

## Gavi Alliance Audit and Finance Committee Meeting

11 May 2023

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 11 May 2023. Mr Naguib Kheraj, AFC Chair, chaired the meeting.
- 1.2 Standing declarations of interest were tabled to the Committee (Doc 01a in the Committee pack).

### 2. Closed Session

- 2.1 The Committee convened in closed session to discuss Operational Excellence (see separate notes).

### 3. Chair's report

- 3.1 The Committee noted its action sheet (Doc 03a) and forward workplan (Doc 03b).
- 3.2 The Chair acknowledged a high level of engagement between management and the Committee since the last meeting and commended the Secretariat for its response to the Committee's request for more transparent and robust management reporting.
- 3.3 The Chair discussed Gavi's governance framework and underlined the Committee's role within it which is to confirm sufficient resources are available to fund programmatic decisions being considered by the Programme and Policy Committee (PPC). He noted that any comments the Committee wishes to share with the PPC to better inform the PPC's decision-making could be shared through the Secretariat, the Gavi Board Vice Chair and/or himself.
- 3.4 Sarah Goulding, Gavi Board Vice Chair and Governance Committee Chair, noted the Committee will receive a survey invitation to participate in the Board and Committee evaluation exercise and she encouraged all members to respond.

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### 4. CEO and CEO update (including Balance Scorecard)

- 4.1 Seth Berkley, CEO, shared outcomes from the Gavi Board retreat and an Alliance Health meeting with partners. He reported there are signs of routine

immunisation recovery in 2022 and health systems are performing well. He reported that COVAX has shipped over 1.9 billion doses and an Alliance Health Survey will be launched in the next few months.

- 4.2 David Marlow, COO, discussed progress with Board Effectiveness and Operational Excellence initiatives and outlined a new Balanced Scorecard reporting tool that will be used by management on a forward basis.

*Discussion*

- The Committee requested to see the full Balanced Scorecard and correlating deep-dive modules and welcomed the opportunity to work with the Secretariat on refining the metrics.
- Committee members offered suggestions to enhance the scorecard and the Secretariat agreed to consider how best to augment the reporting process and tool.

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**5. Strategic, Programmatic and COVAX update**

- 5.1 Aurélia Nguyen, Chief Programme Strategy Officer, outlined current programmatic strategic goals and highlighted key programmatic drivers impacting the financial forecast. She also updated the Committee on COVAX activities and work underway to advance routine immunisation and vaccination programmes in relation to HPV, Malaria and COVID-19.
- 5.2 In relation to COVAX, Ms Nguyen reported the COVAX Facility and Self-Financing Participant (SFP) programme is expected to close in late 2023 and the Secretariat will keep the Committee informed of any remaining outstanding liabilities and risks. She noted that a COVID-19 vaccine programme for 2024-2025 is in development and will be discussed by the PPC this month and the Gavi Board at its 26-27 June 2023 meeting.
- 5.3 Thabani Maphosa, Managing Director, Country Programmes Delivery, provided a 2023 programmatic outlook and highlighted challenges and accomplishments to date in restoring routine immunisation and reaching zero-dose children.

*Discussion*

- In response to an enquiry from the Chair, the Secretariat confirmed vaccine and country programmatic considerations are reflected in the financial forecast.

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## **6. Finance update**

### **6a. 2022 Management Reporting**

- 6a.1 Mr Ian MacTavish, Director, Finance and Chief Accounting Officer, discussed the Funding & Financial module of the Balanced Scorecard which reflects a new financial performance reporting process.
- 6a.2 He outlined 2022 Year End financial information for Gavi 5.0 and COVAX, and noted Q1 2023 financial reports will be discussed at the 8 June 2023 meeting.
- 6a.3 In relation to Gavi 5.0, Mr MacTavish reported the 2-year financial performance is on track with 38% resources utilised. In relation to COVAX and the 2020-2023 financial forecast, he reported 94% resources utilised.

#### *Discussion*

- In response to an enquiry from the Chair on cashflow balance, the Secretariat noted a record level of cash disbursements in 2022 and highlighted that country absorptive capacity is increasing. The Secretariat further noted that overall cash balance at 31 December 2022 was US\$ 547 million which is US\$ 42 million higher than the prior year due to COVAX CDS funds.
- The Committee expressed appreciation for the financial reporting improvements and encouraged the Secretariat to share cash balance and expenditure information with the PPC to help inform its decision-making.
- In response to an enquiry from a Committee member, the Secretariat confirmed that financial forecast amounts approved, committed and disbursed will be included in the Q1 2023 Management Report to be presented at the 8 June 2023 meeting.

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### **6b. Treasury Update**

- 6b.1 The Chair took the material as read and acknowledged the Secretariat for its progress implementing the Treasury Action plan.
- 6b.2 He reported that the Investment Committee discussed short-term investment portfolio objectives yesterday and the Committee agreed to explore the potential of the World Bank managing these funds.
- 6b.3 The Chair noted proposed amendments to two treasury policies which are designed to make them fit for purpose in the context of the global market environment and to ensure investment risk return is optimised.

## **Decision One**

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

- **Approve** the Treasury Governance Policy as set out in Annex A of Doc 06b
- **Approve** the Treasury Risk Management Policy as set out in Annex C of Doc 06b.

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### **6c. Financial Forecast for Gavi 5.1 and 6.0 (including COVAX AMC through 2023)**

6c.1 Assietou Diouf, Chief Financial Officer, shared introductory remarks about changes in the financial forecast since the Gavi 5.1 financial forecast was presented to the Committee in November 2022. She explained the updates reflect current estimates and proposals to rephase certain programmes from the current strategic period to Gavi 6.0.

6c.2 Mr Ian MacTavish, Director, Finance and Chief Accounting Officer, presented the updated financial forecasts for Gavi 5.0/5.1 (2021-2025), the COVAX Advance Market Commitment (AMC) financial forecast for 2020-2023, and an illustrative projection for Gavi 6.0 (2026-2030).

6c.3 He reported qualifying cash resources for Gavi 5.1 are US\$ 10.2 billion and that US\$ 119 million is available for future investments. He noted that the forecast reflects a decrease of US\$ 161 million in resources and a decrease in programmatic expenditures of US\$ 125 million. He explained the decrease in forecast expenditure is driven by the proposed rephasing of cash programmes into the next strategic period partly offset by increased vaccine costs.

6c.4 He highlighted that the Programme and Policy Committee (PPC) will consider a proposal to create a Global Virtual Pooled Inventory for Ebola Sudan and Marburg candidate vaccines with permission to operationalise on an exceptional basis up to US\$ 10 million contingent on approval by the Board, and the financial impact of this proposal is not yet reflected in the forecasts.

6c.5 In relation to the COVAX AMC, he noted Qualifying Resources remain unchanged at US\$ 12.5 billion compared with the Prior Forecast approved by the Board in December 2022.

6c.6 In relation to Gavi 6.0 (2026-2030), he referred the Committee to the Gavi 6.0 illustrative forecast which is presented in line with Programme Funding Policy requirements to ensure continuity of existing programmes.

- 6c.7 Mr MacTavish reported that Secretariat Operating Expenditure remains unchanged from the prior forecast.
- 6c.8 Finally, he outlined key risks and opportunities to the financial forecasts. He explained the risks and opportunities presented are not certain and therefore not reflected in the financial forecasts presented.

### *Discussion*

- In response to a question from a Committee member on investment income, the Secretariat clarified that long-term investment portfolio income and COVAX interest income are not included in the financial forecasts. The Secretariat explained that COVAX net investment income is subject to discussions with relevant donors. The Committee agreed to note in its recommendation to the Board that investment and interest income is excluded from the financial forecasts pending agreement on the treatment of investment and interest income. The Committee also requested to see projected COVAX interest income and the Secretariat agreed to revert.
- Several AFC members noted the disbursement rate of cash grants and the proposed rephrasing of cash programmes could be helpful information to share with the PPC as it looks at country-level support needs. The Committee also discussed the importance of aligning PPC and AFC decision-making and agreed to note that the financial forecast decisions are subject to the PPC recommending programmatic decisions to the Board for approval.
- In response to an enquiry from a Committee member on the COVAX AMC financial forecast, the Secretariat confirmed there is US\$ 2 billion available in the Pandemic Vaccine Pool (PVP) and US\$ 0.6 billion in dose sharing ancillary funds.
- In response to a question about the potential Global Virtual Pooled Inventories for Ebola Sudan and Marburg candidate vaccines, the Secretariat noted the financial implications will be discussed at the AFC's 8 June 2023 meeting if the PPC agrees to recommend the potential investigational stockpile for Board approval.

### **Decision Two**

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 (PPC) and concluded that, should the PPC support the recommendations relating to the current strategic period, they could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy, however the

recommendations relating to the next strategic period (Gavi 6.0) are contingent on additional funding being made available.

- b) **Note** that the Financial Forecast appropriately reflects Gavi's expenditure needs (as set out in the Gavi Alliance Board's spending plan) and available resources.
- c) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.2 billion and the Forecast Expenditure of US\$ 10.1 billion noting that future investment return on the Long-Term Investment Portfolio is not included in the Financial Forecast, pending review of the Programme Funding Policy scheduled to be tabled for Gavi Alliance Board approval in December 2023.
- d) **Approve** the updated Financial Forecast for the COVAX AMC (2020-2023) and the COVID-19 programme (2024-2025) of Qualifying Resources of US\$ 12.5 billion and Forecast Expenditure of US\$ 12.5 billion (made up of US\$ 9.9 billion base expenditure and US\$ 2.5 billion pandemic vaccine pool and dose sharing ancillary, after funding the COVID-19 programme), noting that projected interest income is not included in the Financial Forecast pending alignment of use with donors.
- e) **Approve** the illustrative Financial Forecast for Gavi 6.0 (2026-2030) Strategic Period of Qualifying Resources of US\$ 8.8 billion and Forecast Expenditure of US\$ 6.3 billion noting that only **existing Approved and Endorsed programmes have been forecast** and the forecast has been prepared to enable the Secretariat to allot funding to these programmes in accordance with the Programme Funding Policy and **does not prejudice future donor contributions or future investment decisions**.

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#### 6d. Draft 2022 Annual Financial Reports

- 6d.1 Ruth Hogland, Head, Financial Reporting, Accounting and Controlling, presented the unaudited drafts of the 2022 Annual Financial Report (AFR), the Gavi Standalone Financial Statements (SFS) and COVAX Statement of Funds (SOF) for the year ended 31 December 2022.
- 6d.2 She highlighted key economic movements in the Balance Sheet and AFR and discussed impacts in relation to pledge accounting, fair value accounting and interest income.
- 6d.3 She reported no material changes to the format of the AFR or SFS compared to the prior year. She further noted the format of the COVAX SOF remains broadly unchanged from the prior year.

*Discussion*

- The Chair encouraged Committee members to share comments with the Secretariat who will make amendments as needed before sharing the final version of the reports at the 8 June 2023 meeting.

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**6e. Deloitte advance status report**

- 6e.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 and most significant risks and focus areas outlined in the 2022 audit plan are completed.
- 6e.2 Mr Bryois highlighted two focus areas still being finalised which are a review of: 1) the COVAX supply and demand assessment and 2) the accounting treatment of two Advance Purchase Agreements (APAs).
- 6e.3 Mr Bryois noted that work is substantially complete in relation to IFFIm's financial statements and the audit team expects to receive final reports from the Deloitte UK office in the coming weeks.
- 6e.4 He further reported that Deloitte has reviewed the COVAX Statement of Funds and there are no significant issues to report.

*Discussion*

- In relation to the accounting treatment of two APAs, the Chair noted a position on this matter will be discussed at the 8 June 2023 meeting.
- In response to an enquiry about testing work on discount rates and fair values, Deloitte confirmed valuation specialists were engaged in the audit work and all pricings were independently challenged.

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**7. Audit and Investigations Update**

- 7.1 Lucy Elliott, Managing Director, Audit & Investigations (A&I), outlined the status of A&I activities as of 31 March 2023.
- 7.2 She reported on the status of work against A&I's 2023 workplan noting three changes to the plan, and significant progress in completing internal audits from prior years. The A&I team and management continue to work to reduce the time taken for management review of draft Secretariat-focused audit reports.



- 7.3 She reported there are no new significant issues to report in relation to Secretariat-focused audits.
- 7.4 She noted three country-focused audit reports will be published soon, which cover both routine immunisation and COVID-19 programmes and include suggestions for improvements in supply chain and health systems management.
- 7.5 Ms Elliott reported that an in-depth analysis of Gavi's ethics and compliance policies and procedures was conducted, and the A&I team is now advising management on a Prevention of Sexual Exploitation, Abuse and Harassment (SEAH) framework for Gavi.
- 7.6 She reported on audit recommendation implementation, commending management's focus on implementing high risk actions addressed to the Secretariat and the inclusion of metrics on implementation of recommendations addressed both to the Secretariat and to programme countries in the Balanced Scorecard.
- 7.7 Finally, Ms Elliott provided an overview of the planned engagements with the Committee for the remainder of 2023.

#### *Discussion*

- In response to an enquiry about Secretariat open actions, the Secretariat explained that the number of overdue high risk open actions has gone down from 11 to two and the remaining two relate to grant oversight and to holding countries accountable for implementing recommendations from programme audits. It was noted that the action related to grant management will be addressed as part of the implementation of EVOLVE and that the Secretariat has renewed focus on following up on country-focused recommendations.

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#### **8. Any other business**

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

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Ms Melissa Wolfe  
Secretary to the Meeting



## Attachment A: Participants

### Committee Members

- Naguib Kheraj (Chair)
- Teresa Ressel
- Kelly Jarrett
- Karen Pillay
- Lauren Franzel
- Kwaku Agyeman-Manu (items 4-6)
- Emmanuel Maina Djoulde
- Andreas Karlberg Pettersen
- Hitesh Hurkchand
- Eleonora Mei
- Bvudzai Magadzire

### Regrets

- Etleva Kadilli
- Joshua Tabah

### Other Board members attending

- Seth Berkley, Gavi CEO
- Sarah Goulding, Gavi Vice Chair and Governance Committee Chair

### Observers/Guests

- Fabien Bryois, Deloitte
- Lisa Watson, Deloitte
- Andrew Jones, UNICEF
- Angelina Magal, Nestor Advisors
- Julian Green, Nestor Advisors
- Stella Villares, Special Adviser to the Chair of the Gavi Alliance Board

### Secretariat

- Johannes Ahrendts
- Riad Bahmane (item 7)
- Pascal Barollier
- Pauline Caywood
- Sally Dalgaard
- Assietou Diouf
- Fabrice Dutin
- Lucy Elliott
- Ruth Hogland
- Brenda Killen
- Ian MacTavish
- Laura McKeaveney (items 1-2)
- Thabani Maphosa
- David Marlow
- Kenneth Musiime (item 6)
- Aurélia Nguyen
- Marie-Ange Saraka-Yao
- Jeanne Shen (item 6b)
- Derrick Sim (item 5)
- Fatoumata Sy
- Wendy Tagama (item 6d)
- Awinja Wameyo
- Melissa Wolfe