

## **Gavi Alliance Audit and Finance Committee Meeting**

12 October 2018

Gavi Office, Washington DC, USA

### **1. Chair's report**

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 08.05 Washington DC time on 12 October 2018. David Sidwell, AFC Chair, chaired the meeting.
- 1.2 The Chair noted the Executive Session held by the Committee on 11 October.
- 1.3 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack) alongside the minutes of its meeting on 26 July 2018, including the commercially sensitive minutes (Doc 01b). The Committee also reviewed its action sheet (Doc 01c).
- 1.4 Anthony Brown, Senior Legal Counsel, provided an update to the Committee on the action item relating to cyber insurance coverage from the Committee meeting of 4 June 2018. Mr Brown explained that the Secretariat had since met with the insurance broker and confirmed coverage on all major elements relating to cyber insurance.
- 1.5 It was however noted that some gaps had been identified for which additional costs of between US\$ 10,000-15,000 may be applied for coverage. Mr Brown stated that Gavi's main risks from cyber-crime would be data theft or data breach but not financial loss.
- 1.6 Finally Mr Brown explained that the Secretariat is looking to put in place a cyber-security policy to cover these gaps and will consult with the insurance broker on appropriate further analysis. The Secretariat committed to updating the AFC on any modified coverage at the next insurance update.

### *Discussion*

- In response to a question from a Committee member, the Secretariat confirmed that currently control assessments are not required to validate a cyber insurance claim. It was clarified that there may be some requirements if a stand-alone cyber-security policy is pursued but that the relevant analysis would be undertaken before taking out any new policies.
- The Chair noted the positive steps taken by the Secretariat and asked that the insurance item be discussed on a regular basis by the Committee.

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## **2. Finance update**

### **2a. Financial forecast (including currency hedging update)**

- 2a.1. Barry Greene, Managing Director, Finance and Operations and Tony Dutson, Senior Director, Finance and Operations, presented the Gavi financial forecast.
- 2a.2. Mr Dutson started by explaining to the Committee the forecast of resources for the 2016-20 period. He particularly highlighted the potential cost of US\$ 186 million of decisions to be considered for approval at the November 2018 Gavi Board meeting, including the US\$ 77 million funds in relation to the CEPI programme that will be fully funded by a contribution from the Kingdom of Norway. He also noted that the amount available for future investments would be an estimated US\$ 554 million by the end of 2020.
- 2a.3. Mr Dutson then outlined the indicative forecast of expenditures for the period 2016-20, of US\$ 9,220 million. He noted that forecast expenditure had reduced by US\$ 171 million (1.9%) when compared with the November 2017 forecast, after taking into account June board decisions and updated estimates of vaccine supply.
- 2a.4. Mr Dutson explained the indicative forecast of expenditures for 2021-2025. He stated that, once the latest assumptions on supply and vaccine pricing had been taken into account, the forecast is US\$ 7.4 billion, which is 16% less than the 2016-2020 level (US\$ 8.8 billion), due mainly to countries transitioning out of Gavi support.
- 2a.5. Mr Dutson outlined that US\$ 220 million of funds for existing programmes have already been committed for 2021-25 and a further US\$ 3,699 million have been provided for programme extensions. Estimates for future programmes add a further US\$ 3.4 billion, which brings the total expenditure estimate to US\$ 7.4 billion for the period.
- 2a.6. In terms of qualifying resources for 2021-25, Mr Greene explained that the 'allowance for additional direct contributions not yet pledged' is not an anticipation of what is expected from donors in the upcoming replenishment; the purpose is simply to enable Gavi to continue to approve programme funding in a manner that does not over-commit before the outcome of the next replenishment.
- 2a.7. With regards to the Partners Engagement Framework (PEF) and Secretariat expenditures in 2018-19, Mr Dutson confirmed that the Gavi Secretariat is not requesting any addition to the already approved budget for 2019 despite having added headcount to the Finance team. He did however highlight a specific budget request from the UNICEF Supply Division in relation to an increase of US\$ 0.7 million in the proposed fees for CCEOP procurement in 2019.
- 2a.8. With reference to foreign currency exposure, Mr Dutson stated that Gavi had hedged everything they could from donor contributions. He further explained that the Finance team will start to work with donors in 2019 to understand the potential length of their future contribution agreements, to ensure efficient currency hedging.

## *Discussion*

- In response to questions from the Committee, the Secretariat clarified that the 'allowance for additional direct contributions not yet pledged in Doc 02a Figure 5 is not an assumption linked to the 2021-2025 replenishment process, but is included solely to enable the continuation of programme funding decisions in advance of the next replenishment, as is prescribed by the Programme Funding Policy. They explained that the allowance is based on the annual average over the last three years of the overall amount of pledges and is not linked to any expectation regarding the next replenishment process, which would occur much later, involving several scenarios for consideration by the Board. The Committee requested that the paper to the Board should clarify this to avoid misunderstanding.
- The Committee also emphasised that significant strategic decisions at the upcoming Gavi Board, such as the Vaccine Investment Strategy and IPV decisions, must be made in the context of the future raising of qualifying resources.
- In response to concerns raised by Committee members on supply constraints of Rota virus, HPV and Yellow Fever vaccines, the Secretariat echoed the concerns and explained that this is taken seriously and will be discussed at the Programme and Policy Committee (PPC) meeting later in October as well as the November Board meeting.
- In response to questions from Committee members, the Secretariat confirmed that there is limited forecast uncertainty for the remainder of the 2016-2020 period as the majority of programmes have already begun.
- When asked about calculating the estimate for HSIS and other cash-based programmes for 2021-25, the Secretariat stated that they had made the same assumptions on Health System Strengthening strategies as for this period but taken into account that 20 countries are expected to transition out of Gavi support in the next period. It was also explained that reviews are planned on the spending on campaigns and vaccine introductions.
- One member highlighted that the potential 'underspend' (actual as compared to forecast expenditure) in the current period of US\$ 157 million does not necessarily equate to Gavi being 'easily' able to afford the proposed new programmes and encouraged careful commentary of this fact to the PPC and Gavi Board.
- With regards to Figure 4 'Forecast of expenditures 2021-2025', the Committee encouraged the Secretariat to ensure clear demarcation in the Board paper on which elements of funding have been approved and which are not yet approved, as well as where funding for existing programmes has already been agreed for 2021-25. The Committee also requested that this table is kept up to date and distributed to the AFC on a regular basis, and at least every six months.
- In response to questions on currency hedging, the Secretariat confirmed that hedging costs increase as contributions extend further in the future, but that they

do adhere to the Board-approved hedging policy. The Chair proposed that the Committee look at hedging more closely in the coming year and re-evaluate the policy if necessary.

### **Decision One**

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

- a) **Approve** the Financial Forecast for the period 2016-2020 as set out in Section B of Doc 02a.
- b) **Take note of** the indicative Financial Projections for the 2021-2025 period, as set out in Section B of Doc 02a, which is based on existing and anticipated programmatic commitments but is dependent on Board approval of the next Gavi Strategy, and any potential programmatic and policy shifts for the given period.
- c) **Authorise** the Gavi Secretariat to allot funding in 2019 for new programmes and for the continuation and adjustment of funding to existing programmes, in accordance with the Programme Funding Policy. In making such allotment decisions, the Secretariat will take into consideration the development of the strategy for the 2021-2025 period.
- d) **Approve** within the overall Partners Engagement Framework:
  - i. an amount of US\$ 0.7 million in 2019 for UNICEF Supply Division for fees to implement cold chain equipment, in addition to the US\$ 3.6 million already approved for 2019 by the Board in November 2017;
  - ii. subject to a PPC recommendation, an additional amount of US\$ 20 million for the engagement of post transition support for Angola, Congo Republic and Timor-Leste for the period of 2019-2023, bringing the total approved post-transition support to these countries to up to US\$ 40 million. *Please note:* in case the PPC recommends to the Board that Congo Republic's eligibility for 2019 will be exceptionally based on the latest Gross National Income data, the amount in this recommendation will be reduced to US\$ 10 million (and the total approved support to US\$ 30 million) and Congo Republic will be removed.
- e) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations to be made to the Programme and Policy Committee as set out in Figures 1 to 5 of Doc 02a (Financial Update) and concluded that these recommendations could be approved by the Board in accordance with the Programme Funding Policy, subject to the provisos set out in b) above.

*Ted Chaiban, UNICEF, recused himself and did not vote on Decision One d) i above.*

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## **2b. Gavi and IFFIm Interim Financial Statements**

- 2b.1. Louis Mkanganwi, Director of Financial Accounting and Reporting, provided an update to the Committee on Gavi's and IFFIm's interim financial statements for 2018. He noted that both the standalone (Annex A, Doc 02b) and consolidated statements (Annex B, Doc 02b) were presented for information.
- 2b.2. Mr Mkanganwi reminded the Committee that these interim statements provide a preview of what is likely to be presented in the 2018 Annual Financial Report. He explained that Gavi's assets continue to trend downwards as resources are used in year three of the five-year funding cycle. He also noted that revenues have tapered off significantly but that programme liabilities fluctuate quarterly based on the timing of programme approvals.
- 2b.3. Mr Mkanganwi highlighted a specific fluctuation in the investments income due to the strengthened dollar and increased interest rates which have put downward pressure on the first six months of 2018, resulting in a net investment loss of US\$ 5 million. He noted that this was somewhat mitigated at a group level by IFFIm.

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## **2c. Form IRS 990 Draft**

- 2c.1. Louis Mkanganwi, Director of Financial Accounting and Reporting, presented this item to the Committee for information. He reminded the Committee that the IRS 990 form is a key document to ensure that Gavi remains tax exempt in the United States.
- 2c.2. Mr Mkanganwi described the process by which the form was produced and verified. He stated that the tax review by KPMG is nearly complete and that it was likely that the form would be filed on time.
- 2c.3. Mr Dutson then explained that some additional details had been added to the section relating to the compensation of the CEO and senior secretariat to provide greater transparency, such as year on year changes to exchange rates.

### *Discussion*

- Several Committee members commented that the additional figures were helpful and the level of detail provided should be suitable to provide assurance to the donor constituencies.

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## **2d. Enhancing internal controls**

- 2d.1. Barry Greene, Managing Director, Finance and Operations, provided an update on the steps taken by the finance team to improve internal controls in response to recommendations from the Kroll review.

- 2d.2. Mr Greene also noted that all recommendations should be completed by the September 2018 month-end close with the exception of one Category B and one Category C recommendation which both relate to the implementation of SAP in 2019, and that one Category B recommendation for the recruitment of a new position in Treasury is ongoing.
- 2d.3. Mr Greene stated that the finance team had been reshaped which included bringing some activities back in-house regarding expense claims processing and accounts payable. He explained to the Committee that Kroll is due to return to Gavi for a follow-on review of implementation of their recommendations, at the end of October and into November.
- 2d.4. Finally, Mr Greene emphasised the additional work which was being undertaken by the finance team for both enhancing the internal financial controls and at the same time designing configuration of the new SAP system.

### *Discussion*

- The Committee thanked the Secretariat for provision of clear and timely updates on this area and recognised the work undertaken by the Finance team.
- The Chair requested, with agreement from the Secretariat, that the outcomes of the Kroll phase three discussions would be presented at the November AFC meeting. It was further noted that, ideally, the Secretariat would report back to the Gavi Board meeting in November 2018 that Kroll had completed their final phase of follow-up activities.
- The Committee Chair reinforced the message to the Secretariat that the SAP roll-out should not merely consist of a system implementation, but that it should include process improvements and utilisation of the built-in software controls. He also cautioned the Secretariat to ensure that the quality of the final product should not be compromised.
- The Secretariat highlighted that PricewaterhouseCoopers (PwC), the implementing partner, had already started to conduct design workshops with staff and that they were impressed by PwC's approach. PwC however cautioned that, due to the complexity of the project and in order to achieve the right product, PwC had indicated that the deadlines were challenging but the Secretariat would be in a better position to evaluate this later in the project.
- In response to a question from a Committee member, the Secretariat confirmed that they do expect the upcoming visit to be the last by Kroll.

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## **2e. Finance systems and processes transformation**

- 2e.1. Tony Dutson, Senior Director, Finance & Chief Accounting Officer, provided an update to the Committee on the implementation of the new Enterprise Resource Planning (ERP) system, SAP. He explained the timelines for roll-out (the assessment phase is coming to an end and the design phase of the project is beginning) and that the contracts with both PwC and SAP had been signed.
- 2e.2. Mr Dutson outlined the additional modules being considered for the different phases, such as the grant accounting module and bank connector. He also noted that the risk and audit modules, whilst not included for roll-out in the first phase, may be considered for future integration with SAP.
- 2e.3. To conclude, Mr Greene confirmed to the AFC members that no changes were currently envisaged to the estimated cost of the project that was previously indicated to the Committee.

### *Discussion*

- In response to questions from the Committee on reporting capabilities, the Secretariat explained that the Analytics and Governance, Risk and Compliance modules should provide good support for reporting. It was also stated that a document management module is not currently in scope for the SAP roll-out but that it could be added at a later stage.
- One Committee member encouraged the Secretariat to start making an inventory of existing reports early enough to enable appropriate planning for reporting capabilities within SAP.
- When asked by the Chair about the governance process of major software decisions, the Secretariat explained that they have established a Steering Committee which includes key personnel from senior management and confirmed that all the business areas affected were already being engaged via workshops.
- The Secretariat clarified that whilst the vaccine financial forecasting element is within scope for phase two, the dose calculation functionality is not currently included, but may be revisited at a later stage.
- When asked about timelines, the Secretariat confirmed that they continue to work to an aggressive timeline but are not naïve about the possibility of delays and would do all they could to limit these. They also agreed to plan for a review of modules which were not included in the first phase of roll-out.
- The Secretariat assured the Committee that the control environment in SAP will be a considerable improvement on the current manual processes and that the segregation of duties matrix will reflect the Kroll recommendations. They also explained that a new internal role plus an external consultant have been hired to support the effective coordination of SAP with the internal finance procedures and controls.

- The Chair encouraged the Secretariat to be open to suggestions from their SAP implementation partner (PwC) and ensure that the structure of SAP will not limit capabilities which Gavi may want to utilise in future roll-out phases. The Committee welcomed the approach of including the broader Secretariat in planning of the SAP structure and encouraged strong business ownership of the modules.

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## **2f. External Auditor update**

- 2f.1. Louis Mkanganwi, Director of Financial Accounting and Reporting, provided an update to the Committee on the new external auditor, Deloitte. He reminded Committee members that the Deloitte contract has been signed for a five-year duration.
- 2f.2. Mr Mkanganwi explained that the transition between KPMG and Deloitte was well underway; Deloitte had recently been on-site in the Geneva office for planning activities, process walk-throughs and discussions with management across a number of teams. It was also noted that Deloitte continue to develop the audit strategy and expect to have this finalised in December, ready to present to the AFC in February 2019.
- 2f.3. Mr Mkanganwi finally highlighted to the Committee that the IT audits may become more complicated in 2019 as they will likely straddle the pre- and post-SAP environments.

### *Discussion*

- In response to a question from a Committee member, the Secretariat confirmed that they are strictly following the Gavi policy of not using external auditors for any other contracts in order to avoid any potential conflicts of interest.
- In response to a question from the Chair on the Deloitte transition, the Secretariat stated that they had sent through all Gavi accounting policies to Deloitte and highlighted some specific judgement cases made by KPMG. It was explained that more specific plans will be agreed with Deloitte after the upcoming meeting in October.

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## **3. IFFIm and CEPI proposal**

- 3.1. Seth Berkley, CEO, presented to the Committee some background on the Coalition for Epidemic Preparedness Innovations (CEPI) and International Finance Facility for Immunisation (IFFIm) organisations. He explained that IFFIm is an internationally respected facility and has brought a lot of benefit to Gavi by front-loading funds as well as opening up other markets in the Middle East and Japan.



- 3.2. Dr Berkley stated that CEPI is a new independent initiative set up in Norway to provide financing for late stage research and development of vaccines for vaccine-preventable diseases of epidemic proportions, for which no vaccines are available. He reminded the Committee that Gavi's mandate includes 'facilitating the research and development of vaccines of primary interest to the developing world' and therefore this arrangement is considered to be in line with Gavi's mission.
- 3.3. The Committee members were informed that the IFFIm credit rating is based on the rating of its donors and a positive feature of the proposed arrangement is that Norway currently has the highest credit rating available. Dr Berkley also stated that Gavi has had precedents of supporting programmes that are not managed by Gavi itself (see discussion below).
- 3.4. Finally, Dr Berkley outlined some of the risks of the arrangement including the risk that Norway fails to honour its commitment, the risk of liability for Gavi in the case of an adverse event following immunisation, risk that CEPI fails to deliver and risk of bond failure.

### *Discussion*

- In relation to the financial forecast, Dr Berkley clarified that the CEPI arrangement would essentially be neutral to Gavi in terms of funding because all of the funds would be provided by the Government of Norway for the specific purpose of being disbursed via IFFIm to the CEPI programme.
- In response to a question from the Chair, Dr Berkley explained that Gavi is an active participant on the CEPI Joint Co-ordination Group and they would therefore have visibility on any significant issues. This is in addition to the reporting and monitoring to be agreed with CEPI as part of the grant agreement with CEPI, which will be sufficient to meet Gavi's and IFFIm's requirements in relation to the funds to be disbursed.
- When asked about precedent of this type of financial arrangement within IFFIm, the CEO confirmed that a precedent had already been set when IFFIm funded a polio programme in 2006 and subsequent Yellow Fever programmes. He also reiterated that facilitating the research and development of vaccines of primary interest to the developing world was included in Gavi's purpose, as set out in its Statutes.
- Several members raised concerns about the additional administrative burden on the Gavi Secretariat and recommended the Secretariat discuss with the Kingdom of Norway and CEPI on an appropriate level of administrative fee.
- The representative from Norway emphasised that the funding came from a political commitment and that they believe that IFFIm, as an already established mechanism, is the right vehicle to use. Norway recognised the additional effort this will create for the Secretariat and extended their appreciation.

- One member asked what will happen after 2025, at the end of Norway commitment. Dr Berkley clarified that the CEPI arrangement would be closed at this point, unless Norway chose to request a new or extended programme.
- Whilst the Committee were generally supportive of the arrangement, members asked the Secretariat to take into account the potential risks as they implement the arrangement and to ensure that there were clearly defined roles and responsibilities between CEPI, IFFIm and Gavi.
- The Committee also asked the Secretariat to ensure that the appropriate approvals from the IFFIm Board and the Gavi Board are in place before the arrangement is executed. Finally, the Committee sought assurance that no changes to the IFFIm structure would be required and that appropriate programme management structures would be developed. The Secretariat confirmed that these would be addressed as part of the approval to be sought from the Gavi Board and subsequent implementation.

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#### **4. Risk Management update**

- 4.1. Jacob van der Blij, Head, Risk, presented to the Committee the progress made on risk management in terms of instilling a risk aware culture, top risks being discussed in the Secretariat risk committee, embedding risk management in team performance and grant management, engaging partners and sharing Gavi's risk experience with other global health organisations.
- 4.2. Mr van der Blij stated that the ambitions in 2019 will be to focus risk committee discussions more on mitigation and be more explicit with regards to risk appetite, as well as generating more quantitative risk metrics and engaging partners on risk.
- 4.3. In terms of the risk report, he noted that the risk profile remains relatively stable when compared with 2017 and described to the Committee notable changes in risk levels, those which are outside risk appetite and described a couple of new risks relating to polio transition and IT disruption.
- 4.4. Mr van der Blij outlined the progress in integrating risk discussions in other Board items rather than keeping it as a separate item. He concluded by outlining the planned deep-dive on fiduciary risk management in Gavi's cash grants and that more deep-dives are anticipated in the future.

#### *Discussion*

- In response to a question from the Chair, the Secretariat explained that, when compared with other similar organisations, Gavi is performing well on risk management, particularly considering the limited resources, and in fact some other organisations have approached Gavi for advice in this area and some donors also refer to Gavi's risk management as a positive example.

- There was significant discussion around how to manage those risks which are currently outside risk appetite, recognising that many of these are complex issues not under the direct control of Gavi. Several Committee members raised concerns that risks may remain outside of risk appetite over a long period whilst others acknowledged that this has enabled them to be raised to the Board level for strategic discussion in recent Board retreats.
- The Chair proposed that the Secretariat give some thought to defining the timelines over which they are comfortable for these risks to remain outside the risk appetite boundaries and at which point they should reasonably be expected to come back within risk appetite.
- The Chair also encouraged the Secretariat to ensure that messaging in the risk report recognises that Gavi assesses these risks against delivery of a very aspirational strategy and that there are a number of significant inherent risks in the global health area. The Committee recognised that risk appetite may also be impacted in the coming years as Gavi seeks to immunise children in hard-to-reach and fragile communities.
- Committee members raised questions on some specific risks, e.g. whether global supply shortages would be a higher risk given current supply constraints. It was also suggested that risks related to capacity constraints in the Secretariat could be reflected.
- Regarding the Gavi Risk and Assurance Report 2018, a Committee member commented on the section which highlights the macro trends affecting Gavi's risk profile, pointing out that the action to single out some countries has no value added to the general assessment. After clarifications related to the country's policy provided by the Committee member, the Secretariat agreed on revising the text as appropriate.
- The Committee recognised the significant improvement of risk management over the last few years and thanked the Secretariat for their work in this area. It was highlighted that the Board agenda links well with the top risks which is a testament to the strong risk management focus in Gavi. The Committee was in broad agreement with the draft 2018 risk report, subject to suggested changes.

## **Decision Two**

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

**Approve** the Draft 2018 Risk & Assurance Report attached as Annex A to Doc 04, amended as requested by the Committee.

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## **5. Audit and Investigations**

### **5a. Audit and Investigations update**

- 5a.1. Simon Lamb, Managing Director, Audit and Investigations presented this item. Mr Lamb began by outlining to the Committee progress on the low risk verification review in which ten process reviews are being finalised and a further five are in progress. It was confirmed that, following the reviews, the managers of each area will receive a brief memo summarising the findings.
- 5a.2. Mr Lamb explained that workshops were also being conducted with Senior Management in relation to risk management and the three lines of defence model. He stated that whilst the management team generally have a good understanding of risk management, there is some ambiguity around the practical application of the three lines of defence and he intends to follow up further on that.
- 5a.3. The proposed internal audit plan for 2019 was then outlined. Mr Lamb reminded the Committee that the audit approach had been reviewed earlier in the year and that now all types of audits and reviews are included. He stated that one full 'classic' audit is planned for 2019 in relation to successful country transition due to the high-risk nature of this area. Key control reviews were highlighted as the main areas of focus, reflecting the fact that most high risks areas were previously subject to audit. It was confirmed that the key control reviews will include testing.
- 5a.4. Mr Lamb outlined plans to audit the Segregation of Duties (SoD) in the current finance processes. He clarified that Kroll would examine aspects of this in their phase three review and that the scope of the internal audit of SoD would be designed so as to ensure that there was no duplication of effort in this respect. It was highlighted to the Committee that although a review of the new SAP system was not included in this plan, this would be a very important piece of work and may indeed take priority over items listed for coverage in the 2019 plan.
- 5a.5. Mr Lamb highlighted the challenges around channelling Gavi funds through third parties and whether the model of assurance could be reconfigured to provide the level of assurance now required. He explained that over the past year the Secretariat has been working with UNICEF and WHO to evaluate how the model could be amended to provide improvements. He also noted the concerns raised by the Board of the potential to dilute the development of country capacity to manage their own finances now and post-transition.
- 5a.6. In relation to programme audit, Mr Lamb explained that the audit team are now focussing more on thematic reviews rather than simply undertaking more first time audits and bringing insights for process improvement as well as returning to countries where issues have previously been identified. He also noted that whilst the programme audit plan does not include the development of the accountability framework for Nigeria, the A&I team feel that it will be important for them to work closely with the Secretariat on this.

- 5a.7. Regarding the investigation work in Cameroon, Mr Lamb noted the follow-through by the team of the Inspector-General of the Ministry of Health. Mr Lamb also covered ongoing changes to the Audit and Investigations team and presented to the Committee an updated country reimbursement schedule. He proposed that a detailed update on whistleblowing activities be provided at the AFC closed session in November along with a presentation of the work of the Investigations and Counter-fraud activities.
- 5a.8. The Dashboard was then discussed which for the first time included target data, as previously requested by the Committee. He noted, in reviewing the departmental budget, that since 2015 (when the department was reconstituted) to end 2017, the total costs of A&I were approximately \$10 million; the amount of misuse identified from that activity was approximately \$25 million which on repayment could be applied to new programmatic purposes without drawing on donor grants.
- 5a.9 Mr Lamb concluded by emphasising that the A&I team continue to engage with management to achieve commitment on mitigation actions. Finally, he highlighted a new internal requirement for a response from management within 30 days on internal audit reports to try to improve achievement against the overall 90 day draft reporting metric.

### *Discussion*

- The Committee discussed the role of the audit team in the SAP project and agreed in principle that it would be appropriate for the audit team to be involved in looking at the governance, planning and risk management elements of the project during the design phase but have no involvement in the design process itself. Mr Lamb agreed to bring a proposal to the AFC meeting in November 2018 on the potential scope of audit engagement in the SAP roll-out.
- In relation to channelling funds through third parties, the Committee agreed that each country should receive a tailored approach which addresses the individual challenges to ensure appropriate fiduciary assurance. It was highlighted that organisations such as UNICEF, the World Bank and WHO cannot solve all country issues and that their capacity to take on additional responsibility in this area is limited. The Committee recognised the importance of engaging with other partners when contracting third parties.
- It was proposed that through work with both partners and fiduciary agents, the focus should always be on skills transfer to the country and the Committee recognised that the PPC will review this issue further at their upcoming meeting in October.
- In relation to discussions on whistleblowing, the Committee discussed the importance of creating appropriate safeguards and processes by which victims of sexual harassment can raise their concerns. The Chair cautioned the Secretariat that any issues raised need to be dealt with in a timely manner and escalated to the authorities if necessary.

- In response to a question from a Committee member on the rate of completion of programme audits, the Secretariat confirmed that they are on track for the 2018 audit plan execution and several reports are planned to go out within the next 4-6 weeks.

### **Decision Three**

The Gavi Alliance Audit and Finance Committee:

**Approved** the proposed 2019 audit plans for Internal Audit (Annex D to Doc 05a) and Programme Audit (Annex F to Doc 05a), with the expectation that these may be modified to accommodate audits covering the Enterprise Resource Planning system (SAP) implementation and accountability framework in Nigeria as appropriate.

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#### **5b. Programme Audit cross-cutting themes**

- 5b.1 Simon Lamb, Managing Director, Audit and Investigations, introduced this item. He explained the main themes of issues in programme audits, highlighting that many issues are intrinsic to Gavi's work and difficult to influence, and that the majority of the themes have a high priority.
- 5b.2 Hind Khatib-Othman, Managing Director, Country Programmes explained the shift in Gavi's business model away from light touch to a more hands-on approach in the last few years. She then outlined the various mechanisms by which the Secretariat and partners proactively manage grants and associated risks, such as the country risk matrix, performance frameworks, joint appraisals and Programme Capacity Assessments (PCAs).
- 5b.3 With regards to budget management, Ms Khatib-Othman explained that the Secretariat has improved the guidelines and budget template to encourage stronger compliance with the budget rules. She also noted the aim for more automation in the future via SAP which should further improve compliance.
- 5b.4 Ms Khatib-Othman then highlighted the steps the Secretariat is taking to address leadership issues such as making it a strategic focus area, trying to improve political will via a leadership engagement programme, and working closely with Expanded Program on Immunization (EPI) staff on cross-organisational training and capacity enhancement.
- 5b.5 In terms of non-compliance with national rules, Ms Khatib-Othman highlighted the limited influence of the Secretariat in this case. She however noted that Gavi introduces monitoring agents where required and continues to focus on high risk areas, such as procurement. She also explained that campaigns continue to be high risk areas for Gavi and that this is an area where monitoring is being strengthened.



- 5b.6 With regards to weak traceability, Ms Khatib-Othman acknowledged that this is an area where Gavi could encourage more focus at the regional level. In terms of poor stock management specifically, it was noted that regular stock management reports are now requested from countries, there is greater oversight by the Secretariat, and more support from partners on effective vaccine management.
- 5b.7 Ms Khatib-Othman concluded by highlighting the key remaining challenges; one of which is an imbalance in the Gavi three lines of defence model. She explained that Gavi Country Programmes do not have the capacity to answer all issues which are raised by the second and third lines of defence but they do their best to prioritise effectively.

### *Discussion*

- The Chair commended the attention in the Secretariat on these areas of risk and stated that he is hopeful of seeing positive results in the coming months and years. He encouraged the continued focus of resources onto these areas where possible.

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### **5c. Grant Management**

- 5c.1 David Nix, Chief Knowledge Officer, Knowledge Management and Technology Solutions, presented this item. He outlined the improvements which have been made in the IT and knowledge management systems since 2016 in relation to Grant Management.
- 5c.2 Mr Nix stated that during 2018 the Secretariat started work on aligning the financial elements of grant management with the new SAP solution (FIND project) and they hope to address the various audit findings.
- 5c.3 It was proposed that in future SAP could be a holistic tool for grant management to track the status of grants, when cash has been disbursed, and when vaccines have been ordered. Mr Nix concluded by explaining that at the end of 2018 there should be a clearer picture of how grant management could potentially be integrated into SAP.

### *Discussion*

- In response to a question from the Chair, Mr Nix confirmed that the Secretariat plan to use 'off-the-shelf' tools where possible in SAP, including any potential grant management module, but this cannot be guaranteed until the end of the design phase.
- When asked about being in touch with other organisations that use SAP, the Secretariat confirmed that they have engaged specifically with UNESCO who had recently implemented SAP as well as the UNICEF supply chain division on how they manage the Gavi purchasing process through SAP.

- In response to questions from the Chair on timing, the Secretariat explained that by the November AFC meeting they should be able to share more details of the links between SAP and the Grant Management systems but this may be too early to understand the exact designs. The Secretariat also explained that whilst SAP is focussed on processes and financial aspects of grant activity, other programme tools will sit outside SAP and a key consideration is looking at integrating systems.

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## **6 Any other business**

- 6.1 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
- Craig Burgess\* (except items 2c, 3, 5b and 5c)
- Alexandru Cebotari\* (until item 02a)
- Ted Chaiban
- Irene Koek (until item 5b)
- Kwaku Agyeman Manu\* (items 2d, 2e, 2f, 3, 4)
- Emmanuel Maina Djoulde

#### Committee members elect

- Tom Morrow
- Ben Carcani

#### Regrets

- Reina Buijs

#### Observers

- Kelly Jarrett
- Nick Jeffreys\* (except items 2c and 3)
- Andreas Karlberg Pettersen

#### Secretariat

- Philip Armstrong
- Seth Berkley\* (items 2a, 3, 4)
- Jacob van der Blij
- Caroline Bradley
- Anthony Brown (agenda item 1 only)
- Adrien de Chaisemartin (items 5a to 6)
- Tony Dutson
- Barry Greene
- Edmund Grove (items 5a-6)
- Anuradha Gupta (items 1-4)
- Katherine Hudak\* (item 4)
- Hind Khatib-Othman (items 5a-6)
- Alex de Jonquieres (items 1, 2a, 3 and 4)
- Simon Lamb
- Louis Mkanganwi
- David Nix (items 5a-6)
- Chrysantus Nyongesa (items 5a-6)
- David Powell (items 1, 2a, 5a-6)
- Paolo Sison

\*Denotes participation via telephone