1. Executive session with the independent auditor

1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 16.05 Geneva time on 27 July 2017. David Sidwell, the AFC Chair, chaired the meeting.

1.2 The Committee held an executive session with Karina Vartanova and Evgenia Lopushanskaya from KPMG, Gavi’s independent auditor, to discuss conduct of the 2016 audit (Doc 01).

1.3 The Committee convened in open session at 16.35.

2. Chair’s report

2.1 Standing declarations of interest were tabled to the Committee (Doc 02a).

2.2 The Committee approved the minutes of its meetings on 12 June 2017 (Doc 02b), which had been circulated for no-object on 17 July 2017. It noted its forward workplan and the action sheet (Doc 02c and 02d).


3.1 The Chair introduced this item noting that during the executive session with KPMG, Ms Vartanova had explained that in order to conform to the US GAAP a minor modification was needed in the use of terminology for the titles of certain supplemental schedules in the Annual Financial Report (AFR).

3.2 Louis Mkanganwi, Director of Financial Accounting and Reporting explained that the Secretariat was in agreement with KPMG’s suggested correction and would incorporate it in the final AFR. He confirmed to the Committee that these changes did not affect the substance or the information within the schedules but were only being made to ensure appropriate labelling of the schedules as envisaged by US GAAP requirements. AFC members agreed that alignment with US GAAP was important and concurred with the suggested corrections.

3.3 Mr Mkanganwi presented the main highlights of the draft 2016 AFR (Doc 03).
3.4 Mr Mkanganwi noted that the comments received on the unaudited draft of AFR by the Committee at its June 2017 meeting had been incorporated and he proceeded to review the areas where the AFR had been updated in light of these comments.

3.5 Mr Mkanganwi informed the Committee that the next steps would include incorporating any last minute changes to the document including corrections suggested by KPMG. He noted that the AFR would then be circulated to the Committee for its information, and in case of any material changes to the Report, these would be communicated to the Committee before the AFR is submitted to the Board for its approval on no-objection basis by the second week of August.

3.6 Mr Mkanganwi informed the Committee that while the AFR is expected to be approved by the Board and finalised earlier than the Gavi Annual Progress Report (APR), both the AFR and APR will be announced together so that the information on Gavi is presented in a holistic manner to its stakeholders.

Discussion

- The Committee members appreciated the work undertaken by the Secretariat to incorporate the extensive comments of the Committee provided at its June meeting, and noted that the updates provided much more clarity to the AFR.

- In response to a question from one of the Committee members, the Secretariat assured that various sensitivity analyses to forex rates would continue to be prepared and presented to the Committee and the Board.

- Responding to a question on the restricted contributions, the Secretariat explained that the term envisaged any donor restricted contributions which may include time-restrictions applied to disbursements or purpose-restriction where a pledge may be made for a specific programme or a country.

- The Secretariat also explained that it would be preferred to the extent possible, that any future IFFIm pledges are received in US dollar in order to minimise its forex and hedging risk.

- The Committee Chair, responding to a question, explained to the Committee that given the primary purpose of the AFR is to present Gavi's consolidated financial statement, it is not common practice to include an executive summary or information which may be outside the requirements for financial statements. Mr Greene suggested that information such as the cost savings from the move to the Health Campus, for example, could be provided as part of the Financial Update provided to the Board biannually.

- The Chair explained that in order to provide Board members the necessary information on the AFR they had been invited to join this Committee meeting as observers, so that when the AFR was submitted for no-objection approval of the Board they already had visibility on its content. It was noted that no Board member
or Alternate Board member (except for those who were AFC members) had joined the call.

- Philip Armstrong, Director of Governance and Secretary, further explained that given the timing constraints associated with the availability of necessary information for the completion of the consolidated financial statements, and the unanimous consent requirements from the entire Board that an electronic voting process would entail, the Governance Committee had recently considered that the current no-objection basis for the approval of the annual financial statements was the only feasible option to balance the timings constraints with the regulatory and donor requirements for timely availability of finalised AFR.

- The Secretariat explained that as long as the APR does not include any specific language that suggests that the AFR is an integral part of the APR, the AFR can be considered a stand-alone document from an audit perspective. In this case, the subsequent events are noted up until the date of Board sign-off on the AFR. KPMG confirmed this understanding and noted that their opinion would have been issued already rendering the AFR non-modifiable once approved by the Board, even if it is not physically distributed.

- The Committee Chair, on behalf of the Committee, thanked Ms Vartanova and Ms Lopushanskaya from KPMG and the finance team for their hard work and professionalism.

**Decision One**

The Gavi Alliance Audit and Finance Committee:

- **Recommended** to the Gavi Alliance Board that it approve the 2016 Gavi Alliance Annual Financial Report (AFR), contingent upon the inclusion of the amendments agreed during this meeting.

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4. **AFC Charter – review of editorial updates**

4.1 Philip Armstrong, Director of Governance and Secretary, explained to the Committee that the updates to the AFC Charter are proposed to ensure consistency of language and structure across all the Gavi Alliance official governance documents.

4.2 Mr Armstrong noted that the revised and updated Gavi Alliance Statutes, By-Laws and Charters of the Governance as well as Programme and Policy Committees had recently been approved by the Board in implementing the recommendations of the Board and Committee Self-evaluation which was undertaken by the Board in 2016.

4.3 In addition, the Board had also approved changes to the Gavi Alliance governance structure through its approval of the formation of a Market-Sensitive Decisions
Committee and an All Chairs Group, as well as the retirement of the Executive Committee effective 1 September 2017. He informed the Committee that the material change was the removal of references to the Executive Committee from the AFC Charter.

Discussion

- The Secretariat confirmed to the Committee that the revised AFC Charter would be presented to the Governance Committee in October for its consideration and recommendation to the Board for approval in November.

- In response to a question about the timing of the meeting pack being made available to the Committee, the Secretariat reiterated its commitment to the AFC to send through most of the documents ten days before the meeting, and where possible two weeks before the meeting. It was explained that to allow for flexibility and consistency with other Charters, the AFC Charter would continue to have the language stipulating circulation of the meeting pack not less than one week before the Committee meeting.

- In response to a question regarding the access to information and any requests by AFC members for such information, the Secretariat explained that the Charter stipulated, according to best practice, that such requests be directed through the Committee Chair to effectively manage any protocols associated with the requests for and furnishing of information. It was further noted that this information may usually be sought by an AFC member to facilitate their effective discharge of their fiduciary duties as a member of the Committee and therefore requests would ordinarily be related to the AFC mandate and/or work plan.

- The Secretariat clarified that in cases where an information request relates to a topic under the Committee’s consideration, the Committee members can directly request the Secretariat for this information, however it would be prudent to keep the Chair informed when the request is being made. If an information request being made is related to a matter not discussed during a Committee meeting or that may require a new line of enquiery or work, this would ideally be discussed with the Committee Chair before the request for information is made to the Secretariat.

- It was further clarified that the objective of this stipulation was not to make the process of requesting information overly bureaucratic or to inhibit the exchange between individual Committee members and the Secretariat, but to ensure that the Chair is kept informed/consulted and also that any such information is made available to the Committee at large and not just to the member requesting it.

5. Audit and Investigations report

5.1 Simon Lamb, Managing Director, Audit and Investigations (A&I), provided an update on the A&I activities that took place since his last update to the AFC on 12 June 2017.
5.2 Mr Lamb reported on the Internal Audit execution status and reminded the Committee that the 2016 internal audits were complete with their reports having been posted to the Gavi website. He explained to the Committee the nature of issues raised in the 2015 and 2016 internal audits and provided an update on their resolution status.

5.3 Mr Lamb informed the Committee that the Secretariat management was being responsive on remediation of the issues identified during the internal audit and confirmed that the resolution of these issues was being managed adequately.

5.4 Mr Lamb provided the Committee an update regarding programme audits, and focused on the audit work in Madagascar and Nigeria, and explained the next steps envisaged by the A&I team in relation to these countries. He also updated the Committee on the country reimbursement schedule, noting that there was a 95% recovery rate on agreed reimbursement schedule for payment, noting that the delay in Ghana’s payment scheduled for end of June, resulted in the recovery rate dropping from 99%.

Discussion

- Committee members who had joined the Investigations team on a recent mission to Myanmar, appreciated the work of the team and the opportunity they were provided to understand and experience some of the A&I issues first hand during this scoping mission.

- In response to a question about the timeline envisaged for Madagascar, the Secretariat explained that the work should be concluded within two weeks of receiving clearance from the country to initiate.

- Responding to a question, the Secretariat informed the Committee of the progress made towards its audit work in Chad and proposed to inform the Committee after ascertaining whether the Programme Capacity Assessment (PCA), if conducted, had highlighted the data-management issues in Chad that resulted in a deferral of the audit work.

- The Secretariat explained that as part of the audit report there is a set of recommendations for the strengthening of the systems and processes in the country being audited. These recommendations are usually taken forward together with the results of the PCA, if these are available, and a Grant Management Requirement (GMR) is prepared setting out all the conditions that the country would need to meet before any grants could be dispersed to it.

- The Committee was reminded of a pilot underway in Zambia together with The Global Fund to explore areas of collaboration, the results of which are likely to be presented to the AFC at its meeting in November 2017. The Secretariat also reiterated its collaborative work with the UNICEF, whereby it would be able to leverage the results of UNICEF’s Harmonized Approach to Cash Transfers to
Implementing Partners (HACT) process in its audit work in Myanmar, Chad, Liberia and Papua New Guinea (PNG).

- Finally the Secretariat updated the Committee that given the Board’s request to develop country specific strategies for Nigeria and PNG to facilitate their transition, a high-level Gavi mission had recently visited Nigeria and the subsequent strategies developed would be presented to the PPC in October and to the Board in November 2017. This was not something in which A&I would ordinarily be involved.

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6. **Review of decisions and any other business**

6.1 Philip Armstrong, Director of Governance and Secretary, reviewed and agreed the language of the decisions with the Committee.

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After determining there was no further business, the meeting was brought to a close.

Mr Philip Armstrong
Secretary
## Attachment A

### Participants

**Committee Members**
- David Sidwell, Chair
- Alexandru Cebotari
- Emmanuel Maina Djoulde
- Heidi Malene Nipe
- Chris Taylor

**Regrets**
- Clarisse Loe Loumou
- Ted Chaiban

**Secretariat**
- Philip Armstrong
- Tony Dutson
- Barry Greene
- Mahwesh Bilal Khan
- Simon Lamb
- Louis Mkanganwi
- Jacob van der Blij

**Guests**
- Karina Vartanova, KPMG
- Evgenia Lopushanskaya, KPMG

**Observers**
- Kelly Jarrett, Bill & Melinda Gates Foundation
- Susan McKinney, USAID
- Harriet Ludwig, BMZ
- Gisella Berardi, Italian Ministry of Economy and Finance
- Timothy Poletti, DFAT