

GAVI Alliance Audit and Finance Committee Meeting

11 March 2010

Geneva, Switzerland & Washington, DC, USA

FINAL Minutes

Finding a quorum of members present¹, the meeting commenced at 10.00 Washington time on 11 March 2010. The Committee reviewed its outstanding minutes (Doc #1 in the committee pack).

DECISION

The GAVI Alliance Audit and Finance Committee:

Approved the minutes of its meeting on 14 December 2009.

Approved the minutes of the delegation authorised by unanimous email consent on 31 January 2010.

Approved the minutes of the Audit and Finance Subcommittee meeting on 1 February 2010.²

1 Revised Forecast/GAVI Strategy 2011-2015

Barry Greene, Managing Director, Finance and Operations and Tony Dutson, Senior Director, Finance and CAO reviewed GAVI's financial forecast (Doc #2). It was revised since the November 2009 board meeting to inform the development of the forward strategy and resource mobilisation effort. In summary, the latest information points to a US\$ 1.448 billion reduction in GAVI projected expenditures during 2009-2015 (representing a 15.6% decrease from the estimate presented to the Board in November 2009). Discussion ensued:

- During 2010-2015, GAVI's projected net cash outflow is \$7.0 billion. Currently, the Secretariat projects cash inflows of pledges in hand to be \$2.7 billion and cash inflows of historical but as of yet unpledged donations to be \$1.7 billion. As a result, to fully fund GAVI's ambition during 2010-2015, GAVI requires \$2.6 billion in cash inflow from as yet unidentified sources. Failure to raise full financing will not jeopardise previously approved programmes but it will impact GAVI's ability to fully contribute to attaining Millennium Development Goal 4.³
- Forecasted demand, supply, and price are largely responsible for the change in projected expenditures. For example, due to the change in the Eligibility Policy, several countries will "graduate" from GAVI thus lessening potential GAVI expenditures. In addition, uptake in India, the GAVI-eligible country with the greatest number of unimmunised children, is difficult to predict especially with regard to DTP-Hib-HepB (Pentavalent) vaccine. The number of doses provided

¹ Attendees are listed in Attachment A.

² Magid Al-Gunaid abstained from this decision.

³ "Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate."

through the Advance Market Commitment (AMC) for Pneumococcal vaccine can also be affected by graduation and country uptake; this information should be explicitly highlighted in further forecast presentations.

- The Secretariat analysed the impact of the Co-financing Policy on the funding requirement to 2015 and determined that it will not meaningfully contribute.

2 Programme Funding Plan

Mr Dutson noted an intention to seek endorsement of programme budgets and approval of near-term financial commitments out of programme budgets as a result of the recommendations of the Monitoring Independent Review Committee (IRC) from 26 January 2010 (Doc #3). Discussion followed:

- It was confirmed that the financial projections forecasted within Doc #2 incorporated the programme approvals being sought and, further, that they will have a relatively small impact.
- The programme funding plan demonstrates well how the total programme budgets are calculated and revised. It was suggested that future plans better explain how the near term financial commitments are determined.
- The Committee was satisfied that country programme applications receive very good programmatic review but would like financial review to be improved. As a result, the Committee requested Cees Klumper, Director of Internal Audit, to look at the approvals process and ensure he is comfortable with financial reviews and with compliance with the Transparency and Accountability Policy.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 2.1 Acknowledged that it reviewed the financial implications of the country programme recommendations and were comfortable on that basis to move forward with them.

3 Centralisation of IFFIm/GFA Programme Liabilities

Anthony Brown, Senior Legal Counsel and Louis Mkanganwi, Director of Financial Reporting, tabled a draft process for approving and managing IFFIm and GAVI Fund Affiliate (GFA) country-specific programmes (Doc #4). The IFFIm and GFA boards reviewed the process earlier in 2010. Discussion ensued:

- The Committee discussed the accounting treatment of the new procedure. It was acknowledged that for future programme approvals, GAVI will request GFA and IFFIm to approve country-specific programmes eligible for funding for each relevant GAVI window. The cumulative approved programme will be less than or equal to an "IFFIm Eligible Amount" set by the IFFIm and GFA boards. This will give GAVI greater flexibility to manage fluctuations at the country level. Approvals will need to be carefully worded so that they are properly accounted for on the books of the GAVI Alliance, IFFIm, and the GAVI Fund Affiliate.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 3.1 Recommended to the Executive Committee that it, with effect from 1 January 2010:
 - 3.1.1 Endorse a proposal to centralise and maintain all IFFIm/GFA country-specific programme detail within the GAVI Alliance.
 - 3.1.2 Approve 136 country-specific programmes totalling **US\$ 530,028,847** from 2006 – 2009 that will be transferred from GFA to the GAVI Alliance as programme liabilities with the understanding that these liabilities will be offset by a contribution grant receivable from GFA for the same amount.
- 3.2 Acknowledged it reviewed the GFA Programme Grants Payable policy and the Secretariat's intention to implement it.

4 Report of the Internal Auditor

Mr Klumper provided an update to the Committee on his activity (Doc #5) which included several suggested revisions to the Document Retention Policy (Doc #6) originally approved by the Board on 2-3 June 2009.⁴ Discussion followed:

- The Committee was satisfied with the Director of Internal Audit's activities and the depth and clarity of his reporting. Committee members were pleased that Mr Klumper is engaging the inspectors general of similar organisations, such as the Global Fund for AIDS, TB, and Malaria in order to share best practices.
- Mr Klumper intends to review the Whistleblower Policy and recommend any potential revisions in due course.
- Further refinement of the risk register is proceeding and will be tabled in the future as part of a comprehensive plan for risk management and oversight.
- The Committee engaged in a discussion on GAVI's biggest risks as identified by the Director of Internal Audit and strategies for mitigating them.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 4.1 Endorsed the Internal Audit Plan as presented.
- 4.2 Recommended to the Board that it approve the revised Document Retention Policy.

⁴ Resolution 9

5 Report of the Director of Financial Reporting

Mr Mkanganwi provided an update on accounting policies and the risk register (Doc #7). Ultimately, GAVI would like to ensure a coherent, efficient and documented financial control and reporting structure for the Swiss entity. Further, Mr Mkanganwi tabled the calendar for the audit of the 2009 financial statements which was developed in conjunction with KPMG, GAVI's external auditor (Doc #8). Discussion followed:

- It was noted that the Director of Internal Audit could provide advice when requested and appropriate but acknowledged that he remained independent from colleagues on the Secretariat's finance team.
- The Committee acknowledged that the policies listed in Annex 2 of Doc #7 had been drafted, that the Secretariat had implemented them, and were available at any time to committee members for comment or review.
- 28 July 2010 is the target date for the Committee to first review the 2009 financials. However, it was acknowledged that it is an aspirational target given that this is the first time the GAVI Alliance is serving as the entity consolidating the IFFIm Company and other affiliated organisations. Should the target prove too aggressive, then the Committee would be informed and an extraordinary session scheduled.

6 2011 Budget Process

Mr Dutson provided an overview of the 2011 budget process in order to receive any feedback or suggestions (Doc #9). He emphasised that the revised process would allow for greater financial transparency in support of the Committee's review.

Discussion ensued:

- When the budget is presented, it would be helpful to analyse it within the context of the long term plan for 2011-2015.

7 2010 Committee Workplan

The Chair presented a draft workplan to organise the Committee's work during 2010 (Doc # 10). He reminded the Committee that its self-assessment noted the value of agreeing to a workplan every year. Discussion ensued:

- Given the increased emphasis on the internal audit function, the Committee decided that the Director of Internal Audit should make a report at nearly every committee meeting rather than quarterly.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 7.1 Endorsed the Audit and Finance Committee workplan subject to the inclusion of the changes agreed to during the meeting.

There being no further business, the meeting was adjourned.

Mr. Kevin Klock, Assistant Secretary

Attachment A

Participants

Committee Members

- Wayne Berson, Chair
- David Crush
- Magid Al-Gunaid

Regrets

- Clarisse Paolini

GAVI

- Anthony Brown
- Tony Dutson
- David Ferreira
- Barry Greene
- Kevin Klock
- Cees Klumper
- Louis Mkanganwi
- Matthew Radbill
- Ivone Rizzo
- Nina Schwalbe

Guest

- Rob Lin, Bill & Melinda Gates Foundation