

FOR DECISION

Because of 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. The result would be special phone meetings each year to make this approval.

The Audit and Finance Committee reviewed options to streamline the process and in order of preference recommended to:

1. Amend the Statutes to allow a delegation to the EC to approve the accounts.
2. Amend the By-Laws to allow no objection voting by the Board.

The Governance Committee would need to consider the governance implications of these options in order to advise the Board.

The Board is requested to:

- Consider and, if thought fit, act on the recommendation of the Governance Committee which may be determined on 15 June 2010.

Approving the Annual Accounts

Each year, the Audit and Finance Committee reviews and the Board approves the annual financial statements. Typically, six to seven months are needed to prepare and audit the financials since the Alliance consolidates the financial positions of affiliated entities such as the IFFIm Company. The treasurers and boards of those entities must themselves complete their audit processes before the Alliance audit can conclude.

In a normal year, the Board meets twice: once in June and again in November or December. Unfortunately, neither date fits with the audit calendar. The June date occurs too early for the accounts to be ready. On the other hand, the financial statements cannot wait to be approved during the Board's second meeting, as the Alliance has reporting responsibilities to certain donors by the end of September each year.

Normally, to address time sensitive issues, the Board makes delegations to the Executive Committee allowing it to act on its behalf between board meetings. However, the Statutes state that "the Board may delegate its powers...except that no committee or person shall be delegated the power to...approve the annual accounts."¹ Therefore, the Board cannot delegate this task to the EC and, should nothing change, will need to meet by telephone in September *each year* in order to approve the accounts.

On 25 May, the Audit and Finance Committee considered some remedial options for streamlining board approval. They are listed here for consideration.

¹ Article 14

FOR DECISION

Option 1: Delegation to the Executive Committee

The Committee's preferred recommendation is to amend the Statutes and delegate final approval to the Executive Committee. There is precedent for this action as the old GAVI Fund Executive Committee had approval authority and regularly ratified the accounts.

Should the Governance Committee recommend this option and the Board approve it, the Statutes and Executive Committee Charter would be amended in the following manner:

Statutes, Article 14

Remove the red-lined text:

The Board may delegate its powers, except where governing law or these Statutes or the By-laws may otherwise prohibit delegation, and except that no committee or person shall be delegated the power to... ~~(1) approve the annual accounts.~~

Executive Committee Charter (By-Laws, Exhibit 1), Article 3

Add the following bullet point to the end of the article:

- *Approve the annual accounts*

Option 2: No Objection Voting by the Board

Though option 1 is cleaner operationally, legal counsel advise that it might be difficult to obtain the Swiss Supervisory Authority's approval as the Authority may consider that the approval of the annual accounts to be a critical component of the Board's responsibility. However, counsel is willing to pursue option 1 if that is the Board's preference.

As an alternate option, the finished financials could be tabled to the Board by email to allow board members to ask questions and, if they chose to, object to their passage. After a sensible and set period of time, the financials would be deemed to be approved if there were no objections levied.

The benefit to this method is that it allows board ownership of the approval and is far easier to execute than a unanimous email consent which, while permitted in the By-Laws, is far too cumbersome with 27 sitting board members – each of whom would need to submit a notice of consent.

Should the Governance Committee recommend this option and the Board approve it, the By-Laws would be amended to include language, some of which is similar to the no-objection voting clause used by the Global Fund to Fight AIDS, TB, and Malaria:

FOR DECISION

Add new paragraph 2 to Section 2.7.3:

The Board may approve the annual accounts on a no-objection basis. On such basis, and subject to further procedures set by the Board, a motion to approve the annual accounts shall be deemed approved if the following conditions are met: (i) the Audit and Finance Committee recommended to the Board that it approve the annual accounts, (ii) Notice of a request to approve the annual accounts is made in writing and sent by mail to the last recorded address of each Board Member, or by email, (iii) a period of no less than 10 calendar days is given for Board Members to signal an objection in writing or by email ("Objection Period"), and (iv) no objections to the motion are received by the Chair, CEO, or Secretary by the conclusion of the Objection Period.

Request

The Board is requested to consider and, if thought fit, act on the recommendation of the Governance Committee. If it is decided not to adopt one of the options, the Secretariat will work with the Chair to schedule a board teleconference in mid-September to approve the 2009 accounts.