



GAVI Alliance Audit and Finance Committee Meeting

25 July 2012
Teleconference

FINAL MINUTES

Finding a quorum of members present, the meeting commenced at 10.00 Washington time on 25 July 2012. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting. Standing declarations of interest were tabled to the Committee (Doc 3a in the Committee pack).

1. Executive session with the external auditor

- 1.1 The Committee held an executive session with Marianne Fallon, Pierre-Henri Pigeon, and Karina Vartanova from KPMG, GAVI's external auditor to discuss the conduct of the 2011 audit (Doc 1). The Committee invited Cees Klumper, Director of Internal Audit to attend.
- 1.2 At 10.40, the Committee convened in open session.

Report out of executive session

- The Chair summarised for the minutes the outcomes of the executive session.
- The Committee had discussed a difference in opinion between GAVI and KPMG with regard to the methodology used to value AMC pledges. The Chair reported that in his opinion, and that of another "Big Four" accounting firm, the valuation method GAVI had used, which KPMG had accepted during the past two years, continued to be the appropriate one, and questioned why KPMG was advocating a change even though the applicable accounting standards had not changed. Consequently, before recommending the 2011 annual financial report to the Board, the Committee requested that KPMG clarify:
 - Why KPMG's new position on the methodology was correct and why GAVI's current position was incorrect, and
 - On what basis KPMG had approved the methodology in previous years and why it changed its position from this previously approved methodology. Derek Strocher from the World Bank offered to work with the Secretariat to resolve this issue with KPMG.
- The Committee had discussed KPMG's characterisation of two immaterial employee benefit issues that had been detected and resolved by the Secretariat. Whilst KPMG noted they had been appropriately handled, the

Committee felt their characterisation in the presentation to the Committee was inaccurate. KPMG agreed to revise the language and report back to the Committee.

- The Committee agreed that it would wait for KPMG to address its concerns prior to making a recommendation to the Board.

2. 2011 annual financial report

- 2.1 Louis Mkanganwi, Director of Financial Reporting reviewed the 2011 Annual Financial Report (Doc 2). The report consolidates the financial positions of the GAVI Alliance, IFFIm Company, GAVI Fund Affiliate, and GAVI Campaign. He noted that the Campaign was now being consolidated because a recent restructuring resulted in closer integration of the Campaign's operations with those of the Alliance.
- 2.2 Further, he explained a significant risk to IFFIm's cash flows resulting from its swap agreement with the World Bank. This is an area of focus for the IFFIm Board. Also, he also noted a revision as to how expenses are classified and presented in the financial statements in order to align such presentation with how these expenses are being managed under the new business plan that came into effect in 2011.

Discussion

- The Secretariat clarified that the 2010 numbers that appear in the 2011 report reflect the new expenses classification. This was done to allow a fair comparison between the two years.
- The Committee requested clarification as to the risk associated with IFFIm's net swaps position. The Secretariat explained that there are two broad risks.
 - The first risk is that the World Bank may exercise its right, under its swap agreements with IFFIm, to call for collateral from IFFIm on derivative liability positions in excess of US\$ 400 million. Therefore, if the derivative position worsens and the World Bank calls collateral, this could adversely impact IFFIm's ability to fund GAVI programmes or made payments to bond-holders. The Secretariat indicated that, in order to address this risk, the World Bank has confirmed that it does not intend to call for collateral notwithstanding the agreement. Rather, the IFFIm Board and the World Bank were currently discussing alternative arrangements.
 - The second risk is that IFFIm's net swaps position would not correct itself over time and, therefore, result in a permanent loss to IFFIm. The Secretariat noted that, provided that donors make their already agreed payments, IFFIm's swap contracts would settle as normal and result in

no permanent loss to IFFIm. All IFFIm donors have strongly signalled their commitment to continue making their payments as and when due.

- The Committee agreed to include IFFIm's current ratings in the Annual Financial Report. However, it was decided it was not necessary to include the ratings outlooks as they are publically available in other settings.

3. Chair's report

- 3.1 The Committee noted the minutes of its meeting on 11 April 2012 (Doc 3b), which were approved by no-objection on 1 June 2012. In addition, the Committee noted its action sheet (Doc 3c) and its forward workplan (Doc 3d).

4. Programme funding approvals/forecasting

- 4.1 Tony Dutson, Senior Director of Finance and Chief Accounting Officer, informed the Committee of the updated financial forecast for 2012-2020, and that the Secretariat intended to request from the Executive Committee endorsement of programme budgets and approval of near-term financial commitments from programme budgets (Doc 4). In all, the Executive Committee will be asked to endorse multi-year programme budgets in the amount of US\$ 57,470,936 and near-term programme liabilities in the amount of \$25,661,758. He confirmed the Secretariat's assessment that GAVI could make these approvals in accordance with the Programme Funding Policy.

Decision One

The GAVI Alliance Audit and Finance Committee:

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

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
- Dwight Bush
- Dirk Gehl
- Tom Hunstad
- Derek Strocher
- Anne Schuchat

Regrets

- Micheline Gilbert
- Yifei Li

Other Board members present

- Seth Berkley (non-voting)

Secretariat

- Tony Dutson
- Helen Evans
- Barry Greene
- Kevin A. Klock
- Louis Mkanganwi

Internal Audit

- Cees Klumper

Guests

- Natalie Revelle, Bill & Melinda Gates Foundation
- Marianne Fallon, KPMG
- Pierre-Henri Pingeon, KPMG
- Karina Vartanova, KPMG