

Gavi Alliance Audit and Finance Committee Meeting

30 May 2024

Virtual

1. *CLOSED SESSION* with external auditors - **CONFIDENTIAL**

- 1.1 The Committee met in closed session with the external auditors (see separate notes from the closed session).

2. Chair's report

- 2.1 Noting that the meeting had been duly convened and finding a quorum of members present, the meeting commenced at 14.10 Geneva time on 30 May 2024. Mr Naguib Kheraj, AFC Chair, chaired the meeting.
- 2.2 Standing declarations of interest were tabled to the Committee (Doc 02a in the Committee pack).
- 2.3 The Committee noted its action sheet (Doc 02b) and forward workplan (Doc 02c).

3. CEO and COO updates

- 3.1 Sania Nishtar, CEO, welcomed François Note as Interim CFO and Andrea Antonelli as General Counsel.
- 3.2 She highlighted significant stakeholder engagement work was underway for the 20 June launch of the African Vaccine Manufacturing Accelerator (AVMA) and Gavi's Investment Opportunity. She reported that her 6-month plan will be finalised soon with clear objectives set in all aspects, including in risk management and delivery.
- 3.3 She commented on the 15-16 May 2024 Programme and Policy Committee (PPC) meeting noting the PPC discussed the Gavi 6.0 strategy in depth and recommended programmatic strategies for Board consideration on 6-7 June 2024 in relation to AVMA, the Day Zero Financing Facility - First Response Fund and Vaccine Investment Strategy (VIS) 2024.
- 3.4 Finally, she reported that she is working with Secretariat teams on automating reports and dashboards to enable real time monitoring of key financial metrics, and that further details will be provided at the Committee's next meeting in October 2024.

- 3.5 David Marlow, COO, reported on subsequent events that took place since the Committee's advance meeting material was shared, including a discussion the prior day with the World Bank on available IFFIm resources for Gavi 6.0. He noted the amount of forecasted resources changed from US\$ 350 million to US\$ 655 million and as a result, the Secretariat is seeking confirmation that IFFIm's risk tolerance level will remain unchanged for 12 months in order to finalise Gavi's 2023 consolidated financial statements.
- 3.6 He shared reflections on his leadership transition as he prepares to step down from the COO role on 30 June 2024, highlighting the importance of maintaining momentum on Operational Excellence initiatives, talent development, Gavi's culture journey, cross-functional leadership accountability and the organisational excellence agenda.

Discussion

- A Committee member commented that in relation to available resources for Gavi 6.0, an estimate was not shared at the April Board retreat and it would have been helpful if a parameter could have been shared with the Board. The Chair noted the importance of providing the Gavi Board with the best well-informed view of Gavi 6.0 costing and commented that he believed there had been a strong management effort to provide more detailed, transparent information to enable a constructive discussion with the Committee today.

4. Deloitte Audit Presentation

- 4.1 Fabien Bryois, Partner, Deloitte SA, reported the audit is completed and Deloitte is prepared to sign the financial statements after Gavi Board approval.
- 4.2 He noted that all outstanding matters discussed in the 7 May AFC meeting are completed and addressed and Deloitte expects to issue an unqualified audit opinion on the standalone and consolidated financial statements for the year ended 31 December 2023.
- 4.3 He noted six internal control observations in the management letter, three of which remain open from 2022 and three that are new. He commented that all other matters since 2023 have been closed by management and the plan is to address new recommendations in 2024 so there is no major management item open to discuss with the Committee.
- 4.4 Lisa Watson, Director, Deloitte SA, shared Deloitte's observations on the repurposing of remaining COVAX AMC funds noting that as Gavi enters into discussions with donors for the repurposing of funds, Deloitte recommends that Gavi set up a process to track and monitor the situation with each donor to record any exposures for potential return of the balance of funds. It was noted that management agreed with Deloitte's recommendation and the Secretariat

is monitoring the process and situation with each donor. Deloitte also reviewed related proposed disclosures in the financial statements and agreed with the level of disclosures added.

- 4.5 Ms Watson reported that in relation to a 10 May 2024 announcement from Novavax, Deloitte concurs with Gavi's accounting treatment and proposed disclosures in the financial statements.

5. 2023 Annual Financial Report

- 5.1 Ian MacTavish, Director of Finance & Chief Accounting Officer, introduced this item (Doc 05). He thanked Committee members for reviewing the draft reports and the audit team for its hard work.
- 5.2 Ruth Hogland, Head, Financial Reporting, Accounting and Controlling, presented the final drafts of the 2023 Annual Financial Report (AFR), the Gavi Standalone Financial Statements (SFS) and the COVAX Statement of Funds (SOF) for the year ended 31 December 2023.
- 5.3 She reported there were no material changes to the amounts presented in the drafts at the 7 May meeting. She highlighted two minor adjustments that will be made to the AFR in relation to Novavax disclosure notes and updated terminology within the environmental sustainability reporting section.

Discussion

- In response to a question from the Chair, the Secretariat confirmed that all comments received on the draft financial statements from the Committee were considered.
- A Committee member asked about potential financial implications of one outstanding COVAX Advance Purchase Agreement (APA) to which the Secretariat responded it is working with the external auditors to review contractual conditions and expects to close out the APA without material changes to Gavi 6.0 resource estimates.

Decision One

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

Approve the 2023 Gavi Alliance Annual Financial Report and the 2023 Gavi Alliance Statutory Financial Statements.

6. Gavi 6.0 'Strategic Cost Estimate'

- 6.1 Ian MacTavish, Director of Finance & Chief Accounting Officer, presented the Gavi 6.0 Strategic Cost Estimate (Doc 06). He noted the Committee is requested to review and provide guidance on key assumptions underlying the cost estimate and potential risks and opportunities that could impact delivery of the Gavi 6.0 strategy.
- 6.2 He reported the strategic cost estimate of Gavi 6.0 is approximately US\$ 11.9 billion which is based on guidance from the Board and Programme and Policy Committee on strategic trade-offs. He outlined proposed funding envelopes, anticipated efficiencies and trade-offs, including reductions against the initial strategy ambition articulated by the Board at its December 2023 retreat.
- 6.3 Mr MacTavish noted macro-economic drivers taken into consideration in the cost estimate, and outlined risks and opportunities associated with the Gavi 6.0 strategy including transition risks and programmatic risks.
- 6.4 He highlighted that the final cost of the Gavi 6.0 strategy will be driven by resources mobilised through the replenishment process and that a detailed forecasting will take place in H1 2025.

Discussion

- The AFC chair thanked the Secretariat for the considerable data that was provided on the assumptions and variables, noting that the information provided allowed AFC members to gain a good understanding on the Gavi 6.0 'Strategic Cost Estimate'.
- The Committee raised several questions and comments about assumptions on various elements including vaccine procurement, cash-based programmes, and the Partner Engagement Framework (PEF). This included a request for:
 - Further explanation on the key underlying assumptions for the vaccine forecast underpinning the Gavi 6.0 'Strategic Cost Estimate', how trade-offs from the April Board retreat had been reflected and the assumptions made for targeted efficiencies
 - Further clarification on the key underlying assumptions for cash-based programmes underpinning the Gavi 6.0 'Strategic Cost Estimate', and what the assumptions were for targeted efficiencies
 - More information on the key underlying assumptions for the PEF underpinning the Gavi 6.0 'Strategic Cost Estimate', and the assumptions made for targeted savings/efficiencies
 - Clarification on the remit of the AFC given the technical and programmatic assumptions.

- A caveat be included noting that the assumptions can change significantly depending on various factors, including the global markets.
- At the request of the Chair, the Secretariat agreed to provide more information to address the questions following the meeting. This would include a high-level document ahead of the Gavi Board meeting in June, followed by a more detailed discussion with the AFC at a later stage.

7. Financial Management Reporting update

- 7.1 Ian MacTavish, Director of Finance & Chief Accounting Officer, presented this item, informing the Committee that the Quarterly Management Reporting update measures against the last agreed forecast that was approved by the Board in December 2023.
- 7.2 He highlighted key updates, noting the donor repurposing process of COVAX AMC funds was ongoing.
- 7.3 Mr MacTavish highlighted that step one of the Big Catch-Up (BCU) had commenced with US\$ 9 million disbursed to date and noted that the Alliance was confident that the total amount of funding will be disbursed by end 2024. He noted that step two was currently in review and that some vaccine doses had been phased to 2025, with the total funding envelope being US\$ 290 million.
- 7.4 He informed the Committee that in terms of supply and delivery of vaccines, Q1 2024 was close to plan, whilst observing that supply issues for HPV in addition to Penta constraints, are likely to cause delays to BCU country plans until 2025. He noted the positive collaboration and coordination between Alliance partners on the BCU.
- 7.5 On cash programme disbursements, he stated that HSS, EAF, MICs and CDS are behind schedule whilst HSIS disbursements are in line with Q1 2023.
- 7.6 On the PEF, he informed the Committee that this was on track for Q1 2024, however behind for Gavi 5.1.
- 7.7 Finally he noted that operational expenses for the Gavi Secretariat were lower than anticipated due to higher than budgeted vacancies and project phasing.
- 7.8 Tobias Thiessen, Director, Treasury introduced the Treasury Report. He informed the Committee that more substantial discussions in relation to the treasury function will take place at the AFC meeting in October 2024.

Discussion

- The Chair thanked the Secretariat for the presentation including its comprehensiveness and transparency.
- Noting previous discussions and concerns on the significant cash balances, one committee member queried efforts on disbursing money more efficiently. The Secretariat emphasised that there had been progress on this and explained that not all cash balances were of the same nature. For example, whilst it acknowledged that some disbursements are delayed, other cash balances reflect frontloading of cash that happens six months before big campaigns are undertaken. The Secretariat recognised that tracking country capacity was important and that it will be prioritising improving access to reliable information from partners and countries, in addition to a focus on accountability.

8. Ethics, Risk and Compliance Office update

- 8.1 Maria Thestrup, General Counsel (ad interim) and Chief Ethics, Risk and Compliance Office (ERCO) presented this item and considered the paper as read.

Discussion

- The Committee expressed its appreciation of the work done by the ERCO on the Restrictive Measures Compliance Policy.
- One Committee member emphasised the significance of the Alliance Risk Working Group and requested more information on how risk attribution was being addressed. Acknowledging the importance of being anticipatory, the Chair invited the ERCO to include a more forward-looking risk analysis on Gavi 6.0 and other initiatives at the next AFC meeting.
- One Committee Member requested more information on the process of reporting a breach within the Restrictive Measures Compliance Policy. The Secretariat stated that in the interest of comprehensiveness, this will be included in the Whistleblower Policy, and it will ensure that this is adequately referenced in the policy.
- It was noted that the World Health Organization (WHO) had shared detailed feedback with the Secretariat on the AVMA Risk Management Framework, and this could be shared with the Committee, if needed. It was further noted that the WHO would be sharing detailed feedback on the Alliance Risk Working Group to the Secretariat, including a preference to engage those who are closest to the work of the Alliance. It was agreed that this conversation would be taken offline for a more detailed discussion.

- One Committee Member noted that supply shortages and stockouts are separate risks that are not always related. The Secretariat acknowledged challenges around categorisation and indicated that this suggestion would be taken into consideration when the 2024 Annual Risk & Assurance Report is reviewed.
- The Secretariat clarified that the Restrictive Measures Compliance Policy is applicable to Gavi Secretariat staff.
- The Committee agreed to present the Restrictive Measures Compliance Policy to the Gavi Board for approval within the 6-7 June 2024 consent agenda.

Decision Two

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

Approve the Restrictive Measures Compliance Policy as set out in Annex A to Doc 08.

9. EVOLVE Target Operating Model (TOM) Implementation update

- 9.1 Dr Sania Nishtar, CEO, introduced this item and highlighted the importance of EVOLVE in rethinking Gavi's operating model, reimagining the grant-making system, and revolutionising how Gavi engages with countries.
- 9.2 Dr Nishtar emphasised that she is taking a forward-looking approach to getting EVOLVE on track to meeting its objectives and will therefore have direct oversight of the project. She highlighted the importance of the timely deployment of a pilot model that can be iterated upon based on lessons learned and enabling incremental scale-up of the project.
- 9.3 Informed by a series of deep dives, Dr Nishtar emphasised her focus on two parallel tracks: 1) the modification of key policy positions (e.g. simplification of funding levers); and 2) revamping processes including country grant processes, the Independent Review Committee (IRC), and the processing of applications.
- 9.4 She noted that based on analysis conducted on the budget, the Secretariat has concluded that it will not be requesting more funding for EVOLVE. It was noted that a comprehensive review of the project, including the timelines, deliverables and workplan was required.
- 9.5 Aurélia Nguyen, Chief Programme Officer, emphasised the link with the Secretariat's risk approach and noted the inclusion of the Chief Ethics, Risk and Compliance Officer on the EVOLVE Steering Committee. She stated that an

update on project risk would be brought to the Committee in October 2024, and that EVOLVE risks would be included within the revised risk appetite statement for Gavi 6.0.

- 9.6 Thabani Maphosa, Managing Director, Country Programmes Delivery, updated the Committee on the EVOLVE project plan and budget status for Q1 2024.
- 9.7 Mr Maphosa informed the Committee that the spend to Q1 2024 was US\$ 7.6 million which accounts for 47% of the totally budget of US\$ 16.2 million approved in 2021. He stated that the replanning exercise is progressing, with an update scheduled at the AFC meeting in October 2024.

Discussion

- The Committee supported the forward-looking approach and commitment to oversight of the project by the CEO. The Committee emphasised the need for the project to be fit for purpose and well resourced.
- One committee member encouraged the Secretariat to articulate milestones in the project to track progress and to revise the sixteen and a half-month end-to-end grant execution objective if it is no longer viable.
- In response to a query on the fifteen Full-time Employees (FTEs) working on this project, the Secretariat clarified that the CEO would be reviewing current resources against redefined desired skill sets. It was explained that the proposed recruitment of a new Project Lead was a replacement FTE with a different skill set, and not a new role.
- Committee members recommended the Secretariat seek guidance from AFC members in August or September 2024, ahead of the October AFC meeting. Highlighting its commitment to transparency, the Secretariat thanked Committee members for volunteering their time and agreed that it would be useful gain feedback before the model is presented to the Committee.
- Whilst the Committee agreed that the Secretariat should not solicit additional funding, it questioned the viability of achieving the stated objectives with half of the original budget. The Secretariat reinforced its confidence in being able to reach the objectives of EVOLVE with the current budget and one-year timeline.

10. Audit and Investigations report

- 10.1 At the request of the Chair, the paper was considered as read.

Decision Three

The Gavi Alliance Audit and Finance Committee

Agreed that the Institut français de l'audit et du contrôle interne (IFACI) be contracted by Audit and Investigations to carry out the external assessment of the audit functions.

11. Any other business and review of decisions

- 11.1 As requested by one Committee Member, it was agreed that the Secretariat would circulate the outcomes of a meeting that took place with Civil Society Organisations (CSOs) in Washington DC.
- 11.2 The Committee and the Secretariat thanked the outgoing AFC Chair for his commitment and leadership, and welcomed the new AFC Chair, David Sidwell.
- 11.3 The Secretariat thanked David Marlow, outgoing Chief Operating Officer and noted that he would remain a special advisor to the CEO until December 2024.
- 11.4 After determining there was no further business, the meeting was brought to a close.

Ms Melissa Wolfe
Secretary to the Meeting

Attachment A: Participants

Committee Members

- Naguib Kheraj
- Latifou Aboudou
- Kwaku Agyeman-Manu
- Lauren Franzel
- Gisela Henrique
- Mellissa Hisko
- Hitesh Hurkchand
- Kelly Jarrett
- Eleonora Mei
- Karen Pillay
- Teresa Ressel
- Lotta Sandö Brandt
- Deena Shiff

Regrets

- Onei Uetela

Observers/Guests

- David Sidwell
- Mary Gallagher, Special Adviser to the CSO Constituency
- Fabien Bryois, Deloitte
- Lisa Watson, Deloitte

Secretariat

- Sania Nishtar
- David Marlow
- Johannes Ahrendts
- Pascal Barollier
- Pauline Caywood (agenda items 5, 6 and 7)
- Sally Dalgaard
- Lucy Elliott
- Nick Gowers (agenda items 5, 6 and 7)
- Ruth Hogland
- Adviya Khan
- Brenda Killen
- Ian Mac Tavish
- Thabani Maphosa
- Aurélia Nguyen
- Chrysantus Nyongesa
- François Note
- Marie Rochat
- Marie-Ange Saraka-Yao (from 14.15)
- Fatoumata Sy (agenda item 8)
- Wendy Tagama
- Maria Thestrup
- Tobias Thiessen
- Awinja Wameyo
- Melissa Wolfe