

Gavi Alliance Audit and Finance Committee Meeting

27 November 2024

Virtual Meeting

1. Chair's report

- 1.1 Noting that the meeting had been duly convened and finding a quorum of members present, the meeting commenced at 14.00 Geneva time on 27 November 2024. Mr David Sidwell, AFC Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack).
- 1.3 The Committee noted its action sheet (Doc 01b) and forward workplan (Doc 01c).

2. Audit and Investigations report

- 2.1 Chrysantus Nyongesa, Director, Internal Audit, introduced this item and reported on Audit and Investigations (A&I) activities, thematic results from 10 programme audits, and the biannual report on recommendation implementation by management and governments.
- 2.2 He stated that Annex A to Doc 02 summarises the status of work against the A&I plan and that no significant audit issues have arisen since the last report was delivered in October 2024.
- 2.3 He highlighted key themes from an upcoming publication on 10 country audits and reported that following previous bilateral questions from some Committee members A&I reviewed Gavi's grant agreement with Africa CDC, which has strong risk mitigation provisions in place that are monitored by the Secretariat.
- 2.4 Mr Nyongesa reported that Gavi's audit functions have successfully passed the External Quality Assessment, meeting the new IIA Standards ahead of their implementation next year, demonstrating the high quality of the audit services provided. He noted that at the next meeting in February 2025, A&I will invite the external assessor to present his results.
- 2.5 He highlighted A&I's initiation of a fraud risk assessment for the African Vaccine Manufacturer Accelerator (AVMA).
- 2.6 Commenting on the six-monthly report on implementation of audit recommendations, he noted that there is a slow improvement in the KPI for management's implementation of Secretariat-agreed audit actions. He

emphasised that whilst there are no overdue high-risk actions, some Secretariat actions have extended deadlines due to external factors.

- 2.7 He stated that implementation on the Government side is slower and explained that the Secretariat continuously follows up with countries to obtain accurate data.
- 2.8 Mr Nyongesa reported that the small shortfall in A&I's 2025 budget that was noted when the 2025 workplan was approved in October 2024 has now slightly increased. He noted that this is not currently a concern and stated that A&I will work with Finance throughout the year to ensure that necessary resources are available to achieve the 2025 plan.
- 2.9 Finally, he highlighted that the Managing Director of A&I will present the annual report (as required under A&I's Terms of Reference) at the Gavi Board Meeting in December 2024 and will confirm A&I's organisational independence.

Discussion

- The Committee commended the A&I team on the outcomes of the external assessment and work conducted on the 10 country audits.
- In response to the concerns expressed by one committee member on the findings from the country focused audits, the Secretariat highlighted two actions that are being taken to mitigate risks. This included country-specific actions and thematic work conducted by the Secretariat, such as reviewing country governance and assurance mechanisms.
- The Secretariat reassured the Committee that if resource shortfalls become concerning, the Chair of the Committee will be informed immediately.
- In response to a query from one committee member, the Secretariat noted that the Africa CDC contract includes robust risk mitigation measures, which are being implemented and that more detailed information can be provided by the Country Delivery Department team if necessary.
- One committee member queried if further audits were planned to explore a broader sample of expenditure specifically in relation to Kenya, where a high level of misuse was discovered. The Secretariat agreed to follow-up on this question separately.

3. Quarterly Financial Management report

- 3.1 François Note, Interim CFO, presented this item and provided an executive summary of the Q4 2024 financial report.

- 3.2 He reported that although vaccine disbursements are on track at 109%, there are challenges with cholera and malaria vaccines which require a significant uplift in Q4. Additionally, he noted that cash programme disbursements are behind plan, necessitating an uplift for Health Systems Strengthening (HSS) in Q4. He noted the importance of managing these disbursements carefully to avoid increasing cash balances in countries where they are already high.
- 3.3 Finally, Mr Note highlighted that Secretariat operating expenses (OpEx) are on track and that the forecasted expenditure is now believed to be between US\$ 192-193 million as opposed to the initial figure of US\$ 196 million, mainly due to the shift of replenishment preparation activities and event budgets into 2025.

Discussion

- In response to a query from a committee member on the delay in HSS cash programme disbursements, the Secretariat noted that this is due to a conservative approach where there is a focus on need-based disbursing to ensure funds are used when required. The Secretariat emphasised the objective of balancing the execution of cash programmes without increasing cash balances in countries.
- In response to a query from a committee member on guiding metrics and principles, the Secretariat explained that it aims to never leave a country without funds and have therefore tightened the 'edge' of money from 12 months to 6 months. It also noted that regular updates from teams ensure need-based disbursements.
- In response to a question from a committee member, the Secretariat clarified that reprogramming guidelines are in place and being applied to ensure proper governance of reprogramming decisions.

4. Financial Forecast update

- 4.1 Ian McTavish, Director of Finance and Chief Accounting Officer, presented this item and noted that the forecast has been exceptionally updated in November resulting in four key changes.
- 4.2 He stated that the proposed changes include: US\$ 199 million increase in funding available for Gavi 5.1 Board-approved programmes from repurposing future COVAX AMC Interest Income (subject to Board decision); US\$ 318 million in funding available from repurposing received AMC interest (pending finalisation of agreements and Board approval).; the finalisation of a market shaping commitment, with the transaction expected to be discussed by the Market-Sensitive Decisions Committee (MSDC) in December 2024; and finally, a US\$ 72 million increase in IFFIm proceeds following a bond issuance

in October 2024. He emphasised that these changes support higher demand for Gavi 5.1 programmes and reflect a strong commitment to immunisation and increased outbreak campaigns.

Discussion

- The Committee expressed its support for not invoking the Prioritisation Mechanism. The mechanism (which is currently under review), provides a pathway for the Secretariat to make prioritisation decisions for country support based on a Board-agreed approach.
- Committee members requested clarity from the Secretariat in relation to the decision on using COVAX AMC interest income for Gavi 5.1, including more detail on the trade-offs with Gavi 6.0 and analysis of other options (within the context of increased demand).
- Based on the above point, several committee members emphasised the importance of the Secretariat presenting a strong narrative to the Gavi Board in December 2024 to support the proposed recommendation. The Committee agreed that this narrative should clearly communicate that there has been a detailed review of programme expenditures, cash balances in-country and sources of funding before concluding that the use of interest outcome was the last viable option. The Committee requested an additional note be added to the decision language to reflect this.
- One committee member requested clarification on the board approved investment into AVMA and how the interest for it will be treated. The Chair stated that the Board approved US\$ 1 billion investment may increase due to donor appetite and noted that the interest allocation for both AVMA and FRF will be discussed as a separate item under Any Other Business.

Decision One

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

- a) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.8 billion and Forecast Expenditure of US\$ 10.7 billion;
- b) **Approve** the updated Financial Forecast for the COVAX AMC and ongoing Board-approved programmes of Qualifying Resources of US\$ 13.2 billion and Forecast Expenditure of US\$ 11.5 billion, with a COVAX AMC retained balance of US\$ 1.6 billion;
- c) **Note** that (i) US\$ 199 million of future COVAX AMC interest and US\$ 318 million of earned interest* are included in the forecast and are made available for Gavi 5.1

Board approved programmes, and (ii) the planned market shaping firm order commitment to be presented to the MSDC in due course has been reflected in the financial forecast and can be funded from the forecast resources available.

- d) **Note** that the Board has approved up to US\$ 500 million for the Day Zero First Response Fund and a further US\$ 49 million has been reallocated by donors; the Board has approved up to US\$ 290 million for the Big Catch Up and a further US\$ 8 million has been reallocated by donors. The Secretariat will not commit above the current Board-approved envelopes until the Board approves the additional programming.
- e) **Note** that the Financial Forecast reflects a detailed review of programme expenditures, cash balances in country and other sources of funding to ensure that resources that could be used in Gavi 6.0 and are being used in Gavi 5.1 are necessary to meet higher demand.

**subject to expected completion of COVAX AMC donor repurposing agreement*

5. Deloitte 2024 audit strategy and planning

- 5.1 Fabien Bryois, Partner, Deloitte SA, introduced the FY24 external audit plan, noting that it will follow the same approach and structure as previous years. He reported that an interim audit was completed last week, and the final audit is to be conducted in March and April 2025.
- 5.2 He reported to the Committee that the materiality level is set at US\$ 60 million, with any corrected or uncorrected misstatements above US\$ 3 million to be raised.
- 5.3 Finally, he notified the Committee that this would be his last year working on the Gavi audit due to rotation requirements in Switzerland and a succession plan is currently under development.

Discussion

- The Chair commended the auditors for the outstanding quality of their work.
- In response to a query from one committee member on the placement of management overrides in the report, the auditors explained that management override of controls is not considered an area of judgment but as a significant risk and area of focus due to the related risk of fraud.

Decision Two

The Gavi Alliance Audit and Finance Committee:

Approved the proposed Deloitte 2024 audit strategy, scope, planning and fees as set out in Doc 05.

6. Treasury update (Currency hedging strategy for Gavi 6.0)

- 6.1 Noting the extent of the discussion on this topic at the AFC Technical Briefing Session in September, Tobias Thiessen, Director, Treasury, provided a summary of key aspects of the currency hedging strategy for Gavi 6.0. This included risk factors such as market and liquidity risks and detail on risks associated with pledges and contributions. He stressed the significance of the amount at stake and emphasised the goal is to have a conservative but pragmatic approach to reduce risk.
- 6.2 He highlighted that due to favourable market conditions, the cost of carry for FX hedging could in fact be described as a 'gain of carry' totalling US\$ 115 million.
- 6.3 Finally, he stated that the current hedging policy suggests 20-40% hedging over the first two years, and that the proposal for Gavi 6.0 is to hedge 50% over five years for secure contributions.

Discussion

- Several committee members noted their comfort with the proposed hedging strategy for Gavi 6.0 and underlined the importance of flexibility in the strategy.
- Based on this, the Committee advised two changes to the strategy including: adding a bullet point that emphasises the goal of maximising hedging coverage at a reasonable cost, as quickly as possible; and rewording the last bullet point to stress the aim to increase the hedge ratio under consideration of cost and risk involved.

7. Programme Funding Policy

- 7.1 The Chair introduced this item and noted that a red line version of the policy had been circulated in advance of the meeting. He emphasised that the goal was to standardise the current policy, and that in line with Grant Management Reform (EVOLVE), further substantial changes to the policy will be made in 2025 and brought to the Committee for review.

Discussion

- The Secretariat expressed appreciation for the AFC working group and noted that it would remain in place for 2025.

- One committee member queried the authorisation of the Secretariat to allot funding up to 120% of the cash-flow based financial forecast. The Secretariat explained that the Committee agreed on a 20% cap based on benchmarking and that the cap (which previously did not exist), was necessary to manage multi-year approvals and disbursements effectively. It was also noted that the policy allows the Gavi CEO to allot up to one year, acting as a guardrail to ensure commitments continue despite uncertainty.
- One committee member highlighted the complexity of making grants that straddle strategic periods and the importance of continuing commitments despite uncertainty about future funding or the timing of replenishments.
- The Secretariat clarified that the policy now includes guidelines for a reprogramming limit of 25% of the approved budget to manage cash balances more actively and noted forthcoming discussion on other aspects of the policy in 2025.

Decision Three

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

Approved the revised Programme Funding Policy as set out in Annex B to Doc 07.

8. Strategic Approach for Fiduciary Risk Assurance and Financial Management of Cash Grants for Gavi 5.0

- 8.1 Thabani Maphosa, Chief Country Delivery Officer, Country Programmes Delivery Management introduced this item and noted that a shift has been observed in the channelling of funds towards Alliance partners and away from governments, mainly due to conflict or misuse situations. He emphasised that the goal of the Secretariat is to strengthen country systems to manage cash and build their own systems for better transition.
- 8.2 Awinja Wameyo, Director, Portfolio Financial Management, reported that the Gavi 5.0 target of using country systems for channelling funding was exceeded whilst the target for the yearly disbursement trend was also achieved. She noted that out of 14 additional countries, 12 progressed to using country systems by Q3 2024, including Kenya in Q4 2024, with a planned transition for Bangladesh in Gavi. 6.0.

- 8.3 She highlighted that strategic assurance providers have been implemented in 43 of the 58 Gavi countries to sustain gains and manage risks and that the remaining countries rely on partner assurance mechanisms.
- 8.4 Finally, she reported that on the forecast of fiduciary risk and assurance envelopes for Gavi 5.0, there was an underspend due to lower programme support costs and the increase of funds going through country systems earlier than planned. She noted that due to the COVID-19 pandemic, projects such as digitisation and mobile money (MoMo) have been rephased into Gavi 6.0.

Discussion

- The Secretariat emphasised that channeling funding through country systems requires significant investment to ensure misuse is controlled and within the risk appetite. In fragile contexts, it was noted that there have been instances where it was necessary to revert to using Alliance partners instead of country systems due to volatility.
- In response to a query from a committee member on collaboration across the global health landscape to strengthen country systems, the Secretariat highlighted several such projects. This included working with the World Health Organization on MoMo workstreams, working with the Global Fund and other partners on Public Financial Management, and the signing of a Memorandum of Understanding with USAID to pool resources for global health projects.
- In response to a query from one committee member regarding the status of Pakistan, the Secretariat stated that the country is currently undergoing a programme capacity assessment to determine the extent to which country systems can be used for grants.

9. Any other business

- 9.1 Marie-Ange Saraka-Yao, Chief Resource Mobilisation and Growth Officer, noted information was provided to the Committee (Doc 09) regarding interest allocation for the African Vaccine Manufacturing Accelerator (AVMA) and the First Response Fund (FRF).
- 9.2 The Chair proposed that the Committee delay providing guidance on this topic until the Secretariat has an opportunity to explore alternatives for allocating interest across Gavi programmes. He advised the Secretariat to report back to the Committee with its findings in 1H 2025.
- 9.3 The Chair noted that a further US\$ 176 million reallocated by donors to AVMA will come to the Board for approval in December, including approval on how it will be disbursed.

- 9.3 After determining there was no further business, the meeting was brought to a close.

Discussion

- In response to a committee member's query, the Secretariat clarified that no commitments have already been made regarding AVMA/FRF interest income.
- The Committee agreed to defer the discussion on the process of interest allocation to allow more time to explore complexities and stakeholder requirements.
- The Committee emphasised the need for decision-making to align with the current governance framework, and for the Secretariat to adopt a forward-looking approach to address potential challenges, whilst reducing complexity. The Committee also stressed that interest should not be allocated by individual donors, allowing it to be used for any Gavi Board approved programme.

10. Closed Session – CONFIDENTIAL

- 10.1 Members of the Secretariat were excused from the meeting and the Committee proceeded with the closed session (see separate minutes).

Ms Melissa Wolfe
Secretary to the Meeting

Attachment A: Participants

Committee Members

- David Sidwell (Chair)
- Latifou Aboudou
- Lauren Franzel
- Gisela Henrique
- Mellissa Hisko
- Hitesh Hurkchand
- Kelly Jarrett
- Eleonora Mei
- Karen Pillay
- Teresa Ressel
- Lotta Sandö Brandt
- Karen Sørensen
- Onei Uetela

Regrets

- Kwaku Agyeman-Manu
- Deena Shiff

Observers/Guests

- Fabien Bryois, Deloitte
- Lisa Watson, Deloitte
- Sara Baiocco

Secretariat

- Andrea Antonelli
- Sally Dalgaard
- Lucy Elliott
- Nikoletta Gutyan
- Ruth Hogland
- Adviya Khan
- Brenda Killen
- David Kinder
- Ian MacTavish
- Thabani Maphosa
- François Note
- Sania Nishtar
- Chrysantus Nyongesa
- Marie Rochat
- Marie-Ange Saraka-Yao
- Derrick Sim
- Maria Thestrup
- Tobias Thiessen
- Awinja Wameyo
- Melissa Wolfe