1. **Chair's report**

1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 15.30 Geneva time on 4 June 2018. David Sidwell, AFC Chair, chaired the meeting.

1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack). In reference to the insurance item, the Chair noted that he is on the Board of Chubb Limited, as recorded in his declaration of interest.

1.3 The minutes of its meeting on 26 April 2018, including the commercially sensitive minutes, were tabled to the Committee and were duly approved (Doc 01b). The Committee also reviewed its action sheet (Doc 01c).

1.4 The Chair noted his appreciation for the time and effort the Secretariat had put in to preparing for the meeting.

**Decision One**

The Gavi Alliance Audit and Finance Committee:

- **Approved** the minutes of its meeting on 26 April 2018

2. **Workplan review**

2.1 The 2018 and 2019 work plans (Doc 02) were tabled and the Chair invited the Committee to submit any considerations or requests to the Secretariat.
3. Financial management and corporate reporting


3a.1 Louis Mkanganwi, Director of Financial Accounting and Reporting, presented an unaudited draft of the Gavi Alliance Annual Financial Report for the year ended 31 December 2017 (Doc 03a, Annex B).

3a.2 Mr Mkanganwi reminded Committee members that the report includes draft financial statements for both Gavi and IFFIm. He noted that audits have been conducted so far in relation to the IFFIm reporting package, IFFIm standalone accounts and Gavi standalone accounts and that no audit adjustments were found to be necessary. He stated that the remaining task is to complete the audit of the consolidated financial statements that is scheduled to begin in a few weeks.

3a.3 Mr Mkanganwi explained that outstanding items for completion of the AFR include the progress report and disclosure of sensitivity to currencies, alongside a couple of minor aspects relating to the Global Health Campus.

3a.4 To conclude, Mr Mkanganwi stated that the Chair had provided comments, the most significant of which were an additional statement of impact for the new accounting standards plus additional language under the structure and governance section.

Discussion

- Mr Mkanganwi noted a proposal from the Chair to update the statements to reflect any decision relating to Nigeria funding, which might be construed as a major post-balance sheet event, if approved at the Gavi Alliance Board meeting of 6-7 June 2018.

3b. Abridged historical and forecast Financial Statements

3b.1 Louis Mkanganwi, Director of Financial Accounting and Reporting, provided an update to the Committee on Gavi’s abridged standalone and consolidated financial statements for the three months ended 31 March 2018 (Doc 03b). Mr Mkanganwi also presented the abridged forecast consolidated statements for the three years up to 2020.

Discussion

- It was agreed that clarifications or specific questions from Committee members could be submitted to Mr Mkanganwi via email.
Discussions and decisions in relation to Agenda Item 3c: Financial Infrastructure Systems update are recorded separately due to commercial sensitivities.

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3d. Global Health Campus update

3d.1 Barry Greene, Managing Director, Finance and Operations, provided an update on the Secretariat move to the Global Health Campus in June 2018. Mr Greene noted that the building is currently 74% occupied and Gavi would soon take the remaining 26%. He reminded the Committee that the primary aim of the campus was to foster collaboration and innovation in global health. Mr Greene explained that, to help foster this collaboration, staff from any of the organisations can access all floors during office hours.

3d.2 Mr Greene noted that updated financial information is not yet available but no major changes are expected and a saving of about 15% over 10 years is still anticipated.

3d.3 He highlighted some of the staff communications around the health campus including the survey to assess staff preferences for getting to work, which enabled parking needs to be fully met with a choice of on-site and off-site options and prices. He further noted that “Ambassadors” had been appointed to initially help guide staff around the campus, and this is also providing work experience to members of the local refugee community.

3d.4 Mr Greene noted no major snags, although some features, such as integration of the room booking system into Microsoft Outlook and inclusion of Gavi’s meeting rooms in Washington DC, would not be operational until after moving-in. Other areas requiring attention include simplification of access to video conferencing, boosting the mobile phone signal in parts of the building, and simplification of guest access to Wi-Fi.

3d.5 Mr Greene concluded by explaining that the move will start for employees on 28 June, with a requirement for most staff to work from home on 28 and 29 June. By Monday 2 July everyone will be working from the Health Campus.

Discussion

- Committee members congratulated the team on the smooth planning and timing of the move considering the long-term nature of the project. In response to a question from the Chair, the Secretariat noted no significant outstanding risks.

- In response to a question around staff morale with regard to the move, the Secretariat observed that there appears to be good morale generally. It was noted that subsequent to move-in, proximity to staff of the other organisations at the Campus may generate conversations around perceived differences in remuneration and benefits between the organisations, and that management
would look to engage in any such discussions. It was also highlighted that there are staff councils in both organisations to offer support.

- In response to a question from a member relating to IT support during the move, the Secretariat stated that there is confidence in the Health Campus IT infrastructure (as it is already working for the other tenants) and there has been significant co-ordination between the IT teams of Gavi and the Global Fund throughout the past year.

- When asked about collaboration, the Secretariat noted that there are informal meeting spaces on every floor which are specifically intended to foster cross-organisational activities.

- In response to a question from a member, it was noted that joint procurement processes have already been undertaken for several facilities including security, building maintenance and catering.

4. Insurance and Legal update

4.1 Mr Anthony Brown, Senior Legal Counsel, presented an insurance and legal update (Doc 04). He noted that there are no material legal items to report.

4.2 Regarding the insurance section, Mr Brown noted the streamlined report, referring the members to Annex A.

Discussion

- In relation to the range of broker fees, one member suggested that the rate should be closer to 15-20%.

- The Secretariat stated that they had commissioned a new broker in 2014 and had re-negotiated the fee last year and the plan is to go back to the marketplace in 2019 for further conversations. The Secretariat acknowledged that because the figures are based on 2014 analysis, it would be useful to update them.

- In response to a question from the Chair on cyber insurance, the Secretariat stated that this is currently covered within the general liability insurance but acknowledged the Chair’s proposal to review the cyber security coverage.

5. Audit and Investigations report

5.1 Simon Lamb, Managing Director, Audit & Investigations (A&I), started by declaring to the Committee that the A&I terms of reference have been reviewed and remain relevant with no required changes, and that this would be reported to the Gavi Board later in the week. He also noted that his report on the organisational independence of the A&I function would be presented to the Gavi Board at the same time, with no stated concerns in this regard.
5.2 Mr Lamb then highlighted the high risk issues in Annex B of Doc 05, outlining three significant technology audits. In relation to the audit of business continuity and disaster recovery planning (covering the technology components only, not the operational aspects of Gavi’s preparedness), Mr Lamb noted that the plan is somewhat outdated but there is now a significant remediation effort underway by the Secretariat. He also highlighted there is some inherent resilience within the organisation including cloud-based solutions, but this aspect does require further attention.

5.3 In relation to the audit of cyber-security and penetration testing, Mr Lamb raised to the Committee that this was the first penetration test performed on Gavi’s systems and it should occur on a regular (at least annual) basis in future, to which management have committed. He noted that a relatively high number of issues had been raised from the testing, unsurprising for a first-time testing of systems penetration, but that many of them can and have been remediated quickly.

5.4 With regards to the audit of the IT development process, Mr Lamb recognised that systems are an aspect in which Gavi has historically under-invested and therefore was now in a process of catch-up, resulting in a significant technology development expenditure. He noted that the methodology in the development of the new grant management system, amongst others, was of an ‘agile’ nature. This approach requires the development of typically small components for presentation to the business owner for feedback and refinement in an iterative process. This is in contrast to a classic development methodology with a pre-agreed specification with costed plans and timeframes.

5.5 Mr Lamb stated that the A&I team does not believe that the grant management system and other significant developments are appropriate for an agile-type roll-out and it has now been agreed with management to revert to a more traditional approach to systems development.

5.6 Mr Lamb talked the Committee through the proposals for an A&I dashboard in Annex F. He outlined the current and proposed new metrics relating to the four key elements of the audit process: plan execution, draft report submitted, final report posted and recommendations implemented, as well as resourcing.

5.7 To conclude, Mr Lamb outlined the process to manage open internal audit issues, the open audit issue metrics and detail around the high risk issues and the most-aged medium risk issues (Annex G).

Discussion

- In response to a question from a member around action plans for the technology audits, it was stated that the disaster recovery and penetration testing audits have action plans in place already. It was noted that the responses regarding the realignment of the development methodology are now being developed and will be in place by the time of the July AFC meeting.
Committee members generally endorsed the proposed dashboard metrics and made several suggestions for additional metrics such as assessing the quality of A&I outputs, team skills mix and staff turnover. It was also agreed that it is appropriate for programme audit reports to take longer to finalise but that the Secretariat should aim to have internal audit reports completed more quickly (within a month).

One Committee member requested to have a similar format for the status of internal audit plan execution as presented for programme audits. Another member noted that it would be useful to present re-stated delivery dates on open audit issues within the A&I metrics.

It was agreed that a dashboard mock-up be brought to the July AFC meeting. There was an acknowledgement that not all of the final data may be included in July due to the manual calculation of some metrics.

In response to a question on the new A&I audit management tool (implemented 2017), Mr Lamb stated that this is being used for work paper management and associated activity. The system has additional capability to facilitate the management of open audit issues but inclusion of status updates from other Gavi teams is reliant on future training of the Secretariat. It was explained that the extension of this capability into issue tracking was expected to be rolled-out shortly.

Board members emphasised the importance of following up on open issues and actions, especially from programme audits. It was noted that whilst there is currently no automated mechanism to track programme audit issues, Country Programmes are looking to create a better process of tracking the remediation of issues which would include those arising from programme audits.

In response to a question from the Chair about the process to extend dates of completion on open internal audit issues, the Secretariat explained that only three extensions are allowed and then only if the A&I team are persuaded that there is a valid reason. It was noted that the grant management system is now delayed by two years and it was acknowledged that reviewing late, high risk items with the CEO/Deputy CEO on a regular basis would be useful, and this will be undertaken in future. The Secretariat also agreed to present a review of the IT audit issues at the next AFC meeting.

Committee members recognised the importance of tracking grants and whether money is spent appropriately in-country. Mr Lamb noted a recent significant effort in the country programmes team to identify and track grant funding, including the future grant management database. Members proposed that a specific session on grant management at the AFC, Programme and Policy Committee (PPC) or Board would be useful as it is such a high risk area.
6. **Any other business**

6.1 One member raised to the Committee that, following a request from the PPC for more detailed plans for post-transition countries including Angola, the AFC may need to revisit the incremental amount previously approved of US$ 20 million.

6.2 Mr Mkanganwi noted that KPMG will not be able to share the 2017 audit papers with Deloitte until the AFR is approved. It was therefore acknowledged that special effort should be put into having the AFR approved by the Board as soon as possible to aid transition to Deloitte.

6.3 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
- Gisella Berardi (until agenda item 4)
- Craig Burgess
- Alexandru Cebotari
- Ted Chaiban
- Irene Koek
- Kwaku Agyeman Manu (on the phone until agenda item 4)
- Emmanuel Maina Djoulde
- Chris Taylor

Secretariat
- Philip Armstrong (left during agenda item 5)
- Seth Berkley (left during agenda item 4)
- Jacob van der Blij
- Caroline Bradley
- Anthony Brown (agenda item 4)
- Tony Dutson
- Barry Greene
- Simon Lamb
- Louis Mkanganwi
- Chrysantus Nyongesa

Regrets
- Reina Buijs

Guest
- Bill Roedy (agenda item 5)

Observers
- Kelly Jarrett, Bill & Melinda Gates Foundation (on the phone)
- Nick Jeffreys (on the phone until item 5)
- Andreas Karlberg Pettersen