

Gavi Alliance Audit and Finance Committee Meeting

8 February 2018

Teleconference

1. Chair's report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 16.05 Geneva time on 8 February 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 minutes of the 27 November 2017 meeting were tabled to the Committee for information (Doc 01b in the Committee pack). The minutes had been circulated and approved by no-objection on 25 January 2017. The Secretariat noted that a discrepancy in the date indicated in point 5.3 would be corrected to read "2018".
- 1.4 The Chair referred to the AFC Action Sheet (Doc 01c) and Workplan (Doc 01d).

2. 2017 Audit Strategy and Planning

- 2.1 Pierre-Henri Pingeon and Evgenia Lopushanskaya from KPMG, Gavi's independent auditors, outlined KPMG's plan for the audit of the 2017 consolidated financial statements, including reporting to management on any issues which might arise. They provided information on their audit strategy, highlighting that they had assessed the key audit risks on which they will continue to focus. They reviewed the materiality thresholds and provided information on the reporting timeline and communication plan.
- 2.2 They drew the Committees attention to recent accounting standards amendments and interpretations which may be applicable to Gavi in 2017 or the following years, and noted that management is in the process of assessing the impact these might have on Gavi.
- 2.3 Finally, they noted that they continue to work closely with Gavi's Internal Audit team to ensure that they are aware of all existing risks, and in particular those which they may not themselves see directly.

Discussion

- In relation to the accounting standards amendments, the Secretariat noted that a full assessment of all current and expected further changes is being carried out and that there will be a report to the AFC on the impact for Gavi. Committee members noted that one of the changes might require changes to the way in which the consolidated accounts are presented.

3. Audit & Investigations report

- 3.1 Simon Lamb, Managing Director, Audit and Investigations (A&I) reported to the Committee on the A&I activity within Gavi (Doc 03). He referred to work being done on remediating activities related to four open high risk internal audit issues, and indicated that further information will be presented to the AFC at its next meeting should any problems relating to closure arise.
- 3.2 He presented information in relation to the review of the Secretariat's readiness for the move to the Global Health Campus (GHC) and expressed the view that appropriate risk identification and mitigation measures have been established.
- 3.3 He referred to three IT-related reviews which it had been agreed would be undertaken during 2017, namely on *Disaster recovery and continuity planning, IT projects, and Data security including penetration testing*, which would be further elaborated on under Agenda Item 4 and the findings of which would be presented to the AFC at its next meeting.
- 3.4 Mr Lamb presented a proposed approach to realign the internal audit cycle of risk-based coverage, highlighting that it is a tiered approach of (i) 'classic' audit, (ii) audit of key controls and (iii) a low risk verification review. He presented the key benefits of the approach as well as information relating to some uncertainties about the execution of the proposed approach.
- 3.5 Mr Lamb provided an update on the status of some key programme audits and concluded by informing AFC members that in the light of some recent payments received the overall recovery rate on amounts agreed to be reimbursed is now 99%.

Discussion

- Committee members noted that there is a sound understanding across the relevant departments in the Secretariat of what needs to be done to address the open high risk internal audit issues.
- Committee members also noted that it is expected that within the next four weeks there will be further clarity on the timeline for the signature of leases with other

GHC tenants, and that this is being followed up on as a priority by the Steering Committee.

- The AFC welcomed the proposed approach to realign the internal audit cycle on a risk-based approach, noting that associated costs have already been allowed for in the budget. Committee members agreed on the importance of receiving regular reports on progress.
- In relation to a question on potentially linking programme capacity assessment (PCA) mechanisms or the work of expanded partners to risk coverage, the Committee noted that this could be further discussed at its meeting in April when there will be an item to discuss a potential realignment of the three lines of defence model. The Secretariat noted that this discussion is also likely to include information related to the channelling of funds through partners.
- One Committee member noted the importance of ensuring that donors at country level receive information in relation to programme audits as this would not always appear to be the case. The Secretariat noted that this should indeed be the case and agreed to follow up with colleagues to ensure that this is being done systematically.
- The Secretariat noted in response to a question from a Committee member that A&I collaborates closely with counterparts at the Global Fund and shares information in relation to programme audit activities. The Secretariat also noted that when recurring trends are identified in different countries they are looked at with the aim of improving relevant mechanisms at the Secretariat, partner or country-level as appropriate. This is another issue to be incorporated into the discussion on the three lines of defence.

Decision One

The Gavi Alliance Audit and Finance Committee

- **Approved** the proposed realignment of the Internal Audit cycle of risk coverage as described in Section 2 and Annex C of Doc 03.

4. Technology review

- 4.1 David Nix, Chief Knowledge Officer, Knowledge Management & Technology Solutions, reported to the Committee on the top five knowledge management and technology priorities for 2018 namely *Grant management simplification; Finance Transformation; Global Health Campus; Business continuity and disaster recovery; and Knowledge Management.*

- 4.2 He provided a high-level overview of the 2017 IT audit, reiterating, as had been mentioned earlier in the meeting, that the full audit report as well as proposed actions will be presented to the AFC at its meeting in April 2018.
- 4.3 He gave an overview of the technology risk dashboard highlighting that over the past six months there has continued to be an influx of ever more sophisticated spam and that the team is continually working on managing this. He indicated that there have not been any significant security incidents in the last quarter of 2017 or so far this year.
- 4.4 He provided information on the business continuity disaster recovery roadmap which is being developed and for which it is expected that a test and deployment plan will be in place by the end of the year.
- 4.5 Mr Nix outlined the timeline for the finance process transformation programme, with the first phase focussing on grant accounting systems, aligning with the grant management simplification process, the timeline for which he also presented.
- 4.6 Finally, he provided information on the timeline for the technology move to the GHC. He noted that work on identifying synergies with the Global Fund is ongoing. In the first instance this will entail a common network and common internet capacity for all organisations in the GHC. Once the move has been completed work will continue to evaluate other possible synergies.

Discussion

- Committee members noted that while there will be a shared network and internet capacity at the GHC, each organisation will be able to tailor the configuration to meet its own operational requirements.
- In response to a question from a Committee member, the Secretariat recognised that working in-country has different constraints and different work environments and that it is necessary to look at alternatives to online work in terms of data management and data quality. A number of innovations are being explored in this respect with the aim of facilitating data collection and grant management for countries.
- Gavi tools may not be the only mechanisms to help address such challenges, and other mechanisms which might be available through Alliance partners or private partners are also explored.

5. Auditor selection update

- 5.1 Barry Greene, Managing Director, Finance and Operations, recalled that the choice of Gavi's independent auditor is for the Gavi Board to decide. He highlighted that the World Bank is treasury manager of IFFIm, that the IFFIm

Company accounts are consolidated with Gavi accounts, and that as the Bank's IFFIm accounting records are central to the financial statements of both IFFIm and Gavi there is a need to ensure that Gavi's auditor has access to such records.

- 5.2 In light of this, and the fact that the World Bank has a single auditor principle, it would be impractical for Gavi or IFFIm to appoint as its independent auditor a firm other than that chosen by the Bank.
- 5.3 The Bank had recently undertaken a competitive process to select its new independent auditor and has worked with the Secretariat to ensure that the specificities of the work required to audit the financial statements of Gavi and IFFIm have been considered by interested firms. The two firms shortlisted for appointment by the Bank demonstrated their ability to fulfil all of the requirements of Gavi and in December 2017 the World Bank informed the Gavi Secretariat of their intention to appoint Deloitte.

Discussion

- Committee members agreed that they were happy for the Secretariat to proceed with discussions with Deloitte on how they would approach the audit of the financial statements of IFFIm and Gavi.
- It was agreed that a meeting would be set up for the AFC Chair to meet with Deloitte representatives in Geneva immediately prior to the Gavi Board retreat in March, and that any other AFC members who might be there at that time would be welcome to join.
- AFC members noted that should discussions with Deloitte advance favourably, it would be necessary to work closely with KPMG, as Gavi's outgoing independent auditor, to develop a comprehensive transition plan which would be brought to the AFC for consideration at its April 2018 meeting, before the AFC makes a formal recommendation to the Board for approval at its June 2018 meeting.
- The Secretariat noted that it will also be important to review ongoing advisory services provided by Deloitte that have already been contracted by Gavi, and to seek the AFC's guidance on how to appropriately manage this going forward.

6. Closed session

- 6.1 Before convening in closed session AFC members agreed that as a presentation is planned for the Board in June 2018 on collaboration with the Global Fund it will not be necessary for the AFC to have a preliminary discussion on this at its April meeting and it can thus be removed from the AFC Action Sheet.
- 6.2 Observers and members of the Secretariat left the call and the Committee proceeded with a closed session.

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
- Kwaku Agyeman-Manu
- Gisella Berardi
- Reina Buijs
- Craig Burgess
- Alexandru Cebotari
- Ted Chaiban
- Emmanuel Maina Djoulde
- Irene Koek
- Chris Taylor (from agenda item 4)

Guests

- Evgenia Lopushanskaya, KPMG (until agenda item 6)
- Pierre-Henri Pingeon, KPMG (until agenda item 6)

Observers

- Nima Abbaszadeh (until agenda item 6)
- Alice Gilbert (until agenda item 4)
- Andreas Karlberg Pettersen (until agenda item 6)

Secretariat

- Seth Berkley
- Philip Armstrong
- Alex de Jonquieres (until agenda item 6)
- Tony Dutson (until agenda item 6)
- Joanne Goetz (until agenda item 6)
- Edmund Grove (until agenda item 6)
- Barry Greene (until agenda item 6)
- Simon Lamb
- Louis Mkanganwi (until agenda item 6)
- David Nix (for agenda item 4)
- Chrysantus Nyongesa (until agenda item 6)
- Jacob van der Blij (until agenda item 6)