Gavi Alliance Audit and Finance Committee Meeting
6 November 2015
Gavi Offices, Washington, DC, USA

1. Chair’s report

1.1 Finding a quorum of Audit and Finance Committee members present, the meeting commenced at 11.15 Washington time on 6 November 2015. Wayne Berson, Audit and Finance Committee Chair, chaired the meeting¹.

1.2 The Chair informed the Committee members that he would have to step out of the meeting around lunch time and that David Sidwell would chair the rest of the meeting to its conclusion.

1.3 Standing declarations of interest were tabled for the Committee (Doc 01a in the AFC/PPC Committee meeting pack).

1.4 The Committee noted the minutes of its meeting on 21 July 2013 (Doc 01a), which were approved by no-objection on 7 September 2015. In addition, the Committee reviewed its action sheet (Doc 01b) and its forward workplan (Doc 01c).

2. Programme Funding Policy revision

2.1 Following the Committee’s guidance to the Secretariat on a revision of the Programme Funding policy, Tony Dutson, Senior Director Finance and Chief Accounting Officer, presented their proposed changes to the Policy (Doc 02). The core of the Policy is unchanged and the proposed modifications would simplify programme funding decisions, streamline aspects of the vaccine procurement process, and clarify operational aspects of cash and investment reserve. The Committee was asked to recommend these changes to the Board.

Discussion

- There were no questions on this point.

¹ Post meeting note: During the meeting some items were not presented in the order in which they appeared on the agenda but these minutes record the discussions and decisions in the order originally planned.
Decision One

The Gavi Alliance Audit and Finance Committee:

- **Recommended** to the Gavi Board that it approve the amended Gavi Programme Funding Policy attached as Annex A to Doc 02.

3. Audit update

3.1 Louis Mkanganwi, Director of Financial Reporting, provided an audit update. He informed the Committee that a new Company was created to facilitate the transaction of the second Sukuk issuance, with a small cost associated.

Discussion

- There were no questions on this point.

4. IRS Form 990

4.1 Louis Mkanganwi, Director of Financial Reporting, presented Gavi’s draft IRS Form 990 for the year ended 31 December 2014 as set out in Doc 04, Annex A.

There were no questions on this point.

5. Report of the internal auditor

5.1 Simon Lamb, Managing Director of Audit and Investigations, provided a status update on matters relating to audit (Doc 05). In particular, he updated the Committee on the reorganisation of the Audit and Investigations function; and the presentation of revised Terms of Reference for Audit and Investigations for review and recommendation to the Board for approval.

Discussion

- AFC members noted that with one vacancy pending hire, the new team of 12 staff (10 of whom were recruited in 2015, and 8 of those during the last four months) was in full operation, and making a significant difference in terms of the breadth and depth of audit coverage achieved. Much time and energy had been invested in the recruitment and on-boarding of the new team. Mr Lamb commended his team on the fine work they were carrying out given how recently they had arrived.

- Mr Lamb explained the basis of the revisions to the Terms of Reference, as set out in his paper, which was revised and comprehensively updated to fully reflect...
the functions, responsibilities and accountabilities of the expanded Audit and Investigations team.

- AFC members noted the status on the execution of the 2015 Internal Audit plan, and considered the proposed Internal Audit plan for 2016 which was being presented to them for approval. The AFC’s attention was drawn to Annex F of Doc 05 which included information on the remediation of internal audit issues identified; in future, this update would be a standard report.

- The sequence of certain audits within the Internal Audit plan had changed; the two most ambitious being Gavi’s vaccine management oversight, and the review of Country Programmes operating guidelines, and these would run into the early part of 2016.

- AFC members noted that in developing the internal audit plan a strategic view has been taken with regard to the coverage of risk. The first audits undertaken covered risk management, fraud risk (considering five separate audits which together assessed controls over the key points at which value leaves Gavi), and replenishment-related activities. Going forward, there would be increasing focus on the core activity of Gavi, grant oversight.

- AFC members also received an update on the execution of the 2015 Programme Audit plan, on the proposed Programme Audit plan for 2016, and on the status of the Whistleblower Reporting, and Investigations and Counter-Fraud activities. Mr Lamb also updated the AFC on the status of of the remediation of recommendations arising from the conduct of the External Quality Assessment (EQA) previously reported to the Committee.

- With reference to the recommendations arising from the EQA, AFC members noted that a number of these had been included in the revised Terms of Reference, and that whilst most of them were routine in nature, two in particular merited highlighting, namely:

  (i) that the annual plan for audits should be reviewed and approved by the AFC and shared with (rather than approved by) the Board in Mr Lamb’s annual report to the Board;
  (ii) that audit reports should be distributed as appropriate (consistent with processes to be agreed with the AFC) and not necessarily, as previously stated in the Terms of Reference, to the CEO and Chair of the AFC.

- The Chair asked whether, given the coverage of risk in 2015 and the proposed coverage in the 2016 plans, that would mean that major risks would be covered by the end of 2016. Mr Lamb indicated that he would review Audit and Investigation’s risk analyses and coverage plans, and report back.

- Regarding future programme audits, Mr Lamb indicated that the planned audits were first-time audits, and although countries’ programmes were also subject to an annual external audit, it was anticipated that there was a likelihood of further cases of misuse being identified. The Chair indicated that, in looking at the results of such audits, it would be important to understand any patterns emerging across
audits; Mr Lamb indicated that it was his intention to report back to the AFC in future on this. Mr Lamb added that to-date Gavi has achieved reimbursement of 92% of all misused funds.

- The Committee discussed the sharing of the results of Audit and Investigations reviews arising from whistleblower and other investigations, and programme audits resulting in determinations of potential misuse. Mr Lamb explained that it was often inappropriate to bring these to the Committee’s attention early, as there are often privacy of audit considerations with regard to programme audits; these and other investigatory reviews are often sensitive in nature, and preliminary indications of problems. Particularly quantifications of misuse, may change significantly as the work progresses. It was agreed that until a more certain conclusion had been reached, Mr Lamb would flag any material concerns to the Chair, and if he determined that they were especially concerning, Mr Lamb would brief the AFC accordingly, even though the review may not yet be finalised.

- Finally, the Committee was informed that the three major items to be discussed in the future were: risk assessment and resulting coverage requirements (with implications for audit resourcing); establishing a quality assurance and improvement plan process for Audit and Investigations; and the timing of a future EQA covering the full, reconstituted function. On the last point the Chair indicated that the EQA should be undertaken when the function was ready and that he saw no need to contemplate that in 2016.

### Decision Two

The Gavi Alliance Audit and Finance Committee:

a) **Recommended** for approval by the Board, the revised Audit and Investigations Terms of Reference (Annex B) to Doc 05.

b) **Approved** the Internal Audit and Programme Audit 2016 plans as presented (Annex E and Annex H) to Doc 05.

### 6. Risk management

6.1 Jacob van der Blij, Head of Risk, requested the Committee’s guidance on the new Risk function and on what role the Committee sees for itself, and the Board more broadly, regarding their risk oversight duties (Doc 06).

6.2 He stated that since last year a new comprehensive approach to risk management had been adopted, taking into account all types of risks, including but not limited to fiduciary risks. This will help in achieving programmatic outcomes, by anticipating risks and opportunities, and responding to them in collaboration with all partners of the Alliance.

6.3 Mr. van der Blij informed the AFC that a standing risk committee had been set up, which meets every six weeks to discuss key risks. Several functions have been
strengthened and created in line with the “Three Lines of Defence” model, and active recruitment has resulted in 33 of the 37 risks-related positions being filled to date. New tools and processes are being implemented and connected with existing risk practices to allow the creation of an aggregate view on Gavi’s risk exposures, and a systematic and standardised understanding, quantification and articulation of risk across the Alliance.

6.4 In the First Line of Defence, Mr van der Blij underlined the risk-based staff allocation and the country risk matrix, which is currently being piloted and will help the Secretariat to better identify and manage in-country risks. In the second line, the Programme Capacity Assessment was emphasised, which is currently being developed and will enhance the Secretariat’s understanding of both financial and programmatic capacity gaps in-country. Furthermore immediate and medium-term priorities were laid out for the risk function.

6.5 The Secretariat seeks to understand what would allow a strategic discussion on risk by the Board and how the Board and its Committees wish to be engaged. This would be a point of discussion at the retreat in April next year.

Discussion

- The Committee recognised the progress being made by the Secretariat and agreed with the priorities laid out and were very supportive of the reporting format of reports and progress reporting.

- AFC members expressed their ongoing interest in receiving updates on key risk exposures and established processes and structures to manage risk. It was felt that focused summaries were more useful and that detailed reports would only be required if significant issues were raised.

- It was also noted that in-country risk practices should take into account what other organisations and the broader development community is doing in-country in terms of risk management.

- It was suggested that the Board could be updated on the top (five?) strategic risks and their mitigation which could be discussed in depth over a period of time and not all at one meeting. The Board Retreat discussion would benefit from practical discussions based on concrete examples. One AFC member suggested that it could be interesting for the Board to consider a cash-in-country example as a case study during the 2016 Board retreat, but others felt that the focus should not only be on fiduciary risk but have a more comprehensive scope.

7. Currency hedging update

7.1 Tony Dutson provided an update on Gavi’s currency hedging activities (Doc 07). He referred to Annex 1 of the document which provided a detailed overview of currency hedging arrangements for 2015, 2016 and 2017. He also indicated that the Secretariat was not proposing any further changes to the currency hedging policy at this time.
7.2 Mr Dutson advised the committee that the Secretariat had been working with donors to ensure that pledges were being converted into contribution agreements with terms that would allow for currency hedges to be entered into efficiently. As a recent example, Canada had done this and were to be commended for it.

7.3 Mr Dutson noted that since Berlin, the forecasted exchange rates had moved such that Gavi was seeing further decreases in the forecast value of the pledges. He advised that, based on advice received from banking hedging specialists, Gavi would be ill advised to lock in currency forward contracts covering the full exposure at this time. The Secretariat were advised that they should ladder in hedging contracts over time consistent with the recommendations made in the recent currency hedging review undertaken in May.

7.4 He further updated the AFC on the details of hedging arrangement being discussed for mitigating the currency exposure with the GBP and NOK. The Secretariat had already entered into hedging arrangements covering GBP exposure in 2016 and 2017 at rates close to those forecasted in Berlin. Currency hedges had yet to be entered into for the NOK as the timing and value of the annual contributions for the latter were yet to be agreed.

7.5 Mr Dutson made a request for the AFC to consider a recommendation that they would make to the Investment Committee asking them to consider raising the minimum amount of funds that could be held with a deposit account with one bank from US$ 100 million to US$ 200 million to help address operational challenges that now occur given the size of annual donor contributions.

Discussion

- The Chair commended the excellent work of the Secretariat on the Currency Hedging activities. The Committee seconded this adding their great satisfaction with the quality of the meeting documents in general and the very high standard of the presentations.

Decision Three

The Gavi Alliance Audit and Finance Committee:

- **Recommended** to the Investment Committee that it considers amending the maximum limits on the amount of monies that can be held on deposit with one bank as stipulated in the Investment Policy.


8.1 Louis Mkanganwi, Director of Financial Reporting, presented two options for the Committee’s guidance that would have to be taken by Gavi and the World Bank in order to complete Gavi’s Annual Financial Report (“AFR”) in time for it to be
reviewed and considered for approval by the Gavi Board at its June meeting each year (Doc 8).

8.2 He briefly outlined the two options (1) early delivery by the World Bank of IFFIm’s audited financial statements, by 15 March each year, and therefore consideration for approval by the Board in June; and (2) maintenance of IFFIm’s accounting records by Gavi, where various teams in the World Bank would generate and maintain source documents as soon as they are generated, following which a services provider would perform the accounting for these transactions and be audited by the Gavi independent auditor, and not necessarily the independent auditor of the World Bank.

Discussion

- The Committee welcomed the Board being given the financial report at its June meeting (Option 1) but felt that the timeline proposed would not be possible. From the World Bank’s viewpoint, providing the necessary work in 75 days rather than 150, taking into account the technical difficulties and extra costs involved, would not be feasible. There were also certain implications for the World Bank’s privileges and immunities that required consideration.

- The Committee agreed that since producing accounts early was always a positive move, suggested that the matter be explored further during 2016, taking into account measures that could be taken to streamline the procedure if possible.

- The Committee invited Louis Mkanganwi to lead on this, with the involvement of KPMG, over the coming months.

9. Review of decisions

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

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

Participants

Committee Members
- Wayne Berson, Chair (until item 6)
- Tom Hunstad
- Marcus Koll
- François Lefebvre
- Katherine Taylor
- David Sidwell

Other Board member present
- Seth Berkley (Until item 5)

Regrets
- Shanelle Hall
- Yifei Li
- Jo-Ann Purcell

Secretariat
- Philip Armstrong
- Jacob van der Blij
- Paul Catchick (Item 7)
- Tony Dutson
- Joanne Goetz
- Barry Greene
- Alex de Jonquieres
- Alexandra Laheurte Sloyka
- Simon Lamb
- Chrysantus Macheso Nyongesa (Item 7)
- Louis Mkanganwi (until item 5)

Guests
- Henri van den Hombergh, UNICEF
- Hanna Langfield, DFID
- Julie MacCormack, Department of Foreign Affairs, Trade and Development, Canada
- Kelly Jarrett, Bill & Melinda Gates Foundation