

<b>SUBJECT:</b>	<b>REPORT FROM AUDIT AND INVESTIGATIONS</b>
<b>Report of:</b>	Simon Lamb, Managing Director, Audit and Investigations
<b>Authored by:</b>	Simon Lamb
<b>Agenda item:</b>	08
<b>Category:</b>	For Information
<b>Strategic goal:</b>	Alliance operations

## **Section A: Overview**

### **1. Executive Summary**

- 1.1 This report sets out the summary update from the Managing Director Audit and Investigations on the status regarding the development of the audit function and the conduct of its work.

### **2. Recommendations**

- 2.1 This report is for information only.

## **Section B: Content**

### **3. Reorganisation of the audit function**

- 3.1 The audit function was fundamentally reorganised in February 2015 as Audit and Investigations (A&I) and since last year's Board update eight staff have joined, as envisaged. A&I is now resourced at 12 of the 13 approved headcount. One position, the Head of the Francophone Programme Audit team, has remained open despite having run three recruitment campaigns – a fourth is now in progress with a revised specification. Certain organisational adjustments have been made to accommodate for this unfilled position but nonetheless there is some operational impact, which is considered to be manageable in the near term pending recruitment.
- 3.2 Overall the new team has quickly assimilated and has made significant progress on the execution of annual audit plans, as reported below. There has also been a significant investment of time in the development of new processes for the expanded scope of activities although this has been a second priority relative to audit execution.

- 3.3 As required by professional standards, the audit function must regularly assess its resourcing relative to the expected level of audit coverage. This is also one of the outstanding items from the External Quality Assessment (EQA) of Internal Audit conducted last year. It is intended to undertake such a review, incorporating a triangulation of risk, management/stakeholder expectations on audit coverage, and A&I resourcing requirements for discussion with the Audit and Finance Committee (AFC) in October 2016 as part of its routine oversight of A&I.

#### **4. Internal Audit**

- 4.1 The annual Internal Audit plan is based on a risk assessment developed in conjunction with management and agreed with the AFC. Appendices 1 and 2 show the status of completion of the 2015 and 2016 Internal Audit plans. Although the completion of 2015 audits ran into the early part of 2016, all 2015 audit work has been completed; two reports are being finalised with relevant management, the others are complete. No high risk issues have been identified in the course of this work. The 2016 plan execution is in progress, and its completion will mean, given audits completed since 2014, that the major part of Gavi's higher risk processes will have been subject to audit.
- 4.2 The progress on the EQA remediation has been reported in detail to AFC throughout the last year as requested at the Board meeting of June 2015. Of the recommendations and other suggestions made, 24 have been completed, 5 items remain open because there is a dependency external to Internal Audit, or else there is a forward commitment. It is anticipated that the final reporting on this will be made to AFC in October 2016.

#### **5. Programme Audit**

- 5.1 The Programme Audit schedule of work is based upon an assessment of Gavi's relative exposure in the various countries it supports taking into account the combination of vaccine and cash-based grants including ISS/HSS and other operational grants. The Programme Audit team consults with Country Programmes and Gavi management generally to help prepare the Programme Audit risk assessment prior to AFC plan approval.
- 5.2 Appendices 3 and 4 show the current status of both the 2015 and 2016 Programme Audit plans. The execution of the 2015 plan began in the second half of last year and these audits are now being finalised - programme audits typically run for 9-12 months or more, from inception to report finalisation, depending on circumstances. With the exception of Nigeria, these are first-time Gavi audits. As requested at the Board meeting of June 2015, a process for the finalisation of programme audits has been prepared to allow for a full engagement with country, and this was presented to AFC in February 2016. This also provides for time to brief stakeholders, with supporting material, before reports with significant misuse are published to the Gavi website.

- 5.3 Updates on the specific programme audits in progress will be provided to the Board, in private session or at the Board meeting, as appropriate.
- 5.4 Appendix E shows the current status on the reimbursement required by Gavi, and committed to by country. This shows past cases of misuse and a current reimbursement rate of 92% (with one country accounting for the major part of the outstanding amount).

## **6. Whistleblower Reporting and Investigations**

- 6.1 The web-based whistleblower reporting capability has been operational for 18 months. Two reports have been received through that mechanism in that period of time. These have been evaluated - neither were considered to require investigations to be undertaken at this stage - and they continue to be monitored as appropriate.
- 6.2 Various investigation activity has taken place and the Board will be updated on this as appropriate, in private session or at the Board meeting.
- 6.3 The Head of Investigations and Counter-Fraud, Paul Catchick, has been working on the compilation of a fraud risk assessment. The purpose of this assessment is to review the exposure of Gavi to fraud risk and to identify ways in which relevant processes and systems can be enhanced. The end product will be an action plan to remediate identified weaknesses, as appropriate, agreed with relevant management. This will be reported later in the year to the AFC.

## **7. Organisational independence**

- 7.1 As required in A&I's Terms of Reference, the Managing Director of A&I will confirm at least annually to the Board its organisational independence. Having considered the reorganisation of February 2015, A&I's reporting lines, and the operation of A&I in practice, I confirm to the Board the organisational independence of the A&I function.

## **Section C: Risk implication and mitigation and financial implications**

### **8. The identification of system and process weaknesses**

- 8.1 Audits are conducted with the aim of providing assurance to management and stakeholders on the operation of systems and processes. In consequence, weaknesses in management systems and processes will routinely be identified. In each case remediation plans, prioritised according to risk, are agreed with Gavi and in-country programme management, as appropriate, to mitigate the identified risk and strengthen processes.

## **Section D: Implications**

### **9. Impact on countries**

9.1 None, other than through the conduct of audits and investigations in country and agreed remediation of issues identified.

### **10. Impact on Secretariat**

10.1 None, other than through the conduct of internal and programme audits, and the fraud risk assessment, and agreed remediation of issues identified.

### **11. Consultation**

11.1 None required other than routinely in finalising A&I's work product.

### **Attachments:**

Appendix 1: Status of Internal Audit 2015 Plan

Appendix 2: Status of Internal Audit 2016 Plan

Appendix 3: Status of Programme Audit 2015 Plan

Appendix 4: Status of Programme Audit 2016 Plan

Appendix 5: Country Reimbursements

# APPENDIX 1: Status of Internal Audit 2015 Plan

#	STRATEGIC or OPERATIONAL PROCESS FOR REVIEW	OUTLINE COVERAGE	RATIONALE	STATUS	NARRATIVE
1.	Ear-marking of donor funds: Accounting	Examination of processes by which donor preferences for fund usage are executed.	Risk of donor monies not being applied as intended. Relevant to examine in the post-pledging period.	Audit completed. Actions agreed with management.	No high risk issues identified.
2.	Resource mobilisation	Due diligence on new non-sovereign donors	Risk on diversifying away from traditional, sovereign donors	Audit completed. Actions agreed with management.	No high risk issues identified.
3.	Investment management operational processes	Movement of cash associated with investment transactions	Risk associated with operational failure on cash use internal to Gavi	Audit completed. Actions agreed with management.	No high risk issues identified.
4.	Treasury	Release of cash payments	Risk associated with operational failure on cash use internal to Gavi	Audit completed. Actions agreed with management.	No high risk issues identified.
5.	Credit card management : Accounting	Management of staff credit cards	Risk associated with operational failure on cash use internal to Gavi	Audit completed. Actions agreed with management.	No high risk issues identified.
6.	Expenses review	Assess the operating effectiveness of key controls, economy and efficiency of the utilisation of resources and compliance with relevant policies, procedures, laws and regulations	Risk associated with operational failure i.e. assure that expenditure is appropriately incurred, necessary, reasonable and consistent with Gavi's business needs and mission.	Audit completed. Actions agreed with management.	No high risk issues identified.
7.	Grant Oversight	Review of operational guidelines (OGs) around cash grants and their application	Cash grants represent a significant risk for Gavi. The audit examines the development, approval and implementation of operational guidelines (OGs)	Audit completed. Draft report issued to management	No high risk issues identified.
8.	Programme Oversight (Vaccines)	Examination of Gavi's oversight of vaccine management in-country	75-85% of Gavi funding applied to vaccine programmes. Recent situations have arisen concerning vaccine management in-country. Focus is on processes internal to the Secretariat.	Audit completed. Draft report issued to management.	No high risk issues identified.

# APPENDIX 2: Status of Internal Audit 2016 Plan

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#	STRATEGIC or OPERATIONAL PROCESS FOR REVIEW	OUTLINE COVERAGE (indicative only, actual scope determined at onset of audit considering risk of key elements and overall extent of the process)	RATIONALE	STATUS
1	Cash Grant application & approval process	Examination of process of cash grant application, review, approval, grant agreement and funds disbursement	Risk associated with application development & submission, review & approval (including the IRC process) & cash disbursement process	Fieldwork completed, to issue draft report w/c 6 June
2	Grant closure & Country graduation/transition	Review of operational guidelines around Grant closure and graduation/transition processes and their application	Risk associated with the clarity of the process of closing grants & country transition, completeness, consistency & practicability of the guidelines and their application	Planning & fieldwork w/c 13 June
3	Vaccine procurement oversight a) Strategic, financial and operational forecasting of vaccine requirements b) Reconciliation of cash release, vaccine procurement and usage	Examination of Gavi's oversight i.e. strategic, financial & operational forecasting of vaccine requirements (vaccine stock calculations), reconciliation of cash releases for vaccine procurement to vaccine delivery, vaccine usage, vaccine stocks	Risk associated with the robustness of process of forecasting vaccine requirements, monitoring, accountability & reporting	Planning w/c 4 July, fieldwork in July
4	Expenses review	Assess the operating effectiveness of key controls, economy and efficiency of the utilisation of resources and compliance with relevant policies, procedures, laws and regulations	Risk associated with operational failure i.e. assure that expenditure is appropriately incurred, necessary, reasonable & consistent with Gavi's business needs and mission	Planning w/c 4 July, fieldwork in July

# APPENDIX 2: Status of Internal Audit 2016 Plan 2/2

#	STRATEGIC or OPERATIONAL PROCESS FOR REVIEW	OUTLINE COVERAGE (indicative only, actual scope determined at onset of audit considering risk of key elements and overall extent of the process)	RATIONALE	STATUS
5	Programme Monitoring & Evaluation	Independent review of cash and vaccine oversight mechanisms by Gavi Monitoring & Evaluation team	Risk associated with effectiveness of programme oversight i.e. monitoring & evaluation of performance/results/impact/value for money	Planning w/c 8 August, fieldwork in August
6	Innovative Funding (IFFIm)	Examination of the effectiveness of risk management systems i.e. compliance with policies (cash reserve, funding & liquidity, hedging policies), review of Bond issuance/replenishment process, accounting for proceeds	Risk associated with meeting obligations to implementing countries, IFFIm investors and all other creditors	Planning w/c 12 September, fieldwork in September & October
7	Vaccine Programme Management	Examination of Gavi's oversight (Focus will be on processes across the Alliance) i.e. assess the design and operating effectiveness of the key controls in the processes including clarity of oversight roles & responsibilities, corroboration of oversight activities in-country, adequacy and effectiveness of level of oversight, accountability mechanism & reporting.	75-85% of Gavi funding applied to vaccine programmes. Recent situations have arisen concerning vaccine stock management in-country.	Planning w/c 24 October, fieldwork in November & December

# APPENDIX 3: Status of Programme Audit 2015 Plan

	<b>COUNTRY</b> *Denotes additional visit, supplementary fieldwork	<b>PROGRAMME AUDIT SCOPE</b> Cash only; Full scope; or Special scope	<b>TENTATIVE/ ANNOUNCED</b>	<b>EXECUTION</b>	<b>REPORTING: INTERNAL, EXTERNAL</b>	<b>REPORT WITH COUNTRY SUPPORT MANAGEMENT FOR REVIEW</b>	<b>CLOSE OUT</b>	<b>STATUS UPDATE</b>
1	Ghana*	Full Scope	Done	Done	Done	Done	Liaising with Country Support	Finalising assessment on procurement
2	DRC	Full Scope	Done	Done	External, in progress			Awaiting country responses
3	Nigeria*	Cash Only	Done	Done	Done	Done	Report drafted, distributed to MoH	Update to be provided at Board
4	Bangladesh*	Cash Only	Done	Done	Done	Done	Liaising with Country Support	Expanded audit scope, phase 2
5	Kenya*	Full Scope	Done	Done	Done	Done	Report finalised	Update to be provided at Board
6	Vietnam	Cash Only	Done	Done	Done	Done	Satisfactory report	Finalised
7	Burkina Faso	Full Scope	Done	Done	External, in progress			Awaiting country responses
8	Pakistan	Stock records – carried forward	Done	Done (Dec 2015)	N/A	N/A	N/A	For considerations on risk, postponed to 2016
9	Zimbabwe	Full Scope – carried forward	Done	Done (Nov 2015)	N/A	N/A	N/A	For considerations on risk, postponed to 2016

# APPENDIX 4: Status of Programme Audit 2016 Plan

	COUNTRY *Denotes additional visit, supplementary fieldwork	PROGRAMME AUDIT SCOPE Cash only; Full scope; or Special scope	TENTATIVE/ ANNOUNCED	EXECUTION	REPORTING: INTERNAL, EXTERNAL	REPORT WITH COUNTRY SUPPORT MANAGEMENT FOR REVIEW	CLOSE OUT	STATUS UPDATE
10	Pakistan	Stock records – brought forward	Confirmed	Stock management audit, July 2016				Selecting external audit firm for stock management audit
11	Zimbabwe	Full Scope – brought forward	Done	Done	Internal report review			Internal review of report
12	PNG*	Full Scope	Done	Done	Internal report review			Internal review of report
13	Sudan	Full Scope	Done	Done	Drafting			Drafting audit report
14	Ivory Coast	Full Scope	Done	Done	Drafting			Drafting audit report
15	Ethiopia	Full Scope	Confirmed	Done	Drafting			Drafting audit report
16	Uganda	Full Scope	Confirmed	Scoping from July 2016				Scheduled July/Aug 2016
17	Tanzania	Full Scope						Scheduled Oct 2016
18	Chad	Full Scope						Tentative Nov 2016
19	South Sudan	Full Scope						Not yet scheduled.
20	PNG	Phase 2 engagement	Announced	Done	Drafting			Report being drafted following field work.
21	Cameroon	Full Scope	Confirmed	Ongoing				Scheduled Jun 2016
22	Bangladesh	Special, phase 2	Confirmed.	Audit begins July 2016				Tentative Jul 2016

# APPENDIX 5: Country Reimbursements

## COUNTRY REIMBURSEMENT SCHEDULE, CUMULATIVE

As at 7 June 2016

COUNTRY	AGREED REIMBURSEMENT (US\$ millions)	AMOUNT REPAYED (US\$ millions)	AMOUNT OUTSTANDING (US\$ millions)	NARRATIVE ON EXPECTED REPAYMENT
Zambia	0.2	0.2	0	-
Madagascar	0.3	0.3	0	-
Cote D'Ivoire	0.5	0.5	0	-
Mali	0.5	0.5	0	-
Sierra Leone	0.5	0.5	0	-
Malawi	0.55	0.55	0	-
Uganda	0.8	0.8	0	-
Nigeria	2.2	2.2	0	-
Togo	0.03	0.02	0.01	\$20k received in December 2015. The Minister of Health has committed to refund the balance and it is expected soon.
Cameroon	2.95	2.9	0.05	Regarding the final \$50k, confirmation has been received of the transfer request from the MoH, and a copy of the transfer order has been received. Receipt is believed to be imminent.
DRC	0.1	0	0.1	The fiduciary agent in DRC has agreed to reimburse; the mechanism by which this can be done is being determined. The programme audit is currently being finalised in DRC and this reimbursement will be considered in the context of results emerging from that audit.
Niger	2.1	1.45	0.65	The Senior Country Manager received written confirmation from the MoF that the reimbursement would be made by the end of June.
	<b>10.73</b>	<b>9.92</b>	<b>0.81</b>	

Amounts repaid as a proportion of amounts agreed for reimbursement: %92