
Subject **Audit & 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 2023.
- Since the last Board meeting, the AFC met two times (17 October in London and 4 December virtually) to consider Gavi recurring matters in accordance with the standard workplan for Gavi 5.1 and the Office of the COVAX Facility. As part of the programme of the October meeting the AFC participated in a joint technical briefing session on Gavi 6.0 design with the IFFIm Board.
- 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 Secretariat presented an update on financial performance as of September 2023 under the CEO, Programmatic and Quarterly Management Report Updates section. Reporting was significantly expanded and enhanced to respond to AFC members' requests and feedback to provide more analysis of underlying programmatic spend, funds with Alliance partners and a country breakdown of HSS spending.

Financial Forecast (Gavi Core and COVAX)

Gavi 5.1 forecast

- The AFC reviewed the updated forecast which reflects an increase in US\$ 157 million in Qualifying Resources and an increase in programmatic expenditures of US\$ 21 million before new investment approvals.
- The Secretariat commented on the key drivers: US\$ 115 million investment income returns, US\$ 171 million of accelerated programmatic activity supporting Gavi 5.1 must wins and US\$ 150 million release of working capital agreed with UNICEF Supply Division (SD).

- The AFC reviewed investment proposals of US\$ 140 million related to Multivalent Meningococcal Conjugate Vaccine (MMCV) (US\$ 136 million) and extending Post-Transition Support grants for Timor-Leste (US\$ 4 million).
- The Gavi 5.1 forecast confirms US\$ 103 million available for future investments noting that as we near the end of the strategic period, with resources approaching full utilisation, there is limited financial flexibility and any significant additional commitments would need to come with new funding or a reprioritisation of programmatic expenditure.
- The Secretariat continues to actively monitor risks and opportunities not yet crystallised (including programmatic choices at the discretion of the Alliance. The AFC has asked the Secretariat to develop a proposal working with the Investment team and Investment Committee for an appropriate way to forecast returns and establish a distribution policy from the Long-Term Investment Portfolio (LTIP) which reflects the underlying investment strategy and recognises the fact that unrealised investment gains are not equivalent to cash resources.

COVAX AMC financial forecast

- The COVAX Facility will close at the end of 2023, however COVID-19 vaccine procurement and dose sharing will continue until the end of the Gavi 5.1 forecast period via the Board-approved COVID-19 immunisation programme (2024-2025).
- Qualifying resources increased by US\$ 46 million and expenditure decreased by US\$ 440 million. As a result, the Pandemic Vaccine Pool (PVP) amounts to US\$ 2'134 million. In addition to the PVP, the COVAX AMC and COVID-19 Programme continues to hold US\$ 567 million for Dose Sharing ancillary costs and US\$ 207 million for key projects (pending consideration by COVAX AMC donors).
- The AFC noted investment options relating to two key targeted areas are proposed for reallocation of the US\$ 2'134 million remaining in the PVP, specifically, Pandemic Prevention, Preparedness and Response (PPPR) (US\$ 522 million) and African Vaccine Manufacturing Accelerator (AVMA) (US\$ 1'000 million).
- It was further noted that these potential uses are subject to PPC recommendation and Board approval and agreement with the donors.

Gavi 6.0

- Gavi 6.0 (2026-2030) projections are presented to comply with the Gavi Programme Funding Policy. These do not prejudice future donor contributions or future Board discussions on the Gavi 6.0 Strategy.

Financial reporting

- The AFC was presented with the IRS Form 990 (FY2022), the COVAX Statement of Funds H12023 as well as a European Commission COVAX AMC grant agreement verification request. The IRS Form 990 and COVAX Statement of Funds H12023 were reviewed and the grant agreement request was approved.

Other

- The Secretariat will continue to work with the AFC and Investment Committee chairs to finalise the methodology to forecast return on LTIP.

2. *Audit & Investigation*

- Audit and Investigations provided routine updates covering activities against the 2023 plan previously approved by the AFC. The updates covered country-focused audits, Secretariat-focused audits, advisory work, investigations and counter-fraud and whistle-blower reporting. 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 Gavi's policies and procedures around IT project management; prevention of sexual exploitation, abuse and harassment; and grant applications development, submission, review and approval.
- The AFC received reports from Audit and Investigations on the Secretariat's implementation of audit recommendations addressed to Gavi management and Gavi implementing countries' implementation of recommendation addressed to them via programme audits.
- The AFC received reports from Audit and Investigations 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\$ 45 million in total was identified over the period 2015 to August 2023, of which 92% of amounts due had been reimbursed.
- At its October 2023 meeting, the AFC reviewed and approved the 2024 Audit and Investigations Plan, noting that resourcing for 2024 is adequate given the desired level and quality of audit coverage and investigatory capability expected.

3. *Risk Management and Ethics, Risk and Compliance Office (ERCO)*

- The ERCO presented an annual report on the Top Risk profile of the Gavi Alliance, effectiveness of related mitigating actions and trends as embedded in the DRAFT Annual Risk and Assurance Report 2023. The update also provided insights on the new enterprise risk management methodology applied by the

ERCO in the risk process and the criteria applied when selecting the 2023 Top Risks. The report was submitted to the AFC for review, discussion and recommendation for Board approval.

- The AFC also received an update on the mandate, roles and responsibilities and Terms of Reference (ToRs) of the ERCO, highlighting the ethics work as it pertains to mitigating risks related to culture and conduct. The related ERC Charter, as it pertains to enterprise risk management, was submitted to the AFC for guidance and it is subject to the Governance Committee recommending Board approval as it pertains to Ethics and Compliance.
- Review of the Risk Appetite Statement (RAS): The RAS was reviewed at the 17 October meeting and recommended for Board approval via unanimous consent on 14 November 2023.

4. Insurance update

- The handling of the Gavi general insurance portfolio and insurance resources were transferred to the Operations Department as of 1 January 2023. This is aligned with the Operations Department's mandate in relation to Duty of Care for staff as it pertains to Business Travel, Security, Facilities Management, Procurement and Crisis Management.
- In 2022 Gavi ran a competitive Request for Proposal (RFP) to ensure the integrity and robustness of Gavi's general insurance programmes. Marsh was selected as the broker after the RFP process concluded in late 2022.
- Programme renewals were successfully completed with minimal premium increases other than on the D&O programme given market conditions (17% increase); and where programme cover has been expanded (e.g. Business travel policy automatic cover for travel to war/sensitive jurisdictions; Cyber US local policy addition).

Section C: Subjects to be reviewed in upcoming AFC meeting of 4 December 2023 to be held virtually

- Deloitte 2023 audit strategy and planning
- CEO Update and Quarterly Management Report
- Day Zero Financing Facility
- Audit and Investigations report
- Annual Legal update
- A&I function evaluation and MD performance (Closed session)
- Finance function review and evaluation (Closed session)

Day Zero Financing Facility

- Resource Mobilisation is scheduled to provide an update on the proposed Gavi Day Zero Financing Facility for Pandemics (DZF) on 4 December. Gavi intends to meet the need for faster response in the next pandemic via a suite of tools under an umbrella Day Zero Financing Facility. The DZF consists of two elements that complement each other and have been designed to work in concert: (1) a new First Response Fund that will enable funds to be deployed faster than any other mechanism in Gavi's Pandemic Prevention, Preparedness and Response (PPPR) toolkit, and (2) amendments to COVAX surge financing mechanisms so that they can be used effectively beyond COVID-19. These include the existing frontloading facilities with the European Investment Bank (EIB) and the US Development Finance Corporation (DFC). The AFC will review three recommendations related to DZF on 4 December for recommended Board approval.

Annexes

Annex A: AFC recommendations to the Gavi Alliance Board

Annex A: AFC recommendations to the Gavi Alliance Board

Decision Set 1 (17 October 2023)

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

Approve the draft Risk & Assurance Report 2023 as set out in Annex A to Doc 03i, contingent on the Programme and Policy Committee's review of the programmatic risk implications at its 24-26 October 2023 meeting.

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

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations to be made to the Programme and Policy Committee and concluded that the recommendations relating to the current strategic period could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy, and subject to AMC Donors approval for re-purposing of Pandemic Vaccine Pool funds, however the recommendations relating to the next strategic period (Gavi 6.0) are contingent on additional funding being made available.
- b) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.4 billion and Forecast Expenditure of US\$ 10.3 billion.
- c) **Approve** the updated Financial Forecast for the COVAX AMC (2020-2023) and the COVID-19 programme (2024-2025) of Qualifying Resources of US\$ 12.5 billion and Forecast Expenditure of US\$ 12.5 billion (made up of US\$ 9.6 billion base expenditure, US\$ 2.1 billion pandemic vaccine pool, US\$ 0.6 billion dose sharing ancillary, and US\$ 0.2 billion interest income, after funding the COVID-19 programme).
- d) **Approve** the illustrative Financial Forecast for the Gavi 6.0 (2026 – 2030) Strategic Period of Qualifying Resources of US\$ 8.7 billion and Forecast Expenditure of US\$ 7.2 billion noting that **only existing Approved and Endorsed programmes have been forecast** and the projections have been prepared to enable the Secretariat to allot funding to these programmes in accordance with the Programme Funding Policy and **does not prejudge future donor contributions or future investment decisions**.
- e) **Note** that given the increasing trend of expenditures, coupled with the fact that we are nearing the end of the cycle with resources close to full utilisation, the Gavi Alliance Board is advised that there is now limited financial flexibility and any significant additional commitments would need to come with new funding or programme expenditure reprioritised, and/or be considered in the Gavi 6.0 strategy design process. As the Board engages in the Gavi 6.0 strategy design process, it is also advised that while the Gavi 6.0 forecast is an illustrative forecast, it shows

a high level of commitments based on current approvals, which illustrates the importance of strategic trade-offs and prioritisation in the Gavi 6.0 design.

Decision Set Two (approved by unanimous consent on 14 November 2023)

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

- a) **Approve** the updated Risk Appetite Statement as set out in Annex A.