

## Gavi Alliance Audit and Finance Committee Meeting

23 July 2020

Teleconference

### 1. Executive session with the independent auditor

- 1.1 Finding a quorum of Audit and Finance Committee (AFC) members present, the meeting commenced at 15.00 Geneva time on 23 July 2020. David Sidwell, AFC Chair, chaired the meeting.
- 1.2 The Committee held an executive session with Fabien Bryois and Lisa Watson from Deloitte, Gavi's independent auditor, to discuss conduct of the 2019 audit. The auditors reported their satisfaction with the audit process highlighting the collaborative relationship with the Secretariat and commending the audit team for effectively managing new financial requirements and the remote work environment.
- 1.3 Mr Bryois reported that there were no new significant adjustments or topics to raise since the 22 June 2020 AFC meeting.
- 1.4 In response to a question from the Committee Chair about SAP implementation, Mr Bryois noted Deloitte conducted extensive work on the SAP migration process and found no issues from a control perspective. Mr Bryois highlighted minor recommendations in relation to SAP including ensuring the system is fit for purpose and streamlining processes when possible.
- 1.5 The Committee convened in open session at 15.15.

-----

### 2. Chair's report

- 2.1 Standing declarations of interest were tabled to the Committee (Doc 02a in the Committee pack).
- 2.2 The Committee approved the minutes of its meeting on 22 June 2020 (Doc 02b). The Committee also noted its action sheet (Doc 02c) and forward workplan (Doc 02d).

### **Decision One**

The Gavi Alliance Audit and Finance Committee:

**Approved** the minutes of its meeting on 22 June 2020.

-----

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

#### **3a Deloitte Audit Presentation**

- 3a.1 Fabien Bryois, Partner, Deloitte and Lisa Watson, Director, Deloitte, presented this item to the Committee (Doc 03a) reporting that the finalisation of the audit work since the last AFC meeting in June 2020 had focused on compliance with US GAAP (Generally Accepted Accounting Principles) and Swiss financial reporting requirements, the subsequent event disclosure of the impact of COVID-19, and the finalisation of the management letter comments. Mr Bryois confirmed that the audit work was completed as satisfactory with no significant issues to report.
- 3a.2 He noted that it is anticipated that Deloitte will be in a position to issue a clean audit opinion on the consolidated financial statements and standalone financial statements prior to 31 August 2020. He further noted that Gavi was granted a deadline extension of 30 September 2020 to file its 2019 financial statements. He reminded the Committee that Swiss law requires the approval and filing of financial statements within six months of the end of the financial year so Gavi will need to file its 2020 financial statements by 30 June 2021.
- 3a.3 He confirmed that the Gavi consolidated financial statements are materially in compliance with US GAAP and Swiss law. He noted the draft standalone financial statements are materially in compliance with Swiss financial reporting requirements and Swiss law. He further noted that Deloitte concurred with management's going concern assumption related to the impact of COVID-19.
- 3a.4 Ms Watson presented Deloitte's management letter comments, highlighting a recommendation to enhance the design of Internal Control Systems matrices and existing procedures, as well as recommendations related to internal control observations resulting from the Deloitte IT audit procedures. Ms Watson explained that IFFIm has satisfactorily demonstrated governance over World Bank activities and Deloitte further recommended mapping World Bank models relevant to IFFIm's account balances.
- 3a.5 In conclusion, Deloitte recommended approval of the statements and accounts by the Gavi Alliance Board.

#### *Discussion*

- In response to a question from an AFC member if Deloitte observed any IT access control issues, Deloitte confirmed there were a number of observations related to the initial implementation of the SAP system but individuals with privileged and/or extended access have since been reviewed and profiles closed when appropriate. The Secretariat noted that since March, a new IT security policy was adopted and a quarterly review is conducted of all SAP user profiles.
- An AFC member enquired if there are any considerations to note for next year particularly in relation to the remote work environment. Mr Bryois confirmed the

audit process went smoothly this year mostly due to good planning and communication by the team and he expects audit work to efficiently continue in this way for the foreseeable future. He noted that while Deloitte still needs to define its areas of focus for the 2020 audit, Deloitte will take into consideration the Replenishment and Gavi 5.0 strategy.

- In response to a question from an AFC member, Deloitte noted it received full support from the World Bank on getting further insights into IFFIm's controls and this area of audit work was effectively completed.

-----

### **3b 2019 Annual Financial Report**

- 3b.1 Pauline Caywood, Head, Financial Accounting & Reporting, presented the final draft of the 2019 Annual Financial Report (AFR) noting that no material matters have arisen since the 22 June 2020 AFC meeting.
- 3b.2 She highlighted key changes made to the draft AFR following comments received from AFC members and Deloitte. She noted updates were made in relation to the potential impact of COVID-19, minor reclassifications and disclosures were made as agreed upon by Deloitte, and a new narrative was added that explains how accounting policy changes resulted in the reporting of reduced programme expenses and higher operating expenses for 2019.
- 3b.3 Ms Caywood reported on changes made to the draft Statutory Financial Statements (SFS) since the 22 June 2020 meeting and confirmed there were no issues to raise to the Committee.
- 3b.5 She highlighted two new representations in the draft management representation letters which confirm that the impact of COVID-19 has been taken into consideration in the preparation of financial statements and that existing Pneumo AMC donors have pledged to roll over any residual funds remaining at the end of the AMC period to the new COVAX AMC facility or core Gavi programmes. She reported the Secretariat is not aware of any issues which would prevent the signing of the representations.
- 3b.6 Ms Caywood noted there are no additional subsequent events to bring to the Committee's attention and the AFR and SFS should be publicly available by 31 August 2020.
- 3b.7 Finally, she confirmed the Secretariat has agreed on actions in response to the Deloitte management letter comments and the AFC will be updated on progress against these comments at subsequent AFC meetings.

### *Discussion*

- The AFC noted that if any changes are made to the AFR prior to its approval by the Gavi Board, the AFC Chair will review and approve the changes and report on anything of significance to the AFC.

### **Decision Two**

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

**Approve** the 2019 Gavi Alliance Annual Financial Report and 2019 Gavi Alliance Statutory Financial Statements as set out in Annexes B and C of Doc 03b.

-----

### **3c Audit Requests**

- 3c.1 Pauline Caywood, Head, Financial Accounting & Reporting, presented the European Commission's Directorate General for International Development and Cooperation's (DG DEVCO's) request to audit the expenditure of grant number DCI-HUM/2014/342-776 (Doc 02d). She noted the costs of the audit will be borne by DG DEVCO and in accordance with Gavi's Independent Auditor Selection and Evaluation policy, permission must be granted to DG DEVCO to undertake the audit.
- 3c.2 Ms Caywood noted an independent verification of expenditures is required related to the European Commission's grant number FED/2018/395-262 and Deloitte confirmed that they can perform these non-audit services without compromising auditor independence.

#### *Discussion*

- In response to a question from the AFC Chair, Deloitte confirmed it can comfortably give an objective assessment of grant expenditures without breaching independence requirements and explained that the non-audit services related to grant number FED/2018/395-262 require factual findings and not judgments.
- An AFC member asked about the timing between completion of the audit and disbursement of grant funds to which the Secretariat noted given past practice, the grant funds are expected to be disbursed by year end.
- The AFC encouraged the Secretariat to review its policy related to audit request approvals and determine if the process could be managed more efficiently. Deloitte noted it is common practise for audit and finance committees to review and approve non-audit services. The Secretariat agreed to review this matter and revert back to the AFC.

### **Decision Three**

The Gavi Alliance Audit and Finance Committee approved:

- a) the DG DEVCO request to undertake an audit of Grant Agreement DCI-HUM/2014/342-776 expenditures; and
- b) the engagement of Deloitte to provide an independent verification of expenditure report on Grant Agreement FED/2018/395-262. The fees will be confirmed during the engagement process with any fee in excess of 30,000 Euros requiring additional approval by the Committee.

-----

### **3d Financial Update**

- 3d.1 Anuradha Gupta, Deputy CEO, provided introductory comments on the updated financial forecast that now incorporates routine immunisation programmes, the impact of COVID-19 on existing programmes and Gavi's subsequent response, as well as the results of the June 2020 Global Vaccine Summit (Doc 03d).
- 3d.2 Ms Gupta noted that the expenditure forecast presented is the best projection for 2020-2021 recognising this is still a work in progress as there are uncertainties in relation to impacts of COVID-19 and scheduled discussions with the Gavi Board in July and September on funding needs for new and existing strategic priorities. It was also noted that estimated resources in the forecast are preliminary as Gavi does not have signed agreements yet with all donors who pledged during the Replenishment.
- 3d.3 Ms Gupta highlighted that the forecast does not incorporate pledges made to date for COVAX AMC as the COVAX AMC and COVAX facility are being discussed by the Gavi Board on 30 July. She explained that the Gavi Secretariat has spent \$US 1.4 million from its existing budget on consultant support and external legal counsel to support the design and implementation of the COVAX facility and COVAX AMC but additional dedicated resources would be required to operationalise the Facility and AMC, subject to Gavi Board approval.
- 3d.4 Ms Gupta reiterated that there is a clear separation of resources and expenses between the COVAX facility and Gavi 5.0.
- 3d.5 Assietou Diouf, Managing Director, Finance and Operations, presented this item (Doc 03d) outlining main assumptions of the re-forecast set within a medium risk scenario and noted how the Secretariat has been tracking and monitoring resources and expenditures across the Secretariat related to COVID-19.
- 3d.6 She highlighted changes from the original forecast presented in May 2020 to the AFC, noting the net available resources available for future investments is US\$ 368 million for 2016-2020 and \$US 1.18 billion for 2021-2025 which excludes US\$ 600 million pledged to date for the COVAX AMC. Ms Diouf noted that an additional US\$ 413 million is likely to be available at the end of 2020 for strategic investments which means a total of US\$ 1.59 billion is expected to be available for future investments for 2021-2025.

- 3d.7 Ms Diouf noted that following the July and September 2020 Gavi Board meeting discussions on the COVAX AMC, COVAX facility and Gavi 5.0 programmatic needs, a revised forecast will be presented to the AFC.
- 3d.8 Finally, she highlighted that subject to Gavi Board approval, initial investments will be required to operationalise the COVAX facility and COVAX AMC. She presented an estimated budget of US\$ 7 million for the next 12 months which would include external legal fees and surge capacity with an assumption of US\$ 4 million in expenditures for 2020 and US\$ 3 million for 2021.

### *Discussion*

- AFC members noted that the COVAX facility and COVAX AMC will be funded separately from Gavi's core resources unless the Gavi Board decides differently.
- In response to questions and comments from AFC members, the Secretariat confirmed that the requested pre-financing of US\$ 7 million toward the COVAX facility is expected to be funded through COVAX participation fees for self-financed countries and Gavi funding for COVID-19 vaccines to Gavi-supported countries.
- The Secretariat noted that staffing resources toward the COVAX facility would be determined only after the Gavi Board decides to move forward with the facility but there would be dedicated staffing for the facility and clear tracking of Gavi staff involvement.
- In response to questions from AFC members, the Secretariat noted the COVAX AMC financing mechanism is separate from the COVAX facility but the two entities would need to work in parallel to ensure there is equitable distribution of a COVID-19 vaccine in developing countries.
- In response to a query from an AFC member on the implications of COVID-19 on Gavi 5.0, the Secretariat noted the priorities and strategies have not changed but timing of activities and associated expenditures will likely vary.
- The Secretariat clarified that expenditures related to the operationalisation of Gavi 5.0 will be discussed by the Gavi Board at its September and December 2020 meetings, and results of the Gavi organisational review being undertaken by McKinsey will be discussed in December 2020.

### **Decision Four**

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

- a) **Approve** the pre-financing of the COVAX Facility initial costs through Gavi funds to enable operationalisation of the COVAX Facility, which includes the COVAX AMC mechanism. The estimated amount is US\$ 8.4 million, of which US\$ 1.4 million has already been incurred and an incremental US\$ 7 million is forecasted

for the next 12 months. These costs will ultimately be funded through the COVAX Facility participation fees for self-financed countries (UMICs and HICs) and through Gavi funding mobilised for procurement and delivery of COVID-19 vaccines for Gavi-supported countries (contingent upon Gavi Alliance Board approval).

- b) **Note** that the Audit and Finance Committee has reviewed the financial implications of this recommendation as set out in Figures 1 of Doc 03b (Financial Update) and concluded that this recommendation could be approved by the Gavi Alliance Board in accordance with the Programme Funding Policy.

-----

#### **4. Gavi 5.0 Workstreams**

- 4.1 Assietou Diouf, Managing Director, Finance and Operations, noted the Secretariat is redesigning its portfolio management processes as part of the operationalisation of the Gavi 5.0 strategy and reported the Gavi Programme Funding Policy will likely be amended with suggested changes being presented to the AFC in October 2020.

-----

#### **5. Audit and Investigations**

##### **5a. Audit and Investigations Report**

- 5a.1 Simon Lamb, Managing Director, Audit and Investigations (A&I), presented this item noting an update was provided to the AFC in the advance meeting material on the remediation of internal audit medium-risk issues.
- 5a.2 He provided a brief update on the receipt of US\$ 2.65 million since the last AFC meeting into the Expanded Programme on Immunisation (EPI) programme account in Bangladesh. Mr Lamb explained this was not a result of misuse and the monies were paid to Gavi by agreement with Bangladesh to reimburse Gavi with the price difference between self-procured syringes and syringes provided by UNICEF at the UNICEF benchmark price. Mr Lamb noted all amounts identified in the programme audit related to this matter have now been repaid as agreed.

-----

##### **5b Programme Audit Conduct**

- 5b.1 Edmund Grove, Director, Programme Audit, presented this item to the Committee noting that programme audits align with Gavi's core principles. Engagements are executed within a clear framework, reviewing a country's readiness for transitioning, providing an assessment of the effectiveness of national systems and processes, and highlighting areas of improvement, as part of the country's journey to self-financing autonomy.

- 5b.2 Mr Grove outlined programme audit's risk assessment and scoping process, which follows a dynamic risk-based approach, and enables Gavi to ensure that effective controls are in place, monies are being used appropriately and tracked, and that programme activities comply with the Partnership Framework Agreement.
- 5b.3 He noted that the conduct of audits follows a consultative process with extensive stakeholder management engagement and testing of key controls and systems. An initial scoping phase enables Gavi to determine to what extent significant reliance can be placed upon these. To date, the audit team has been required to increase its substantive audit testing, as it frequently has been unable to obtain sufficient confidence on the books and records. Where possible, the resultant audit scope complements the work of existing assurance providers, including Supreme Audit Institutions, with Gavi's audit methodology emphasising performance audit elements.
- 5b.3 In-country missions are timed and executed in alignment with other programme cycle activities. Results and progress are regularly reported to those responsible for managing, implementing and providing oversight of Gavi support, as well as across the Secretariat.

### *Discussion*

- In response to a question from the AFC chair about risks of using in-country assurance mechanisms, the Secretariat noted that where possible, fiscal and monitoring agents, and programme management units have been leveraged, as intermediary domestic resources providing necessary safeguards, prior to relying upon national systems. Such agents can be part of the solution towards Gavi's goal of ensuring countries develop the necessary competencies and autonomy, and rely upon their own national systems.
- In response to questions and comments from AFC members about monitoring and oversight limitations due to the current remote work environment, the Secretariat noted that it plans to reinstitute in-country visits as soon as possible while considering remote work engagement of audit consultants in the interim.
- AFC members noted that when Gavi is allowed to return in-country, the Committee should discuss the impact of COVID-19 on programme audit work. The AFC Chair further noted that the Committee should discuss the A&I team 2021 workplan, including programme audit activities, at its October 2020 meeting.

-----

## **6. Review of Decisions and any other business**

- 6.1 Melissa Wolfe, Senior Manager, Governance, reviewed the language of the decisions with the Committee.
- 6.2 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).

---

Brenda Killen  
Secretary

## Attachment A

### Participants

#### Committee Members

- David Sidwell, Chair
- Benjamin Carcani
- Gianmarco Coccozza
- Emmanuel Maina Djoulde (Items 1-3c)
- Kwaku Agyeman Manu
- Tom Morrow
- Andreas Karlberg Pettersen
- Teresa Ressel
- Carmen Coles Tull
- Rafael Vilasanjuan

#### Regrets

- Etleva Kadilli

#### Observers

- Megan Cain (Items 3b-4)
- Imre Hollo, WHO
- Kelly Jarrett, Bill & Melinda Gates Foundation
- Michael Kent Ranson (Items 3b-4)
- Bill Roedy (Items 1-3d)

#### Secretariat

- Seth Berkley
- Laura Boehner (Items 2-3)
- Pauline Caywood (Items 2-3d)
- Assietou Sylla Diouf (Items 1-6)
- Edmund Grove (Items 3d-6)
- Anuradha Gupta
- Brenda Killen
- Simon Lamb
- Jelena Madir (Items 3a-6)
- Thabani Maphosa (Items 1-6)
- Minzi Lam Meier (Items 3b-6)
- Kenneth Musiime (Items 3b-6)
- Chrysantus Nyongesa (Items 4-6)
- Marie-Ange Saraka-Yao (Items 3d-6)
- Wendy Tagama (Items 2-6)
- Melissa Wolfe

#### Guests

- Fabien Bryois, Deloitte (Items 1-6)
- Lisa Watson, Deloitte (Items 1-6)