Gavi Alliance Audit and Finance Committee Meeting
9 February 2017
Teleconference

1. **Declarations of interest**

1.1 Finding a quorum of members present, the meeting commenced at 10.00 Washington time on 9 February 2017. David Sidwell, 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). Philip Armstrong, Director of Governance, noted that he had received the declarations of interest from all the Committee members.

1.3 The Committee reviewed the minutes of its meeting on 5 December 2016 (Doc 01b), which had been approved by no-objection on 20 January 2017.

1.4 The Committee also reviewed its action sheet (01c).

1.5 The Committee reviewed its forward workplan (Doc 01d).

1.6 Finally, the new Board-approved AFC Charter (Doc 01e) was included in the pack for information.

**Discussion**

- A Committee member asked, while discussing the action sheet, if there were any terms of reference for the Gavi Geneva office move to the Health Campus. The Secretariat informed the Committee that while there were no external assessments or terms of reference for the move of the office, it was expected to result in annual cost savings of $0.5 to $1.0 million in rent annually, in addition to allowing Gavi to synergise with the Global Fund, on backend operations where appropriate. An update on the cost savings would be provided to the Committee at its June 2017 meeting.

- A Committee member asked after plans for conducting a deep-dive into one or two top risks for Gavi during a future Board meeting. The Secretariat agreed to discuss this during the April meeting and seek AFC’s input on potential candidates for such deep-dives with the Board.
The Committee discussed the need to have a detailed discussion about understanding how Gavi undertakes and discharges its duties in regard to identifying and handling ethics, and managing conflicts of interest. The Secretariat described the process currently in place for managing conflicts related to Board and Committee decision processes. It was agreed that this should be added to the agenda for the meeting in April 2017.

A new committee member raised a question concerning whether the Committee should have an in person broad discussion of scope of committee activities and level of detail. The Chair outlined the process used during 2016 to update the charter of the committee and revise the work-plan accordingly to ensure that both reflected best practice for audit committees. He stated that committee members should also raise any topics for discussion as to whether they should be added to the agenda. He noted the secretariat has always been very willing to provide additional information to committee members as appropriate. Finally he suggested at the next in person meeting of the committee they could continue this discussion. Committee members agreed to this approach.

2. 2016 audit strategy and planning

2.1 Pierre-Henri Pingeon and Karina Vartanova from KPMG, Gavi’s independent auditors, outlined KPMG’s plan for the audit of the 2016 consolidated financial statements, including reporting to management on any issues which might arise. They provided information on their audit strategy, highlighting that they had assessed the key audit risks on which they will continue to focus. They reviewed the materiality thresholds and provided information on the communication plan and reporting timeline.

2.2 They drew the Committee’s attention to the fact that due to recent changes in the US GAAS, the format of the presentation to the Committee has changed, however the scope of the 2016 audit would remain the same as the 2015 audit.

2.3 They informed the Committee that the scope would cover 99.95% of total consolidated assets and 99.96% of total consolidated expenses, with Gavi Campaign, which was wound up in December 2016, being the only component excluded from the scope of audit. A close out audit of Gavi Campaign for the year ended 31 December 2016, may be provided by KPMG if required.

Discussion

The AFC Chair noted that the audit approach presented for 2016 was similar to the one used in the past. He reinforced that, during the audit, if the AFC could be of any help the external auditors were welcome to contact the Committee through the Secretariat.
3.   **Report of Audit & Investigations**

3.1 Simon Lamb, Managing Director, Audit & Investigations, provided a status update on matters relating to the department’s activity (Doc 03). He provided a summary ageing report of the internal audit items that were open and noted that good progress was being made by management in terms of remediating the issues. He also discussed emerging issues being raised during the current internal audit reviews.

3.2 Mr Lamb presented an update to the Committee of the progress being made in collaborating with the Country Programmes team to develop responses to the eight thematic areas of a recurring nature as identified across countries by the A&I team. An interim report on this matter would be provided to the Committee during its April 2017 meeting.

3.3 Mr Lamb recommended to substitute one country with another within the 2017 Programme Audit plan that was approved by the AFC in October.

**Discussion**

- The Committee appreciated A&I's approach of reconfiguring its audit plan in the light of new insights about relative risk and thereby effectively prioritising its work.

- The AFC approved the recommendation to substitution of countries in the 2017 plan.

- The Chair appreciated progress being made on collaboration with the Country Programme team and identifying key drivers of the eight cross-cutting issues that emerged during the last few audit cycles, across countries. He said that this work would help Gavi refine its risk appetite.

- In response to a question by the Chair on whether the audits were taking longer than anticipated, Mr Lamb informed the Committee that all of the 2015 plan items were completed, as previously reported. As regards the 2016 plan, he anticipated that all the reports – except the vaccine programme management audit which was dependent on agreeing terms of collaboration with partners and would be undertaken in 2017, as previously reported – would be complete by the time of the next meeting in April. He responded to the questions from Committee members pertaining to specific countries where post-audit recovery of misused funds was underway.

- In response to a question from a Committee member about whether the A&I team see an improvement in financial management in countries, Mr Lamb responded that the audit work is too early in its cycle of coverage to be able to provide an answer at this stage but he anticipated that the 2017 cross-cutting review on financial and budget management would provide insights in due course.
• A Committee member asked about the timing for the vaccine programme management audit, and if there are any barriers to completion as anticipated in the plan. Mr Lamb noted that there was some dependency on this audit regarding collaboration with partners, yet to be determined. However issues around vaccine management are being reported on as they are found in each programme audit undertaken so that assurance is being reported as obtained. In addition the thematic examination of this process with Country Programmes would provide additional insights on how this might be better managed in future.

• Mr Lamb informed the Committee that the Audit & Investigations team was in touch with its counterparts at WHO and UNICEF to ascertain how best to collaborate with them on conducting programme and other audits. He agreed to bring back to the Committee the next steps on this, as determined, at its April meeting.

• The Committee member from UNICEF, Mr Ted Chaiban underscored the commitment from UNICEF to work towards such a collaboration.

• A Committee member requested to know if the Gavi contracts have an anti-fraud clause, on which the Secretariat said that it would revert.

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4. Technology review

4.1 David Nix, Chief Knowledge Officer, Knowledge Management & Technology Solutions, provided an overview of Gavi’s technology focusing on the areas of cybersecurity, controls and related risks.

4.2 Mr Nix noted that the Knowledge Management programme expects to align the system, data and process aspects of technology to the business processes. In this context, he explained that the financial systems technology is coming to an end of life and the department is working on a replacement, in partnership with the finance department.

4.3 Mr Nix also informed the Committee that the security threats facing Gavi are similar to other comparable organisations. The pace of evolution of these threats is quite fast so there is a need to manage these threats effectively, taking a balance approached vis-à-vis Gavi’s mission.

Discussion

• The Committee appreciated the comprehensive review of technology and appreciated that managing areas like cybersecurity and risk are dynamic.

• The Chair requested, that this item be included in the standard reporting process, and include an update to the AFC about breaches, and how they were handled. It was agreed that an update on the ongoing Knowledge Management programme will be provided to the AFC at its June meeting.
• In response to a question about upgrading of technology, Mr Nix informed the Committee that technology is being looked at from an end to end process improvement perspective.

• The Chair sought input on whether a risk assessment of the technology had been done. Mr Nix informed the Committee that the technology gaps have been identified and the risk mitigation strategy is aligned to Gavi’s risk appetite. He also noted that further work is required to determine the risk in each function and the risk tolerance attributed to them.

• The Chair focused on the need to ensure that different levels of data protection are maintained for varying levels of data. Mr Nix acknowledged that this was an area where further work is required.

• The Secretariat also informed the Committee that there is a need to provide technological bridges between the Alliance partners and Gavi, when asked by the Committee on how it hopes to reach out to the Alliance partners in case of an IT mishap.

5. Finance update

5.1 Barry Greene, Managing Director, Finance & Operations, presented a follow up to the evaluation of the Finance function done by the Committee at its December meeting (Doc 05).

5.2 The Committee Chair noted that during the evaluation process and in the spirit of continuous improvement, two areas have been identified for further improvement. One is, reducing complexity of financial papers to better align financial reporting to the needs of the Board and the AFC; and two, providing analysis on Operating Expenses and the costs of the Partners’ Engagement Framework (PEF). Barry Greene provided the Committee with an update on how he intended to address these issues.

Discussion

• The Committee suggested a tailored approach in presenting papers to the Board as an executive summary, with a higher level of detail being presented to the AFC.

• The Committee noted the Finance function priorities for 2017, as attached to the paper (Doc 05).

• A Committee member proposed the consideration of a value for money assessment but which would require the Secretariat to reflect on how best to address this and it would revert with an update at the next meeting of the Committee.
Mr Greene reiterated that the Finance & Operations team would send out a survey to the AFC members shortly after the meeting, with a view to address the themes for improvement that emerged during the department review, so that the way-forward could be proposed in time for the Committee’s consideration at its April 2017 meeting. He also said that that the Secretariat would provide detail to the Committee within the next few weeks via email, on PEF core partners’ budgets and expenditure reporting, including examples of the budgets and the subsequent expenditure reports provided by partners.

6. Any other business

6.1 There was no other business to be discussed.

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
- Ted Chaiban
- Marcus Koll
- Clarisse Loe Loumou
- Emmanuel Maina Djoulde
- Heidi Malene Nipe
- Chris Taylor

Secretariat
- Philip Armstrong
- Seth Berkley (until agenda item 4)
- Jacob van der Blij
- Tony Dutson
- Barry Greene
- Edmund Grove
- Mahwesh Bilal Khan
- Alexandra Laheurte Sloyka
- Simon Lamb
- Louis Mkanganwi
- David Nix (agenda item 4 only)

Guests
- Pierre-Henri Pingeon, KPMG
- Karina Vartanova, KPMG

Observers
- Kelly Jarrett, Bill & Melinda Gates Foundation
- Esther Fox, Global Affairs Canada
- Elizabeth Noonan, USAID (until agenda item 03)