Gavi Alliance Audit and Finance Committee Meeting
5 December 2016
Sofitel Abidjan Hotel Ivoire, Abidjan, Côte d’Ivoire

1. Declarations of interest

1.1 Finding a quorum of members present, the meeting commenced at 14.32 Abidjan time on 5 December 2016. David Sidwell, Audit and Finance Committee (AFC) Chair, chaired the meeting.

1.2 Standing declarations of interest were tabled to the Committee (Doc 1a in the Committee pack).

1.3 The Committee approved the minutes of its meeting on 21 October 2016 (Doc 01b), noting a technical correction in the dates pertaining to Audit and Investigations (A&I) Plan for 2016 and 2017.

1.4 The Committee reviewed its action sheet (01c). The Chair requested that the action sheet capture the discussion during the 21 October meeting, when it was agreed to see how the cash channeled to countries through the partners could be better audited either through the Gavi A&I team or by leveraging the internal audit functions of the partners. The Secretariat confirmed that this will be added to the action sheet.

Decision One

The Gavi Alliance Audit and Finance Committee:

- **Approved** the minutes of its meeting on 21 October 2016 noting a technical correction in Section 5.2 referring to the dates of the Internal Audit Plans of 2016 and 2017.

2. Forward year workplan review

2.1 The Committee reviewed its forward workplan (Doc 02).

Discussion

- The Chair noted that during the last meeting it was decided to include periodic reviews of technology and operations in the AFC agenda, and that the first review is planned for the AFC meeting on 9 February 2017 and shall become a standing item for review in February each year.
3. Currency Hedging update

3.1 Tony Dutson, Senior Director Finance and Chief Accounting Officer, provided an update on Gavi’s currency hedging activities (Doc 03). 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.

3.2 Mr Dutson noted that for 2016 Gavi has entered into limited currency hedging contract due to limited certainty about when the donor contributions would be received during the year. For 2017, currency hedging arrangements have been entered for those donor contributions where the timing of receipt of these contributions was known.

3.3 Mr Dutson further noted that as dictated by the currency hedging policy, Gavi looks to hedge forward for two years. Hedging beyond two years is expensive. He also explained that the Finance team currently only hedges when there is certainty on when pledges will be received and also based on guidance received from currency experts at Gavi’s banks.

Discussion

- AFC members asked for clarification regarding which banks’ guidance had been sought to determine whether or not to go for a currency hedging arrangement. Mr Dutson explained the Finance team were in touch with HSBC and UBS among others for this input. To date, these banks have advised Gavi against hedging the remaining 50% of its expected 2017 GBP contributions although this guidance could change in the future.

- The Chair noted that by not hedging the GBP, Gavi is taking substantial currency risk. He requested the Finance team to provide a table within the next Currency Hedging Report to show the forecasted contributions, their valuation based on spot, forward and forecasted rates showing amounts hedged and those open. This will help the Committee see the potential currency exposure that Gavi has.

- The Secretariat reported that several new donors have provided contributions since the Gavi replenishment, and these contributions have helped offset some of the currency exposure.

- The Chair emphasised the need to manage this financial risk and advised the team to consider hedging beyond the two years.

- The Committee sought input on whether there was any potential impact expected from the political uncertainty in Europe or the U.S. vis-a-vis the pledges made. The Secretariat responded that while it did not expect this scenario to play out, if it were to, Gavi would be able to cover any unhonoured commitments with its eight month cash investment reserve of US$ 1.1 billion.
4. **Gavi interim financial statements (Q3 2016 standalone and Q2 2016 consolidated)**

4.1 Tony Dutson, Senior Director Finance and Chief Accounting Officer, presented the Gavi interim financial statements for the third quarter of 2016, and the interim consolidated financial statements for the second quarter 2016.

4.2 In reviewing the third quarter financial statements, Mr Dutson provided an explanation of the key changes in contribution revenues, expenditures, receivables and programme liabilities and their impact on changes to net assets.

**Discussion**

- AFC members appreciated the paper and expressed that the information provided was useful.

- A Committee member enquired about the expenditures as reported in the financial forecast paper. The Secretariat explained that the expenditure presented in the financial forecast was on a cash flow basis, whilst the expenditure reported on the Statement of Activities is presented on an accrual basis.

- In response to a query, the Secretariat provided a brief recap of the programme funding envelope mechanism and its relationship to the financial forecast and programme disbursements.

5. **Timing of Annual Financial Reporting**

5.1 Tony Dutson, Senior Director Finance and Chief Accounting Officer, reminded the AFC of the conversation during its meeting on 21 October 2016 regarding the timing of the Annual Financial Report following discussions with the IFFIm Board, particularly Marcus Fedder, IFFIm Audit Committee Chair, and the World Bank.

**Discussion**

- The AFC Chair reminded the members that when this issue was discussed in October, it was determined that it will be difficult for the AFC to have the final consolidated financial statements duly reviewed and recommended for approval by the Gavi Board for its June meeting. He also reminded the members that the Governance Committee did not have an appetite for a separate Board meeting to approve the financials.

- A Committee member highlighted the importance of ensuring that the Gavi Board does take ownership of approving the Annual Financial Report (AFR), given that Gavi is a financing organisation. In part this related to the concern that the AFR
tended to be circulated for no-objection approval during August when most Board members were on summer vacation. The question of electronic voting was raised, but presently the Statutes do not provide for this, though it could be among other considerations in the event there was a need to revise and update the Statutes in due course.

- The AFC Chair, summarised the steps to be taken for approval of the 2016 financials, as discussed during the meeting. He said that the draft consolidated financial statements, would be circulated to the AFC for its review, two weeks in advance of the regular AFC meeting held immediately ahead of the Gavi Board meeting in June 2017. At the June Board meeting, the Board will be provided a commentary on the draft consolidated financial statements. The AFC will then receive the finalised consolidated financial statements by early July, which it will review and recommend to the Board for its approval, conducted via a teleconference meeting in the usual way. Board members will be invited to listen in on the call if so desired. The annual consolidated financial statements will then be circulated to the Board for no-objection approval as has been the practice but if possible to be circulated somewhat ahead of the August holiday recess period.

- In response to a question about whether any significant issues have been raised by the Gavi Board on the consolidated financial statements, the Secretariat said there had been none.

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6. Report of Audit & Investigations

6.1 Simon Lamb, Managing Director, Audit & Investigations, provided a status update on matters relating to the department activity (Doc 06).

6.2 Mr Lamb provided a summary ageing report of the audit items that were open and noted that good progress was being made in terms of remediating the issues.

Discussion

- AFC members appreciated the work of the A&I team, and said that it was encouraging to see lessons were coming forth on how to streamline the audit process and address recurrent themes that are emerging from this work.

- The AFC Chair pointed out the importance of ensuring that, as suggested by Mr Lamb during his presentation to the AFC in October 2016, the funds passing through the partners on the ground to the relevant country governments are prioritised to be audited appropriately (Annex B, Doc 05 presented at AFC meeting on 21 October 2016).

- AFC members strongly supported the need to conduct audits of the programmes where money is channelled through the partners, and encouraged the Secretariat to work with the Partners’ Engagement Framework (PEF) team to ensure that this is built into the framework.
• The Secretariat explained that this is relatively new territory, because previously Gavi did not have oversight of programmes being managed by partners on the ground. With the PEF in place now, enhancing audit effectiveness in countries, through partners, is being explored.

• The AFC expressed its strong support for A&I in establishing fresh working arrangements with partners, especially their audit functions, recognising that the single audit principle is one aspect in particular that needs to be worked through to avoid it restricting audit coverage.

• The Chair emphasised the importance of connecting the risk report to the A&I workplan in order to ensure that the efficacy of risk identification and mitigants are confirmed through the A&I work.

• In response to a query from the Chair, Mr Lamb pointed out that the eight themes identified in the A&I report to AFC during its 21 October 2016 meeting are being discussed with Country Programmes. He informed the AFC that discussions are ongoing with the Managing Director, Country Programmes, to enable risk mitigants to be established for at least some of the highest priority themes and incorporated into working arrangements of the Secretariat and partners, as appropriate.

• In response to a question from the AFC members, the Secretariat mentioned that vaccine wastage is an aspect that needs to form part of a broader discussion at the Secretariat about Gavi’s appetite for this type of risk and how best to mitigate it. This is especially true as in most cases vaccine loss is not related to fraudulent activity, rather it is due to constrained country capacity in developing appropriate systems and/or human error.

• AFC members underscored the importance of striking the right balance between ensuring accountabilities are applied rigorously whilst demonstrating flexibility when countries request additional time to present responses to audit findings.

• The Chair noted that areas like the countries’ capacity are part of the risk register, and if the risk report is used correctly and the corresponding mitigants are put in place, then it will easier to identify, correct and close such items arising during audits and investigations. He emphasised the need to think holistically in working toward permanent, systemic solutions.

7. Review of decisions and any other business

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

8. Closed session
8.1 At this point members of the Secretariat left the room and the AFC proceeded with the closed session to evaluate the A&I function and conduct the assessment of its Managing Director’s performance. The AFC also undertook an evaluation of the Finance function.

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

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Mr Philip Armstrong
Secretary
Attachment A

Participants

Committee Members
- David Sidwell, Chair
- Marcus Koll
- Clarisse Loe Loumou
- Heidi Malene Nipe

Other Board member and Board alternate member present
- Seth Berkley (joined during agenda item 6)
- Jason Lane

Regrets
- Alexandru Cebotari
- Shanelle Hall
- Emmanuel Maina Djoulde
- Ted Chaiban (Committee member-elect)
- Chris Taylor (Committee member-elect)

Secretariat
- Philip Armstrong (joined during agenda item 5)
- Barry Greene
- Tony Dutson
- Simon Lamb
- Mahwesh Bilal Khan