

Gavi Alliance Audit and Finance Committee Meeting

25 July 2019

Teleconference

1. Executive session with the independent auditor

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 16.00 Geneva time on 25 July 2019. David Sidwell, AFC Chair, chaired the meeting.
- 1.2 The Committee held an executive session with Fabien Bryois and Lisa Watson from Deloitte, Gavi's independent auditor, to discuss conduct of the 2018 audit. The AFC Chair noted that the auditors had reported their satisfaction with audit transition, process and reported that there were no significant adjustments or topics to discuss beyond those that were covered at the previous session with the auditors in June.
- 1.3 The auditors had further appreciated that the finance team had been thorough in their research on the new accounting standards and had demonstrated ownership of their judgements and the papers and preparation for the audit was of a high quality and well prepared.
- 1.4 The Committee convened in open session at 16.15.

2. Chair's report

- 2.1 Standing declarations of interest were tabled to the Committee (Doc 02a in the Committee pack).
- 2.2 The Committee approved the minutes of its meeting on 24 June 2019 (Doc 02 b) and noted its action sheet (Doc 02c).

Decision One

The Gavi Alliance Audit and Finance Committee:

Approved the minutes of its meeting on 24 June 2019.

3. Financial management and corporate reporting

3a Deloitte Audit Presentation

- 3a.1 Fabien Bryois, Partner, Deloitte and Lisa Watson, Director, Deloitte, presented this item to the Committee (Doc 03a) reporting that the finalisation of the audit work since the last update to the AFC in June 2019 had focused on compliance with US GAAP (Generally Accepted Accounting Principles), review of the annual financial statements and consolidation process. Mr Bryois confirmed that the audit work was complete and that it is anticipated that Deloitte will be in a position to issue an unqualified audit opinion, which will include an Other Matter paragraph drawing attention to the prior year adjustments resulting from the changing of accounting policy on adoption of ASU 2016-14, as well as the fact that the prior year consolidated financial statements were audited by other auditors.
- 3a.2 Mr Bryois highlighted that during their audit they also followed up on the Kroll report issued 22 November 2018 and performed further follow-up on the few remaining items they highlighted as not yet in place during their report to the AFC in June 2019. While Deloitte work did not reveal any significant unaddressed areas, Deloitte were not engaged to specifically report on follow up to the Kroll report.
- 3a.3 He confirmed that based on their review of Gavi's consolidated financial statements to date and comments thereon, the accounting policies applied and the presentation and disclosure in the draft consolidated financial statements are materially in compliance with US GAAP. He also noted that there would be an amendment to the responsibility statement regarding the preparation of the financial statements appearing in the AFR, which will highlight that there is a joint responsibility between the Secretariat and the Board.
- 3a.4 Ms Watson referred to the preliminary review of accounting standards update (ASU) No. 2018-08 which will be effective from 1 January 2019, noting that based on Gavi's proposed new approach to record contributions with donor-imposed conditions upon substantial fulfilment of the conditions, the timing of Gavi's expense and income recognition policies will be significantly impacted from FY 2019 and for future years.
- 3a.5 Deloitte recommended that Gavi look closely at barriers and conditions in contracts and documents its position in relation to these in advance of next year's audit, recognising that this is an area of significant management judgement.
- 3a.6 Ms Watson presented Deloitte's management letter comments, highlighting a recommendation relating to additional reporting related to the treasury management, risk management and accounting services provided by the World Bank for IFFIm (International Finance Facility for Immunisation).
- 3a.7 She also commented on observations related to the reporting package from the World Bank, to the highly manual reconciliation processes (which are likely to reduce through the implementation of SAP), as well as to recommendations related to the internal control observations resulting from their IT audit procedures.

Discussion

- The Secretariat noted that it is planned that the audit observation relating to ASU 2018-08 are addressed by end October 2019, and that the finance team is already working closely with the resource mobilisation team to ensure that any new donor agreements established in the context of the upcoming replenishment are mindful of the implications on accounting policies.
- AFC members noted that the Secretariat through IFFIm has already engaged with the World Bank to discuss an enhanced reporting framework within the structure of the existing Treasury Management Agreement for IFFIm, and that the Secretariat would raise this for further consideration with the IFFIm Board and its Audit Committee.
- AFC members also noted that following discussion with Deloitte, and review by Gavi's legal team, the management representation letter would be signed by representatives of both the Board and the Secretariat.
- In response to a question from an AFC member, Deloitte confirmed that all key risks had been highlighted in their report.
- Finally, AFC members noted in relation to the IT audit issues highlighted, that Deloitte is comfortable with the management response to date.

3b 2018 Annual Financial Report

- 3b.1 Assietou Diouf, Managing Director, Finance and Operations, presented this item (Doc 03b) noting that some of the key events in 2018 had included the move of the Secretariat to the Global Health Campus in Geneva and kickoff of the SAP project.
- 3b.2 She highlighted that during 2018 financial activity had remained quite stable as compared to 2017 and that the indicators for overhead expenses and operational expenses remain strong.
- 3b.3 She recalled, as had been highlighted at the AFC meeting in June 2019, that a provision of US\$ 6 million has been taken against the Qatar pledge.
- 3b.4 Finally, she referred to a number of changes that had taken place within the Finance and Operations team within the Secretariat, as well to the change in independent auditor noting that positive impacts of these changes have been observed so far.

Discussion

- In response to a question from the AFC Chair, the Secretariat confirmed that all comments received on the draft AFR had been addressed and explanations have

been provided to those raising comments to clarify how their comments have been addressed.

- In response to a question from an AFC member, it was agreed that it would be useful for the AFC to receive, at the appropriate time, a summary of the conditions included in donor agreements so as to enable the AFC to better understand how the conditions might impact Gavi's financial reporting.
- In response to a question from another AFC member, the Secretariat noted that there had been no significant events relating to the AFR since the AFC meeting in June 2019. The AFC noted that should anything of significance arise between this meeting and approval of the AFR by the Board, it would be brought to the attention of the AFC Chair in the first instance, who would determine next steps as appropriate.

Decision Two

The Gavi Alliance Audit and Finance Committee recommended to the Gavi Alliance Board that it:

Approve the 2018 Gavi Alliance Annual Financial Report (AFR), contingent upon the inclusion of any amendments presented to and agreed to during this meeting.

3c Abridged historical Financial Statements: Q1 2019

- 3c.1 Tony Dutson, Senior Director, Finance and Chief Accounting Officer, presented this item (Doc 03c) on Gavi's abridged standalone and consolidated financial statements for Q1 2019, noting that the impact of ASU 2018-08 can be seen for the first time in relation to reporting on programme expense.
- 3c.2 He noted that at the October 2019 AFC meeting, the Secretariat will present the abridged financial statements to end Q2 2019.

3d SAP implementation update

- 3d.1 Assietou Diouf, Managing Director, Finance and Operations, presented this item (Doc 03d) noting that phase one of the project is on track to go live on 1 October 2019. She noted that phase two of the project which will deploy budgeting and forecasting tools is to be implemented between October and December 2019.

Discussion

- In response to questions and comments from AFC members, the Secretariat noted that the SAP platform which is being rolled out is standard, with very few Gavi-specific modifications. This, therefore, facilitates the development of standard

operating procedures with the embedded controls that would be expected of an ERP. Staff will be trained on all of the processes in order to have a full view and understanding of the architecture of the system.

- The Secretariat clarified that at this stage it is expected that the total cost of implementing the system will remain within the current estimate.
- AFC members noted that in the unlikely event that full transition to SAP is not possible on 1 October 2019 as planned, the Secretariat will be able to revert back to its current systems.
- In response to a query from an AFC member on the risk factors which might lead to a delay in going live on 1 October 2019, the Secretariat noted that these could relate to: (i) platform-related issues; (ii) user testing acceptance; and (iii) integration of IT architecture with other Gavi systems. At this time, however, it is not considered that any of these three are high risk factors which are likely to delay roll out of the system.
- AFC members noted that for their audit of the 2019 accounts, Deloitte will be working with both the current and future systems and they confirmed in relation to SAP that they would be looking at system controls as part of their audit.

4. Audit and Investigations Report

- 4.1 Simon Lamb, Managing Director, Audit and Investigations (A&I), introduced this item noting he had provided comprehensive reports to the AFC at its April and June 2019 meetings. He, therefore, limited his report to a brief update on the Lao PDR programme audit, noting that it had been possible to validate the procurement of vehicles for a total value of almost US\$ 1 million and that while this did not change the overall opinion relating to the substantial lack of books and records in general, it does allow the final determining of the total misuse to be reduced fairly substantially.
- 4.2 Mr Lamb outlined the process going forward which will include further reports to the AFC and likely a report to the Board members as they had been briefed on the matter in closed session at their June 2019 meeting.

Discussion

- AFC members noted that this particular audit, which had looked at the January 2014 to December 2017 period, had demonstrated a number of gaps. There would normally be regular annual government audits in countries but these had not been taking place in Lao PDR. Over the last two years an internal audit has taken place in the Ministry and while it has not yet concluded, preliminary findings which have been shared with the Gavi audit team strongly validate the Gavi's team's own findings.

- It was noted that the expectations of Gavi Senior Country Managers (SCMs) has changed with the advent of the three lines of defence model being put in place, and SCMs are now much better equipped to identify and flag potential areas of concern in relation to financial management of Gavi programmes.

5. Review of decisions and any other business

- 5.1 Philip Armstrong, Director, Governance and Secretary to the Board, reviewed and agreed the language of the decisions with the Committee.
- 5.2 After determining there was no further business, the meeting convened in close session.

6. Closed session for members only – AFC Performance Review

- 6.1 Philip Armstrong, Director, Governance and Secretary to the Board, presented this item, recalling that at the request of the Governance Committee, a light touch Board Effectiveness Review had been commissioned. This exercise had focussed on Board and Board Committee processes so that it covered the requirements of the Committee Charters requiring regular evaluations of Board Committees (in addition to the Board).
- 6.2 Mr Armstrong noted that the exercise had been managed by an independent consultant and that the AFC had the highest response rate to the survey.
- 6.3 He referred to some of the general recommendations in relation to Board Committee Structure and Membership, which did not appear to be aimed at the AFC.
- 6.3 Mr Armstrong then highlighted comments from the AFC survey in particular relating to: (i) high praise for the AFC Chair; (ii) overall satisfaction with the materials provided for AFC meetings; (iii) a comment that there is a need for continued vigilance to ensure that topics that need a “deep dive” are given the necessary time; (iv) a comment that it would be useful to periodically remind AFC members of Gavi’s financial rules and procedures so that comments at meetings can remain on point; and (v) comments suggesting a need for more effective collaboration with the Programme and Policy Committee (PPC).

Discussion

- The Chair noted that the Committee has over the past year included a number of “deep dives” on its meeting agenda and encouraged AFC members to suggest any further areas where it might be useful for the AFC to have such sessions going forward but it was agreed that this need not be introduced as a matter of routine.

- In relation to more effective collaboration with the PPC, it was noted that it is difficult to have effective joint meetings given past experiences and given the logistics associated with the size of the PPC. It was suggested that the PPC Chair could be invited to attend the April and October AFC meetings, at which the AFC normally considers the budgetary implications of recommendations being considered by subsequent PPC meetings. AFC members were also invited to reflect on other potential ways of creating more effective collaboration.
- The Secretariat noted that it is the mandate of the All Chairs Group (ACG) to ensure collaboration between the different Board Committees and it was suggested that this particular issue could be raised at its next meeting.
- In relation to the comments around AFC members knowledge of Gavi's financial rules and procedures, the Chair suggested that it is acceptable, also considering turnover within the Committee, to sometimes take a little more time on the more complicated subjects to ensure that everyone has the same level of information and knowledge.
- After determining there was no further business, the meeting was brought to a close.

Philip Armstrong
Secretary

Attachment A

Participants

Committee Members

- David Sidwell, Chair
- Gisella Berardi
- Benjamin Carcani (items 1-3)
- Emmanuel Maina Djoulde
- Tom Morrow
- Andreas Karlberg Pettersen
- Teresa Ressel

Regrets

- Kwaku Agyeman Manu
- Ted Chaiban
- Maty Dia
- Irene Koek

Observers

- Jane Stewart, WHO
- Kelly Jarrett, Bill & Melinda Gates Foundation

Secretariat

- Anuradha Gupta (items 1-5)
- Philip Armstrong
- Pauline Caywood (items 1-5)
- Assietou Sylla Diouf (items 1-5)
- Tony Dutson (items 1-5)
- Joanne Goetz (items 1-5)
- Simon Lamb (items 1-5)
- Wendy Tagama (items 1-5)
- Jeanne Shen (items 1-5)
- Jacob van der Blij (items 1-5)

Guests

- Fabien Bryois, Deloitte (items 1-5)
- Lisa Watson, Deloitte (items 1-5)