

GAVI Alliance Audit and Finance Committee meeting

28 October 2009

Geneva, Switzerland & Washington, DC, USA

FINAL Minutes

Finding a quorum of members present¹, the meeting commenced at 10.07 Washington time on 28 October 2009. The Committee reviewed the minutes from its meeting on 23 July 2009 (Doc #1 in the committee pack).

DECISION

The GAVI Alliance Audit and Finance Committee:

Approved the minutes of its meeting on 23 July 2009.

1 Managing GAVI's finances

Helen Evans, Deputy CEO and Tony Dutson, Acting CFIO delivered a report on managing GAVI's finances (Doc #2), which outlined a number of scenarios for maintaining a cash/investment reserve and addressing programme demand from eligible countries.

Discussion followed:

- GAVI has the finances to deliver on country programme budgets which have been approved and endorsed by the Board. GAVI must address how it will handle expected demand, particularly if that demand outpaces its resources.
- It is understood that GAVI must maintain a reasonable cash/investment reserve in order to remain fiscally healthy and to maintain its credibility for delivering vaccine and finance to eligible countries. However, GAVI must not maintain an unreasonably high reserve as donors may view this as not effectively deploying resources in furtherance of its mission.
- The Board and the Audit and Finance Committee acknowledged a need to prioritise new programme activity depending upon GAVI's ability to raise new finance. The Secretariat has drafted a paper on principles for prioritisation that it shared with the Programme and Policy Committee ("PPC") and will table to the Board at its meeting in November 2009.
- GAVI will have a better idea as to its potential resources after its replenishment meeting planned for March 2010. After that point, the Committee could re-explore the size of GAVI's target reserve.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 1.1 Recommended to the Board that GAVI target an unrestricted cash and investment reserve of 12 months of annual expenditure with an absolute floor of 8 months of annual expenditure.

¹ Attendees are listed in Attachment A.

- 1.2 Recommended to the Board that it does not consider IRC New Proposals team recommendations until June 2010, when donor commitments will be clearer, including the recommendations that arise from the October 2009 IRC session.

2 2010 administrative and work plan budget

Mr. Dutson, Acting CFIO provided an overview of GAVI's 2010 administrative budget and revised 2009-2010 work plan budget (Doc #3). He noted the Secretariat prioritised crafting a lean administrative budget given the economic environment. Also, the Secretariat worked with GAVI's multilateral partners – WHO, UNICEF, and the World Bank – to find savings in the work plan budget approved by the Board in October 2008. Discussion followed:

- The Secretariat made a considerable effort to present a 2010 administrative budget that would show 0% growth against 2009. However, the full year effect of 2009 hires made a modest level of growth inevitable.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 2.1 Recommended to the Board that it approve the GAVI Secretariat administrative budget of US\$ 42,087,983 for 2010.
- 2.2 Recommended to the Board that it approve a capital expenditure budget of US\$ 470,000 for 2010
- 2.3 Acknowledged decreased work plan spending in 2009
- 2.4 Recommended to the Board that it reduce the 2010 portion of the 2009-2010 work plan budget to US\$ 74,910,959.

3 Programme funding plan

Mr. Dutson and Santiago Cornejo, Senior Programme Manager, Programme Delivery reviewed the proposed programme budgets and near-term funding requests to support the recommendations of the Monitoring Independent Review Team ("IRC") along with several finance adjustments (Doc #4a). In net terms, the Secretariat intended to request that the Board endorse reducing budgets for country-specific programmes in the amount of US\$ 58,900,925 and reducing near-term financial commitments in the amount of \$83,790,784. Discussion followed:

- These programme budgets and near-term financial commitments were factored into the projections discussed in the "managing GAVI's finances" section.
- The Secretariat confirmed that the IRC forwards lessons learnt and best practices to the PPC in order to improve the country application and programme implementation processes.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 3.1 Acknowledged that it had reviewed the financial implications of the country programme recommendations.

4 Programme funding plan – restricted countries

Programme budgets and near-term funding requests to support programmes in Cuba, North Sudan, and Myanmar (“Restricted GAVI Countries”) (Doc #4b) were tabled. No US funds would be used to support these programmes. In all, the Secretariat intended to request that the Board endorse budgets for country-specific programmes in the amount of \$324,500 and approve a near-term financial commitment in the amount of \$18,799,000.

DECISION

Clarisse Paolini on behalf of the GAVI Alliance Audit and Finance Committee:

- 4.1 Acknowledged that she had reviewed the financial implications of the country programme recommendations.

Wayne Berson and George Bickerstaff recused themselves from any discussion and the decision.

5 2009 audit and tax engagement letters

Mr. Dutson and Louis Mkanganwi, Director of Financial Reporting presented a series of engagement letters from KPMG to perform external audit and tax services for the GAVI Alliance (Doc #5). Discussion followed:

- The Secretariat negotiated the terms of the engagement and believed the terms and fees presented were reasonable. The Secretariat also confirmed that GAVI receives a discounted rate from KPMG off its corporate rate for being an institution with a charitable purpose.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 5.1 Recommended to the Board that it appoint KPMG SA/AG as independent auditor of, and to provide Swiss tax services for, the GAVI Alliance for 2009.
- 5.2 Recommended to the Board that it appoint KPMG LLP to provide US tax services for the GAVI Alliance for 2009.
- 5.3 Recommended to the Board that it approve the 2009 audit and tax engagement letters with KPMG SA/AG and KPMG LLP.

6 Variance policy and programme liability policy

On 23 July 2009, the Committee reviewed and recommended the Board approve a budget variance policy.² Mr. Dutson reported that the Secretariat had taken a fresh approach to the mechanics of the policy and would like to propose a revision prior to presentation to the Board (Doc #6). He also tabled a programme liability policy (Doc #7) which offers a mechanism to standardise the procedure for approving programmes for cash and vaccines. Discussion followed:

² Audit and Finance Committee minutes, 23 July 2009, Section 4.

- The variance policy is meant to allow the Secretariat to spend above board-approved budgets when doing so would avoid unnecessary inefficiencies and where the overspend is modest. However, should the Board approve the policy, the Audit and Finance Committee would like to receive periodic variance reports.

DECISION

The GAVI Alliance Audit and Finance Committee:

- 6.1 Recommended to the Board that it approve the revised variance policy.
- 6.2 Recommended to the Board that it approve the programme liability policy.

7 New procurement account

Mr. Dutson explained GAVI requires a new procurement account to replace a similar account managed by the GAVI Fund (Doc #8).

DECISION

The GAVI Alliance Audit and Finance Committee:

- 7.1 Recommended to the Board that it authorise the officers to take any steps required to open and manage a procurement account with JP Morgan.

8 Report on IFFIm

Jim Rice and Adam Fogarty with Linklaters, GAVI's English Law advisors and Tim Nielander, General Counsel delivered a report on the new financial commitments to IFFIm to support health systems strengthening programmes, outreach to new donors, and the role of GAVI in IFFIm's affairs. Discussion followed:

- The IFFIm Company was established as and remains a separate legal entity from the GAVI Alliance. GAVI is not legally liable for IFFIm's activities and any oversight attempt by the GAVI Alliance of IFFIm's affairs could create unintended liability for the GAVI Alliance.
- The IFFIm is a company limited by guarantee and the GAVI Alliance as sole member is responsible up to £10 for any unpaid bills if the IFFIm were ever wound-up.
- The amount of cash GAVI can request from IFFIm is the result of a number of factors including grant timing and the amount IFFIm is able to raise on competitive terms. Further, the IFFIm finance framework agreement caps the annual cumulative amount IFFIm is able to approve for programmatic purposes.
- IFFIm's finance framework agreement cites a minimum credit rating that IFFIm must maintain in order to be able to disburse funds for programmes. Currently, IFFIm's credit rating is sufficient and IFFIm's board and its treasury manager, the World Bank, have a strategy to ensure IFFIm will be able to continue to disburse funds for programmes.
- In spite of assertions to the contrary, the IFFIm bonds have retained their AAA rating.

- GAVI, as member of IFFIm, can propose potential board members if the IFFIm is seeking new board members but must be careful that any conflicts that arise between GAVI and IFFIm are appropriately managed.
- English law is very clear as to what constitutes conflicts and the GAVI Alliance conflicts policy does not apply to the IFFIm, since it is an independent company.
- General Counsel will work with relevant parties to develop a memo summarising answers to committee members' questions on IFFIm.

9 Committee self-assessment

Simon Page and Erik Slingerland from Egon Zehnder presented a report of the findings of the committee self-assessment they facilitated. Discussion followed:

- There was broad consensus that the Committee has the right number of members and skills and that the respective roles between the Committee and the Board, and the Committee and the Secretariat, are clear and well understood.
- There appeared some different views on whether individual committee members were sufficiently engaged and contribute equally to meetings. Further, committee members need to have polished financial skills and be sufficiently engaged in the Committee's activities – particularly if they are not members of the Board. It was also felt that more face-to-face meetings, a forward looking work plan, and a good induction process could be helpful in developing a stronger collective relationship.
- If possible, the Board Chair should be invited to attend at least one Audit and Finance Committee meeting each year.

10 Any other business

- It was reported that the new director of internal audit had been hired and will be in attendance at the next Audit and Finance Committee meeting.
- The Committee acknowledged it had received and reviewed the Q2 2009 financial statements (Doc #9). Mr Dutson was requested to provide feedback to the Committee on its reported Q2 financing expenses.

There being no further business, the meeting was adjourned.

Mr. Tony Dutson, Authorised Signatory

Attachment A

Participants

Committee Members

- Wayne Berson, Chair
- George Bickerstaff
- Clarisse Paolini
- David Crush (non-voting member serving at the pleasure of the Chair)

Regrets

- Jean-Louis Sarbib
- Magid Al-Gunaid

GAVI

- Santiago Cornejo
- Tony Dutson
- Helen Evans
- Ulf Herzer
- Kevin Klock
- Louis Mkanganwi
- Tim Nielander
- Nina Schwalbe
- Brenda Storey
- Joelle Tanguy

Guests

- Adam Fogarty, Linklaters
- Claire Mahon, Special Advisor to Mary Robinson
- Simon Page, Egon Zehnder
- Jim Rice, Linklaters
- Erik Slingerland, Egon Zehnder