

SUBJECT: AUDIT & FINANCE COMMITTEE CHAIR REPORT

Category: For Information

Section A: Introduction

- This report provides the Gavi Alliance Board with an overview of the activities of the Audit and Finance Committee (AFC) since the 15-17 December 2020 Gavi Alliance Board meeting.
- The start of the year has been particularly intense for Gavi with the operationalisation of COVAX, the transition to the new strategic period including the implementation of the Secretariat reorganisation and the acceleration of the statutory financial reporting timetable all against the backdrop of continued disruptions to routine programmatic activity caused by the pandemic, and within a remote working environment.
- The AFC continues to meet more frequently to ensure that the operationalisation of the COVAX Facility is in accordance with the risk management framework:
 - In the first half of 2021, the AFC met five times to receive updates from the Office of the COVAX Facility and the appointed advisers to consider financial and operational risks, and proposed mitigations. The complexity of the Facility, the dynamic nature of the pandemic and the fast-moving pharmaceutical vaccine landscape have contributed to a complex risk environment and the members of the Secretariat and the AFC have ‘lent in’ accordingly. Considerable progress has been made to identify, measure and mitigate the risks. Importantly, mitigation of credit risk is expected to be implemented during July. At this time no matters require the attention of the Gavi Alliance Board.
 - In addition, the AFC met four times to consider Gavi ‘core’ matters in accordance with the standard workplan. Subjects reviewed are noted under Section B and matters to be reviewed in upcoming meetings are included under Section C. No issues have been identified as a result of this work.
- AFC recommendations to the Gavi Alliance Board are attached as Annex A.

Section B: Subject matters reviewed

1) 2020 Annual Financial Statements and Audit

- There were no new accounting standards effective 1 January 2020 that impacted Gavi for the year ended 31 December 2020.
- The statutory financial reporting process has been accelerated by two months to comply with the Swiss regulations which require all Swiss Foundations to submit approved Financial Statements within six months of the financial year end.
- The AFC considered the audit report of Deloitte, the external auditor of Gavi, and met with them in closed session. No material issues or adjustments were raised by Deloitte who anticipate issuing an unqualified audit opinion.
- The narrative disclosure in the Gavi Annual Financial Report has been updated to appropriately reflect the significant events and changes to Gavi's mission which took place during 2020. These include the transition to the new strategic period and the approval for Gavi to act as COVAX Facility administrator.
- The AFC recommended that the Gavi Alliance Board approve the Annual Financial Report.

2) Financial Update: 2016-2020 actuals and 2021-2025 forecast

- The AFC reviewed the actual performance for the 2016-2020 strategic period (Gavi 4.0) and the updated forecast for the 2021-2025 strategic period (Gavi 5.0) and discussed variances and changes from the last forecast presented in December 2020. The AFC discussed the amounts relating to new investment decisions that would be submitted to the Gavi Alliance Board in June 2021 for approval.
- The AFC concluded that all programme funding decisions to be taken at the 23-24 June 2021 Gavi Alliance Board meeting could be approved as sufficient qualifying resources (per the programme funding policy) are available.
- The AFC noted the uncertain current environment, impacted by the COVID-19 pandemic and COVAX deployment, and the likely impact on forecasted expenditure.
- The AFC further noted that the financial forecasts will be updated in due course to reflect investment priorities, financed through funds available for future investments and the allowance for future contributions not yet pledged.

3) Currency Hedging Update

- As of 31 March 2021, the Secretariat has hedged 80% of the forecast contributions estimated to be received in 2021 & 2022 and 30% of the

forecast contributions estimated to be received in 2023 to 2025 with the objective of securing exchange rates.

4) COVAX Facility

- The AFC has convened additional meetings to address the risks of the Office of the COVAX facility.
- The AFC supported appointing Citi as Financial Advisor to COVAX. Citi continue to provide Gavi with expert advice on structures to mitigate sovereign, credit and operational risk as the Facility seeks to facilitate pooled procurement and equitable distribution of safe and effective COVID-19 vaccines from multiple pharmaceutical manufacturers to COVAX participating economies (both AMC and self-financing) once they reach licensure.
- The AFC provided Finance and Risk input to the Market-Sensitive Decisions Committee.
- The AFC reviewed the Q1 2021 COVAX facility costs.
- The AFC agreed to recommend to the Gavi Alliance Board the approval of the COVAX Facility budget for 2021 and forecasts for 2022 and 2023.
- The AFC provided guidance to the Secretariat on the preparation of the COVAX Statement of Funds for the period ended 31 December 2020 and considered the report of the external auditor on these Financial Statements.

5) Audit & Investigations (A&I)

- The 2021 Audit and Investigations plan was approved by the AFC last year. In addition to the coverage of Gavi's usual activities, the plan provides for the audit of key aspects of the COVAX facility and the roll-out of COVID-19 vaccines with its attendant risks. A&I has now compiled a more detailed approach to examining the risks associated with COVAX, flexing its work according to changing risks. Programme audits in country were suspended in 2020 but have now recommenced using local consultants to undertake the work. AFC is regularly briefed on the work undertaken against plan and much work is progressing on multiple fronts.
- The AFC has received regular updates on whistle-blower reports received including any items which relate to COVAX. The A&I function is collaborating with the audit and oversight functions of partners – WHO, CEPI, and UNICEF – to ensure there is co-ordination in managing any matters reported across the agencies. There have been no major investigations in the course of the year to date.
- The AFC has received regular updates on the reimbursement against misuse identified in programme audits and investigations. Although the overall scheduled reimbursement against identified misuse remains high at about 95%, it is clear that countries are in some cases experiencing difficulty in making payments and we should anticipate that the overall recovery rate

may worsen as Gavi makes accommodations in understandably challenging circumstances.

- The AFC has asked for a review of certain areas of improvement in A&I's own activities: the timescale to finalise programme audits; the tracking of improvements in country processes arising from programme audits; and the satisfactory remediation of audit issues arising in the Secretariat. We expect to receive reports on these in the second half of the year.

6) Risk Management

- The AFC reviewed the COVID-19 delivery risk framework and the establishment of a COVAX Facility-wide risk register;
- The AFC received an update on major changes in Gavi's risk profile since December 2020 and discussed progress made on risk management;
- The AFC reviewed the draft updated Risk Appetite Statement and recommended it to the Gavi Alliance Board for approval.

Section C: Subjects to be reviewed in upcoming AFC meeting 21 June 2021

- Audit and Investigations
- Gavi and IFFIm Interim Financial Statements: Q1 2021
- Organisational Review
- Cybersecurity Risk Update

Annexes

Annex A: AFC recommendations to the Gavi Alliance Board

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Decision Set One (4 May 2021)

The Gavi Alliance Audit and Finance Committee **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 these recommendations could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy.
- b) **Approve** the updated Financial Forecast for the Gavi 5.0 (2021-2025) period.

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

- a) **Approve** within the overall Partners Engagement Framework,
 - i. The proposed UNICEF procurement fee of US\$ 28.7 million for 2022;
 - ii. A budget of US\$ 24.4 million for UNICEF Supply Division fees for the procurement of vaccines, related devices and yellow fever surveillance and diagnostics equipment in 2022; and
 - iii. A budget of US\$ 4.3 million for UNICEF Supply Division fees for the procurement of cold chain equipment for 2022.
- b) **Note** that the procurement fee excludes any procurement activity related to COVAX.

Decision Set Two (3 June 2021)

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

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations from the Programme and Policy Committee and concluded that these recommendations could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy
- b) **Approve** the 2021-2022 COVAX AMC Financial Forecast, as amended noting the AFC reviewed the forecast as presented and agreed that it will be amended for the June 2021 Gavi Alliance Board meeting to reflect recent developments as discussed at the meeting. The AFC requested that the revised forecast be discussed at the 21 June AFC meeting.

Decision Set Three (7 June 2021)

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

Approve the 2020 Gavi Alliance Annual Financial Report and 2020 Gavi Alliance Statutory Financial Statements, as amended by discussions at the AFC.

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

- a) **Note** that the Audit and Finance Committee reviewed the financial implications of the recommendations made by the Programme and Policy Committee at its meeting on 19-20 May 2021 and concluded that these recommendations could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy.
- b) **Note** that except for reflecting the financial implications for Gavi 5.0 of the recommendations made by the Programme and Policy Committee, no changes have been made to the Financial Forecast approved by the Audit and Finance Committee on 4 May 2021
- c) **Approve** the updated Financial Forecast for the Gavi 5.0 (2021-2025) Strategic Period.

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

Approve the updated Risk Appetite Statement, as amended by discussions at the AFC.