



GAVI Alliance Audit and Finance Committee Meeting

11 May 2011

Geneva/Washington

FINAL MINUTES

1. Chair's report

Finding a quorum of members present, the meeting commenced at 15.00 Geneva time on 11 May 2011. Wayne Berson, Audit and Finance Committee Chair chaired the meeting.

Standing declarations of interest were tabled to the Committee (Doc #1a in the Committee pack). Next the Committee reviewed the minutes of its meeting on 24 March 2011 and noted they had been approved by email on 30 April 2011 (Doc #1b). Finally, the Committee reviewed actions arising from previous meetings (Doc #1c) and its forward workplan (Doc #1d).

2. Updated long term financials

Tony Dutson, Senior Director, Finance and Chief Accounting Officer updated the Committee on the financial forecast, which incorporated the latest demand estimates and funding decisions (Doc #2).

- Programme expenditure estimates for 2011-2015 had reduced by approximately US\$ 153 million. The principal reason was a delay in commencing Rotavirus introduction in Bangladesh and Ethiopia.
- Projected inflows are included in the forecast once a pledge becomes relatively assured. As a result, as pledges are firmed up, the projected inflow increases. Recent pledges by the Crown Prince of Abu Dhabi and the Bill & Melinda Gates Foundation were confirmed, and the Committee expressed its appreciation for the support.
- The Committee also discussed the amount of money available from IFFIm for programmes as well as the impact of the IFFIm gearing ratio on available funds.

3. Backstop facility

David Ferreira, Managing Director of Innovative Financing updated the Committee on the proposed backstop facility guaranteed by the Bill & Melinda Gates Foundation (Doc #3) (also see Section 8 of the 24 March 2011 minutes). He reported on negotiations between GAVI, the Gates Foundation, and a major commercial bank to operationalise the facility with the hope that it could be announced at the June 2011 pledging event. He noted that using the facility would require a change to the Programme Funding Policy, and tabled those changes for consideration.

- The facility would allow GAVI to mobilise otherwise idle resources held to meet the Alliance's eight-month reserve requirement. The Innovative Finance team is exploring additional avenues to catalyse GAVI's assets.
- The Gates Foundation agreed to minimise GAVI's financial exposure in setting up the facility. In addition, the Committee considered the reasons behind the Gates Foundation's position that the repayment period should be nine months.
- Debbie Adams, Managing Director, Law and Governance confirmed for the Committee members that the process thus far had been appropriate and within normal business practices. She suggested that David Ferreira offer a briefing session to other Board members so they felt properly informed to take a decision on it.
- The Committee noted there was a small risk of announcing the facility at the 13 June event prior to the Board taking a final decision on the facility and the revised Programme Funding Policy in July. However, it was thought this was a relatively small risk given the structure of the programme and the extensive consultation the Secretariat had conducted with the Committee.

Decision One

The GAVI Alliance Audit and Finance Committee moved to:

- **Recommend** to the Board that it approve the amended Programme Funding Policy as included in Doc 03, Appendix A.
- **Delegate** to Wayne Berson and Dwight Bush the authority to review on behalf of the Committee the proposed commercial arrangements for the backstop facility in consultation with Barry Greene, David Ferreira, and Debbie Adams, and make a recommendation on it to the Board in line with the proposed Programme Funding Policy.

4. Report of the internal auditor

Cees Klumper, Director of Internal Audit, delivered a report on cash programme risk management (Doc #4). He presented preliminary recommendations to further

strengthen GAVI's management of fiduciary risk and noted that implementation would likely require additional headcount. He also reported that the Secretariat would take on the Committee's recommendation of performing a similar evaluation of GAVI's vaccine procurement (see Section 6 of the 24 March 2011 minutes).

In addition, Cees Klumper reported on investigations of misuse of cash support in Mali, Niger, Cameroon, and Côte d'Ivoire. He reminded the Committee that "misuse" may encompass fraudulent uses, worthy but ineligible uses, and undocumented uses.

- The Committee was pleased with the recommendations, particularly given that the internal controls of other organisations have been challenged by donors, auditors, and the news media. Nevertheless, the Chair requested that Cees Klumper set up a meeting with USAID representatives to get additional insight as to what other organisations are doing to improve internal controls.
- At its meeting on 28 July 2010, the Committee determined that annual written reports and other papers presented to the Board would be disclosed on the website, but specific reporting to the Audit and Finance Committee would be kept confidential in order to ensure complete candor between the Director of Internal Audit and the Committee (see Section 6 of the 28 July 2010 minutes). Cees Klumper suggested that the Committee consider increased transparency and that he would initiate discussions to this effect with the Board Chair, Vice Chair, and Committee Chair.

Decision Two

The GAVI Alliance Audit and Finance Committee moved to:

- **Note** the recommendations on cash programme risk management, and the Director of Internal Audit's intention to refine these recommendations and report them to the Board.

5. Risk management update

Barry Greene, Managing Director of Finance and Operations updated the Committee on the steps the Secretariat had taken to manage risk and the evolution of key risks during Q1 2011 (Doc #5). In particular, he reviewed the three risks deemed most significant to GAVI: (1) resource mobilisation, (2) oversight of cash-based programmes, and (3) country sustainability. In addition, he commented on certain reputational risks and Secretariat capacity risk. He reported that the Secretariat had updated and enhanced the risk register, integrated progressive risk management processes into GAVI's operations, and tracked mitigation activities. The updated risk register will be shared with the Board in July 2011.

- Cees Klumper confirmed that the headcount needed to mitigate cash-based programme risks were in addition to the headcount the Secretariat requested at the end of 2010.
- At the Committee's request, the Secretariat will look anew at emerging risks over the next two quarters and advise the Committee appropriately. In addition, the Secretariat should determine whether it has been delegated sufficient authority to manage risk.
- Overall, the Committee confirmed it had reviewed the evolution of key risks and the Secretariat's strategies to mitigate them.

6. CSO Type B support

Paul Kelly, Director of Country Programmes requested the Committee's endorsement of an allocation of up to US\$ 7,214,100 to fund a 12 month extension of "Type B" support for civil society organisations in eligible pilot countries (Doc #6). This programme, designed to improve service delivery, was coming to an end but the Programme and Policy Committee thought a short extension was warranted to prevent disruptions while a new funding window was developed.

- The amount requested is quite small compared to GAVI's projected funding outflow during 2011-2015, and the Secretariat advised that GAVI's flexibility to approve other programmes would not be meaningfully affected by a decision to fund this programme.
- The Secretariat confirmed that the 12 month timeframe would be country-specific rather than applied to the programme as a whole.

Decision Three

The GAVI Alliance Audit and Finance Committee moved to:

- **Note** that it reviewed the financial implications of the commitment of funds for the extension of CSO Type B activities and that the commitment could be endorsed and approved by the Board or Executive Committee in accordance with the Programme Funding Policy.

7. 2009-2010 business plan expenditure

Tony Dutson reported final numbers for 2009 and 2010 business plan expenditures including budget versus actual comparisons (Doc #7). In sum, the business plan budget for the two year period totalled US\$ 285 million, of which \$263.7 million was spent, \$17.2 million was likely to be spent during 2011 and 2012, and \$4.1 million was likely not to be spent. The Secretariat will craft a carry-forward policy to govern

situations where budgeted funds not spent during the applicable budget year can be spent for their intended purpose in a future year.

- The Committee queried whether rebudgeting funds would be a better alternative to a carry-forward policy. The Secretariat replied that most of the applicable funds support partner activity and that because partner reporting cycles do not align with GAVI's budget calendar, rebudgeting funds is not generally feasible. The Committee asked the Secretariat to better account for this risk and perhaps consider building into future budgets a projected unspent funds buffer.
- The Secretariat will present the carry-forward policy at the Committee's meeting in September 2011.

8. 401(k) appointment of trustees

Anthony R. Brown, Senior Legal Counsel informed the Committee that the Secretariat intended to update the roster of trustees and administrators of the Washington, DC staff 401(k) plan. Previously appointed trustees and administrators had since left GAVI and so it was appropriate that those individuals were removed. Though the Board had originally appointed the trustees and administrators, the provider does not require the Board to make these appointments.

- The Committee reviewed the candidates the Secretariat intended to appoint and agreed that it was unnecessary for the Board to make the new appointments. Subsequently, it noted the Secretariat's intention to appoint the new trustees and administrators and to terminate trustees and administrators who had left their employment with GAVI.
- The Committee requested a short report on the plan custodian, Orchard Trust Company, and the fees paid to the custodian.
- The Committee also requested information on preparation of IRS Form 5500 and whether GAVI's tax advisor, KPMG, prepared this document.

There being no further business, the meeting was brought to a close.

Mr Kevin A. Klock
Assistant Secretary

Attachment A

Participants

Committee Members

- Wayne Berson, Chair
- Magid Al-Gunaid (Items 2-8)
- Dwight Bush
- Anne Schuchat

Regrets

- Clarisse Paolini

Secretariat

- Debbie Adams (Items 1-3)
- Anthony R. Brown (Item 8)
- Barry Greene
- Tony Dutson
- David Ferreira
- Paul Kelly (Item 6)
- Kevin A. Klock
- Cees Klumper
- Louis Mkanganwi
- Quinton Ng (Items 1-3)

Guests

- Natalia Antsilevich, World Bank
- Micheline Gilbert, Canadian Int'l Development Agency
- Rob Lin, Bill & Melinda Gates Foundation
- Tim Nielander, former General Counsel (Item 3)