (Items 2,3,5,6)
- Emmanuel Maina Djoulde
- Heidi Malene Nipe
- Chris Taylor*

Regrets

- Alexandru Cebotari
- Kelly Jarrett

Secretariat

- Seth Berkley (until agenda item 6)
- Philip Armstrong (Items 2,3,5,6)
- Jacob van der Blij (until agenda item 6)
- Sally Dalgaard (until agenda item 6)
- Tony Dutson (until agenda item 6)
- Barry Greene (until agenda item 6)
- Anuradha Gupta (Items 1 and 4 only)
- Mahwesh Bilal Khan * (until agenda item 6)
- Hind Khatib-Othman (until agenda item 6)
- Simon Lamb (until agenda item 6)

Observers

- Reina Buijs (Items 2,3,5)
- Irene Koek
- Craig Burgess
- Jason Lane (Items 2,3,5,6)

* Denotes participation by phone