

Gavi Alliance Audit and Finance Committee Meeting

17 October 2023

London, UK

1. Chair's report

- 1.1 Noting that the meeting had been duly convened and finding a quorum of members present, the meeting commenced at 13.30 London time on 17 October 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).
- 1.3 The Committee noted its action sheet (Doc 01b) and forward workplan (Doc 01c).

2. CEO, Programmatic and Quarterly Management Reports Update

- 2.1 David Marlow, CEO (Interim), updated the Committee on three priority areas of focus, namely execution of Gavi 5.1, continued focus on Gavi 6.0 strategy design and securing a successful replenishment.
- 2.2 Mr Marlow outlined recent external focus and stakeholder collaboration activities. He also emphasised the importance of in-country programmatic work as a must-win area for 2023.
- 2.3 He updated the Committee on progress implementing Operational Excellence and organisational culture changes, and reported a staff survey is underway to assess the culture journey. He further noted that a key Operational Excellence initiative is strengthening the Alliance partnership and that outcomes from a recent Alliance Health Survey will inform efforts to reinforce and solidify partnerships.
- 2.4 Mr Marlow outlined planned engagements in developing the Gavi 6.0 strategy. He reminded the Committee that challenges from existing vaccine campaigns may impact Gavi 6.0 ambitions despite new vaccine portfolio launches.
- 2.5 Finally, he outlined the upcoming governance cycle and the interconnectivity between committees.
- 2.6 Aurélia Nguyen, Chief Programme Officer, presented a programmatic update highlighting progress across strategic goals. She outlined the status of routine immunisation coverage and noted that following a 2-year pandemic-related

increase, progress is now accelerating to reach Gavi's 2025 targets for the number of zero-dose children.

- 2.7 Ms Nguyen outlined the key programmatic areas driving the updated financial forecast and explained the proposed African Vaccine Manufacturing Accelerator (AVMA) and Pandemic Prevention, Preparedness and Response (PPPR) allocations. She provided updates on COVAX, and the COVID-19 2024-2025 Board approved programme and discussed the milestones of the Self-Financing Participant (SFP) closures and cost-sharing.
- 2.8 Assietou Diouf, Chief Financial Officer, presented the Finance Balanced Scorecard module update and Quarterly Management Report. She highlighted that while overall programmatic disbursements were on track, some delays are noted for the cash grants.
- 2.9 Ms Diouf reported the COVAX forecast is in line with initial assumptions. She also provided details on the current status of Country Cash Programmes and highlighted the collaborative efforts between the Secretariat and Alliance Partners to bring increased visibility to this area. Ms Diouf also reported on the Treasury and Investment Portfolio, noting the portfolio balance and return rates.

Discussion

- The Committee expressed appreciation for the financial reporting improvements.
- The Committee discussed cash absorption and balances in-country (for both governments and partners) and noted the following:
 - Emphasised the importance of ensuring there are no unused funds in-country, and that countries and partners are delivering to plan.
 - Emphasised the need to optimise cash resources, return excess cash to the portfolio and avoid over-disbursing.
 - Requested visibility around reprogramming governance, including (i) information on reprogramming procedures; (ii) details of countries that have received reprogrammed funds; and (iii) details of unused balances that can be returned to the portfolio.
 - Requested further information regarding interest on cash disbursed to countries and partners.
 - Requested that the Secretariat provide regular reporting to showcase programmatic cash balance aging, idle balances, as well as any specific country details to be brought to the attention of the Committee. The report should also reflect WHO and UNICEF cash balances (including idle balances).
- The Secretariat provided details on the operational handling of cash balances, outlined the mechanisms in place with the World Bank and provided details on the cash balance returned by Pakistan. Additionally, the Secretariat explained

that the priority is always implementation in line with approved programmes. If this is not possible, consideration is given to redirecting any surplus funds to other in-country programmes, then in the last resort, funds are returned.

- One Committee member highlighted the importance of considering the dynamic nature of cash utilisation and its impact on the forecast, and how if this utilisation is not considered when forecasting fund dispersal, there is a risk of missed opportunity to impactfully reallocate funds.
- Responding to questions on the qualities of a good senior country manager, the Secretariat explained this is someone who understands the programme's needs and workplan, helps ensure timely availability of resources, and knows when to exit a programme once objectives and outcomes are achieved.
- In response to various questions from the Committee, the Secretariat clarified that programmatic flexibility ensures funding availability and in cases where disbursement takes time, other areas can be quickly credited without changing programme objectives. The Secretariat explained that fund repurposing requires an assessment that objectives have been met. Additionally, if other programmatic objectives need funding, the fund repurposing process is guided by a control framework and operational guidelines.
- In relation to idle balances, the Secretariat underlined the importance to monitor the aging analysis and ensure funds are utilised within certain timeframes. The Secretariat highlighted the need to balance funding constraints with ensuring countries do not retain funding longer than necessary.

3. Risk Management update

- 3.1. Maria Thestrup, Chief Ethics, Risk and Compliance Officer, presented this item to the Committee (Doc 04). She explained the Ethics, Risk and Compliance (ERC) strategy and the steps involved in the journey and outlined the internal review and approvals supporting the proposed ERC charter.
- 3.2. She noted the shifts in Gavi's risk profile in 2023 and highlighted the specific risks which are being closely monitored.
- 3.3. Ms Thestrup highlighted the structure of the ERC function and the proposed allocation of staff resources in 2024 that would be dedicated to policy reform projects and EVOLVE.
- 3.4. Ms Aurélia Nguyen, Chief Programme Officer, provided some framing remarks on the proposed amendments to the Risk Appetite Statement (RAS). She highlighted the need for both timely and quality response vaccination campaigns and mentioned that in certain cases, a lower quality response campaign delivered quickly may be helpful.

Discussion

- The Committee commended the Secretariat for its work on the ERC strategy and noted the ERC charter appropriately addresses key focus areas.
- The AFC noted the following:
 - Proposed policies and procedures as critical.
 - Appreciation for the attention brought to sanction issues.
 - In terms of addressing discrimination, the Secretariat explained that it investigates reported incidents and identifies areas that need attention. The well-defined Respectful Behaviour Policy and Human Resources (HR) Manual provides comprehensive guidance on managing such situations.
- The Committee expressed support for the draft Annual Risk and Assurance Report 2023 (“the Report”), appreciated the updated approach and commended the Secretariat for the preparatory work.
- On the Report, the Committee noted the following:
 - Underlined the importance of identifying risk managers and establishing a clear accountability process. The Secretariat highlighted the progress in risk coordination and the importance of concrete risk descriptions.
 - Requested that when reporting to the Board, the Secretariat should highlight how risk categorisation is not prioritised in the Report based on hierarchy.
 - The Committee stressed the need for engaging management and peers to mitigate risks and requested that this be highlighted to the Board. The Secretariat shared its strategy for engaging with the Senior Leadership Team (SLT) members responsible for leading mitigations and highlighted that the SLT had also approved the identified risks and assessed mitigation effectiveness.
 - In relation to the risk of Secretariat Capacity and Capabilities, several Committee members felt it would be helpful to include a few layers on Alliance Partner capacity and capabilities.
 - The Committee encouraged enhanced reporting of the risk around Country Management Capacity (CMC) by clearly distinguishing risks both inside and outside Alliance Partners’ control.
 - The Committee suggested the details on Health System Strengthening (HSS) be drawn out further and the Secretariat explained this risk is influenced by external factors that are challenging to anticipate.
 - The Committee was interested to understand the correlation between audit and risk, compliance and country programmes in mitigating risks. The Secretariat explained the interface between the three lines. The Secretariat also explained its focus on four pillars within country capacity

and emphasised the progress in strengthening HSS, notwithstanding limited resources.

- The Committee supported the direction of the proposed amendments to the RAS and noted the following:
 - In terms of vaccine-preventable disease outbreaks, the Committee asked to include references to both funding of global stockpiles and operational support for outbreak response and investments.
 - The Committee felt it was important not to detract from fragile and emergency settings and proposed to retain this reference within the RAS Strategic Goals. The Committee further requested a reference to other settings so as not to be constrained in responding to outbreaks in different geographies.
 - In relation to a question on timely campaign response capabilities, the Secretariat outlined the existing response mechanism in place with various partners and highlighted the work of the dedicated Secretariat response monitoring team. Ultimately, the objective is to shift from response campaigns to prevention.
 - The Committee requested the draft RAS be updated and then sent to the Committee for further review before recommending it for Board approval.
- The Chair responded to a Committee member's question about the appropriate forum for providing detailed feedback on meeting material. The Chair encouraged Committee members to engage with the Secretariat in advance of each meeting with any detailed feedback, especially given meeting papers are shared well in advance of each meeting.
- Noting a question on whether there were any plans for an overall organisational policy and procedure refresh and update, the Secretariat explained it would assess policies and procedures as part of the Operational Excellence and Policy Reform project, with a focus on principal-based approaches, guardrails and simplifications to ensure efficiency and effectiveness.

Decision One

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

Approve the draft Risk & Assurance Report 2023 as set out in Annex A to Doc 03i, contingent on the Programme and Policy Committee's review of the programmatic risk implications at its 24-26 October 2023 meeting.

Decision Two

The Gavi Alliance Audit and Finance Committee:

Delegated to the Audit and Finance Committee Chair the authority to review and approve any further amendments necessary to finalise the Risk & Assurance Report 2023 before submission to the Gavi Alliance Board for approval.

4. Audit & Investigations Report and 2024 Plan

- 4.1 Lucy Elliott, Managing Director, Audit & Investigations (A&I), presented this item (Doc 04) highlighting recent audit activities.
- 4.2 She discussed the results of an audit in relation to Gavi's processes around the prevention of sexual exploitation, abuse and harassment and highlighted a review of Gavi's ethics framework. She reminded the Committee that programme audit reports could be accessed via Gavi's website.
- 4.3 She provided an update on the progress of audit recommendation implementation, noting that for the Secretariat, no high-risk agreed actions were overdue. For in-country audit recommendations, the data was improving and progress was good following sustained efforts of the Country Programmes Delivery (CPD) team.
- 4.4 Ms Elliott provided an update on reimbursement of misused funds, highlighting the goal of achieving 100% reimbursement. The CPD team was actively following up on long-outstanding amounts in three countries. One of the three countries had just renewed its commitment to reimburse funds over two instalments.
- 4.5 In relation to a request from the Committee at its previous meeting to establish materiality levels for unrecovered misuse reimbursement, Ms Elliott reported that CPD operating procedures allow for a maximum 5% shortfall due to currency exchange differences, and that this flexibility was found to have been applied minimally since 2021 and is considered reasonable.
- 4.6 Ms Elliott updated the Committee on the status of the whistleblowing reports and commented that the volume of new reports is slightly lower than in comparison to 2022.
- 4.7 Ms Elliott presented the draft 2024 A&I workplan. She explained the assurance work under the audit plan and the continued strategy implementation of the investigations/counter-fraud plan. She noted the workplan follows the same format as introduced in 2022 for the 2023 plan, presenting a full holistic approach and that it was both ambitious and realistic.
- 4.8 Finally, Ms Elliott highlighted that in 2024 the A&I function will undergo an External Quality Assessment in compliance with IIA Standards and explained the AFC role in this. She also noted that budgetary implications of the 2024 plan were in line with the 2023-2024 budget as reviewed by the Committee, and that

she is comfortable that the current 2024 budget allocation to A&I aligns with resourcing requirements to achieve the plan.

Discussion

- Mr Marlow commented on the importance of timely follow-up of outstanding audit matters and how this is a priority for the Secretariat. The Secretariat noted its process includes management consultations on mitigating issues, and agreement on action plans and implementation timelines. Where findings are dependent on long lead timelines (such as IT programme implementation), these matters are assigned specified action plans with management oversight. After implementation of an agreed action by management, A&I reviews it and confirms resolution, then the specific action is closed.
- Additionally, the Secretariat confirmed that agreed actions are accompanied by timelines set by the audit client and A&I reviews the timeline to ensure these are reasonable and achievable. Given recommendations are unique, differing timelines are set for Secretariat agreed actions to achieve the necessary mitigating measures, however, country recommendations have standardised timelines.
- In response to one Committee member's comments on vaccine supply chain audit issues, the Secretariat explained the monitoring process for tracking progress on specific indicators, and efforts to ensure accountability. While grant indicators on supply chain are included in portfolio planning and the internal dashboard, the Secretariat acknowledged the challenges in data collection across countries. The Secretariat highlighted that the 2024 mid-strategy review will provide an opportunity to strengthen data collection and accountability.
- On a question regarding whether a standalone HSS audit had been conducted, the Secretariat clarified that HSS grants are in scope of programme audits. Additionally, the HSS element will be reviewed thematically as part of the upcoming country transition audit.
- Responding to a question on the potential risks related to data protection and privacy, the Secretariat highlighted a focus on preventing breaches, theft, and safeguarding of personal data. Within the 2024 audit plan, A&I will look at the new Data Protection Policy operationalisation and implementation and discuss any shared data protection measures with The Global Fund.
- In response to a request from a Committee member, the Secretariat agreed to revert on the results of the risk culture audit and fraud risk assessment pilots upon their completion.

Decision Three

The Gavi Alliance Audit and Finance Committee:

Approved the Audit and Investigations Plan 2024 as set out in Annex G to Doc 04.

5. Finance Update

5a Financial Forecast (2021-2025)

- 5a.1 Assietou Diouf, Chief Financial Officer, presented this item to the Committee (Doc 05a). She highlighted a proposal to revert to an annual forecast, effective from 2024.
- 5a.2 She outlined the changes to the forecast since the last Committee meeting, notably the increase in resources of US\$ 157 million, comprising increased investment income (primarily returns on long-term investment portfolio), favourable foreign exchange rates and new private sector pledges.
- 5a.3 Ms Diouf noted an additional US\$ 21 million net increase to expenditure mainly from accelerated must-win launches, UNICEF working capital improvements and partner funding contributions. She noted the remaining funds available for future investments as US\$ 103 million.
- 5a.4 In terms of COVAX AMC, she discussed the proposed allocation from the Pandemic Vaccine Pool for AVMA and PPPR funding and explained the risks and opportunities. Finally, Ms Diouf provided an illustrative forecast in support of the Gavi 6.0 strategy and explained the methodology and rationale.
- 5a.5 Ms Diouf reported that the financial forecasts confirm sufficient flexibility and resource availability to support decisions to be submitted to the Gavi Board in December. However, she noted that significant risks and uncertainties remain and new strategic priorities may be subject to availability of new resources.

Discussion

- The Committee did not support moving to an annual forecast and requested the Secretariat propose a forecasting approach for 2024 that includes a full forecast and a simplified forecast.
- The Chair encouraged more work with the Investment function and Investment Committee to improve the forecasting of returns through the establishment of a supporting distribution policy that reflects the underlying investment strategy. He highlighted the unrealised investment gains are not equivalent to cash resources.
- The Committee endorsed the updated financial forecast for Gavi 5.1 (2023-2025) strategic period and highlighted the following:
 - The Committee noted the increasing trend of expenditures and limited financial flexibility.

- The Committee discussed the importance of noting to the Board that any new significant priorities would need to come with new funding or programme expenditure reprioritised.
- Further discussion is required on the treatment of investment income (US\$ 115 million). It was noted that the AFC Chair will work with the Secretariat and Investment Committee Chair to ensure there is alignment going forward.
- The Committee reviewed the financial implications of the recommendations for the COVAX AMC (2020-2023) and COVID-19 Programme (2024-2025) financial forecast. The recommendations for the current strategic period were approved in accordance with the Programme Funding Policy, and subject to AMC Donors approval for re-purposing of the Pandemic Vaccine Pool funds.
- The Committee noted the decreased vaccine demand in 2023 and uncertainty of future vaccine demand.
- In terms of Gavi 6.0, the Committee noted that the illustrative forecast covers existing approved and endorsed programmes only, and that projections are prepared so that the Secretariat is able to make multi-year allotments in accordance with the Gavi Programme Funding Policy.
- Additionally, the Committee noted these projections do not prejudge future donor contributions or future investment decisions and that the Gavi 6.0 strategy development is led by the Gavi Board.
- The Committee noted items where funding is yet to be confirmed include AVMA, PPPR and the 'big catch-up', and that discussions are ongoing with the COVAX AMC Investors Group on potential use of COVAX AMC funds.

Decision Four

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

- a) **Note** 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 could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy, and subject to Advance Market Commitment (AMC) Donors approval for re-purposing of Pandemic Vaccine Pool funds, however the recommendations relating to the next strategic period (Gavi 6.0) are contingent on additional funding being made available.
- b) **Approve** the updated Financial Forecast for the Gavi 5.1 (2021-2025) Strategic Period of Qualifying Resources of US\$ 10.4 billion and Forecast Expenditure of US\$ 10.3 billion.

- c) **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\$ 9.6 billion base expenditure, US\$ 2.1 billion pandemic vaccine pool, US\$ 0.6 billion dose sharing ancillary, and US\$ 0.2 billion interest income, after funding the COVID-19 programme).
- d) **Approve** the illustrative Financial Forecast for Gavi 6.0 (2026-2030) Strategic Period of Qualifying Resources of US\$ 8.7 billion and Forecast Expenditure of US\$ 7.2 billion noting that only **existing Approved and Endorsed programmes have been forecast** and the projections have 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**.
- e) **Note** that given the increasing trend of expenditures, coupled with the fact that we are nearing the end of the cycle with resources close to full utilisation, the Gavi Alliance Board is advised that there is now limited financial flexibility and any significant additional commitments would need to come with new funding or programme expenditure reprioritised, and/or be considered in the Gavi 6.0 strategy design process. As the Board engages in the Gavi 6.0 strategy design process, it is also advised that while the Gavi 6.0 forecast is an illustrative forecast, it shows a high level of commitments based on current approvals, which illustrates the importance of strategic trade-offs and prioritisation in the Gavi 6.0 design.

5b Financial Reporting

5b.i IRS Form 990 (FY2022) – CONFIDENTIAL –

- 5b.i Ian MacTavish, Director of Finance & Chief Accounting Officer, presented the IRS Form 990 (FY2022) (Doc 05b.i) for consideration. He confirmed the IRS Form 990 is submitted in line with standard procedures required by the United States authorities and that detailed internal reviews had been conducted.

Discussion

- The AFC requested that the Secretariat (i) review the Board member time commitment allocations, which may be lower than actual time commitments, (ii) verify the information provided regarding sanctioned countries, and (iii) ensure Board members mentioned in the Form 990 are informed and aware of its publication.

5b.ii COVAX Statement of Funds H1 2023

5b.ii Ian MacTavish, Director of Finance & Chief Accounting Officer, presented this item (Doc 05b.ii) for information.

5b.iii European Commission COVAX AMC Grant Agreement Verification Request

5b.iii The paper (Doc 05b.iii) was tabled for decision by the AFC.

Decision Five

The Gavi Alliance Audit and Finance Committee:

Approved the engagement of Deloitte to provide an independent verification of expenditure report on Grant Agreement FED/2020.421-803. The fees will be confirmed during the engagement process with any significant increase in fee in excess of EUR 30,000 requiring additional approval by the Committee.

6. Insurance Update

6.1 Andy Mends, Director of Operations & Procurement, presented this item (Doc 06) which was taken as read.

Discussion

- Responding to a question on the selection of the current insurance provider, Mr Mends explained that following a request for proposal (RFP) process, the insurance provider was selected based on expertise, proposed strategy and services.

7. Any other business

7.1 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 (Chair)
- Emmanuel Maina Djoulde
- Lauren Franzel
- Gisela Henrique
- Mellissa Hisko
- Kelly Jarrett
- Hitesh Hurkchand
- Eleonora Mei
- Bvudzai Magadzire
- Andreas Karlberg Pettersen
- Karen Pillay
- Teresa Ressel
- Deena Shiff

Regrets

- Kwaku Agyeman-Manu

Other Board members attending

- David Marlow, CEO (Interim)

Observers/Guests

- Fabien Bryois, Deloitte
- Lisa Watson, Deloitte

Secretariat

- Cristiana Baez
- Paul Catchick (Item 4)
- Pauline Caywood (Item 5)
- Sally Dalgaard
- Assietou Diouf
- Fabrice Dutin
- Lucy Elliott
- Edmund Grove (Item 4)
- Ruth Hogland (Item 5b)
- Brenda Killen
- David Kinder
- Ian MacTavish
- Thabani Maphosa
- David Marlow
- Andy Mends
- Aurélia Nguyen
- Chrysantus Nyongesa (Item 4)
- Tanya Robinson
- Marie-Ange Saraka-Yao
- Fatoumata Sy (Item 3)
- Maria Thestrup
- Daniel Thorton
- Melissa Wolfe