

Gavi Alliance Audit and Finance Committee Meeting

21 October 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 Central European Time on 21 October 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) alongside the minutes of its meeting on 15 September 2020 (Doc 01b).
- 1.3 The Committee also reviewed its action sheet (Doc 01c) and forward workplan (Doc 01d).
- 1.4 The Chair noted the AFC COVAX advisory group has been engaged in COVAX Facility risk management discussions and is helping the Secretariat secure an advisor on these matters.

Decision One

The Gavi Alliance Audit and Finance Committee

Approved the minutes of its meeting on 15 September 2020.

2. Finance Update

2a Financial update (including financial forecast 2021-2025)

- 2a.1 Assietou Diouf, Managing Director, Finance and Operations, presented the financial update and financial forecast (Doc 02a) highlighting that the updated forecast is focused primarily on the next strategic period and reflects guidance provided on the recalibration of programmatic priorities at the Gavi Alliance Board meeting held on 29-30 September 2020.
- 2a.2 Anuradha Gupta, Deputy CEO, presented an overview of Gavi mission indicators noting there has been accelerated progress across all five indicators and the breadth of protections against vaccine-preventable diseases has nearly doubled increasing from 30% in 2015 to 56% in 2019. She highlighted new risks posed by COVID-19 and continued challenges in-country related to vaccine coverage and equity.

- 2a.3 Ms Gupta noted that Gavi has made investments in identifying zero-dose children and factors contributing to missed vaccinations. She further noted that additional resources are being requested for targeted interventions to reach more zero-dose children which will require engaging with countries on subnational and community levels.
- 2a.4 Ms Gupta highlighted the addition of US\$ 500 million in the proposed financial forecast for Health Systems Strengthening (HSS) expenditures dedicated to zero-dose children and an additional US\$ 128 million for the Partners Engagement Framework (PEF) related to recommendations to be reviewed at the 28-29 October 2020 Programme and Policy Committee (PPC) meeting.
- 2a.5 Finally, she compared overall resource expenditures for the Gavi 4.0 and 5.0 strategic periods, noting the portfolio balance of HSS and PEF expenditures remains relatively similar and the proposed forecast includes US\$ 435 million available for future investments, subject to donors honouring their pledges for the 2016-2021 strategic period.
- 2a.6 Ms Diouf highlighted that the overall expenditure forecast for the 2016-2020 strategic period is US\$ 9.2 billion and that the overall expenditure forecast for the 2021-2025 strategic period is US\$ 10.0 billion. She noted that the overall forecast for both strategic periods excludes expenditures and resources related to the COVAX Facility.
- 2a.7 Ian MacTavish, Senior Director, Finance & Chief Accounting Officer, highlighted qualifying resources available in the 2016-2020 and 2021-2025 strategic periods, summarising changes made in estimates impacting the forecasts, including the additional resources from the replenishment and additional expenditures in relation to COVID-19 impacts. He also highlighted key changes since the forecast was presented in July 2020 including donors allocating investments to COVAX versus Gavi 5.0, and increased expenditures in relation to PEF and COVID-19 delivery costs.

Discussion

- The Chair noted the AFC's mandate is to ensure financial capacity exists for proposed programmatic expenditures. AFC members noted that while the PPC will make programmatic recommendations to the Gavi Alliance Board, it would be helpful to share information across committees on related risks and decision-making processes. The Chair commented that he will attend the 29-30 October 2020 PPC meeting.
- AFC members enquired how the HSS expenditure will be tracked for zero-dose usage and if the US\$ 500 million is sufficient to meet expected needs. The Secretariat noted the HSS expenditure amount was determined based on guidance from the Gavi Alliance Board and it will be discussed in greater detail with the PPC this month. The Deputy CEO further noted these funds will only be accessible to countries that are identifying zero-dose children and have plans to reach this population.

- An AFC member asked about the budget approval process for the Gavi 5.0 strategic period and the Deputy CEO clarified the financial forecast is a five-year period with corresponding budget cycles approved every two years followed by a one-year budget.
- AFC members noted US\$ 90 million in the 2021-2025 budget for Secretariat capacity and enquired if this reflects all recommendations from the organisational review and considers current additional demands placed on the Secretariat related to the COVAX Facility. The Deputy CEO noted additional Secretariat resources may be required in 2021-2025 to be confirmed by the organisational review but at this time, the forecast is a fair estimation of anticipated needs.

Decision Two

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

- Note** that the Audit and Finance Committee has 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 Gavi Alliance Board in accordance with the Programme Funding Policy.
- Approve** the Financial Forecast for the Gavi 4.0 period (2016-2020) as set out in Section B of Doc 02a.
- Approve** the Financial Forecast for Gavi 5.0 period (2021-2025), as set out in Section C of Doc 02a, which is dependent on resources becoming available for that period.
- Authorise** the Gavi Secretariat to allot funding in 2021 for new programmes and for the continuation and adjustment of funding to existing programmes, in accordance with the Programme Funding Policy.
- Note** that it has reviewed the financial implications of the recommendations to be made to the Programme and Policy Committee to extend the support for Cholera in endemic settings through 2022.

2b Partners Engagement Framework (PEF) and Secretariat Budget (2021-2022) and Programme Funding Policy

- 2b.1 Assietou Diouf, Managing Director, Finance and Operations, presented the 2021 and 2022 proposed budgets for PEF and the Secretariat. She noted that both budget proposals reflect increases to adjust for Gavi 5.0 strategic priorities.
- 2b.2 In relation to PEF, Ms Diouf highlighted that a US\$ 60 million envelope for post transitional support approved by the Gavi Alliance Board in 2018 is expected to end in 2022, and the total forecasted amount for the 2021-2025 strategy period represents an increase of 40% compared to Gavi 5.0 budgeted expenditure.

- 2b.3 In relation to the Secretariat, Ms Diouf highlighted an increase in expenditures from 2020 to 2021 by 16.5% to strengthen capacity needs.
- 2b.4 Anuradha Gupta, Deputy CEO, provided an overview of the organisational review facilitated by McKinsey & Company. She noted the focus of the review has encompassed looking at Secretariat capacity, responsibilities, skillsets and competencies to deliver on Gavi 5.0. She noted the proposed Secretariat budget considers resourcing needs to support more in-country engagements, clearer accountabilities, greater efficiencies and COVID-19 delivery requirements.
- 2b.5 Ms Diouf presented proposed changes to the Gavi Programme Funding Policy as set out in Annex C of Doc 02b. She noted the amendments include multi-year approval of programmes with annual performance reviews and multi-year allocations of funding that will simplify portfolio management processes for Gavi-supported countries while still maintaining appropriate safeguarding of funds.

Discussion

- The AFC noted the results of the organisational review will be shared with the Gavi Alliance Board in December 2020.
- In response to a question on foundational support for local partners within the proposed PEF budget, the Deputy CEO noted the PEF management team will consider individual organisational needs and make a recommendation to the CEO on allocations.
- An AFC member enquired about fiduciary risk assurance costs in the budget to which the Deputy CEO noted this is an interim requirement for one year focused on strengthening financial management capacity in countries. She further noted that a strategy related to this will need to be developed in 2021 as this item was previously included in the HSS envelope but will require separate dedicated funding moving forward.
- In response to a query from an AFC member on related risks adopting a multi-year allocation process with Gavi's portfolio management, the Secretariat noted the Gavi Alliance Board requested a review of portfolio management processes and the proposed change will allow for more predictable funding to countries and more rigorous and systematic reviews by the Secretariat.
- It was noted how flexibility is required in the current operating environment and based on changes that may occur in countries or related to COVID-19, the AFC and Secretariat agreed to be prepared to adjust accordingly.

Decision Three

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

- a) **Note** that the budget for Vaccine, Cold Chain Equipment Optimisation Platform and Surveillance equipment procurement fees for 2022 is provisional and will be

presented for Gavi Alliance Board approval once the MoU9 discussions are concluded.

- b) **Approve** within the overall amount of US\$ 252.5 million for 2021 and US\$ 249.8 million for 2022 for the Partners' Engagement Framework, the following allocations:
- (i) US\$ 175.2 million each year for PEF Targeted Country Assistance, Special Investments in Strategic Focus Areas and Foundational Support;
 - (ii) US\$ 24.0 million each year for investing in Partnerships in Innovation to be administered by the Secretariat;
 - (iii) US\$ 21.4 million each year for Impact Assessments and Evaluations to be administered by the Secretariat.
- c) **Approve** US\$ 128.5 million in 2021 and US\$ 132.7 million in 2022 for Secretariat Resources.
- d) **Approve** US\$ 1 million in 2021 and US\$ 0.5 million for capital expenditure budgets.
- e) **Approve** the amendments to the Programme Funding Policy related to the consideration of PEF Targeted Country Assistance, Strategic Focus Areas and Foundational Support as multi-year programmatic support and multi-year approval for programmes as detailed in Annex C of Doc 02b.

2c Gavi and IFFIm Interim Financial Statements (H1 2020)

- 2c.1 The AFC took the paper as read and had no comments or questions.

2d IRS Form 990 Draft (2019)

- 2d.1 The Chair introduced this item (Doc 02d) reminding the AFC that the Form 990 is Gavi's annual filing with the United States' Internal Revenue Service ("IRS") as required for organisations that are exempt from federal income tax.
- 2d.2 The Chair highlighted that the Form 990 includes information pertaining to executive compensation which has received media attention in the past.
- 2d.3 Ian MacTavish, Senior Director, Finance and Chief Accounting Officer, highlighted that a penalty notice of US\$ 552 was received in August 2020 for a late tax payment but the penalty will likely be waived due to an IRS tax reform.
- 2d.4 Mr MacTavish noted there was no material matter to bring to the AFC's attention.

Discussion

- The AFC noted the Form 990 was reviewed by Deloitte.

3. Risk Management Update

- 3.1 Jacob van der Blij, Head, Risk, presented this item to the Committee (Doc 03) noting the COVID-19 pandemic has created uncertainties and disruptions across Alliance operations and Gavi is now operating in a high-risk environment with an increased risk profile.
- 3.2 He highlighted the need to reframe risks, recalibrate risk appetite and reassess risk identification and monitoring processes. He noted that risk mitigation is more complex as pandemic-related restrictions have impacted capacity both in-country and across the Alliance.
- 3.3 He highlighted that the AFC will receive the draft Gavi Risk & Assurance Report 2020 prior to the 15-17 December 2020 Gavi Alliance Board meeting and work is ongoing given significant impacts related to COVID-19, the Office of the COVAX Facility and recalibration of Gavi 5.0 priorities. He noted the report will outline relevant top risks for the 2021-2025 strategic period.
- 3.4 Mr van der Blij highlighted a summary of current top risks with 10 notably increasing due to impacts from the COVID-19 pandemic. He also highlighted work underway in reframing top risks for Gavi 5.0 and noted country management capacity, data quality, IT disruption and outbreaks disrupting immunisation programmes will require more specific focus to support the Gavi 5.0 strategic agenda.
- 3.5 Mr van der Blij noted a higher risk appetite will be required to carry out the Gavi 5.0 agenda as expanding the Alliance's reach to zero-dose children will require greater engagement in fragile economies and conflict areas where capacity is weaker and risks are higher.
- 3.6 Finally, he invited AFC members to share views on current top risks and suggestions for reframing risks for the Gavi 5.0 strategic period.

Discussion

- AFC members noted that the current environment and Gavi 5.0 are creating a higher level of inherent risk and enquired how Gavi's risk appetite statement might be reset. The Secretariat noted that top risks will be discussed with the Board at its 15-17 December 2020 meeting and once the appetite for each risk is determined, the Secretariat will propose a revised risk appetite statement for discussion with the AFC and Board.
- An AFC member noted the risk of donor support is currently categorised as a decreasing risk due to support received from the replenishment and enquired about Gavi's assistance to COVAX Advanced Market Commitment (AMC) members. The Chair noted that COVAX AMC will fall within the separate COVAX

risk report and the Secretariat noted that a resource mobilisation discussion inclusive of COVAX AMC support will take place at the 15-17 December 2020 Gavi Alliance Board meeting.

- AFC members noted COVAX Facility risks are being addressed in a separate COVAX risk assessment and asked the Secretariat to include risks related to the Facility and Gavi 5.0 in the risk report.
- AFC members noted there will be a long-term impact on Gavi's risk profile due to the higher-risk environment that Alliance partners and Gavi-supported countries are all operating in.
- The Committee discussed risks related to partner capacity in fragile countries and the Secretariat noted risk exposure to Alliance partners in these countries is being considered within the risk reframing process for the Gavi 5.0 strategic period
- In response to a query from an AFC member on next steps, the Secretariat confirmed the AFC will have an opportunity to review and comment on the draft Gavi Risk & Assurance Report 2020 before its presentation to the Gavi Alliance Board and in the meantime, additional written comments are welcome.
- The Chair invited AFC members to share with the Secretariat how their own organisations are reframing risk management and risk appetite statements in the current environment.

4. Audit and Investigations update and 2021 plan

- 4.1 Simon Lamb, Managing Director, Audit and Investigations (A&I), introduced this item (Doc 04) and invited Chrysantus Nyongesa, Head, Internal Audit, to present on an Internal Audit high-risk issue related to country management capacity.
- 4.2 Mr Nyongesa noted that following an analysis of Partners' Engagement Framework (PEF) Targeted Country Assistance (TCA) to manage immunisation programmes, the A&I team discovered less than five percent of funds to countries between 2016-2019 were spent on fiduciary management. He further noted this percentage is quite low so this area will be highlighted as an important investment focus moving forward to strengthen financial management capacity.
- 4.3 Mr Lamb provided an update on an investigation in Papua New Guinea and a unique incident of non-acceptance of vaccines in Yemen. In relation to Papua New Guinea, Mr Lamb noted there is an investigation ongoing into a fraudulent incident that was self-reported by the country and Gavi has installed a monitoring agent to manage financial oversight and assist with the investigation. In relation to Yemen, Mr Lamb noted local authorities declined to accept a vaccine shipment deemed valid by the WHO and manufacturer due to slight discolorations. The vaccines could not be redeployed to another country so Gavi has agreed to help facilitate disposal of the shipment with the manufacturer.

- 4.4 He reported that following donor briefings scheduled for next week, eight programme audits will be posted to the Gavi website.
- 4.5 In relation to the 2020 Audit and Investigations plan, Mr Lamb highlighted there was notable progress in counter-fraud activities and, regarding the audit activity, nearly all items carried forward from 2019 are completed or near completion.
- 4.6 The 2021 Audit plan was then presented for the Committee's review and input, with reference to Annex A. Mr Lamb noted the plan is focused on core Gavi business with flexibility to respond effectively to COVID-19 related activities. The plan also takes into consideration developing risks associated with the COVAX Facility and the deployment of a COVID-19 vaccine. He further noted updates on audit plan implementation will be provided regularly to the AFC in 2021.
- 4.7 Finally, Mr Lamb highlighted that a request for consultancy support in programme audit work is included in the 2021 Secretariat budget proposal as well as a request for additional resources to devote to COVAX work, if needed.

Discussion

- The CEO reported that a formal investigation has been launched to review allegations of improprieties conducted during the Ebola vaccine programme in the Democratic Republic of the Congo and that resulting reports will be shared with the AFC by the Secretariat.
- One member of the AFC enquired if the number of programme audits planned in 2021 is too ambitious given the current environment. The Secretariat noted resources should be sufficient with anticipated increased use of in-country consultancies. It was further noted that the rest of the workplan is consistent with prior years.
- In response to a question from an AFC member, the Secretariat noted that the PEF TCA funding for financial management capacity is part of a larger strategy to strengthen country ownership. It was further noted this evolving strategy will be discussed with the AFC and PPC later in 2021.
- In response to a question from an AFC member on cybersecurity risks previously identified through Internal Audit, the Secretariat noted significant progress was made in 2020 with 97 out of 100 recommendations being addressed to date by Gavi's technology team. The AFC encouraged the Secretariat to seek self-assessment standards in this area to continue advancing this work.

Decision Four

The Gavi Alliance Audit and Finance Committee

Approved the Audit & Investigations 2021 plan.

5. Insurance and Legal update

5a Annual Legal Update

- 5a.1 Jelena Madir, Director, Legal, presented this item (Doc 05a) updating the Committee on three employment litigation cases. She outlined the nature and status of each case, as well as estimated exposure of damages. She noted any potential damages would be covered by insurance.
- 5a.2 Ms Madir highlighted that Gavi's Grievance and Appeals Procedures, and Investigation and Disciplinary Procedures were updated earlier this year and will be effective as of 1 December 2020.
- 5a.3 She further noted the Legal team is engaged with outside counsel on identifying and mitigating legal risks related to the COVAX Facility in reference to Annex A.

Discussion

- In response to comments from an AFC member about similarities in the litigation cases and how the claims were made before 2020, the Secretariat agreed the resolution process has been slow and the new grievance procedures will enable a more streamlined process in the future.
- It was noted that the Secretariat will continue to look at refreshing its policies and procedures as part of its workplan prioritisation process.
- In response to a question from an AFC member on progress with securing signed agreements from pledges made earlier this year, the Secretariat noted all agreements have reached the donors and the team is conducting outreach with a goal of receiving 25% of all pledge agreements by year end.

5b Insurance Update

- 5b.1 Anthony Brown, Senior Legal Counsel, Legal, presented an insurance update to the AFC (Doc 05b) providing an overview of current insurance coverage and key policy changes for 2021.
- 5b.2 Mr Brown noted industry-wide cost increases in Directors & Officers (D&O) liability, crime and business travel insurances which will impact Gavi's insurance coverage rates.
- 5b.3 He informed AFC members that the process to conduct a Request for Proposals (RFP) for broker services was reprioritised and has been postponed until further notice.
- 5b.4 Mr Brown noted an increase in the deductible for Employment Practices Liability Insurances (EPLI) as a result of the three cases referenced in agenda item 05a

(Legal Update). He further noted the previous deductible amount will apply to these cases currently in litigation.

- 5b.5 Finally, he highlighted that due to Gavi's role as administrator of the COVAX Facility, a new errors and omission policy for the COVAX Facility has been recommended. He noted insurance costs associated with the COVAX Facility and COVAX AMC will be charged back to the Facility, and the AFC will be updated on COVAX-related insurance topics as this work evolves.

6. Market Shaping Guarantee Structure

- 6.1 Marie-Ange Saraka-Yao, Managing Director, Resource Mobilisation, Private Sector Partnerships and Innovative Finance, presented this item (Doc 06) highlighting that Gavi wishes to leverage International Finance Facility for Immunisation (IFFIm) assets to facilitate Gavi's long-term market shaping transactions.
- 6.2 She noted that Gavi's market transactions often require financial guarantees backed by donor funds so following approvals from IFFIm's Board and donors, a competitive process was conducted, and the Secretariat began working on a long-term guarantee facility proposal with the European Investment Bank (EIB).
- 6.3 Ms Saraka-Yao outlined the proposed terms of the market-shaping structure noting there are no financial implications for Gavi or IFFIm beyond legal fees already incurred until the structure is used to guarantee a vaccine transaction with UNICEF or a manufacturer. She further noted the structure conforms with UNICEF requirements and has been approved at the EIB Board level.

Discussion

- AFC members noted that securing a long-term guarantee facility could allow Gavi to engage in market shaping activity at a lower price with reduced risk to Gavi.
- In response to a question from an AFC member, the Secretariat confirmed the arrangement does not impact IFFIm's credit rating or gearing ratio limit.
- An AFC member enquired if the structure will be used to support COVAX activities and the Secretariat clarified it is designed for Gavi core business but there has been interest in determining if such a structure could be utilised to support the COVAX AMC.
- The Committee expressed support for engaging with EIB and moving this proposal forward while noting the form of the guarantee structure is still being finalised.



7. Review of decisions and any other business

- 7.1 Melissa Wolfe, Senior Manager, Governance, reviewed and agreed the language of the decisions with the Committee.
- 7.2 The Chair noted the annual evaluation of the Finance and Audit & Investigations teams will be conducted as planned. He encouraged AFC members to complete the survey and provide comments. He further noted the survey results will be discussed at its 14 December 2020 meeting.
- 7.3 After determining there was no further business, the meeting was brought to a close.

Brenda Killen
Secretary

Attachment A

Participants

Committee Members

- David Sidwell, Chair
- Benjamin Carcani
- Gianmarco Coccozza
- Emmanuel Maina Djoulde
- Etleva Kadilli
- Tom Morrow
- Andreas Karlberg Pettersen
- Teresa Ressel
- Carmen Coles Tull
- Rafael Vilasanjuan

Regrets

- Kwaku Agyeman Manu

Other Board members attending

- Sarah Goulding

Observers

- Kelly Jarrett, Bill & Melinda Gates Foundation

Secretariat

- Pascal Barollier
- Seth Berkley
- Anuradha Gupta
- Pascale Bijleveld
- Anthony Brown (Agenda Item 5)
- Hannah Burris
- Aaban Butt
- Paul Catchik
- Adrien de Chaisemartin
- Assietou Diouf
- Eric Godfrey
- Edmund Grove (Agenda Items 3 and 4)
- Nikoletta Gutyan
- Brenda Killen
- Simon Lamb
- Kenneth Musiime
- Ian MacTavish
- Jelena Madir
- Thabani Maphosa
- Chrysantus Nyongesa (Agenda Items 3 and 4)
- Narcisa Radvanszky
- Sophie Rainero
- Marie-Ange Saraka-Yao
- Jeanne Shen
- Paolo Sison
- Wendy Tagama
- Jacob van der Blij
- Melissa Wolfe