

Gavi Alliance Audit and Finance Committee Meeting

8 June 2023

Virtual

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 14.00 Geneva time on 8 June 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 Chair acknowledged Eva Kadilli and Joshua Tabah for their service on the Committee and thanked Seth Berkley, CEO, for his leadership.
- 1.4 The Committee noted its action sheet (Doc 01b) and forward workplan (Doc 01c).

2. CEO, COO and Programmatic update

- 2.1 Seth Berkley, CEO, acknowledged this meeting as his last scheduled AFC meeting and he thanked the Committee for its continued leadership.
- 2.2 Dr Berkley commented on the 16-17 May Programme and Policy Committee (PPC) meeting noting the Committee was informed about the AFC's 11 May meeting discussions. He reported that the PPC engaged in conversations that were aligned with the AFC's deliberations, particularly on cash disbursement and absorption challenges.
- 2.3 David Marlow, COO, shared outcomes from the May 2023 PPC meeting and provided Operational Excellence updates, noting the Secretariat is undergoing Gavi policy reviews and ethics advisory work. He reported that the PPC's programmatic decisions were consistent with those reflected in the financial forecast reviewed by the AFC in May with one exception in relation to a Global Virtual Pooled Inventory (GVPI) which had been highlighted as a risk to the financial forecasts. He explained that the PPC recommended approval of a time-limited financial envelope of up to US\$ 10 million until December 2023 for GVPIs for Ebola Sudan and Marburg vaccines. As a result, the US\$ 10 million financial envelope will be reflected in the Gavi 5.1 financial forecast presented to the Gavi Board on 26-27 June 2023.

- 2.3 Anne Schuchat, PPC Chair, shared brief comments on the May 2023 PPC meeting highlighting discussions on Vaccine Investment Strategy (VIS), GVPIs, a COVID-19 programme and increasing risk tolerance for preventative campaign activities for Measles.

Discussion

- In response to a question on budgetary implications of unpausing VIS2018, the Secretariat clarified that only some of the vaccines were paused during the pandemic and that implementation of the unpaused vaccines will take time. It was noted that the timing of these programmes will be reflected in the next financial forecast.
- In response to an enquiry about the PPC's response to the Balanced Scorecard, Anne Schuchat, PPC Chair, noted the PPC enthusiastically received the Balanced Scorecard reporting framework. She further noted that information previously requested by the PPC is now incorporated within it.
- In response to a question about risk tolerance changes for Measles preventative campaigns and responding to potential outbreaks, the Secretariat confirmed that any potential financial implications to changing the risk appetite will be shared with the Committee and the Secretariat is working to immediately implement the PPC's guidance to ensure timely campaigns get underway.

3. Audit and Investigations report

- 3.1 Lucy Elliott, Managing Director, Audit & Investigations (A&I), outlined the status of A&I activities to date and provided updates on misuse reimbursements and whistleblower reporting.
- 3.2 She reported on the status of work against A&I's 2023 workplan noting one change to the plan and a mission postponement.
- 3.3 She highlighted the status of audit execution and reporting metrics as well as country reimbursements. Risk mitigation measures are underway to help address significant issues identified in the audit of IT project management. Following a query at the February 2023 meeting of the AFC, she also provided additional information on risk mitigation measures to address issues raised in the audit of targeted country assistance. Ms Elliott affirmed that the A&I team will report to the Committee on all agreed actions and highlight any significant issues that remain unmitigated.
- 3.4 Ms Elliott reported that resources in the investigation/counter-fraud function are increasing which will enable more investigative work by the A&I team.

- 3.5 She updated the Committee on three whistleblower reports related to two countries, which require further investigative action. An investigative mission to one of the two countries is being organised, and the other country's reports will be addressed once new investigator resources are in place.
- 3.6 She reported three countries have significant overdue misuse reimbursement amounts and the A&I team is closely monitoring these situations.
- 3.7 Ms Elliott presented a historical analysis of misuse reimbursements noting the Secretariat seeks a 100% reimbursement rate and has never had a default on a repayment. She highlighted that the total historical misuse amount is immaterial by Gavi's external audit standards but pursues reimbursement of misuse as a matter of principle to strengthen accountability and transparency.
- 3.8 Finally, Ms Elliott provided an overview of the planned engagements with the Committee for the remainder of 2023.

Discussion

- The Committee commented on materiality considerations for misuse and advised that while misuse may be lower than financial statement accounting materiality it is nevertheless important in terms of fiduciary obligations. The Committee recommended setting clear materiality levels for any unrecovered misuse reimbursement.
- In response to a question from the Chair on staff resourcing and 2023 workplan progress, the Secretariat responded that two senior manager investigator positions are in the final stages of recruitment and that the A&I team will be fully staffed once these positions are filled. The Secretariat noted the 2023 audit plan is on track.
- A Committee member enquired about the status of sexual harassment, exploitation and abuse (SHEA) audit work and expressed caution that the CEO transition should not result in any unnecessary audit plan delays. The Secretariat confirmed that SHEA audit-related work is nearly complete.
- In response to an enquiry about any risk implications for postponing audit work in two countries, the Secretariat noted the delays are not expected to have any negative programmatic impact on the countries.
- In response to a question about risk issues highlighted in the audit of Targeted Country Assistance under the Partners' Engagement Framework (PEF/TCA), particularly PEF governance at the global and country levels, the Secretariat explained that Gavi Alliance audits do not encompass global governance but country-level governance is considered. The Secretariat noted the audit results have been socialised and shared with Alliance partners. The Secretariat further noted it has mapped clear roles and responsibilities for decision-making which

will help shape TCA engagement moving forward, and a monitoring framework is now complete for implementation starting in Q3 2023. It was also noted that there is close coordination between donors, management and senior country managers to ensure audit results are communicated and addressed.

4. Risk Management update

- 4.1. Maria Thestrup, Chief Risk Officer, introduced herself noting she started her role on 23 May 2023 and looks forward to working with the Committee.
- 4.2. Fatoumata Sy, Acting Head, Risk, presented a high-level update on Gavi's risk profile since the Risk & Assurance Report was discussed by the Board at its December 2022 meeting. She also provided an update on risk advisory activities including progress in strengthening risk management across the Alliance.
- 4.3. Ms Sy highlighted key changes since December 2022 which include an increasing trend in vaccine-preventable disease (VPD) outbreaks and global vaccine supply shortages. She noted country management capacity continues to be outside of Gavi's risk appetite and she highlighted risk mitigation efforts ongoing to address Gavi's top risks. She reported that Gavi's overall risk landscape has improved since 2021 and that Gavi's risk function will expand by two additional full-time positions in 2023-2024.
- 4.4. Ms Sy noted that the Programme and Policy Committee recently supported increased risk appetite for rapid deployment of preventative Measles campaign activities and the Secretariat will assess if any changes to the Board-approved risk appetite statement are recommended. The Secretariat will revert to the AFC on this matter in October 2023. It was also noted that financial risks are not specifically addressed within this mid-year report given the Committee has received updates on Treasury activities and financial risk in the past several Committee meetings.

Discussion

- The Chair commented how numerous programmatic risks are highlighted in the Risk Management update and he encouraged the Secretariat to engage with other committees when appropriate on risk mitigations relevant to their mandate.
- The Secretariat responded to a query on the process of mitigating risks, explaining that it works with Alliance partners externally and engages in internal discussions with an internal Risk Management Committee and relevant business owners.
- In reference to a question on sustainable transition risk, the Secretariat explained this is a significant focus area that is being tracked using financial

and programmatic metrics. It was noted that there is an evaluation underway to help identify additional priorities to engage with countries on. The Committee also suggested engaging with transitioned countries about lessons learned and determinants of success.

- In relation to Civil Society Organisation (CSO) engagement, an AFC member recommended that the Secretariat request increased transparency from new partners on tracking funds and their implementation progress to help limit misuse risk.

5. European Investment Bank audit request

- 5.1. Marie-Ange Saraka-Yao, Managing Director, Resource Mobilisation, Private Sector Partnerships and Innovative Finance, outlined an audit request from the European Investment Bank (EIB) (Doc 05). Ms Saraka-Yao noted the request is in line with standard requests of this nature and that the approval language is in line with previous audit requests granted to EIB.

Discussion

- In response to an enquiry about the scope of audit rights being granted, the Secretariat confirmed that the Committee's approval is specific to the Gavi Alliance as a legal entity and does not include Alliance partners.

Decision One

The Gavi Alliance Audit and Finance Committee irrevocably and unconditionally **approved**:

The audit of Gavi by employees and officers of the EIB, the European Court of Auditors, the European Commission, OLAF and the European Public Prosecutor's Office for the purpose of provisions regarding monitoring and audit and European Union undertakings to be included in the EIB facility for 5 years from the final maturity date of any loan under such agreement without the need for any further approval by the Audit and Finance Committee.

6. Quarterly Management Report

- 6.1 Assietou Diouf, Chief Financial Officer, discussed the Funding & Financial module of the Balanced Scorecard which now reflects data from Q1 2023. She highlighted two matters discussed in the May AFC meeting that the Q1 data confirms which is the deceleration of cash programme spend and a joint effort

by the Secretariat and Alliance partners to reduce cash amounts held in countries.

- 6.2 Ian MacTavish, Director, Finance & Chief Accounting Officer, reported on Q1 2023 financial performance. He highlighted that in relation to Gavi 5.0, the 2-year financial performance is on track with 48% resources utilised. In relation to COVAX and the 2020-2023 financial forecast, he reported 96% resources utilised.
- 6.3 Mr MacTavish outlined overall resources and expenditures noting resources are ahead of forecast due to early receipt of donations; vaccine disbursements are on track; and cash programmes are lower than forecasted.

Discussion

- In response to an enquiry from a Committee member on how to increase expenditure, the Secretariat responded it is working with countries on an individual basis to increase absorptive capacity. The Secretariat also noted it is working closely with Alliance partners to receive data sooner and accelerate portfolio planning processes.
- The Committee expressed appreciation for the progress made in the timeliness and quality of financial reporting provided to the Committee.

7. 2022 Annual Financial Report (AFR)

- 7.1 Assietou Diouf, Chief Financial Officer, presented this item to the Committee (Doc 07). She thanked Committee members for reviewing the draft reports and outlined changes made since the 11 May meeting.
- 7.2 Ms Diouf highlighted one material change since the 11 May meeting in relation to the recoverability of a prepayment with one manufacturer. It was noted that Deloitte reviewed the Secretariat's assessment of the impact and disclosures related to this matter and concurred with the accounting treatment for upfront payments as well as management's position that no loss contingency existed at 31 December 2022 under US GAAP and Swiss reporting requirements.
- 7.3 Ms Diouf noted additional changes primarily in relation to disclosures.

Discussion

- The Committee noted there may be additional developments in the next few weeks impacting the subsequent events and disclosures in the AFR. The Committee agreed to grant delegated authority to the Chair to review and approve any further amendments necessary to finalise the 2022 Gavi Alliance

Annual Financial Report and the 2022 Gavi Alliance Statutory Financial Statements before they are submitted to the Gavi Alliance Board for approval.

Decision Two

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

Approve the 2022 Gavi Alliance Annual Financial Report and the 2022 Gavi Alliance Statutory Financial Statements, as amended by discussions at the Audit and Finance Committee.

Decision Three

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 2022 Gavi Alliance Annual Financial Report and the 2022 Gavi Alliance Statutory Financial Statements before submission to the Gavi Alliance Board for approval.

8. Deloitte Audit Presentation

- 8.1 Fabien Bryois, Partner, Deloitte SA, highlighted audit activities completed since the 11 May AFC meeting and reported the audit is substantially complete.
- 8.2 He noted two internal control observations mentioned in the prior year management letter that are now satisfactorily closed which relate to COVAX financial risk quantification procedures and documentation of fraud risk factors. He further noted two internal control observations which progressed well in 2022 and remain open which are strengthening the segregation of duties within SAP and enhancing the COVAX risk and control matrix.
- 8.3 Lisa Watson, Director, Deloitte SA, shared Deloitte's observations on the assessment of the impact and disclosures in relation to two remaining advance purchase agreement (APA) firm order commitments for exposure to losses as well as the recoverability of upfront payments to manufacturers. She noted that Deloitte concurs with the accounting treatments and disclosures, and is content with the financial statements as drafted.
- 8.4 It was noted that Deloitte expects to issue an unqualified opinion on the standalone and consolidated financial statements for the year ended 31 December 2022.

Discussion

- In response to an enquiry from the Chair on the audit process, Deloitte commented the process included a significant interim audit and regular communication with the Secretariat which lent to a smooth, collaborative process.

9. Any other business

- 9.1 David Marlow, COO, provided introductory remarks noting the Washington DC office is a strategic location for the Gavi Alliance and through the Operational Excellence lens, the Secretariat is looking at all its facilities and reviewing the utilisation of office space.
- 9.2 Andy Mends, Director, Operations, highlighted an opportunity to reduce unutilised space and reduce operational costs by terminating the current Washington DC office lease contract and moving to another building. He outlined the office lease terms noting the expected cost savings and benefits.

Discussion

- In response to a question from the Chair on the estimated US\$ 8 million capitalised expenditure, the Secretariat confirmed the majority of this amount relates to future lease payments and is an accounting treatment requirement under International Financial Reporting Standards.

Decision Four

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

- a) **Approve** up to US\$ 8 million in capitalised expenditure in relation to the new lease agreement for the Gavi Washington DC office, noting the majority of this expense relates to the capitalisation of future lease payments which is consistent with the prior accounting treatment of current lease commitments; and
 - b) **Delegate** to the CEO the authority to negotiate and execute the contractual arrangements necessary to relocate the Gavi Washington DC office.
- 9.3 After determining there was no further business, the meeting was brought to a close.

10. Closed Sessions

- 10.1 Members of the Secretariat left the room and the Committee proceeded with the closed session with the external auditors (see separate notes from the closed session.)

Ms Melissa Wolfe
Secretary to the Meeting

Attachment A: Participants

Committee Members

- Naguib Kheraj (Chair)
- Kwaku Agyeman-Manu
- Emmanuel Maina Djoulde
- Lauren Franzel
- Kelly Jarrett
- Hitesh Hurkchand
- Eleonora Mei
- Bvudzai Magadzire
- Andreas Karlberg Pettersen
- Teresa Ressel
- Joshua Tabah (items 1-3)

Regrets

- Etleva Kadilli
- Karen Pillay

Other Board members attending

- Seth Berkley, Gavi CEO (items 1-2)
- Kent Ranson, Alternate Board Member
- Anne Schuchat, Board Member and Chair, Programme and Policy Committee (items 1-2)

Observers/Guests

- Fabien Bryois, Deloitte
- Lisa Watson, Deloitte
- Andrew Jones, UNICEF

Secretariat

- Riad Bahmane (from item 2)
- Paul Catchick (from item 2)
- Sally Dalgaard
- Assietou Diouf
- Fabrice Dutin
- Lucy Elliott
- Edmund Grove (from item 2)
- Nikoletta Gutyán (from item 6)
- Ruth Hogland (from item 6)
- Brenda Killen
- Ian MacTavish
- Jelena Madir
- David Marlow
- Andy Mends (from item 6)
- Kenneth Musiime (from item 4)
- Aurélia Nguyen (items 1-2)
- Chrysantus Nyongesa (from item 2)
- Marie-Ange Saraka-Yao
- Paolo Sison (from item 2)
- Fatoumata Sy
- Wendy Tagama
- Maria Thestrup
- Melissa Wolfe