

Gavi Alliance Audit and Finance Committee Meeting

14 December 2020

Virtual Meeting

1. Chair's Report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 15.00 Geneva time on 14 December 2020. David Sidwell, AFC Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack). The Committee also reviewed its action sheet (Doc 01b) and Workplan (Doc 01c).

2. Deloitte 2020 Audit Strategy and Planning

- 2.1. Fabien Bryois, Partner, Deloitte and Lisa Watson, Director, Deloitte, presented this item to the Committee (Doc 02) outlining the approach to the financial year 2020 audit, noting the approach is primarily consistent with the prior year, except for the accelerated reporting calendar and work in relation to the COVAX Facility and the COVAX Advance Market Commitment (AMC).
- 2.2. Mr Bryois confirmed that due to COVID-19 restrictions, the audit will be performed remotely. He noted that the same Deloitte colleagues in Geneva, the United Kingdom and the US will continue to work closely together to ensure continuity in the audit process.
- 2.3. Ms Watson noted the audit team does not foresee any challenges with the accelerated timeline and the AFC can expect a presentation of the audit results at its 7 June 2021 meeting to ensure compliance with Swiss laws.
- 2.4. Ms Watson outlined significant changes for 2020 in relation to COVID-19 impacts. She noted Gavi has entered into a number of agreements with manufacturers, participating countries and other stakeholders and thus, the impact of the Facility as well as the COVAX AMC will significantly impact Gavi's operations and financial statements. She further noted that COVAX will require additional financial reporting requirements.
- 2.5. She outlined the proposed scope of the audit, noting the two main components are the Gavi Secretariat and IFFIm. Ms Watson further noted the proposed group audit scoping is consistent with the prior year.

- 2.6. It was stated that Group materiality will be set at US\$ 45 million, which is a US\$ 10 million increase from 2019, with estimated materiality for the standalone audit to be US\$ 40 million. Ms Watson explained the methodology to determine materiality has not changed and the increase in Group materiality is based on an increase in consolidated expenditures.
- 2.7. In relation to significant risks, Deloitte identified these as valuation of sovereign pledges, recognition of contribution revenue, and management override of controls.
- 2.8. Ms. Watson outlined other areas of audit focus, noting an additional new risk in relation to accounting for the COVAX Facility and COVAX AMC. She highlighted that due to the COVID-19 pandemic, there is an increased risk that IFFIm-eligible countries will go into protracted arrears with the International Monetary Fund and therefore, affect the calculation of grant payment conditions (GPC). She explained an audit focus will be ensuring management is monitoring the situation on vulnerable IFFIm-eligible countries and appropriately considering COVID-19 impacts to the GPC calculation. She further noted the rest of the areas of audit focus are consistent with prior years.
- 2.9. Finally, she confirmed that there are no major accounting updates or changes to the Swiss financial reporting framework for 2020.

Discussion

- In response to an enquiry about the COVAX financial reporting process, Deloitte confirmed the process will be similar to that of the Gavi Annual Financial Report.
- When asked about the accelerated timeline, the Secretariat confirmed that Deloitte, IFFIm and the World Bank have agreed upon processes that align with the accelerated timeline.
- In response to an enquiry on the audit scope of the COVAX Facility, Deloitte confirmed that the focus is on the accounting treatments, noting that to conclude its work, the audit team may engage specialists to review risk mitigation measures, the COVAX business model and legal agreements. Deloitte clarified that it will not perform a full review of the work conducted by Citi.

Decision One

The Gavi Alliance Audit and Finance Committee:

Approved the proposed Deloitte 2020 audit plan as set out in Doc 02.

3. Finance Update

3a Gavi and IFFIm interim financial statements (Q3 2020)

- 3a.1 Pauline Caywood, Head, Financial Accounting & Reporting, presented the Gavi and International Finance Facility for Immunisation (IFFIm) interim financial statements for the nine months ended 30 September 2020 (Doc 03a), noting the consolidated statements include Gavi core business, IFFIm, and the COVAX Facility.
- 3a.2 She noted the assets, liabilities, revenue and expenses related to the COVAX Facility for both self-financing participants (SFPs) and the COVAX Advance Market Commitment (AMC) have been separated from Gavi core business.
- 3a.3 In reviewing the third quarter financial statements, Ms Caywood noted significant events impacting the statements include the Gavi Alliance Board approval for Gavi to act as COVAX Facility administrator, the execution of Committed and Optional Purchase Agreements with SFPs, and the execution of the first COVAX AMC agreements.
- 3a.4 She noted that the statement of activities reflects an increase in revenues compared to the prior period which is driven primarily by contributions to support Gavi's response to COVID-19, including the COVAX Facility and the facilitation of the Kingdom of Norway pledge to the Coalition for Epidemic Preparedness Innovations.
- 3a.5 She highlighted that the US\$ 777 million decrease in contributions receivable, compared to 2019, is an expected trend given that Gavi is in the final year of its strategic period with multi-year pledges winding down.

Discussion

- It was noted that several SFP agreements were signed in September and corresponding upfront payments were received within the same month, resulting in an additional US\$ 65.5 million being reported as receivables for the COVAX Facility.
- In response to an enquiry about COVAX Facility contributions revenue of US\$ 45 million, the Secretariat explained this is the total amount of COVAX AMC funds received as of 30 September 2020, and that additional pledges made and funds received since then will be reported in the next financial statement report.
- The AFC noted the usefulness of seeing separate financial statements for the COVAX Facility and Gavi core business.
- In response to a question about a pledge from TikTok to the COVAX AMC, the Secretariat confirmed it will verify that the parent company made the pledge given recent announcements of the company's potential sale.

- In response to a question from an AFC member on COVAX AMC accounting treatment, the Secretariat confirmed COVAX AMC reporting will become part of the Gavi financial forecasting exercise in 2021.

3b Risks and Controls

- 3b.1 Assietou Diouf, Managing Director, Finance and Operations, introduced this item by reminding the AFC of an independent assessment conducted earlier this year of the Secretariat's controls across the Finance and Operations functions focusing on accounting and cash-related transaction streams.
- 3b.2 She noted that the Secretariat undertook the assessment to identify inefficiencies and opportunities for system improvements which resulted in the completion of documented Standard Operating Procedures and a Risks and Controls Matrix (RCM) that will be used as a tool to conduct self-assessments and periodic internal updates. She noted the RCM will be reviewed every six months with the first exercise scheduled in mid-2021.
- 3b.3 Ms Diouf summarised findings of the assessment noting that no significant risks were found to be outside of Gavi's risk appetite. She outlined key risks and gaps identified within the assessment process, in addition to controls that could be implemented to strengthen existing controls. She noted a number of gaps are expected to be resolved with the completion of the SAP Optimisation project. She further noted that the Secretariat seeks to implement additional controls as part of its 2021 workplan.
- 3b.4 Louis-David Magnien, Regional Managing Director EMEA, Kroll, outlined Kroll's approach to the financial control review, noting the scope of work was greater than its 2018 exercise which was conducted prior to SAP implementation. He noted progress was made against four high-risk observations reported in the 2018 review due to the Secretariat putting more robust processes in place.
- 3b.5 Silvia Svihrova provided a detailed overview of the observations and findings within the interim report (Doc 03b), noting Kroll identified 32 issues of which none are considered high risk. She highlighted that further testing will be conducted and as a result, observations in the draft report may be amended before the final report is issued.

Discussion

- In response to a question from an AFC member on master data maintenance controls, the Secretariat confirmed all changes in SAP master data are tracked and documented.
- In response to a question on vendor master data control points, Kroll confirmed that a robust process is in place and no material deviations were observed in the testing process.

- AFC members asked various questions about the automated controls offered within SAP. The Secretariat noted an SAP Optimisation project is underway to better align SAP functionality to Gavi's organisational needs. It was further noted that a change management process will be required and the Secretariat is assessing roles and responsibilities within the Finance team to help address some of the control observations.
- The Committee requested an update on remediation steps to address observations identified within the report and the Secretariat confirmed it will revert to the Committee on this matter.

4 Audit and Investigations

- 4.1 Simon Lamb, Managing Director, Audit & Investigations (A&I), introduced this item referring the Committee to Doc 04 and noting that the team's senior management leaders were available to address questions related to their areas of functional responsibility.
- 4.2 He highlighted the status of the 2020 Audit plan, noting that the Secretariat had limited availability to engage with the A&I team on internal audit and counter-fraud work, primarily due to new COVAX workstreams and the dislocation to a remote working environment. He clarified these external factors impacted the Secretariat's availability to engage with the A&I team but not the Secretariat's conduct in counter-fraud activities.
- 4.3 Mr Lamb noted the high level of activities within the plan and the continued uncertainties in plan execution that are unique to the current pandemic environment. He further noted good progress had been made with the plan and the team will continue to diligently advance this work.
- 4.4 In relation to the 2021 Audit plan, Mr Lamb highlighted that ongoing uncertainty is expected with continued variability of the Secretariat's ability to engage with the A&I team. In relation to COVAX, he noted the A&I team will be required to address emerging risks with speed and flexibility, and the team is adapting its mode of engagement to the current working environment.
- 4.5 He updated the Committee on country reimbursement status, noting the current recovery rate is 94.4%.
- 4.6 He highlighted that an A&I team review was part of the Gavi organisation review, and a focus in 2021 will be developing a more holistic risk management process.
- 4.7 Mr Lamb reported that a new whistle blowing report was received in relation to concerns of potential fraud in-country. More information has been requested from the reporter and the Committee will be updated in due course.
- 4.8 Finally, he updated the Committee on a report issued by IBM highlighting attempted cyber breaches into the vaccine cold chain supply process. He noted

that Gavi was named in the report and following engagements with an IBM analyst and Gavi's Knowledge Management and Technology Solutions (KMTS) Team, no indication of any breach to Gavi was found. It was noted that KMTS is following up on this matter with Gavi Alliance partners.

Discussion

- In response to an enquiry about the 2020 Audit Plan, the Secretariat noted that not all activities can be completed given the current environment, but work continues on any matters of significant risk to Gavi.
- The AFC expressed concerns about the variability of Secretariat engagement with the A&I team and requested notification if the challenge continues for an extended amount of time or begins to have a materiality effect on audit conduct in 2021.
- The AFC noted the uncertainties in the current environment and requested updates on programme audit progress to help ensure a significant backlog does not result. The Secretariat agreed to provide a programme audit status update in Q1 2021.

5 Any other business

- 5.1 Assietou Diouf, Managing Director, Finance and Operations, provided a currency hedging update to the committee, noting the 2020 Replenishment resulted in pledges of US\$ 3.2 billion in US dollars and pledges of US\$ 5.6 billion in non-US dollar denominated currencies, including four new currencies.
- 5.2 She highlighted the COVID-19 pandemic has caused an unprecedented global financial crisis, resulting in high volatility and uncertainty in financial markets. She reported that to further secure the FX exposure over the next strategic period and to take advantage of the favourable current market opportunity (USD depreciation), the Secretariat recommends increasing the coverage of FX exposure with the objective of gradually reaching total coverage as soon as agreements are signed, and timing and values of resource inflows are confirmed.
- 5.3 She outlined a summary of transactions completed to date and planned transactions, reporting that the Secretariat plans to execute the planned transactions at the earliest opportunity and will revert to the AFC on related activities.
- 5.4 After determining there was no further business, the meeting was brought to a close and it then convened in closed session.

- 6. Closed session for members only – Finance function review and evaluation, and A&I function evaluation and MD performance**
- 6.1 The Committee proceeded with the closed session to evaluate the A&I and Finance functions (see separate notes from the closed session).

Brenda Killen
Secretary

Attachment A

Participants

Committee Members

- David Sidwell, Chair
- Benjamin Carcani
- Gianmarco Coccozza
- Emmanuel Maina Djoulde (Agenda Items 2-6)
- Etleva Kadilli
- Kwaku Agyeman Manu (Agenda Items 2-6)
- Tom Morrow
- Andreas Karlberg Pettersen
- Teresa Ressel
- Carmen Coles Tull
- Rafael Vilasanjuan

Observers

- Kelly Jarrett, Bill & Melinda Gates Foundation

Secretariat

- Seth Berkley
- Hannah Burris
- Paul Catchick (Agenda Item 4)
- Pauline Caywood
- Assietou Sylla Diouf
- Joanne Goetz (Agenda Item 6)
- Edmund Grove (Agenda Item 4)
- Anuradha Gupta
- Brenda Killen
- Simon Lamb
- Ian MacTavish
- Jelena Madir
- Thabani Maphosa
- Kenneth Musiime
- Chrysantus Nyongesa (Agenda Item 4)
- Marie-Ange Saraka-Yao
- Jacob van der Blij
- Wendy Tagama
- Melissa Wolfe
- Negussie Ayele (Agenda Item 4)

Guests

- Fabien Bryois, Deloitte SA
- Louis-David Magnien, Kroll
- Eloise Rouget, Kroll
- Silvia Svihrova, Kroll
- Lisa Watson, Deloitte SA