1. Chair’s report

1.1 Finding a quorum of members present, the meeting commenced at 15.30 Geneva time on 22 May 2015. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting.

1.2 Standing declarations of interest were tabled to the Committee (Doc 1a in the Committee pack); there were no additional conflicts declared.

1.3 The Committee reviewed the minutes of its meeting on 25 February 2015 (Doc 1b), its action sheet (Doc 1c), and its forward workplan (Doc 1d).

**Decision One**

The Gavi Alliance Audit and Finance Committee:

- **Approved** the minutes of its meeting on 25 February 2015.

2. Financial forecast and programme funding request

2.1 Barry Greene, Managing Director of Finance and Operations, delivered a report to the Committee asking it to review the financial implications of a programme funding request and to confirm to the Board and/or Executive Committee that the programmes could be financed in accordance with the Programme Funding Policy (Doc 2). The programmes to be considered arose mainly from the recommendations made on 16-17 March 2015 by the Independent Review Committee (IRC). The funding request also included financing initiatives that were recommended by the Programme and Policy Committee (PPC) during its May 2015 meetings. To support this review, Mr Greene provided an updated financial forecast.

2.2 In summary, the Board or Executive Committee will be requested to endorse a net increase in programme budgets by US$ 52.9 million for the period 2015-2019 to implement the IRC recommendations and to approve a net increase of near-term programme liabilities by $51.5 million for 2015-2016. Further, the Board or Executive Committee would be asked to endorse a net increase in programme budgets, and approve a near-term liability, of $30 million for 2015-2016 for measles strategic investment activities in Ethiopia and the Democratic Republic of Congo. Finally, the Board would be asked to note that Gavi has the financial
capacity to undertake at least $500 million in strategic investments. These investments potentially include access to affordable pricing (ATAP) for graduated and lower-middle income countries and a cold chain equipment optimisation platform, among others.

2.3 Mr Greene concluded by reporting the Secretariat’s opinion that the Programme Funding Request could be approved by the Board or EC in accordance with the Programme Funding Policy.

2.4 Mr Greene also advised the Committee that the World Bank had provided the Secretariat updated information on IFFIm proceeds to Gavi such that US$ 50 million of funding forecasted for 2020 would now be received post-2020, and that the forecast would now be updated accordingly for the Board.

Discussion

- Mr. Greene clarified that an allowance of $500 million was included for strategic investments within the expenditure forecast. He also explained that, based on the expectation of receiving additional direct contributions, the forecast also indicated that a further US$ 450 million could be available through 2020 to meet needs beyond those currently forecasted.

- The Secretariat clarified that the $1.1 billion in-country co-financing envisioned for 2016-2020 was determined based on the current Graduation and Co-Financing Policies, and that it would note for the Board that to the extent it chose to amend those policies the numbers would also need to be updated.

- A question was asked whether the financials should include a contingent liability that Gavi would incur to ‘guarantee’ the difference financially for some of the presentation switching that is expected as a part of the new Co-financing Policy. The Secretariat will address this within the context of the financial forecast.

- Mr Greene explained the foreign exchange rate assumptions used to estimate the US dollar equivalent amounts of contributions, noting that the actual amounts would be determined as and when amounts were remitted to Gavi or exchange rates became fixed under currency hedging agreements.

- It was noted that the forecast included a provision of $0.2 billion for new support to India for 2016-2020. This amount will be updated upon Board approval of the comprehensive strategy for Alliance engagement with India and discussions with the Indian Government.

- The Secretariat confirmed that the Board would be provided with a single, comprehensive table of all of the strategic investments under consideration and their associated costs.
Decision Two

The Gavi Alliance Audit and Finance Committee:

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

- **Noted** that Gavi has the financial capacity, in accordance with the Programme Funding Policy, to enable at least US$ 500 million to be expended on strategic investments during the 2016-2020 period.

- **Noted** that the envisaged allocation of up to US$ 40 million for the foundational support for partners for 2016 fits within the $248 million estimate included within Gavi’s current financial forecast for (Business Plan) Gavi Engagement Framework expenditure in 2016.

- **Noted** the Secretariat’s intention to provide the Board with additional information with regard to strategic investments to further assist the Board in its decision-making.

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3. **2014 business plan budget update**

3.1 Tony Dutson, Senior Director of Finance and Chief Accounting Officer reviewed Gavi’s business plan expenditures in 2014 (Doc 3). As part of this, he reviewed those activities for which the 2014 budget was not fully spent, noting the Secretariat’s intention to complete those activities within the already approved 2015 budget rather than seek a budget carry-forward.

3.2 Mr Dutson also informed the Committee of the proposed process and timeline for the development and presentation of the 2016-2017 Gavi Engagement Framework Budget (which until had been previously referred to as the business plan).

Discussion

- The Committee agreed that its early-October 2015 meeting should be moved later that month to align with the new Engagement Framework Budget workflow, and requested the Secretariat to organise this.

- As indicated above, the Committee noted that while some activities representing approximately US$ 6.5 million within the 2014 approved budget and $1.2 million within the 2013 budget will now be completed in 2015, no budget carry-forward request was being sought at this time. However, the Secretariat would revert in due course should a carry-forward become desirable.

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4. Programme Funding Policy

4.1 Barry Greene sought guidance for the Secretariat concerning a planned review of the Programme Funding Policy (Doc 4). Originally approved by the Board in 2010, the Committee requested a review of the Policy to ensure it remained fit for purpose. In planning the review, Mr Greene outlined the key aspects of the Policy and asked the Committee to provide input with regard to the scope and nature of this review. Key questions included what would be included in the review, who should be consulted, whether the review should be led internally or externally, and how much to budget for the review.

Discussion

- The Committee favoured simplifying the Policy wherever prudent though it understood that a reasonable degree of complexity was inevitable given the nature of Gavi’s activities.

- The Policy’s eight-month cash and investment reserve requirement had been approved in 2009 after much debate by the Audit and Finance Committee and the Board.

- The Committee agreed that the Secretariat should perform the review and make recommendations for the Committee to consider at a future meeting.

5. Accounting policies updates

5.1 Louis Mkanganwi, Director of Financial Reporting, summarised the outcomes of the Secretariat’s annual review and update of Gavi’s accounting policy documentation. He summarised the changes but noted that none of them were fundamental.

Discussion

- In response to a question, Mr Mkanganwi confirmed that KPMG, Gavi’s independent auditor, had not expressed any disagreement with any accounting policy positions.


6.1 Simon Lamb, Managing Director of Audit and Investigations, delivered his report to the Committee including the conduct of work in 2014, work on 2015 risk assessments and resulting audit plans, and the status of fully resourcing his team.

6.2 He first reported that the formal reorganisation of the internal audit function had commenced in February 2015 after review by the Committee and approval by the
Board. The team now oversees internal audit, programme audit, investigations of suspected error and misuse, and counter-fraud. To prepare for staffing the team in November 2014, Mr Lamb had drafted job descriptions so that recruitment could commence after the Board’s approval. He noted there are significant challenges involved in staffing an audit and investigations team, but that such challenges are to be expected (as, for example, the Global Fund is also short five staff members on its team); good progress on recruitment has been made to date.

6.3 Mr Lamb reviewed the outcomes of the 2014 internal audit plan. As had been flagged to the Committee previously, execution of the plan had been impacted by the departure of key team members, and the need to focus on programme audit-related execution. This also impacted the timely preparation of the 2015 internal audit plan. Nevertheless, the internal audit plan should be seen as part of a multi-year strategy to achieve audit coverage across Gavi so that each year’s plan serves as a contributing part of a multi-year coverage of activities which builds up over time, cumulatively, to provide assurance to the Committee and the Board. Nevertheless, with additional staff anticipated to start in July and August 2015, annual planning will be undertaken timely and a 2016 plan is slated to be presented to the Committee prior to the end of 2015.

6.4 Mr Lamb and Edmund Grove, Director of Programme Audit, then provided an update on programme audit activities. They reported that they had decided an extended audit of one country was warranted, as previously communicated to the AFC, and that an external firm had been retained after an extensive tender process to perform the work. External assistance was required because such an extended audit was outside the normal staffing capacity of the Audit and Investigations team. Nevertheless, the audit would remain under the overall direction of Gavi.

6.5 Mr Lamb also noted that Gavi shares programme plans with the Global Fund as part of the two organisations’ regular meetings to see if there are synergies that both can build on. While Gavi and the Global Fund have not identified audits that would be feasible to perform jointly this year, some of the intelligence gathered by both organisations will allow for a better scoping of audits. In general however, the operating models of Gavi and the Global Fund are dissimilar and so the institutions they work with in-country are often different.

6.6 Next Mr Lamb delivered updates on specific country audits and the status on reimbursement on past cases of misuse.

6.7 Mr Lamb then reviewed the results of the External Quality Assessment (EQA) performed by the Institute of Internal Auditors (IIA). The IIA had suggested that a summary only of its conclusions be shared with the Committee but after one member asked for the entire report, this was distributed.

6.8 The key conclusions of the EQA were that the function was at an early stage in its maturity, that the limited resourcing had been the most relevant constraint in the operation of internal audit to date, and so the function partially conformed to IIA standards. Nevertheless, the trajectory of work was positive: two-thirds of the 44 components evaluated “generally conformed” to IIA standards, a number that
would have been far lower had the assessment been performed two years ago when Mr Lamb started in role.

6.9 Mr Lamb said that he was in broad agreement with the assessment but had some disagreements not material to the overall picture and that he wanted to obtain the Committee’s opinion on two of those relating to the organisation of the function. First, the EQA questioned whether the placing of the whistleblower reporting process within the audit function was appropriate - though in Mr Lamb’s opinion, this was a common set-up (and one shared by the Global Fund). Second, contrary to the findings of the EQA, Mr Lamb believed that the operation of the counter-fraud activities within the Audit and Investigations team should continue, as it is advisory in nature with decisions on establishing fraud-resilient processes being made and executed by management. Mr Lamb recommended that should the Committee agree with his positioning of the whistleblowing and counter-fraud functions that these are explicitly included with the revised terms of reference for the Audit and Investigations team that would be presented to the AFC and Board later in the year.

6.10 Finally, Mr Lamb noted an intention to initiate another external quality assessment after allowing time to address improvements and to establish a track-record of audit execution under the reorganised structures and enhanced processes. As was previously experienced by the Global Fund, the EQA was always likely to be a two-stage process with the purpose of the initial EQA being to identify the areas requiring enhancement, to be transparent about the required areas of improvement with the Committee, and to provide a baseline against which to measure improvement.

**Discussion**

- The Committee thanked Mr Lamb for the thorough review of his area and for sharing the full EQA shortly after it was requested. There had been a great deal of work getting this function started where very little infrastructure had existed two years ago.

- It also appeared that Mr Lamb was being aggressive trying to get the team fully staffed and the Committee would continue to monitor progress here. In the short term, the Committee was supportive of using outside firms to fill resourcing gaps.

- The Committee agreed that the whistleblowing functions should remain within the Audit and Investigations team, though perhaps given its purpose, a name other than ‘Ethics Hotline’ could be considered.

- It was confirmed that whistleblowing reports are routed jointly to Mr Lamb and Eelco Szabó, General Counsel through the reporting facility. It was also emphasised that should there be a whistleblowing report against either Mr. Lamb or Mr Szabó, the report would be exclusively sent to the person not accused.
Decision Three

The Gavi Alliance Audit and Finance Committee:

- **Approved** the Internal Audit and Programme Audit 2015 plans as presented in Doc 6.

- **Approved** that it is appropriate for the following activities to be undertaken within the Audit and Investigations function: the receipt of whistleblower communications and determination on how they should be managed, and the conduct of counter-fraud activity. These activities will be explicitly included within the revised Terms of Reference of the Audit and Investigations function which will be redrafted and presented to the Committee for review later in the year, prior to submission to the Board for approval.

7. **Currency hedging**

7.1 Tony Dutson provided a short update to the Committee on the Secretariat’s currency hedging activities. The Committee welcomed the positive feedback from Gavi’s hedging partners that Gavi’s policy was comprehensive, noting that one bank had commented that it would be suitable as a model for many multinational firms.

8. **Insurance coverage renewal**

8.1 Eelco Szabó, General Counsel, provided information on the level, scope, and costs of the insurance policies for Gavi and affiliated entities for 2015-2016 (Doc 8). He noted that the consolidation of insurance policies had been completed resulting in significant savings. His team was finishing negotiations over the following year’s policies and was expecting coverage levels and costs to remain level.

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

9.1 Kevin A. Klock, Head of Governance and Assistant Secretary, reviewed and agreed the language of the decisions with the Committee.

9.2 The Chair thanked Esther Fox for her service on the Committee. Then there being no further business, the meeting was brought to a close.
## Participants

### Committee members
- Wayne Berson, Chair
- Marcus Koll
- Esther Fox
- Tom Hunstad
- François Lefebvre
- David Sidwell
- Shanelle Hall
- Katherine Taylor

### Other board members present
- Seth Berkley (non-voting)

### Regrets
- Yifei Li

### Secretariat
- Tony Dutson
- Barry Greene
- Anuradha Gupta
- Kevin A. Klock
- Louis Mkanganwi
- Eelco Szabó

### Audit and Investigations
- Edmund Grove
- Simon Lamb

### Guests
- Kelly Jarrett, Bill & Melinda Gates Foundation
- Hannah Langfield, Deputy Programme Manager, UK Department of International Development
- Susan McKinney, USAID