

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

26 November 2018

Global Health Campus, Geneva, Switzerland

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

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 13.00 Geneva time on 26 November 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) alongside the minutes of its meeting on 12 October 2018 (Doc 01b). The Committee also reviewed its action sheet (Doc 01c).

### **Decision One**

The Gavi Alliance Audit and Finance Committee:

- **Approved** the minutes of its meeting on 12 October 2018.

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### **2. Forward year workplan review**

- 2.1. The Committee noted its forward workplan for 2019 (Doc 02).

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### **3. Finance update**

#### **3a. Financial forecast**

- 3a.1 Barry Greene, Managing Director, Finance and Operations, presented to the Committee a summary of the Gavi financial forecast for the current strategic period 2016-20 and a projection for the next period 2021-25.
- 3a.2 Mr Greene started by reminding the Committee of the forecast from November 2017 for the current period of US\$ 9.2 billion. He noted that while programme decisions made earlier in 2018 by the Board added US\$ 353 million to the expenditure estimate, updated estimates of the overall costs for this period resulted in a reduction of US\$ 524 million, mainly from supply constraints and pricing assumptions. This brought the expenditure forecast to US\$ 9 billion prior to providing US\$ 174 million for the decisions for consideration at the November 2018 Board meeting. These decisions would bring the new forecast to US\$ 9.2 billion, the same overall expenditure level as was forecast a year ago.

- 3a.3 Regarding expenditure in the period 2021-25, Mr Greene emphasised that this is a tentative projection. It is not an indication of replenishment needs, which will be based on the 2021-2025 strategy, when adopted by the Board. He explained that in November 2017 the estimate for the 2021-2025 period was US\$ 8.3 billion, compared to the current estimate of US\$ 8.6 billion.
- 3a.4 Mr Greene highlighted that a critical review of assumptions for the demand estimates led to a net reduction of US\$ 0.9 billion, notably for assumptions regarding country-readiness and after incorporating decisions already made in 2018, bringing the current estimated expenditures to US\$ 7.4 billion.
- 3a.5 It was explained that if the Gavi Board were to approve the decisions for consideration at its November 2018 meeting, this would add a further US\$ 1.2 billion to the estimate, bringing the total expenditure projection for 2021-2025 to US\$ 8.6 billion, made up of existing programmes and operating expenditures of US\$ 3.9 billion, the US\$ 1.2 billion noted above and an estimate for expected future requests of US\$ 3.4 billion.

#### *Discussion*

- When asked about the reduction in the Health System Strengthening (HSS) costs for the period 2021-25, the Secretariat explained that estimates of HSS had reduced from US\$ 1.3 billion to US\$ 1.1 billion because the number of countries now expected to transition out of Gavi support in that period had been taken into consideration. The Secretariat also explained that, due to changes in the approach to campaigns and the projected reduction in the costs of the vaccines, the estimates for the typhoid, measles and rubella campaigns have been reduced.
- The Secretariat emphasised that the expenditure projection of US\$ 8.6 billion for 2021-25, after allowing for decisions at the November Board meeting, represents baseline costs and does not yet reflect the Gavi 5.0 strategy that the Board will consider in the future and which will ultimately inform replenishment estimates.
- The Secretariat emphasised that any inactivated polio vaccine funding for the next period should be considered separately as it was not discussed as part of the Berlin investment case.
- The Gavi Board Chair and a Committee member both raised concerns about the impact that the lower cost estimates could have on the level of country support for the 2021-25 period. The Secretariat confirmed that these estimates will be further reviewed in detail as the strategy for Gavi 5.0 is developed and may increase in response to country needs, as actual demand becomes clearer.
- The Committee encouraged the Secretariat to be very clear in explaining the above caveats on the forecasts as part of the presentation to the November Board meeting.

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### **3b. Gavi Standalone and Forecast Financial statements**

- 3b.1. Tony Dutson, Senior Director, Finance and Operations, presented the Gavi standalone financial statements up to September 2018 and the forecast financial statements through to 2020, reminding the Committee that no consolidated statements are being presented in this session as IFFIm data is not yet available for quarter three.
- 3b.2. Mr Dutson referred the Committee to Annex A (Doc 03a), the standalone financial statements. He noted that, as anticipated, assets have reduced by US\$ 1 billion due to expenditure on programme delivery, without significant new incoming resources. This is because the majority of 2016-2020 resources were recorded as multi-year pledges at the start of the strategic period. He then referred the members to Annex B (Doc 03a), the indicative forecast financial statements to December 2020, explaining that these are being presented based on current US GAAP policies, which are likely to change in the future.

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### **3c. Enhancing internal controls update**

- 3c.1 Barry Greene, Managing Director, Finance and Operations noted that Kroll had completed their report for phase three of their review and that this had been shared with the Committee to be discussed in more detail during the closed session. He explained that the report confirms that Gavi has implemented the additional controls recommended by Kroll to a satisfactory level.
- 3c.2 Mr Greene stated that the move to the new SAP system in mid-2019 with in-built controls should further enhance assurance and mitigate against misuse.
- 3c.3 Finally, Mr Greene noted that the Director, Financial Accounting and Reporting had recently left Gavi and that the Finance team were searching for a temporary resource whilst a longer-term candidate is sought. He outlined that the temporary resource would likely be interviewed in December 2018 and start in January 2019.

#### *Discussion*

- The Gavi Board Chair asked the Secretariat to provide some examples of the key control changes which had been implemented since the Kroll review. The Secretariat explained that they were now more consistently evidencing the operation of controls, for example, the monthly bank reconciliations and the reviews of annual auditor certificates that confirm the effectiveness of inbuilt controls within the system used by Gavi for expense claim management. The Secretariat also noted the hiring of several new members of the finance team which will further support the segregation of duties.
- In response to a question from the Gavi Board Chair on mandatory leave in the finance team, the Secretariat noted that this will be very difficult to apply because of workload priorities until the new SAP system is implemented in mid-2019. The

Secretariat acknowledged that delaying or missing annual leave is an issue not just for the finance team but also for other teams across Gavi due to the high workloads. The Gavi Board Chair encouraged the Finance management team to implement mandatory leave as soon as possible after the SAP roll-out.

- In response to a question from a Committee member, the Secretariat confirmed that the control environment will be routinely re-assessed in future to ensure its continuing appropriateness and robustness. A decision has not yet been made as to whether this will be performed externally or using internal resources.
- The Committee recognised the hard work undertaken by the finance team during 2018 to improve the internal controls within finance processes.
- In relation to the recruitment for a new Director, Financial Accounting and Reporting, the Committee raised some concerns about succession planning for this role. The Secretariat acknowledged the concerns and explained that because Gavi is a lean organisation there is little capacity within teams to manage absence, however noted that this role was one of four roles at this level across the Finance team. The Committee Chair emphasised the importance of having permanent staff in senior finance roles.
- When asked by a Committee member about internal staff development, the Secretariat outlined various activities being undertaken including an internal promotion panel, providing development projects where possible and promoting learning and development.

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### **3d. Financial Infrastructure Systems update**

- 3d.1 Tony Dutson, Senior Director, Finance & Chief Accounting Officer, presented an update of the SAP implementation project, noting that it is currently in the design phase. He explained that the project is running behind schedule and that whilst the Secretariat staff are working hard to regain the time, they are also cognisant of the importance of incorporating best practice and ensuring a high-quality output.
- 3d.2 Mr Dutson stated that the change management assessment and the majority of staff workshops were complete, with the exception of the grant management workshops. Some delays were noted in the (grant) portfolio management area as well as for the business blueprint documentation.
- 3d.3 It was highlighted that SAP had recently conducted a quality assurance exercise on the design which had uncovered a number of design faults in the portfolio management and finance areas and that the Secretariat had escalated this to the external implementing partner to ensure that they are assigning the appropriate level of staff to Gavi.
- 3d.4 In order to address these issues and conduct additional quality assurance checks, Mr Dutson explained that the implementing partner has moved the date for

completion of the design phase from November 2018 to January 2019. He explained that whilst the date for the overall phase one roll-out remained quarter three of 2019, this means that there is no longer any contingency in the timeline.

- 3d.5 David Nix, Chief Knowledge Officer, Knowledge Management and Technology Solutions, provided a brief update on the grant management element of SAP. He explained that in order to align both FIND and SAP interactions with grant management, it was now deemed necessary to focus grant management on integration with SAP including exploring how to address previous audit recommendations (for example, creating a single grant identification code and following grant lifecycles). This will pause the broader, holistic grant management work which would be picked up again after the SAP implementation.

### *Discussion*

- In response to a question from the Committee Chair, the Secretariat explained that they believe the design issues mainly came about due to inadequate resources in the implementing partner team. Further, although SAP is a well-known system, there are not many examples of it being used for organisations similar to Gavi. The Secretariat acknowledged that the implementing partner appeared to be cognisant of their concerns.
- The Committee strongly encouraged the Secretariat to rapidly escalate the issues up the implementing partner management chain and to work very closely with them to ensure appropriate remediation takes place quickly.

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## **4. Audit and Investigation report**

- 4.1. Simon Lamb, Managing Director, Audit & Investigations (A&I) referred the Committee to Doc 04 in their pack.
- 4.2. Mr Lamb outlined to the Committee proposed plans for the Internal Audit (IA) team to provide ongoing assurance to Gavi management and the Committee during 2019 on the implementation of the SAP system. In particular, he explained the proposals to look at project planning, governance, risk management and the interactions between SAP and grant management. Mr Lamb explained that the IA team will coordinate closely with Deloitte in order not to duplicate efforts whilst drawing on their technical assurance activities.
- 4.3. Mr Lamb then outlined the proposal for the Programme Audit (PA) team to conduct assurance on the set up and operation of the Nigerian Accountability Framework. He emphasised that the PA team will not manage the framework but will rather assess whether the arrangements around the Framework's governance, systems and processes, and data management are appropriate. He also highlighted that Gavi's increased support for Nigeria is likely to last over many years and that the A&I team propose to revisit the Framework periodically to assess its continued efficacy.

- 4.4. It was noted that the additional resource required to undertake the workload from the SAP and Nigerian Accountability Framework should be covered by the resource plans recently shared with the Committee (including the use of the A&I consulting budget) but they will be kept updated if this changes during the course of 2019.
- 4.5. Finally, Mr Lamb explained that, since the papers had been distributed, the Government of Cameroon had approved a US\$ 1.6 million reimbursement to Gavi.

### *Discussion*

- In response to questions from the Committee, the Secretariat confirmed that the A&I team do have the appropriate skills to assess the SAP project in the way set out and the Committee will be regularly updated throughout 2019 on the progress of assurance activities.
- The Secretariat also explained that it is now quite common for audit teams to work alongside the design and development phases of a large project such as SAP and noted the benefits of providing feedback in real time to enable refinements to be made in the course of the project. They acknowledged the potential risks of the audit team becoming too close to the design and the need to ensure separation between audit and project management functions.
- When asked about the Nigerian Accountability Framework, the Secretariat confirmed that as well as A&I engagement, the Country Programmes team will also closely follow progress. The proposed annual review panel was also noted, the first of which is planned to occur in Nigeria with Gavi senior management and Board members at the end of 2019.
- In response to questions from the Committee, the Secretariat confirmed that whilst the assessment of the Accountability Framework will not delay funding reaching Nigeria, funding may be stopped if the two mandatory requirements set out in the Framework are not met by the Nigerian Government. It was also noted that the A&I team would likely conduct a Programme Audit in Nigeria over the coming years as part of the Framework.
- One Committee member raised the importance of ensuring that Nigerian capacity must be re-built with Gavi support to ensure that the financial systems are sustainable. The importance of accountability and engagement at the state level as well as the federal level was also emphasised. The Secretariat highlighted the issues which were discovered at the state level during previous audits but reinforced their commitment to ensuring sustainable systems are created wherever possible.

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## **5 Any other business**

- 5.1 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\* (item 3a onwards)
- Benjamin Carcani
- Irene Koek
- Kwaku Agyeman Manu
- Emmanuel Maina Djoulde
- Tom Morrow

#### **Other Board Members**

- Ngozi Okonjo-Iweala, Gavi Board Chair (until item 3d)

#### **Regrets**

- Reina Buijs
- Ted Chaiban
- Kelly Jarrett

#### **Observers**

- Jane Stewart
- Andreas Karlberg Pettersen
- Linda Nanbigne
- Nicole Mensa (until item 3d)

#### **Secretariat**

- Philip Armstrong (from item 3b)
- Seth Berkley
- Jacob van der Blij
- Caroline Bradley
- Paul Catchick (item 4 only)
- Tony Dutson
- Barry Greene
- Anuradha Gupta
- Simon Lamb
- Aurelia Nguyen (item 3a only)
- David Nix (items 3c and 3d only)

\*Denotes participation via telephone