

Gavi Alliance Audit and Finance Committee Meeting

10 October 2019

Gavi Office, Washington DC, USA

1. Chair's report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 09.00 Washington DC time on 10 October 2019. 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 25 July 2019 (Doc 01b) which had been approved by no objection on 13 September 2019.
- 1.3 The Committee also reviewed its action sheet (Doc 01c), noting that several actions will be addressed in this meeting, and workplan (Doc 01d).
- 1.4 The Chair acknowledged the work of Tony Dutson, Senior Director, Finance and Chief Accounting Officer, who would be moving on from Gavi at the end of the year. He thanked him for his service to the AFC and to the Board, expressed appreciation for his dedication and professionalism and wished him well for the future.

2. Finance Update

2a Financial update (including financial forecast 2016-2025)

- 2a.1 The Chair introduced this item briefly by informing AFC members that he had asked the Secretariat during their presentation to focus on any changes since the July 2019 Board meeting during which the financial forecast had been considered closely in the context of the pending launch of the replenishment investment case.
- 2a.2 Assietou Diouf, Managing Director, Finance and Operations, presented the financial update and financial forecast (Doc 02a) noting that there was nothing significant to report in terms of changes related to both qualifying resources and expenditure since July 2019.
- 2a.3 She highlighted that the overall expenditure forecast for the 2016-2020 strategy period stands at US\$ 9.1 billion and that the overall expenditure forecast for the 2021-2025 strategy period remains at US\$ 9.4 billion, both of which are consistent with the figures presented in July.

2a.4 Ms Diouf referred to the inclusion of US\$ 61 million in the forecast for this strategic period and US\$ 19 million for the next strategic period related to recommendations to be reviewed at the October 2019 Programme and Policy Committee (PPC) meeting on potential Gavi's investment in Ebola vaccines.

Discussion

- The Chair noted that a proposed increase of US\$ 75 million in Health Systems Strengthening (HSS) expenditure would potentially lead to exceeding the Board-approved disbursement envelope of US\$ 1.3 billion and that it will be important that this is flagged to the Board at its December 2019 meeting. He also noted that there is financial capacity to absorb this cost due to slight reductions on other expenditure lines.
- In the context of this discussion, AFC members noted an increase of US\$ 100 million for HSS in the 2021-2026 forecast since the figures were presented to the Board in July, to maintain the 2016-2020 ceiling for all countries that remain eligible in the 2021-2025 period. It will also be important that this is flagged to the Board at its December 2019 meeting.
- AFC members noted that the PPC will also be considering a recommendation in relation to malaria amounting to US\$ 87 million in the next strategic period and that this has been included in the financial forecast, allocated out of the provision for strategic investments of US\$ 500 million.
- An AFC member asked if in the 2021-2025 forecast the impact of different support to countries has in any way been considered. The Deputy CEO clarified that the anticipated needs for countries during the strategic period have been taken into account. She highlighted the three major components of the 2021-2025 budget forecast, namely vaccine programmes, cash-based programmes and enabling infrastructure and investments (Partners' Engagement Framework and Secretariat).
- The AFC noted that there is a difference of US\$ 30 million between qualifying resources and expenditure for the 2021-2025 strategic period. The Secretariat noted that the programme funding policy allows funding decisions to be made before donor pledges have been received.
- It was also noted that there is a Board-approved prioritisation mechanism in place to inform funding decisions in a resource constrained environment, and Gavi also has a cash investment reserve. It was finally noted that after taking into account the proposed US\$ 87 million investment for malaria in the next strategic period, there is a remaining US\$ 413 million for strategic investments which has not yet been earmarked.
- One member of the AFC asked whether fundraising for IFFIm (International Finance Facility for Immunisation) could potentially complicate Gavi's own replenishment, taking into account also that pledges to IFFIm and pledges to Gavi are not always for the same time period. The Secretariat noted that IFFIm is an important instrument for Gavi and that there are ongoing discussions with donors

to explore the possibility of some of their funds being pledged through IFFIm. It was also noted that, to the extent that new pledges are given to IFFIm for the next strategic period, the amount that comes to Gavi as proceeds will be dependent on the nature of the pledge (country and currency) and the amount that can be called forward during the next strategic period.

- Mr Dutson concluded the discussion by acknowledging the members of the finance team.

Decision One

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

- a) **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 Board in accordance with the Programme Funding Policy.
- b) **Approve** the Financial Forecast for the period 2016-2020 as set out in Section C of Doc 02a.
- c) **Approve** the Financial Forecast for Gavi's next replenishment period, 2021-2025, as set out in Section D of Doc 02a, which is dependent on resources becoming available for that period.
- d) **Authorise** the Gavi Secretariat to allot funding in 2020 for new programmes and for the continuation and adjustment of funding to existing programmes, in accordance with the Programme Funding Policy. In making such allotment decisions, the Secretariat will take into consideration the outcome of Gavi's replenishment in June 2020.

2b Partners Engagement Framework and Secretariat Budget (2020)

- 2b.1 Assietou Diouf, Managing Director, Finance and Operations, presented this item (Doc 02b) highlighting that the overall envelope for the 2020 budget remains in line with the 2019 budget, with non-material changes within some components.

Discussion

- AFC members noted the increase for Targeted Country Assistance (TCA) from US\$ 95 million to US\$ 100 million, based on Gavi's renewed focus on strengthening country capacity.
- They also noted that the Secretariat budget for 2020 is approximately US\$ 2 million higher than 2019, as a result of one-off replenishment costs.

- The AFC also noted that two items had already been approved by the Board, namely, Vaccine and Cold Chain Equipment Optimisation Platform (CCEOP) procurement fees and the envelope for post-transition support for 2018-2022.
- In response to a query from the AFC Chair relating to the outcomes of investments in Partnerships in Innovations, the Deputy CEO noted that the Evaluation Advisory Committee has approved an evaluation of private sector partnerships which will be launched shortly and also that each partnership has its own monitoring and evaluation framework. AFC members agreed that it would be very useful going into the next strategic period to learn more about this area of activity and lessons learned.
- In relation to the budget line for evaluations and assessments, one member of the AFC questioned why, as there appeared to be an underspend in both 2018 and 2019, the budget for 2020 still remained quite high. The Deputy CEO noted that this budget line covers costs related to evaluations, targeted studies and impact assessments, as well as programme capacity assessments (PCAs). She noted that the change in the approach to the full country evaluations (FCE) had resulted in an underspend in previous years but that for 2020 there is a learning agenda around the vaccine investment strategy (VIS) which will require resources. It was also noted that the underspend is not a reflection of having had to deprioritise monitoring and assessment activities, but rather of evolving approaches which have at times led to cost savings.

Decision Two

Taking note that the budget for Vaccine and CCEOP Procurement fees and the envelope for Post-Transition Support for 2018-2022 have already been approved by the Board (US\$ 23.3 million and US\$ 21.8 million respectively for 2020), the Gavi Alliance Audit and Finance Committee **recommended** to the Gavi Alliance Board that it:

- a) **Approve** within the overall amount of US\$ 253.4 million for 2020 for the Partners' Engagement Framework, the following allocations:
 - (i) US\$ 165.4 million for PEF Partners to support Targeted Country Assistance, Special Investments in Strategic Focus Areas and Foundational Support;
 - (ii) US\$ 0.4 million in fees for UNICEF Supply Division to procure yellow fever diagnostic surveillance equipment;
 - (iii) US\$ 24.0 million for investing in Partnerships in Innovation to be administered by the Secretariat;
 - (iv) US\$ 18.5 million for Impact Assessments and Evaluations to be administered by the Secretariat.
- b) **Approve** US\$ 110.3 million for Secretariat Engagement;
- c) **Approve** US\$ 0.5 million for capital expenditure budgets to implement the Secretariat's part of the Gavi Engagement Framework.

Benjamin Carcani (World Bank) and Maty Dia (CSOs), recused themselves and did not vote on Decision Two a) (i) above.

2c SAP Update

- 2c.1 Tony Dutson, Senior Director, Finance and Chief Accounting Officer, provided a brief update on the roll-out of SAP which had taken place as planned on 1 October 2019. The finance team is very pleased with the system and, in particular, with improvements in control functions.
- 2c.2 He noted that with the new system Gavi will be able to move from a close process of 20 days to a close process of under five working days, and there will be improvements in relation to providing timely information within the organisation to significantly aid decision making.
- 2c.3 Finally, he noted that this roll out is simply the start of a journey as work continues towards implementing SAP Analytics in the coming months.

Discussion

- In response to a question from the AFC Chair relating to any data migration accounts (suspense accounts) which had been set up in the context of migrating to the new system, the Secretariat noted that one of the key controls that had been recommended before going live was to ensure that these accounts netted zero and that this could be confirmed to be the case.
- AFC members noted that a robust governance structure had been put in place to oversee the whole process.
- It was also noted that the SAP GRC (governance, risk and compliance) solution will be implemented in the future and that this will provide further assurance on controls around user role assignment.
- The AFC Chair asked that the whole team involved in the project be thanked on behalf of the Committee.

2d Abridged Interim Financial Statements (H1 2019)

- 2d.1 Pauline Caywood, Head, Financial Accounting and Reporting, gave a brief presentation on this item (Doc 02d). She highlighted that the Secretariat is confident with the adoption of the new accounting standard, Accounting Standards Update (ASU) 2018-08 “Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”.

Discussion

- In response to a question from the AFC Chair, the Secretariat confirmed that they do find it useful to now systematically do quarterly reviews. Not only is it good practice but it also enables significant variances to be both identified and understood.
- The Secretariat noted that there is a desire to be able to provide information on an even more timely basis and that discussions with the World Bank are ongoing to see if some of the processes can be accelerated. In addition, the Secretariat is considering providing standalone Gavi financials which can be provided on a more timely basis.

2e IRS Form 990 Draft

- 2e.1 Tony Dutson, Senior Director, Finance and Chief Accounting Officer, presented this item (Doc 02e) reminding AFC members that the Form 990 is Gavi's annual return to the United States' Internal Revenue Service ("IRS") as required for organisations that are exempt from federal income tax.
- 2e.2 Mr Dutson reviewed in detail the section of the Form 990 pertaining to compensation, explaining each of the components of the disclosure and indicating that unlike previous years figures disclosed were not driven by exchange rate changes.

Discussion

- AFC members noted that while the Board does not approve this form, it is necessary to ensure that a governance body reviews it and this is the role of the AFC.
- AFC members noted that there are no material matters to draw to their attention and that Deloitte has completed their review and cleared the form and will sign it before submission by the 15 November deadline.
- In response to a question from an AFC member, the Secretariat noted that the form will be published by the IRS, but not normally until at least mid-2020.

3. Risk Management Update (incl. Risk and Assurance Report)

- 3.1 Jacob van der Blij, Head, Risk, presented this item to the Committee (Doc 03) and commented on the progress made on risk management in terms of instilling a risk aware culture; active top risk management in particular through the Secretariat Risk Committee; embedding risk management in everything we do including in the Gavi 5.0 strategy development and operationalisation processes; and, engaging

partners on risk and sharing Gavi's risk experience with other global health organisations.

- 3.2 Mr van der Blij highlighted that preparations for Gavi 5.0 are already underway in terms of potentially rethinking the three lines of defence model and the next phase of risk management based on where we are now.
- 3.3 In terms of the risk report, he noted that the risk profile remains relatively stable when compared with 2018. He described the top risk evolution since 2018, namely, relating to *sustainable transition* and *strategic relevance* that were potential risks seen as decreasing, and *polio disrupting immunisation* and *Secretariat capacity* where potential risks are seen as increasing.
- 3.4 Mr van der Blij noted the risks which are outside of risk appetite and then invited AFC members to share views on where they see key risks for Gavi 5.0, based on the preliminary thoughts shared in the Risk and Assurance Report on how Gavi's risk profile may shift under Gavi 5.0.

Discussion

- AFC members noted the increasing medium risk of Secretariat capacity with respect to being fit for 5.0, which is going to be more challenging and will require a lot of change in how the Secretariat is working. In this context, the Chair indicated that, in particular, insufficient progress has been seen in addressing recurring findings from programme audits, and suggested that a fundamental change is needed in how the three lines of defence work together, mobilising and capacitating first and second lines in order to reduce reliance on the third line and ensure risks identified through audits, risk registers, programme capacity assessments and other sources are actively being addressed after having been identified and discussed. He stated that the strategy operationalisation during this current period should be used to address this in order to be successful in Gavi 5.0.
- AFC members noted how Gavi's risk profile may shift under Gavi 5.0 and that this overall is increasing inherently. The Chair suggested that for discussion with the Board, it would be useful to look at how the risks we have today will change in Gavi 5.0 and which new risks may appear. It was also suggested to group these changes in a few big categories of related shifts, and to highlight what the Secretariat is proposing to do differently in Gavi 5.0 to mitigate increased risk exposures.
- The Chair suggested to step back and understand how learnings from Gavi 4.0 should inform thinking on risks for Gavi 5.0 and have a conscious actionable discussion with the Board on each change and if the proposed actions will bring exposures within risk appetite or whether it necessitates changes in risk appetite. It was also questioned whether more differentiation is needed with more ambitious approaches in certain countries.

Decision Three

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

Approve the Draft Risk & Assurance Report 2019 as set out as Annex A to Doc 03.

4. Audit and Investigations Report

- 4.1 Simon Lamb, Managing Director, Audit and Investigations (A&I), introduced this item (Doc 04) indicating that Chrysantus Nyongesa, Head, Internal Audit, and Edmund Grove, Director, Programme Audit, would present the reports relating to their specific areas of expertise.
- 4.2 Mr Nyongesa provided information in relation to three significant audits which are reaching finalisation, namely, SAP implementation; Programme Capacity Assessment (PCA); and Enterprise Risk Management (ERM).
- 4.3 In relation to the audit of SAP Implementation, he highlighted that this was somewhat different from a traditional audit in that the audit team was able to provide recommendations in real time which could then be taken on board. He reported that the project had been well managed, reflecting the resources allocated to the project. The audit had focused on project governance arrangements, risk management and project planning and management. He suggested that going forward it might be useful to ensure as part of project planning that sufficient time is allocated to each project activity to avoid significant overlaps and carry-over of open issues across project phases.
- 4.4 In relation to the PCA audit, he noted that the scope of PCAs includes financial management capacity assessment, programme management capacity assessment and vaccine and cold chain management capacity assessment. The audit focused on the entire process from procurement of the PCA contractor to subsequent performance management. The audit also looked at the PCA process in terms of how the scoping is done, the in-country review, how recommendations (grant management requirements) are developed, and the process of monitoring implementation of those recommendations in country. The audit also looked at what happens to PCA outputs and if they are being used effectively for risk management.
- 4.5 The audit has concluded that the team has done quite well in broadening the scope of the PCAs as well as delivering on the 52 PCAs within the planned timeframe. Some high-risk issues have been identified relating to the use of PCA outputs for effective risk management, incompatibility of roles within the country support function, clear lack of monitoring and implementation of PCA recommendations and issues in relation to the timelines between finalisation of PCAs and development of the grant management requirements.

- 4.6 Mr Lamb provided a brief report on the ERM audit, highlighting that no high-risk issues are being identified. He suggested that going forward it might be useful to do an audit of the risk control environment across Gavi.
- 4.7 Mr Grove provided an overview of the status of programme audit activities, noting that two audits (Afghanistan and India) would be postponed to 2020 due to country constraints. He referred to the Programme Audit Remediation Status, noting that the data used to compile the information is self-reported.
- 4.8 He referred to the country reimbursement schedule, noting that it is hoped that by the end of the year the recovery rate will have returned to its higher rate. In relation to the analysis of the country reimbursement schedule, he referred to the additional information that had been included at the request of the AFC which indicated misuse as a % of spend and misuse as a % of amounts audited.

Discussion

- In response to a question from the AFC Chair, the Secretariat noted that the grant management requirements arising from the PCAs are focused more on financial aspects, whereas the Joint Appraisals (JAs) are programmatic.
- AFC members noted that PCAs are carried out at the appropriate levels in-country. They also noted that while all governments have their own audit functions it can be the case in Ministries of Health that they do not always cover EPI, even if it is a department within the ministry, due to bandwidth in some countries and lack of understanding of what their role is in others.
- In this context, it was noted that there are effective audit functions within ministries which are not always involved at the outset in establishing the assurance framework for Gavi's funding and further work could be done to consider how this might be remediated.
- It was suggested that as we look at operationalising Gavi 5.0 there is a need to look holistically at PCAs, JAs and the findings of programme audits to ensure that the assistance provided to countries is fit for purpose particularly in light of the ambitions of Gavi 5.0.
- In response to a question from an AFC member, the Secretariat clarified that for internal audits, reports are posted to the Gavi web site but not shared with countries. The reports are used to hold management to account and will be used when rethinking the three lines of defence model going forward.
- In relation to the analysis of country reimbursement schedule, the AFC Chair noted that where there is higher spending there would appear to be a lower rate of misuse and wondered if there is a correlation in that certain countries are identified as being lower risk. The Secretariat clarified that this is not the case.
- One member of the AFC enquired as to what happens to the funds which are not audited and it was noted that one of the key principles when requesting reimbursements is not to extrapolate from audit results to request reimbursement

across the total amount granted. The Secretariat also noted that it is normally areas of high risk that are audited.

- One AFC member asked a question in relation to Gavi funds which are going through pooled funding mechanisms and the Secretariat confirmed that it is not possible to trace such monies and thereby audit their use.

5. Insurance and Legal update

- 5.1 Anthony Brown, Acting Director, Legal, briefly presented this item to the AFC (Doc 05). He highlighted that there were no significant legal matters to report, other than the matter that had been covered by the Managing Director, Audit & Investigations, in closed session the previous day.
- 5.2 In relation to Gavi's insurance coverage, he noted the significant change this year in comparison to previous years relates to the inclusion of a cybersecurity policy.
- 5.3 Finally, he informed AFC members that it is planned, prior to the end of 2019, to issue a Request for Proposals (RFP) for broker services given that it has been five years since the last RFP was conducted in which the current provider was appointed.

Discussion

- In response to a question from the AFC Chair, the Secretariat confirmed that it is felt that Gavi has the right breadth of insurance coverage and that this is something which is continuously monitored both internally and with the broker.

6. Review of decisions and any other business

- 6.1 Philip Armstrong, Director, Governance and Secretary to the Board, reviewed and agreed the language of the decisions with the Committee.
- 6.2 After determining there was no further business, the meeting was brought to a close.

Philip Armstrong
Secretary

Attachment A

Participants

Committee Members

- David Sidwell, Chair
- Kwaku Agyeman Manu*
- Gisella Berardi*
- Benjamin Carcani
- Maty Dia
- Emmanuel Maina Djoulde
- Tom Morrow
- Andreas Karlberg Pettersen
- Teresa Ressel

Regrets

- Irene Koek

Other Board members attending

- Violaine Mitchell (Items 1-3)

Observers

- Kelly Jarrett, Bill & Melinda Gates Foundation

Secretariat

- Seth Berkley*
- Anuradha Gupta
- Philip Armstrong
- Anthony Brown (Agenda Item 5)
- Pauline Caywood
- Adrien de Chaisemartin (Agenda Items 2b and 3)
- Alex de Jonquières (Agenda Item 3)
- Assietou Sylla Diouf
- Tony Dutson
- Joanne Goetz
- Edmund Grove (Agenda Items 3 and 4)
- Katherine Hudak (Agenda Item 3)
- Simon Lamb
- Minzi Lam Meier (Agenda Items 2a and 2b)
- Chrysantus Nyongesa (Agenda Items 3 and 4)
- David Powell (Agenda Item 3)
- Marie-Ange Saraka-Yao*
- Jacob van der Blij
- Awinja Wameyo (Agenda Item 4)

*Denotes participation by phone