

Gavi Alliance Audit and Finance Committee Meeting

7 May 2024

Virtual

1. Chair's Remarks

- 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 7 May 2024. Mr Naguib Kheraj, AFC Chair, chaired the meeting.

2. Closed Session

- 2.1 The Committee convened in closed session to discuss updates related to Operational Excellence and Audit and Investigations (see separate notes). Sania Nishtar, CEO, also provided an update to the Committee in the closed session.

3. Chair's report

- 3.1 Standing declarations of interest were tabled to the Committee (Doc 03a in the Committee pack).
- 3.2 The Committee noted its action sheet (Doc 03b) and forward workplan (Doc 03c).

4. CEO and COO update (including Balance Scorecard and collaboration with other organisations update)

- 4.1 The Chair noted that Dr Nishtar provided a CEO update in the Closed Session.
- 4.2 David Marlow, COO and interim CFO, underlined the importance of the organisation staying focused on Gavi 5.1 execution, Gavi 6.0 strategy design and the replenishment. He highlighted recruitment and onboarding efforts underway for key leadership positions. He also discussed a new holistic approach to treasury and long-term investment strategy.
- 4.3 Mr Marlow outlined collaboration efforts with other organisations including the Global Fund (GF), Global Financing Facility (GFF) and Africa CDC.

Discussion

- A committee member queried the grant disbursement timeframe for 2023. The Secretariat responded that there has been progress reducing the grant

disbursement timeframe following grant approvals from 9 ½ months to eight months.

- In response to a committee member's question about the Africa CDC and Gavi meeting in April 2024, the Secretariat noted the two entities are looking at how Gavi can support Africa CDC programmes within current programme funding envelopes and how Africa CDC can serve as an implementing partner in Gavi 6.0.
- Committee members examined the utility of the Balanced Scorecard and asked for further clarification on the decision-making authority relating to the tool and how the metrics were informed. Committee members suggested that the Independent Review Committee (IRC) grant review timeline and EVOLVE should feature in the Balanced Scorecard. The Secretariat explained that the Scorecard was developed to provide more transparent and systematic reporting to the Board and its Committees, and it will engage with AFC members on potentially enhancing AFC-specific elements.
- The Committee expressed appreciation for a holistic treasury review and approach.

5. Strategic, Programmatic and Management Reporting updates

- 5.1 Aurélia Nguyen, Chief Programme Strategy Officer, noted the organisation is largely on-track with its strategic indicators. She highlighted key programmatic drivers impacting the financial forecast are primarily related to the Big Catch-Up, malaria vaccine introductions and outbreak support including cholera vaccine supply.

Discussion

- Responding to an enquiry from a committee member on the Big Catch-Up, the Secretariat noted the programme is tracking well with an accelerated timeframe for approvals and implementation. It was further noted that although the financial forecast for the Big Catch-Up is slightly higher than the current Board-approved funding envelope of US\$ 290 million, there is a high level of uncertainty in the forecast so there is no additional funding request at this time.
- Committee members asked for clarity on the role of the AFC in relation to decision-making on Gavi 6.0 at the next AFC meeting. The Chair explained that the Committee is tasked to ensure that the Gavi 6.0 financial forecast is logical and based on good assumptions and members will not be required to deliberate on programmatic decisions.

- The collaboration between Gavi and the Global Fund was commended by the Committee. One committee member enquired if a working group had been established, to which the Secretariat responded a decision will be made on this matter following further alignment discussions.
- The Committee encouraged the Secretariat to collaborate with the Global Fund on the Civil Society Organisation (CSO) review and other key upcoming meetings.

6. Finance update

6a. Financial Forecasts for Gavi 5.1 (2021-2025) and COVAX AMC

- 6a.1 Ian MacTavish, Director, Finance and Chief Accounting Officer, presented the updated financial forecasts for Gavi 5.1 (2021-2025) and the COVAX Advance Market Commitment (AMC). He highlighted the key assumptions underlying each forecast and noted that the two forecasts will be presented as one forecast after the COVAX AMC fund reallocation process is complete.
- 6a.2 He reported that US\$ 131 million is available for future investments in the Gavi 5.1 (2021-2025) forecast which reflects an increase of US\$ 264 million in resources primarily due to increased investment income returns and an increase in pledges. He explained that the Secretariat will now include forecasted income from the Gavi Long-Term Investment Portfolio using a methodology that has been agreed with the Chairs of the Investment and Audit and Finance Committees. He further reported that the Gavi 5.1 forecasted expenditure is US\$ 235 million higher than the prior forecast primarily due to increased vaccine procurement.
- 6a.3 He presented the COVAX AMC (2020-2025) financial forecast noting a retained balance of US\$ 1.8 billion which reflected an increase of US\$ 304 million in qualifying resources primarily due to increased investment income and received donations, as well as US\$ 491 million lower programmatic expenditure due to successful COVAX manufacturer negotiations.
- 6a.4 Mr MacTavish outlined key risks and opportunities to the financial forecasts.

Discussion

- Several committee members enquired about the rationale to include principal amounts in the forecast and not related interest income to which the Secretariat responded that this methodology was agreed at the start of the Office of the COVAX Facility and is consistent with previous forecasts. It was noted that following the COVAX fund reallocations and holistic treasury review, the

COVAX AMC interest will be incorporated in the next financial forecast to be presented in October 2024.

- In response to a question about the risk of up to US\$ 200 million related to increased vaccine expenditure, the Secretariat explained that the risk is due to uncertain timing of campaign launches.
- In response to a question about the use of COVID-19 programme underspend, the Secretariat noted additional information will be available after June and further clarification will be provided in the next financial forecast in October 2024.
- The Committee agreed to note to the Gavi Board that the financial forecasts do not include future interest income from COVAX AMC funds not yet disbursed, the African Vaccine Manufacturing Accelerator (AVMA) or the Day Zero Financing Facility (DZF).
- The Chair noted the Gavi Board previously discussed and agreed to carry forward US\$ 12 million of unspent 2023 operating expenditure to fund activities in 2024 by treating the 2023 and 2024 budgets as an overall budget amount which can then be utilised across both years.

Decision One

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

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations to be made to the Programme and Policy Committee and concluded that the recommendations relating to the current strategic period were already included in the previous Financial Forecast and could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy, and, where relevant, remain subject to AMC Donors approval for re-purposing of COVAX AMC funds;
- b) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.6 billion and Forecast Expenditure of US\$ 10.5 billion;
- c) **Approve** the updated Financial Forecast for the COVAX AMC and COVID-19 programme of Qualifying Resources of US\$ 12.8 billion and Forecast Expenditure of US\$ 11.0 billion, with a COVAX AMC retained balance of US\$ 1.8 billion noting that the financial forecast does not include future interest income from COVAX AMC funds not yet disbursed for 2024 and 2025 of US\$ 180 million and the African Vaccine Manufacturing Accelerator or the Day Zero Financing Facility for 2024 and 2025 of US\$ 88 million; and

- d) **Agree** that the budgetary amounts approved by the Gavi Alliance Board in Decision 12 of the Board Meeting of 7-8 December 2022 for Secretariat Resources (including COVAX) for 2023 and separately for 2024, be treated as an overall Budget amount which may be utilised across 2023 and 2024.

6b. Deloitte Advanced Status Report

- 6b.1 Fabien Bryois, Partner, Audit & Assurance, Deloitte SA and Lisa Watson, Director, Audit & Assurance, discussed the Deloitte advance status report. Mr Bryois reported that the audit timeline is on track with no significant issues to report for the Gavi core audit. He noted most significant risks and focus areas outlined in the 2023 audit plan are completed.
- 6b.2 In relation to COVAX, Ms Watson highlighted two matters which the team is working on appropriate disclosure statements for: 1) Novavax settlement and 2) COVAX fund reallocations.

Discussion

- In response to a question about the audit process, Deloitte responded the process has gone smoothly and it is helpful to conduct a mid-year audit with the Secretariat team.

6c. Draft 2023 Annual Financial Reports

- 6c.1 Ruth Hogland, Head, Financial Reporting, Accounting and Controlling, presented the unaudited drafts of the 2023 Annual Financial Report (AFR), the Gavi Standalone Financial Statements (SFS) and COVAX Statement of Funds (SOF) for the year ended 31 December 2023.
- 6c.2 She reported there are no material formatting changes in the statements from prior years and there is additional sustainable reporting in the AFR this year as the Secretariat took the initiative to disclose its carbon footprint on a voluntary basis.
- 6c.3 In reference to the AFR, she highlighted an amendment to the Disclosure on Recent Events and Subsequent Events pertaining to the balance of COVAX and COVAX AMC funds. She also updated the Committee on work underway in relation to recoverability of pledges.
- 6c.4 Ms Hogland highlighted key economic movements in the Balance Sheet and AFR in 2023 compared to 2022, including a US\$ 17 million increase in Secretariat expenses, primarily due to increased staff travel and decreased

staff vacancies. She further noted a US\$ 88 million increase in IFFIm net interest expenses in 2023 compared to 2022, primarily due to a higher weighted average of outstanding bonds payable in 2023 compared to 2022, and a higher couponing rate on a 2022 bond issuance.

- 6c.5 Ms Hogland outlined the governance process to finalise the accounts and noted the final AFR, SFS and COVAX SOF will be presented to the Committee at its 30 May meeting.

Discussion

- The Chair encouraged the Committee to share comments on the draft financial reports with the Secretariat by 14 May so inputs can be incorporated into the final version of the reports.
- In response to questions related to Gavi's sustainable reporting, Deloitte clarified this information is outside the audit opinion. The Secretariat also clarified that carbon footprint calculations include all travel purchased through Gavi's travel agent.

6d. Programme Funding Policy Update

- 6d.1 The Committee noted the Secretariat's proposal to update the Programme Funding Policy and the suggested composition of an advisory group (Doc 06c).

Discussion

- The Committee was asked to provide comments on the Programme Funding Policy proposal to the Secretariat by 21 May.

6e. Treasury Update

- 6e.1 Tobias Thiessen, Director, Treasury, reported that the onboarding of three new financial institutions for banking services is progressing well.
- 6e.2 He noted that discussions with the World Bank continue in relation to a potential asset management solution which will be discussed by the World Bank Board in June 2024.
- 6e.3 Mr Thiessen further noted that in relation to treasury management arrangements for AVMA and the DZF-First Response Fund, the Secretariat conducted RFPs for banks and investment management services in 2023 that could potentially be leveraged for a broader set of options. An update will be provided under agenda items 07 and 08.

7. African Vaccine Manufacturing Accelerator (AVMA) Update

- 7.1 Augustin Flory, Managing Director, Innovative Partnerships and Development Finance, discussed various updates relating to AVMA including; key milestones towards the June 2024 launch; the treasury function and the role of the Secretariat; payment flows for AVMA funds; and finally, the Risk Management Framework.

Discussion

- The Chair noted that he had requested a two-page addendum from the Secretariat ahead of the meeting; this was based on feedback he provided on: the payment approval process, treasury management arrangements and reporting, future interest income treatment, budgetary processes and risk management.
- Several committee members requested clarification on the risk framework, including: the relationship between the risks identified and the risk owners; whether risk owners included Gavi Alliance partners; and finally, how often the risk management framework will be updated. The Secretariat acknowledged these comments and agreed to revert to the Committee with more detail.
- One committee member emphasised the importance of continuing to follow fair and transparent procurement procedures when selecting vaccine manufacturers. The Secretariat recognised this and highlighted the role of advocacy in combating hesitancy that might exist in the market to procure from local manufacturers.
- In response to various comments from committee members on the treasury manager options, the Secretariat agreed to revert to the Committee on the treasury manager selection process. In advance of this, the Chair requested more analysis on the options including resource and budgetary implications. He also asked the Secretariat to clarify the role of the AFC in the decision-making process.

Decision Two

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

- a) **Approve** the Gavi Secretariat as interim treasury manager of the African Vaccine Manufacturing Accelerator (AVMA) until 31 December 2024.
- b) **Note** that the Gavi Secretariat will recommend a long-term treasury management arrangement for AVMA and make a proposal on the use of interest income to the Audit and Finance Committee in the second half of 2024.

8. Day Zero Financing Facility (DZF) – First Response Fund

- 8.1 Augustin Flory, Managing Director, Innovative Partnerships and Development Finance, introduced this item and provided an update on the treasury management arrangements and the disbursement process for the First Response Fund.

Discussion

- The Chair asked the Secretariat to revert on how interest income will be treated and the Secretariat agreed to provide this information before the next Committee meeting in October.
- The Committee asked the Secretariat to formalise the decision-making process that should be followed when the DZF is triggered. This process should set out a clear understanding of the role of various stakeholders within the governance structure, including the Committees, Board and CEO.
- Although the DZF was conceived as a one-time fund, one committee member suggested that the Secretariat consider reviewing the sustainability of the fund.

Decision Three

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

- a) **Approve** the Gavi Secretariat as interim treasury manager of the Day Zero Financing Facility – First Response Fund until 31 December 2024;
- b) **Note** that the release of funds from the First Response Fund is subject to the Gavi Alliance Delegation of Authority Policy; and
- c) **Note** that the Secretariat will recommend a long-term treasury management arrangement for the First Response Fund and make a proposal on the use of interest income to the Audit and Finance Committee in the second half of 2024.

9. Ethics, Risk and Compliance Office (ERCO) Update

- 9.1 Maria Thestrup, General Counsel (ad interim) and Chief Ethics, Risk and Compliance Officer, discussed several proposed changes to Gavi's Risk Policy which she noted was last reviewed in 2014, and a proposed Restrictive Measures Compliance policy.

Discussion

- Committee members provided comments and questions on several areas, including:
 - A request for more information on the hierarchy graphic presented alongside the Gavi Enterprise Risk Management Strategy.
 - Clarity on whether this policy extended to Alliance Partners and if so, the subsequent practical implications of this.
 - A query on which decision-making bodies, in addition to the ERC Officer, can ask for a review of the Risk Policy.
 - Within the Restrictive Measures Compliance Policy, more information was sought on due diligence and the process once a breach has been identified.
- In the interest of comprehensiveness, the Chair asked the Committee to provide additional inputs including editorial suggestions in writing to the Secretariat. Following this, an updated version of the Risk Policy will be presented to the Committee for recommended Board approval.

10. Audit and Investigations Report

- 10.1 Lucy Elliott, Managing Director, Audit & Investigations (A&I), outlined the status of A&I activities for the first quarter of 2024.
- 10.2 Ms Elliott notified the Committee that in March 2024, A&I finalised significant audit issues related to EVOLVE as indicated in the accompanying report. She also noted eight programme audits that have been recently published and presented in a deep dive in April during which, donors were briefed on the themes noted in the report and on positive advances in good governance that these audits observed.
- 10.3 Ms Elliott expanded on two themes including effective vaccine management with a focus on cold chain equipment maintenance and HSS. On effective vaccine management, she stated that A&I regularly reviews practices of maintenance in programme audits, recognising that when the independent review committee approves Gavi cold chain equipment grants, it requires the countries to include in their application plans for equipment service maintenance, and to identify suitable repair and maintenance providers.
- 10.4 She reminded the Committee of the report of the internal audit of Gavi's Cold Chain Equipment Optimisation platform that was published last year and stated that the recommendation to enhance cold chain equipment performance monitoring and data feedback loops is still open. She explained that while there have been improvements, the Secretariat is exploring alternative solutions to ensure equipment performance monitoring is systemised within countries.

- 10.5 On HSS, she noted some good practices in this set of programme audits. In particular, she highlighted that COVAX was an important part of these accomplishments and illustrated some examples from the report.
- 10.6 She informed the Committee that A&I was finalising an audit of the transition process and expected to bring the results to the 30 May AFC meeting.
- 10.7 Ms Elliott highlighted progress with Gavi's internal assessment of audit quality against the standards of the Institute of Internal Auditors, an exercise that has been done in preparation for an external quality assessment later this year. She noted the search for an external quality assessment provider was progressing in liaison with the Chair.
- 10.8 She observed that as illustrated in Annexes A and D to Doc 10, despite staffing challenges, (vacancies and long-term illness) A&I work is on track.
- 10.9 She highlighted that for resource management purposes, the SAP post-implementation audit that was originally scheduled for Q1 2024 was postponed by a few weeks at the Finance Team's request.
- 10.10 As requested by the AFC, Ms Elliott elaborated on two prior audits: Risk Culture and Grant Application review and approval. She stated that the Risk Culture audit report is now available online and the Grant Application, Review and Approval audit is about to be published.
- 10.11 Finally, Ms Elliott requested feedback from the Committee by the end of May with suggestions on key risks where audit or advisory work would be useful in 2025.

Discussion

- In response to an enquiry from a Committee Member, the Secretariat responded that the relationship between the Audit and Investigations function and the newly-appointed Gavi CEO was strong.

11. Any other business and review of decisions

- 11.1 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
- Lauren Franzel
- Gisela Henrique
- Kelly Jarrett
- Eleonora Mei
- Kwaku Agyeman-Manu
- Mellissa Hisko
- Hitesh Hurkchand
- Deena Shiff
- Onei Uetela

Regrets

- Karen Pillay
- Andreas Karlberg Pettersen
- Teresa Ressel

Other Board members attending

- Sania Nishtar
- Michael Kent Ranson

Observers/Guests

- Lotta Sandö Brandt (Swedish MOFA)
- Michael Kent Ranson (World Bank)
- Fabien Bryois, Deloitte
- Lisa Watson, Deloitte

Secretariat

- Johannes Ahrendts (agenda item 2)
- Pascal Barollier
- Charles Bleehen (agenda items 7,8)
- Paul Catchick
- Pauline Caywood
- Sally Dalgaard
- Lucy Elliott
- Augustin Flory
- Edmund Grove
- Ruth Hogland
- Adviya Khan
- Brenda Killen
- David Kinder
- Ian Mac Tavish
- Thabani Maphosa (agenda items 1-5)
- David Marlow
- Laura McKeaveney (agenda item 2)
- Aurélia Nguyen
- Chrysantus Nyongesa
- Marie Rochat
- Marie-Ange Saraka-Yao
- Derrick Sim (agenda item 2)
- Fatoumata Sy
- Wendy Tagama (agenda item 6c)
- Maria Thestrup
- Tobias Thiessen
- Melissa Wolfe