

Gavi Alliance Audit and Finance Committee Meeting

25 February 2015

Teleconference

1. Chair's report

- 1.1 Finding a quorum of members present, the meeting commenced at 16.00 Geneva time on 25 February 2015. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 1a in the Committee pack); there were no additional conflicts declared. The Committee was informed when the annual declarations form would be distributed.
- 1.3 The Committee reviewed the minutes of its meeting on 24 October 2014 (Doc 1b), its action sheet (Doc 1c), and its forward workplan (Doc 1d).

Decision One

The Gavi Alliance Audit and Finance Committee:

- **Approved** the minutes of its meeting on 24 October 2014.

2. 2014 audit strategy

- 2.1 Pierre-Henri Pingeon and Karina Vartanova from KPMG, GAVI's independent auditors outlined KPMG's plan for the audit of the 2014 Annual Financial Report (Doc 2). They highlighted the purposes and objectives of the audit, key dates and deliverables, key audit areas, and risks. They also reviewed independence and materiality thresholds.

Discussion

- The Committee agreed with the outlines of the audit plan and thanked KPMG for the quality of the report. The Chair encouraged committee members to contact Mr Pingeon and Ms Vartanova directly or through him on any issue.
- Enhancements to risk management and fiduciary oversight are key issues for Gavi going forward. Linking these mandates with the financial audit could be mutually reinforcing.

3. Programme Funding Request

- 3.1 Tony Dutson, Senior Director and Chief Accounting Officer, requested that the Committee review the financial forecast and determine whether there were financial resources available to finance a Programme Funding Request (Doc 3). The programmes contained in the Request derive primarily from the recommendations of the New Proposals Independent Review Committee made during its 10-24 November 2014 meeting.
- 3.2 In summary, the EC will be requested to approve the initial funding of six New Vaccines Support programmes, endorse a net increase in overall programme budgets of US\$ 21,100,000 for the period 2015-17, and approve a net increase in near-term liabilities (a component of new and previously approved programme budgets) of \$20,900,000 for the period 2015-16.
- 3.3 Mr Dutson reviewed the particulars of the Programme Funding Policy and reported the Secretariat's opinion that the Programme Funding Request could be approved by the Board or EC in accordance with the Policy.

Discussion

- It was confirmed that funds were fully available to spend on programmes throughout the period required in the Programme Funding Policy given the pledges made at the replenishment event in January 2015.
- It was noted that programmatic spending was forecasted to peak in 2018 and then decline through 2020. The reason given was that while overall demand was expected to increase, there are countries expected to graduate which would be ineligible for funding after 2018. In addition, there are Measles-Rubella campaigns anticipated for funding during 2016-17.

Decision Two

The Gavi Alliance Audit and Finance Committee:

- **Noted** it reviewed the financial implications of the Programme Funding Request and concluded that it could be approved by the Board or Executive Committee in accordance with the Programme Funding Policy.

4. Currency hedging update

- 4.1 Tony Dutson provided an update to the Committee on the Secretariat's currency hedging activities (Doc 4). With new funding pledged to Gavi through 2020, and against a background of exceptional volatility in exchange rates over the past year, it was considered timely to review Gavi's hedging approach with the Committee. After consultation with a number of senior finance and investment experts, the Secretariat's conclusion was that the Currency Hedging Policy

remained fit for purpose but operational enhancements concerning timing and laddering of hedges and the choice of hedging instruments would reduce risk further.

Discussion

- It was confirmed that while 100% of Euro expenditures were hedged, a somewhat smaller percentage of Euro inflows were hedged. It was also noted that while most vaccine procurement is conducted in US Dollars, there is at least one vaccine that is being procured in Euros.
- A major investment house is assisting Gavi on a pro bono basis in analysing the pledges coming out of the replenishment event to determine the best way to ladder the purchase of hedging instruments over the next five years. By 2020, Gavi intends to have cumulatively hedged 92% of overall expenditures. While it is possible that foreign exchange rates could move favourably at certain times over the next five years, the Secretariat recommended an approach to reduce foreign exchange exposure rather than time the market in an attempt to realise gains.
- The Secretariat confirmed that the investments team was inputting into the hedging strategy.
- The Secretariat confirmed that it would dialogue with those sovereign donors who might be willing to fulfil their pledges in US Dollars or other currencies that could be naturally hedged.
- The Currency Hedging Policy allows the use of both forward contracts and option contracts. Until now, Gavi had only made use of the former but would consider option contracts going forward.
- The Chair suggested that KPMG be regularly consulted so that the independent auditor remained comfortable with the hedging strategy and associated activity.

5. Report of the Internal Auditor

- 5.1 Simon Lamb, Managing Director of Audit and Investigations, delivered an updated status on audit-related activities since the December Board meeting. The update included a discussion on the misuse reimbursement for two countries (a full report on reimbursement status will be provided at the next AFC meeting in May), a report on recruitment activities, and a preview of the 2015 planning process – the 2015 plan will be presented for review and approval at the May 2015 meeting. Also, Mr Lamb said that an external quality review will be undertaken of the Internal Audit activity at the end of March, the results of which will be shared at the next AFC meeting in May. Recognising that the department is still at an early stage in its development, and with the planned reorganisation only just starting, he suggested that the enhanced Audit and Investigations

function should undergo a further external review in 2-3 years' time, to assess the effectiveness of the implementation and to provide further assurance to the AFC on the operation of the function.

Discussion

- The Chair welcomed Edmund Grove, whom Mr Lamb introduced as the new Director of Programme Audit. Mr Lamb noted that once all of the outstanding recruitment activity was finished, planned for mid-year, his team would be appropriately staffed to undertake its mission.
- It was noted that Gavi and the Global Fund share similar concerns in many of the same countries. It was further noted that donor countries that have an on-the-ground presence are willing to assist with gathering information, dialoguing with government, and performing other activities related to fiduciary oversight.

6. Review of decisions

- 6.1 Kevin A. Klock, Head of Governance and Assistant Secretary, reviewed and agreed the language of the decisions with the Committee.

7. Executive session

- 7.1 The Committee moved into an executive session to appraise the performance of the Managing Director of Audit and Investigations.
- 7.2 Subsequently, after determining there was no further business, the meeting was brought to a close.

Mr Kevin A. Klock
Assistant Secretary

Attachment A

Participants

Committee Members

- Wayne Berson, Chair
- Esther Fox
- Tom Hunstad
- François Lefebvre
- David Sidwell

Regrets

- Shanelle Hall
- Marcus Koll
- Yifei Li
- Katherine Taylor

Secretariat

- Tony Dutson
- Barry Greene
- Edmund Grove
- Kevin A. Klock
- Alexandra Laheurte Sloyka
- Simon Lamb
- Louis Mkanganwi

Guests

- Kelly Jarrett, Bill & Melinda Gates Foundation
- Raj Baisya, DFID
- Pierre-Henri Pingeon, Audit Lead Partner, KPMG (item 2)
- Karina Vartanova, Audit Senior Manager, KPMG (item 2)