
Subject **Audit and Finance Committee Chair Report**

Category **For Information**

Section A: Introduction

- This report provides the Board with an overview of the activities of the Audit and Finance Committee (AFC) since the Committee Chair last reported to the Board in June 2024.
- Since the last Board meeting, the AFC met two times (7-8 October in Washington DC and 27 November virtually) to consider Gavi recurring matters in accordance with the standard workplan for Gavi 5.1 and the remaining activities of the Office of the COVAX Facility, in addition to several technical briefings mainly related to a holistic review of the treasury approach to certain portfolios (AVMA and FRF) and the latest financial forecast for Gavi 5.1.
- Subjects reviewed are noted under Section B and matters to be reviewed in upcoming meetings are presented under Section C
- AFC recommendations to the Board are attached as Annex A.

Section B: Subjects reviewed

1. *Financial Update*

Management Reporting

- The AFC was presented with an update on 1H2024 Financial performance as well as with Q3 Management reporting.

Financial Forecast (Gavi Core and COVAX AMC)

- The Financial Forecasts recommended by the AFC for approval were discussed by the AFC at both the October and November meetings (the report below anticipates the approval of the updated forecast presented to the November AFC). The forecasts were considered in the context of the Alliance continuing to see a significant increase in country demand for Gavi support over the course of the Gavi 5.1 strategic period. This is a testament to countries' strong commitment to immunisation, and the important role of the Alliance in supporting countries over the course of 5.1. Consequently, there is an exceptionally high number of country applications for Gavi support expected for the remainder of the strategic period.
- Therefore, the risk of higher programme expenditure (than Gavi 5.1 resources available) highlighted in prior financial forecasts cycles by the Secretariat is crystallising. The risk can (in part) be mitigated through the utilisation of certain

COVAX AMC contributions which can be repurposed in line with revised donor agreements and repurposed COVAX AMC interest to Gavi 5.1 programmes (in line with the June Board discussion that COVAX AMC interest can be utilised to fund all Gavi approved programmes).

- The financial forecasts recommended by the AFC for approval present the maximum resources available to the Alliance to support Gavi 5.1 programmes, and the AFC did note that any Board decision to repurpose COVAX AMC interest to fund Gavi 5.1 programmes will have an impact on Gavi 6.0 Assured Resources.
- The interim Prioritisation Mechanism for Gavi's Support to Countries, which has been recommended for Board approval at the Programme and Policy Committee's (PPC) November 2024 meeting will be used to prioritise the projected excess country demand for Gavi's funding for the remainder of Gavi 5.1 as needed.

Gavi 5.1 forecast

- The AFC reviewed the Financial Forecast of the Gavi 5.1 strategic period (2021-2025) which shows US\$ 160 million available for future investments, with Qualifying Resources at US\$ 10.8 billion and Expenditures at US\$ 10.7 billion.
- The AFC noted that the Qualifying Resources increase of US\$ 172 million, is driven by actual and forecast investment returns from LTIP of (US\$ 65 million) and the short-term portfolio (US\$ 23 million) as well as the US\$ 72 million reflecting the increase in IFFIm proceeds available for the Gavi 5.1 period now projected by the World Bank.
- The AFC noted that the total increase in forecast expenditure for Gavi core continuing programmes is US\$ 876 million of which US\$ 144 million is funded from Gavi 5.1 and a further US\$ 732 million of expenditure could be funded by COVAX AMC repurposed funds subject to Board decision to repurpose US\$ 517 million of COVAX AMC interest to Gavi 5.1 to support higher country demand.
- The programmatic drivers of the US\$ 144 million increase are driven by increased HPV volume from increasing coverage including impact of earlier implementation in Pakistan (Multi-Age Cohort campaign and Routine Immunisation) and the acceleration of Partnerships in Innovation initiatives with the private sector (in line with the innovation strategy), funded by matching fund donations earmarked for innovation programmes.
- The AFC noted the risks related to the forecast highlighted by the Secretariat.

COVAX AMC financial forecast

- The AFC reviewed the Financial Forecast for COVAX AMC (including ongoing approved funded programmes and approved programmes subject to donor

repurposing) of Qualifying Resources of US\$ 13.2 billion and Forecast Expenditure of US\$ 11.5 billion, with a COVAX AMC retained balance of US\$ 1.6 billion.

- Qualifying Resources have increased by US\$ 344 million, primarily US\$ 307 million of actual and forecast interest income.
- Forecast Expenditure before repurposing has decreased by US\$ 465 million, primarily driven by lower demand from countries for COVID-19 vaccine doses versus applications. Conversely, repurposing expenditure has increased by US\$ 319 million from donor allocations and interest income.
- The AFC noted that US\$ 592 million made of (i) US\$ 318 million of earned interest and US\$ 199 million of future COVAX AMC interest available for Gavi 5.1 Board approved programmes and (ii) US\$ 75 million of planned firm order commitment to be presented to the MSDC to be funded from the forecast resources available, were reflected in the financial forecast, (iii) donor PVP repurposed to the First Response Fund (FRF) and US\$ 8 million Big Catch Up (previously funded by earned interest income).
- As a result of these changes, the COVAX AMC balance (consisting of Pandemic Vaccine Pool (“PVP”), dose sharing ancillary and interest income) is now forecast at US\$ 1.6 billion.

Partner’s Engagement (PEF) and Secretariat Budget

- The AFC was presented with the 2025 Secretariat budget set flat to 2024 at US\$ 199 million (2% lower at constant exchange rates), US\$ 8 million above the Gavi 5.1 remaining envelope and reflecting a stabilisation of Secretariat operating expenditure.
- In the context of the significant level of additional priorities to be funded from the existing Secretariat budget (including Gavi 5.1 augmented priorities, Gavi 6.0 operationalisation and the Secretariat transformation agenda), the Secretariat highlighted the additional resources requested are required to deliver these priorities. The AFC requested the Secretariat present in the closed session of the December Board meeting, how it will ensure the Secretariat is fit for purpose for the Gavi 6.0 strategic period.
- The AFC reviewed and approved the request of US\$ 1 million for the Capital Expenditure budget to provide modest flexibility to the Secretariat.
- The AFC noted that the PEF expenditure budget of US\$ 114.3 million remains in line with the initial envelopes agreed for the strategic period.

Financial reporting

- The AFC was presented with the IRS Form 990 (FY2023) as well as a European Commission COVAX AMC grant agreement verification request. The IRS Form 990 was reviewed and the grant agreement request was approved.

Treasury

- The Committee was presented with a holistic treasury review of the treasury approach to certain portfolios including choice of investment manager and use of earned interest including a detailed analysis of the different options considered regarding the distinct pools of funds. It suggested a balanced solution, which took into account technical, strategic and financial factors. For the African Vaccine Manufacturer Accelerator (AVMA) and the First Response Fund (FRF), different solutions were considered including i) internal, ii) multilateral development bank (MDB) and iii) commercial bank options. The two bids from MDBs, the World Bank and African Development Bank, were closely matched in quality, provided the most balanced solutions and were both assessed excellent treasury solutions.
- The AFC recommended that the Gavi Board approve the World Bank Reserve Advisory & Management Partnership (RAMP) programme as the treasury solution for both AVMA and FRF and approve the extension of the interim internal treasury solution until the longer-term proposal is operational (expected at the end of H1 2025). The AFC also recommended to the Board to approve the use of interest generated by these funds for Gavi board-approved programmes.

2. Programme Funding Policy (PFP) update

- A review to the PFP (last updated in December 2020 for the multi-year approvals), has been initiated as a result of the changes in Gavi's support to countries. The review confirmed the relevance of this policy and the need for a number of clarifications to be included mostly related to qualifying resources and the approval path for the funds allotments and reprogramming.
- The AFC was presented with the first phase of the PFP review, focusing on clarifying and operationalising the current policy and improve reporting. These subjects were identified and addressed together with the AFC Advisory Group formed to help the Secretariat working group working on this revision.
- The review second phase will happen in the course of 2025 and will cover Board 6.0 strategy operationalisation as well as EVOLVE implementation.

3. Use of Country Systems and Financial Management & Risk Assurance (FM&RA) update

- The AFC was presented with an update on the Financial Management & Risk Assurance approach and associated investment approved by the Board in June

2021 as well as the next steps to sustain the gains made under Gavi 5.1. The presentation covered i) Use of Country System approach, ii) Fiduciary Risk Assurance – Strategic Engagement with Assurance providers, iii) Programme support Costs, iv) the Utilisation of the FM&RA envelope and it included discussions in detail of cash held in country and secretariat approach to closer management of these funds.

4. Legal

- Legal confirmed to AFC that at this date, there are no material legal matters to be reported and that the only contentious matters are of HR / employment law nature, with limited materiality. Legal also provided AFC a brief update on evolving legal risk landscape for Gavi, notably in respect of decentralisation of Country Programmes operations (no longer going through countries' central governments only) and RMG-driven innovative frontloading facilities, which require advanced legal scrutiny, resources and support.

5. Audit & Investigation

- Audit and Investigation provided routine updates covering activities against the 2024 workplan previously approved by the AFC. The updates covered country-focused audits, Secretariat-focused audits, advisory work, whistle-blower reporting, investigations and counter-fraud work. The AFC was updated on significant issues arising from audit work internal to the Secretariat and Gavi Secretariat management's responses to those issues. Notably since the last AFC Chair's report to the Board, these addressed issues emerging from the audit of procurement in the Gavi Secretariat.
- The AFC received reports from Audit and Investigation on the Secretariat's implementation of audit recommendations addressed to Gavi management, and Gavi implementing countries' implementation of recommendations addressed to them via programme audits.
- The AFC received reports from Audit and Investigation on Gavi's recovery of misuse, which may be identified in programme audits and/or by other Gavi Secretariat teams. Following through on misuse ensures that accountabilities are maintained both at country level and by extension at the level of the Gavi Secretariat. Misuse of US\$ 47 million in total was identified in programme audits over the period 2015 to August 2024, of which 96% of the amounts due by August 2024 had been reimbursed.
- At its October 2024 meeting, the AFC reviewed and approved the 2025 Audit and Investigations Plan, noting that resourcing for 2025 is adequate given the desired level and quality of audit coverage and investigatory capability expected.

6. Grant Management Reform (EVOLVE) Update

- The CEO provided an update on Gavi's grant management reform, emphasising her belief that it was of critical importance for Gavi and her commitment to its success. The CEO had commissioned an external stock-take which resulted in a set of recommended improvements which had been actioned. As a result, implementation had now started, with a first wave of pilots and builds to be delivered at the end of Q1 2025. Subsequent waves during 2025 would equip the organisation for the Gavi 6.0 strategic period. The new Reform and Prioritisation SLT sub-group was accountable for oversight of the project and individual SLT members accountable for each workstream. Project management was being strengthened, in order to deliver the project within the approved budget of US\$ 16.3 million. The AFC requested a substantive update at its meeting in February 2025.

7. Ethics, Risk and Compliance Office (ERCO)

- The AFC reviewed and validated the Annual Risk and Assurance Report 2024 to be submitted to the Board for approval in December 2024. It was noted that this year's annual risk & assurance report flags a slight improvement in Gavi's overall risk profile and that these changes are driven by progress in mitigating actions, the current socio-economic environment, global health developments, and internal developments within Gavi. Progress has also been made in mitigating top risks through the CEO's 180-day plan, which has been focused on priority setting and accountability mechanisms.
- Moreover, the AFC reviewed and validated the updated risk policy to be submitted for Board approval in December 2024. Proposed changes to the risk policy include adding principles of transparency, inclusiveness, and risk-based decision-making, updating roles and responsibilities to reflect ERCO's new mandate, differentiating between those responsible and accountable, and categorising risks into Strategic and Operational levels. It was agreed to reflect in the policy that it can be reviewed and updated at the request of the CEO.
- The AFC also reviewed and provided insightful feedback on the Operationalisation Guidance to the Risk Appetite Statement and the Alliance Risk Advisory Group ToRs. Finally, the AFC received an update on the status on follow-up on audit recommendations.

8. Insurance update

- The AFC received an update on the management of Gavi's general insurance (P&C) portfolio for the period 2024–2025, including an update on the remaining insurance programme specifically related to risks associated with COVAX.
- It was explained that the general insurance programmes are managed by the Insurance function in Operations in conjunction and coordination with the relevant Gavi teams across the Secretariat. Over the last two years these

programmes have been expanded and further adapted to Gavi's organisational structure and risk profile.

- The general insurance portfolio includes programmes covering potential liability exposures, and losses associated with travel, property, crime, and cyber, as well as insurance programmes required under local law or necessary to protect Gavi's assets, directors, officers and employees. It was explained that the general insurance portfolio has been largely renewed now for the 2024-2025 period with a significant majority of the programmes renewing in the first half of the year. In connection with all renewals, Gavi obtained information on insurance market developments and rate increases, as well as information on insurer claims-handling expertise and service quality, as well as their credit and ESG ratings, to assist in the evaluation of available renewal terms.
- The AFC was advised that Marsh & McLennan (Marsh) is Gavi's current insurance broker after a competitive Request for Proposal process concluded in 2022 where Marsh was selected. Marsh, and its local Swiss operation (Kessler), provide insurance brokerage services to Gavi on a global basis. The broker contract ran for two years and is now up for renewal as of November. It was noted that we are satisfied with the quality of their broker services and have commenced renewal discussions.
- Finally, the AFC was advised that the COVAX No-Fault Compensation Programme for AMC Eligible Economies established in 2021 remains operational until June of 2027, at which point WHO would return to Gavi the remaining amounts of the NFC Fund WHO is holding to pay out expenses and claims under the Programme. It was explained that we are currently in discussions with WHO to recuperate a significant portion of this Fund given the actual low claims experience and projections of modest funding requirements for the programme until the close-out in 2027.

Section C

Subjects to be reviewed in upcoming AFC meeting of 27 November 2024

- Deloitte 2024 audit strategy
- Treasury update (currency hedging strategy for Gavi 6.0)
- Programme Funding Policy
- Strategic Approach for Fiduciary Risk Assurance and Financial Management of Cash Grants for Gavi 5.0
- Audit and Investigations report

Annexes

Annex A: AFC recommendations to the Gavi Alliance Board

Decision Set One: (proposed for 27 November 2024)

Decision 1: Financial Forecast update

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

- a) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.8 billion and Forecast Expenditure of US\$ 10.7 billion;
- b) **Approve** the updated Financial Forecast for the COVAX AMC and ongoing Board-approved programmes of Qualifying Resources of US\$ 13.2 billion and Forecast Expenditure of US\$ 11.5 billion, with a COVAX AMC retained balance of US\$ 1.6 billion; and
- c) **Note** that (i) US\$ 199 million of future COVAX AMC interest and US\$ 318 million of earned interest (subject to expected completion of COVAX AMC donor repurposing agreement between AFC and Board) are included in the forecast and are made available for Gavi 5.1 Board approved programmes and (ii) the planned market shaping firm order commitment to be presented to the MSDC in due course has been reflected in the financial forecast and can be funded from the forecast resources available.
- d) **Note** that the Board has approved up to US\$ 500 million for Day Zero First Response Fund and a further US\$ 49 million has been reallocated by donors; the Board has approved up to US\$ 290 million for the Big Catch Up and a further US\$ 8 million has been reallocated by donors. The Secretariat will not commit above the current Board-approved envelopes until the Board approves the additional programming.

Decision 3: Programme Funding Policy

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

Approve the revised Programme Funding Policy as set out in Annex B to Doc 07

REVIEW OF DECISIONS

AUDIT AND FINANCE COMMITTEE

7-8 October 2024, World Bank, Washington, DC, USA

Decision 1: Audit and Investigations report and 2025 plan

The Gavi Alliance Audit and Finance Committee reviewed and approved the Audit and Investigations plan 2025 as set out in Annex E to Doc 04.

Decision 2: Financial Forecast for Gavi 5.1 (2025)

The Gavi Alliance Audit and Finance Committee reviewed the Financial Forecasts, confirmed that sufficient funding is available in the current strategic period, and **recommended** to the Gavi Alliance Board that it:

- a) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.7 billion and Forecast Expenditure of US\$ 10.7 billion;
- b) **Approve** the updated Financial Forecast for the COVAX AMC and ongoing Board-approved programmes of Qualifying Resources of US\$ 13.2 billion and Forecast Expenditure of US\$ 10.9 billion, with a COVAX AMC retained balance of US\$ 2.3 billion;
- c) **Note** that the Board has approved up to US\$ 1 billion for the African Vaccine Manufacturing Accelerator and a further US\$ 176 million has been reallocated by donors; the Board has approved up to US\$ 22 million for the Pandemic Prevention, Preparedness and Response (PPPR) Coalition and a further US\$ 3 million has been reallocated by donors. The Secretariat will not commit above the current Board-approved financial envelopes until the Board approves the additional programming.
- d) **Note** that there are no financial implications to consider in this updated financial forecast for the Gavi 5.1 strategic period arising from the recommendations being asked of the Programme and Policy Committee.

Decision 3: Partner's Engagement Framework and Secretariat Budget (2025)

The Gavi Alliance Audit and Finance Committee **recommended** to the Gavi Alliance Board that it:

- a) **Approve** US\$ 199 million for the Secretariat Operating budget in 2025, noting that the Gavi Secretariat will present an approach to the Gavi Alliance Board in December 2024 setting out how it will ensure the Gavi Secretariat is fit for purpose for the Gavi 6.0 strategic period.
- b) **Approve** US\$ 1 million for Capital Expenditure budget in 2025;
- c) **Approve** US\$ 8.4 million carry forward of the Partners' Engagement Framework budget from 2023 to 2024; and
- d) **Approve** US\$ 114.3 million for the Partners' Engagement Framework budget in 2025.

Decision 4: Holistic Treasury review

The Gavi Alliance Audit and Finance Committee **recommended** to the Gavi Alliance Board that it:

- a) **Approve** the World Bank Reserve Advisory & Management Partnership as the treasury manager for the African Vaccine Manufacturer Accelerator (AVMA).
- b) **Approve** the World Bank Reserve Advisory & Management Partnership as the treasury manager for the First Response Fund (FRF).
- c) **Approve** the extension of the Gavi Secretariat serving as the interim treasury manager for AVMA and FRF until, in each case, the long-term arrangement is operational.
- d) **Approve** the attribution of investment income generated by AVMA and FRF to Gavi Board-approved programmes.
- e) **Note** specific investment strategies for AVMA and FRF will be reviewed and approved by the Investment Committee.

Decision 5: European Court of Auditors Audit Request & EY and Réviseurs d'Entreprises SRL Audit Requests

The Gavi Alliance Audit and Finance Committee:

- a) **Approved** the European Court of Auditors request to undertake an audit of Grant Agreement FED 2020/421-803 (COVAX AMC 2020) to control the transactions of the European Commission.
- b) **Approved** the DG INTPA's 2024 Residual Error Rate Study request to undertake an audit of three transactions related to Grant Agreements DCI-HUM/2020/415-125 “Introducing pneumococcal vaccine in least developed Gavi eligible countries” (2020), FED/2018/395-262 “Contribution to GAVI, the Vaccine Alliance, in ACP Least Developed Countries” (2018) and FED/2019/412-818 “Control of communicable diseases: Contribution to Gavi, the Vaccine Alliance” to ascertain any potential residual error.

Decision 6: Ethics, Risk and Compliance Office (ERCO)^{Annex B} update

The Gavi Alliance Audit and Finance Committee **recommended** to the Gavi Alliance Board that it:

- a) **Approve** the draft Risk & Assurance Report 2024 as set out in Annex A to Doc 09; and
- b) **Approve** the updated Risk Policy as set out in Annex B to Doc 09, as amended as requested by the AFC.

Decision 7: Ethics, Risk and Compliance Office (ERCO) ^{Annex B} update

The Gavi Alliance Audit and Finance Committee

Delegated to the Audit and Finance Committee Chair the authority to review and approve any further amendments necessary to finalise the draft Risk & Assurance Report 2025 before submission to the Gavi Alliance Board for approval.

Thank you