

## Gavi Alliance Audit and Finance Committee Meeting

22 June 2020

Virtual Meeting

### 1. Chair's report

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 14.00 Central European Time on 22 June 2020. David Sidwell, 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 approved the minutes of its meeting on 6 May 2020 (Doc 01b) and noted its action sheet (Doc 01c) and forward work plan (Doc 01d).
- 1.4 The Chair noted the AFC may be called upon to discuss Gavi 5.0 and COVID-19 strategies prior to October prior to Gavi Board meetings. He asked for the committee's flexibility to accommodate new meetings in their calendars.

### Decision One

The Gavi Alliance Audit and Finance Committee:

**Approved** the minutes of its meeting on 6 May 2020.

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### 2. CEO Remarks

- 2.1 Seth Berkley, CEO, reported on outcomes from the 4 June Global Vaccine Summit and activities related to COVID-19 and Gavi 5.0.
- 2.2 He reported US\$ 8.8 billion was raised from the replenishment conference and US\$ 926 million was pledged through IFFIm positioning IFFIm to support Gavi programmes through the Gavi 5.0 strategic period.
- 2.3 He highlighted that prior to the replenishment, Gavi's HPV supply was expected to go from 14 million to 50 million doses during Gavi 5.0 but with additional support from five companies during the replenishment, Gavi will now reach the total demand of 84 million girls in need of HPV doses.
- 2.4 Dr Berkley reported the Secretariat is in the process of determining how all funds raised during the replenishment will be spent but clear priorities are the Gavi 5.0

zero dose children strategy, and equitable access to vaccines for both routine immunisations and a potential COVID-19 vaccine.

- 2.5 He announced the launch of the COVID-19 Vaccines Global Access (COVAX) Facility which is designed to pool global COVID-19 vaccine demand and country resources toward incentivising manufacturers to expand production capacity so that a large number of vaccine doses are available rapidly to deploy globally. Governance of the facility is being discussed with the Gavi Board and special Gavi Board sessions are anticipated in July and September to discuss scenarios. Dr Berkley noted that financial planning decisions would likely be brought to the AFC in October so the Board can discuss Gavi 5.0 budgetary implications in December.
- 2.6 Dr Berkley reported that the Gavi Organisational Review will resume in August and it will consider the new COVAX facility, Gavi 5.0 strategic needs and impacts from the COVID-19 pandemic.
- 2.7 He noted the challenging situation of the Secretariat's inability to conduct in-country audit work due to travel restrictions and further noted how the Secretariat is monitoring circumstances and assessing mitigation strategies to existing and emerging risks. He commented that Gavi's COVID-19 response will likely require a higher risk appetite for the organisation as the Secretariat identifies emerging risks associated with COVID-19.
- 2.8 Dr Berkley concluded by emphasising the importance of working closely together across the Alliance to respond to the current environment with speed and flexibility.

### *Discussion*

- The Chair noted a higher risk appetite is needed to deliver on Gavi's strategic goals amidst so many uncertainties. He commented on the importance of getting clarity of the AFC's role related to any new work associated with COVID-19 such as the new COVAX facility and having the right level of committee engagement in these efforts.
- A committee member further noted that it would be helpful to determine what the AFC can do to help the Secretariat strengthen Gavi 5.0 workstreams and how to help facilitate the current COVID-19 response, particularly identifying actions that can be taken to help prepare Gavi for when a COVID-19 vaccine is available.

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## **3. Financial management and corporate reporting**

### **3a Audit update from Deloitte**

- 3a.1 Fabien Bryois, Partner, Deloitte and Lisa Watson, Director, Deloitte, presented this item to the Committee (Doc 03a) reporting that the audit has been performed remotely since February and is on schedule for completion by the 23 July AFC meeting. He noted Deloitte has received full support from the Secretariat and there

has been no impact of working remotely on the quality of the audit or information received while all parties have been working remotely.

- 3a.2 Mr Bryois reported that audit work in relation to financial reporting requirements around Swiss Code of Obligations, US GAAP and UK GAAP is being finalised.
- 3a.3 He outlined the audit approach taken by Deloitte and reported that in relation to information presented to the AFC in February 2020, the only change is an additional assessment of COVID-19 implications which are being assessed as part of a going concern review.
- 3a.4 Mr Bryois highlighted work carried out remotely with Deloitte US and Deloitte UK due to the relationship between Gavi, IFFIm (International Finance Facility for Immunisation) and the World Bank. He noted that to date, there are no issues to report to the AFC.
- 3a.5 Ms Watson provided an update of three significant risk areas noting for two (valuation of sovereign pledges and recognition of contributions from governments and donors) that there were no findings and work was completed as satisfactory.
- 3a.6 Ms Watson reported that Deloitte has done significant journal entry testing in relation to the third significant risk, management override of controls. She noted testing is being conducted related to the transition of Gavi's new IT accounting application from Microsoft Dynamics to SAP and this work remains in progress with findings to be presented in July. Mr Bryois clarified that no significant findings have been found regarding the migration to SAP or monitoring related to IT key controls.
- 3a.7 Ms Watson reported on other areas of focus (valuation of bonds payable and derivatives; Advanced Market Commitment (AMC) receivables valuation; and programme expenses) noting further updates will be provided in July but no issues are anticipated at this time.
- 3a.8 Mr Bryois reported on work conducted in relation to US GAAP compliance and updated accounting standards, and Swiss law compliance for financial reporting matters. In relation to US GAAP compliance, Deloitte concurred with management judgement in its testing and found no issues. In relation to Swiss law compliance, Gavi was newly required to prepare Gavi standalone financial statements and document internal control systems processes. Mr Bryois reported that Deloitte has found no issues to date with the documents and processes, and will provide a complete update in July.

### *Discussion*

- AFC members noted the positive news that there are no issues to report to the Committee and commended the audit team for proceeding on schedule under remote work circumstances.
- In response to a question from an AFC member related to programming expenses carrying over into Gavi 5.0 due to new US GAAP reporting requirements, the

Secretariat confirmed recording programme expenses after vaccines have been delivered in countries is only a timing difference and there is no impact in carry-over.

- In response to a question from an AFC member related to the procedures of assigning roles in SAP and separation of duties, the Secretariat noted individual roles were reviewed prior to SAP implementation and manual business controls were implemented in some cases to ensure the right level of control and oversight exists. It was further noted that an SAP optimisation project will begin soon which will consider enhanced use of controls automated by SAP.

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### **3b 2019 Draft Annual Financial Statements including Annual Financial Report (AFR)**

- 3b.1 Assietou Diouf, Managing Director, Finance and Operations, introduced this item (Doc 03b) highlighting that the draft AFR was prepared on schedule while incorporating new regulatory requirements and appropriate references to COVID-19.
- 3b.2 Pauline Caywood, Head, Financial Accounting & Reporting, referred the Committee to the draft AFR (Doc 03b, Annex B,) noting it is consistent with the draft pro forma previously submitted to the AFC and that a final version will be presented to the AFC in July following external auditor review.
- 3b.2 Ms Caywood reported that there are no significant changes to the draft Gavi standalone financial statements which were presented to the AFC on 6 May and prepared in accordance with Swiss GAAP accounting and reporting recommendations.
- 3b.3 She reported the Gavi consolidated financial statements which include Gavi and the International Finance Facility for Immunisation (“IFFIm”) were prepared in accordance with US generally accepted accounting principles (“US GAAP”). She noted the IFFIm standalone financial statements were approved by the IFFIm Board on 29 May 2020. She also confirmed the SAP system implementation had no impact on the financial statement preparation process.
- 3b.4 Ms Caywood highlighted three key accounting matters to the Committee related to changes in accounting policy, recoverability of receivables and COVID-19 impact and going concern. She explained that Gavi adopted three new accounting standards for 2019, one of which requires recognition of vaccine-programme related expenses upon delivery instead of upon grant programme approval. As a result of the new accounting treatment, there was a one-time reduction in programme expenses recorded in 2019 (45% lower than the prior year) resulting in an increased percentage of overhead and operating expenses by 4.2% and 4.5%, respectively.
- 3b.5 Related to recoverability of receivables, she highlighted that upon review of all year end receivables from donors, no additional provisions for doubtful debts are

required this year due to continued commitment from donors and the contractual nature of sovereign pledges. She noted Gavi is entitled to Advance Market Commitment (AMC) pledge receivables until 31 December 2020 and any unspent funds will be rolled over to support the Gavi COVAX AMC facility.

- 3b.6 Ms Caywood noted the completion of an AFC action item to perform sensitivity on discount rates and confirmed there was no meaningful difference in the discount rate used by the Secretariat and the World Bank's forward curve discount rate.
- 3b.7 Finally, Ms Caywood noted the AFR includes a review of the impact of the COVID-19 pandemic and is based on the current financial forecast presented to the AFC on 6 May. Gavi will update the COVID-19 impact assessment and its going concern when a revised financial forecast is available ahead of the July AFC meeting. Ms Caywood reported a subsequent events disclosure in the AFR related to COVID-19.

#### *Discussion*

- AFC members were invited to share comments on the draft AFR directly with the Secretariat and note the disclosures related to COVID-19.

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#### **3c Gavi and IFFIm Interim Financial Statements: Q1 2020**

- 3c.1 Pauline Caywood, Head, Financial Accounting & Reporting, reported on this item (Doc 03c) noting that the Q1 2020 interim financial statements were completed remotely in accordance with Gavi's standard procedures with no matters to bring to the Committee's attention.
- 3c.2 She highlighted that there are currently no new accounting standards effective for 2020 that will materially impact Gavi's financial statements.
- 3c.3 Ms Caywood reported a decrease in revenue compared to Q1 2019 primarily due to lack of investment returns driven by market volatility.
- 3c.4 She noted programmatic expenses were higher in 2020 compared to the prior year due to the adoption of ASU 2018-08 in 2019.
- 3c.5 Ms Caywood also highlighted that as of 31 March 2020, approximately US\$ 100,000 of Health System Strengthening (HSS) funds were reprogrammed toward COVID-19 activities but that COVID-19 impacts will increase in Q2.
- 3c.6 In conclusion, she confirmed that all assets were reviewed at the end of Q1 and in light of the COVID-19 pandemic, the Secretariat maintains the assets remain recoverable at the value listed in the Q1 financial statements.

### *Discussion*

- The Chair enquired about the financial reporting treatment of the United States 2020 replenishment contribution and the Secretariat noted that although the funds will be earmarked toward Gavi 5.0, the contributions will be recognized on signing of the agreement which is expected in 2020.

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### **3d Currency Hedging Update**

- 3d.1 Assietou Diouf, Managing Director, Finance and Operations, presented this item (Doc 03d). She reminded the AFC of Gavi's currency hedging strategy which the AFC last reviewed on 26 November 2019 and is designed to mitigate exposures to foreign exchange fluctuations.
- 3d.2 Ms Diouf noted that following the replenishment and in light of market volatility conditions related to COVID-19, the Secretariat is recommending a near-term hedging strategy to allow operational flexibility in carrying out the strategy while also mitigating potential foreign exchange (FX) risk. Ms Diouf confirmed the proposed strategy is permitted within the current policy and would allow Gavi to:
- a) Anticipate the signing of pledge agreements (expected to take an average of 8 months) and enter immediately, after receiving guidance from the AFC, into hedging contracts for selected currencies only for which there is a high degree of certainty of payment in time and value (GBP, NOK, AUD, CAD and EUR).
  - b) Limit the initial tenor to 2 years instead of 5 years initially planned, reassess those conditions when the agreements are signed and adjust/roll over the hedges to cover the entire 5 years of exposure.

### *Discussion*

- In response to a question from the Chair, the Secretariat confirmed Gavi would enter into currency forward contracts for two years and then finalise agreements for five years when pledge agreements are signed. It was noted the amounts could be revised when final agreements are signed.
- AFC members encouraged the Secretariat to remove FX risk as soon as possible and to remove FX risk when final pledge agreements are received.
- The Chair enquired about the hedging strategy for the COVAX AMC facility and the Secretariat noted it is seeking guidance from the World Bank on strategies to mitigate FX risk related to IFFIm and the AMC.
- An AFC member noted that the Secretariat's proposal should allow Gavi to reduce economic exposure but many countries are experiencing fiscal stress in the current COVID-19 environment so there are also potential risks associated with hedging pledges before pledge agreements are signed.

- The Committee expressed support for the strategy and commended the Secretariat for proactively and quickly addressing FX risks following the replenishment.

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#### **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; Edmund Grove, Director, Programme Audit; and Paul Catchick, Head, Investigations and Counter-Fraud Investigations would speak to items relating to their specific areas of expertise.
- 4.2 Mr Lamb referred the Board to the A&I Terms of Reference (ToR) (Doc 04, Annex I) noting the Committee was being asked to approve an updated version. Mr Lamb explained that the Committee approved a version on 6 May that included updates on a prior version of the previously approved ToR (from 2015) rather than the last approved version (from 2019). The changes made were all as previously approved by the Committee but were now presented on the most recently approved version from 2019.
- 4.3 Mr Lamb updated the Committee on the status of country reimbursements noting that since the meeting papers were distributed, an additional reimbursement was documented so the recovery rate against due payments is at 94.6%. He noted that given the current COVID-19 environment, some payments have not been received as expected and some countries have enquired about flexibilities that Gavi could grant on reimbursements. Mr Lamb further noted that while accommodations may be made around scheduling and currency, the Secretariat's policy is firm that misuse reimbursements will not be waived.
- 4.4 Mr Lamb invited Mr Nyongesa to provide information on the Internal Audit Issue Remediation Status for high-risk items, noting there are currently 10 open high-risk issues for remediation and medium-risk issues will be discussed at the July 2020 AFC meeting.
- 4.5 Mr Nyongesa provided an overview of open high-risk issues along with progress made closing seven issues out since the last report to the AFC. Of the 10 open issues, most are in the area of Knowledge Management and Technology Solutions (KMTS) in relation to IT security and governance. Mr Nyongesa explained that KMTS have made significant progress remediating issues that span three previous internal audits and there has been good traction closing issues out. Mr Lamb also noted recent penetration tests were conducted and the A&I team is meeting with KMTS on the outcomes of these tests later this week.
- 4.3 He reported one longstanding open item relates to a grant management system that allows the Secretariat to centrally manage its data. It was noted that management plans to commence the resolution of this in Q3 2020 as a major systems development.

- 4.4 He also noted three issues in relation to the cash grants process. One item is a reference database to track programme income and budgets and Mr Nyongesa reported the database is now in place. The other two items are policy-related and will be addressed as part of Gavi 5.0.
- 4.5 In relation to procurement, Mr Nyongesa highlighted that Gavi's procurement policies and processes have been reviewed and updated with implementation scheduled for 1 July.
- 4.6 He concluded by noting overall, Internal Audit is satisfied that a significant number of audit issues raised have now been addressed and management is making efforts to mitigate further risks.
- 4.7 Edmund Grove, Director, Programme Audit, provided an overview of COVID-19 impacts on Programme Audit Remediation work. He noted up to 45 vaccine introductions have been delayed so far this year, several vaccine campaigns have been cancelled and approximately 75% of all routine immunisation activities in country have been disrupted.
- 4.8 Mr Grove highlighted that of particular concern to the A&I team are challenges in-country which may lead to compromised monitoring processes, lower data quality and vaccine expirations.
- 4.9 He confirmed A&I reviewed Gavi's expedited HSS reprogramming process and concluded there are no significant risks to note.
- 4.10 Finally, Mr Grove noted there are concerns that when a potential COVID-19 vaccine is introduced, there could be additional impact on already stretched or weakened systems. He also noted increased outbreaks of vaccine-preventable diseases may occur when world immunisation activities remain low.

### *Discussion*

- In response to a question from the Chair about remediation steps taken following a successful phishing exercise in February, the Secretariat noted significant upgrades to cybersecurity defences have been implemented including multi-factor authentication measures and a mandatory training for all staff on cybersecurity awareness.
- A Committee member enquired about long-term implications of global travel restrictions and the Secretariat noted key oversight functions in Country Support will likely have priority to travel as soon as restrictions are lifted.
- It was noted that the Secretariat will continue to monitor emerging risks related to COVID-19 and consider both risks and benefits of working with partners in Gavi-supported countries. The AFC commended A&I on the risk assessment report of the impact of COVID-19 and encouraged the regular production of this report.



## **Decision Two**

The Gavi Alliance Audit and Finance Committee:

**Recommended** for approval by the Gavi Alliance Board an updated version of the A&I Terms of Reference that incorporates certain changes resulting from observations made in the recently conducted External Quality Assessment as set out in Annex I of Doc 04.

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### **5 Whistleblowing Policy**

- 5.1 Phillip Armstrong, Director, Governance, presented an updated draft of the Whistleblowing Policy. He reminded the Committee that a draft policy was shared electronically with the AFC on 9 June and a revised draft was provided to the Committee under Doc 05, Annex A.
- 5.2 Mr Armstrong noted comments received from AFC members were useful in enhancing the document.
- 5.3 He emphasised that the revised policy clearly distinguishes matters of policy for Board-approval from matters of process as set out in the Ethics hotline web portal. He further noted that if the AFC recommends the policy for Gavi Board approval, additional work will follow on updating the Ethics Hotline web portal.

#### *Discussion*

- It was noted that Gavi is an international foundation not subject to national laws, so national regulations were not incorporated into the revised policy. The Secretariat further noted the policy was reviewed by the Institute of Business Ethics in the United Kingdom to ensure broad principles were applied that aligned with international standards.
- In response to a question from an AFC member about retaliation procedures, the Secretariat confirmed it could provide protection against retaliation by a Gavi employee through Gavi's disciplinary procedures. The Secretariat could engage with local partners to support third-party individuals outside of Gavi's employment and was committed to an anonymous and confidential reporting process but it did not have direct authority to protect third-party reporters not employed by the Secretariat from retaliation.
- AFC members noted that the policy outlines how grievance issues will be addressed using the Secretariat's established grievance procedures processes.

### **Decision Three**

The Gavi Alliance Audit and Finance Committee:

**Recommended** for approval by the Gavi Alliance Board the revised and updated Whistleblowing Policy presented under Doc 05 to be implemented with effect from 1 July 2020.

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#### **6. Any other business**

6.1 After determining there was no further business, the meeting was brought to a close and it then convened in closed session.

#### **7. Closed session for members only**

7.1 Members of the Secretariat left the meeting and the Committee proceeded with the closed session (See separate notes from the closed session).

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Phillip Armstrong  
Secretary



## Attachment A

### Participants

#### **Committee Members**

- David Sidwell, Chair
- Benjamin Carcani
- Emmanuel Maina Djoulde
- Etleva Kadilli
- Andreas Karlberg Pettersen
- Teresa Ressel
- Rafael Vilasanjuan

#### **Regrets**

- Kwaku Agyeman Manu
- Tom Morrow

#### **Observers**

- Imre Hollo
- Kelly Jarrett
- Carmen Tull

#### **Secretariat**

- Seth Berkley (Items 1-4)
- Anuradha Gupta
- Philip Armstrong (Items 4-5)
- Paul Catchick
- Pauline Caywood
- Assietou Sylla Diouf
- Edmund Grove (Items 3d-6)
- Brenda Killen
- Simon Lamb
- Jelena Madir (Items 3c-6)
- Kenneth Musiime
- Chrysantus Nyongesa (Items 3d-6)
- Marie-Ange Saraka-Yao (Items 1-4)
- Wendy Tagama
- Jacob van der Blij
- Melissa Wolfe

#### **Guests**

- Fabien Bryois, Deloitte
- Lisa Watson, Deloitte