

GAVI Alliance Audit and Finance Committee Meeting

25 May 2010

Teleconference

FINAL Minutes

Finding a quorum of members present¹, the meeting commenced at 16.30 Geneva time on 25 May 2010. The Committee reviewed the minutes from its meetings on 11 March 2010 and 14 April 2010 (Docs #1a and #1b in the committee pack).

DECISION

The GAVI Alliance Audit and Finance Committee:

Approved the minutes of its meetings on:

- 11 March 2010
- 14 April 2010

1 2009-2010 Administration and Work Plan Budget

Tony Dutson, Senior Director, Finance and CAO updated the Committee on spending against the 2009-2010 administrative and work plan budget and noted that while 2009 expenses were underspent compared to budget, the 2010 administrative budget is forecasted to be overspent by 6%, exceeding the Secretariat's 5% overspend authorisation (Doc #2). Though the Secretariat was pursuing cost savings, it requested the Committee to consider the possibility of reviewing a supplemental budget.

- The Board noted in November 2009 that the Secretariat may need to request a supplemental budget to support staffing costs associated with programmes coming online during 2010, such as the Health Systems Funding Platform and the innovative finance function.
- Nevertheless, the Committee requested the Secretariat to find sufficient savings within the standard 5% overage allowance given the climate of austerity and the fact that the projected overrun was only 6%.

2 Prioritisation Policy

Gian Ghandi, Head of Policy Development, provided an overview of the draft prioritisation policy recommended to the Board by the Programme and Policy Committee (PPC) (Doc #3). The policy's aim is to create a system to rank Independent Review Committee (IRC) recommended country proposals for New Vaccine Support (NVS) and cash-based programmes and inform the prioritisation of vaccines within GAVI's portfolio. This policy, along with the programme funding policy², would form the basis of GAVI's programme approvals architecture.

¹ Attendees are listed in Attachment A

² See section 3 of these minutes

3 Programme Funding Policy

Barry Greene, Managing Director, Finance and Operations explained that in the context of a resource-constrained environment, the Secretariat was developing a system for determining the amount of resources available for the approval of programme funding applications at any given time. The Board would be asked to consider approving the proposed system in June 2010. The Secretariat sought the guidance of the Committee in particular regarding what resources should be considered as “qualifying resources” and the duration for which commitments should be covered by these resources as a prerequisite to approval of new applications.

- GAVI has sufficient finance to cover all previously endorsed programme budgets and projected extensions through 2015, provided that direct contributions are maintained at an average of US\$ 350 million per year.
- Currently, while the Board (or Executive Committee) “endorses” a programme’s entire budget over its full lifespan, it “approves” tranches of funding only for 12-18 months at a time; additional tranches are subject to a recommendation by the Monitoring IRC, availability of funding, and approval by the Board. That practice will not change. The proposed system would give countries additional assurance in that new programme budgets will not be endorsed unless a minimum number of years’ worth of “qualifying resources” are in place for existing programmes.
- The Committee agreed with the Secretariat’s recommendation that “qualifying resources” should include the following:
 - Funds on hand:
 - Cash and investments of the GAVI Alliance
 - Cash and investments of the GAVI Fund Affiliate that are committed for approved programmes and are available for transfer to GAVI
 - Future inflows expected during the Board-determined commitment duration from:
 - Contributions contingent on programmatic expenditure (e.g. AMC contributions)
 - Expected IFFIm funding from the GAVI Fund Affiliate, based on existing donor pledges
 - Expected grants from the GAVI Campaign
 - Confirmed (to be defined) donor pledges to the GAVI Alliance
 - Expected pledges from existing donors who have not yet confirmed their pledges for the entirety of the commitment duration based on current contribution levels
 - Projected investment income

- GAVI must balance having sufficient reserves for existing commitments while not reserving so much funding that GAVI is retaining resources that could otherwise be safely deployed on life-saving programmes. The Committee believed GAVI could find the “right” balance by setting the duration for which qualifying resources should be sufficient to cover anticipated commitments at two years, noting the Board can adjust it later in light of experience.
- The Secretariat acknowledged these preferences and that it would present a paper to the Board that incorporated the Committee’s guidance.

4 Draft Q4 2009 Financials

Mr Dutson presented the consolidated financial position of the GAVI Alliance as of the end of the fourth quarter 2009 for information (Doc #5). The audit of the standalone financials should be complete by the end of May and consolidated financials completed over the next two months. The Secretariat is expecting a clean audit opinion. There was no discussion.

5 Advance Market Commitments

Tania Cernuschi, Senior Manager, Advance Market Commitments reported that the PPC requested the Board to allow all currently eligible countries (2003 definition) to participate in the AMC and, in addition, to allow India to participate without it counting against the funding cap for India (Doc #6).

- The requests will not create meaningful new costs to GAVI as graduated countries will need to completely self-finance the vaccine price once GAVI support has ended. Further, the recommendations will allow the AMC to be fully exercised.
- The Committee determined it did not need to formally recommend the proposal but acknowledged it understood the financial implications of the PPC’s recommendations.

6 Risk Management and Internal Audit Report

Cees Klumper, Director of Internal Audit reviewed a paper he intended to present to the Board on GAVI’s risk management profile (Doc #7). In addition, Mr Klumper reported he had reached out to counterparts in partner agencies to build relationships and to increase information flow (Doc #8). He also issued his first audit report (on the topic of GAVI’s control environment) and updated the Committee on other reports in progress.

- GAVI’s risk management programme should incorporate the principles of “alliance” that have made GAVI successful. As such, strategies for improving information flow among implementing partners, the Secretariat, and other stakeholders is essential.

- The transparency and accountability policy's (TAP) implementation is an important programme and the Secretariat's TAP team should develop ways to tighten country-level controls without creating unnecessary burden on countries or partners.
- There is less interaction between the staff of implementing partners in GAVI countries and the Secretariat than is optimal. GAVI needs to know what is happening "on the ground" to ensure risks are understood sufficiently and in real time. This is a critical responsibility of alliance partners.

7 Approving the Annual Accounts

Kevin Klock, Corporate Governance Officer and Assistant Secretary stated that, due to differences in the governance and audit calendars, the Board does not meet at a convenient time to consider and approve the annual financial statements. Further, the Statutes forbid delegation to the Executive Committee so alternative means of approval may be worth exploring.

- The options presented still required Audit and Finance Committee review and recommendation. As such, the Committee was comfortable to forward two options to the Governance Committee and Board for consideration.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 7.1 Recommended to the Governance Committee that it forward one or both of the following options to the Board for approval:
 - 7.1.1 Amend the Statutes to allow a delegation to the Executive Committee to approve the accounts
 - 7.1.2 Amend the By-Laws to allow no objection voting by the Board to approve the accounts.

There being no further business, the meeting was adjourned.

Mr. Kevin Klock, Assistant Secretary

Attachment A

Participants

Committee Members

- Wayne Berson, Chair
- Dwight Bush
- David Crush
- Magid Al-Gunaid
- Gavin McGillivray
- Clarisse Paolini
- Anne Schuchat

GAVI

- Tania Cernuschi
- Tony Dutson
- Helen Evans
- Gian Gandhi
- Barry Greene
- Kevin Klock
- Cees Klumper
- Louis Mkanganwi
- Matthew Radbill
- Nina Schwalbe

Guests

- Rob Lin, Bill & Melinda Gates Foundation