

INTERNAL AUDIT REPORT
Financial Forecasting Audit
September 2019



Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the adequacy and effectiveness of the key controls in the financial forecasting process to address the risk associated with financial forecasting variability driving inappropriate decision making.

Through our audit procedures of the financial forecast process, we have identified medium risk issues and made recommendations to further enhance the financial forecast process.

Management has undertaken various initiatives to address these issues including incorporating range analysis into the annual financial forecast process for version 16 issued in October 2018 (for the period from 2018-2025), enhancing documentation of key assumptions and updating the standard operating procedures document. In addition, management has indicated that the internal audit recommended actions were completed before the end of 2018 (principally incorporated into version 16 of the financial forecast that commenced in June 2018) except for those recommendations dependent on SAP implementation and one item that will be implemented into version 17 of the forecast. The status of remediation of these actions will be independently verified by Internal Audit during the follow up process.

Internal Audit Key Issues Summary

Issue Description	Rating	Ref	Page
There is need to enhance the documentation of the key assumptions used in developing the input forecasts	M	2018.02.01	4
There is need to enhance the financial forecast process by introducing scenario analysis	M	2018.02.02	5
There is need to maintain proper documentation of the financial forecast processes and procedures	M	2018.02.08	10
The tools in use for the financial forecast process may not be optimal	M	2018.02.11	14

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Summary of Findings

Summary of Key Issues Arising

Through our audit procedures, we have identified four key medium-rated issues as summarised below. The rest of the medium-rated issues are included in appendix 1.

There is need to enhance the documentation of the key assumptions used in developing the input forecasts

The key assumptions applied by the individual teams in developing the input forecasts were not formally documented. In addition, the Financial Forecasting & Advanced Market Commitment team (FF&AMC) had not developed criteria for identifying and testing the key assumptions and drivers of variability in the financial forecast. We acknowledge the fact that the FF&AMC team has already commenced the process of developing criteria for identifying key drivers of variability which will be used in future forecasts.

There is need to enhance the financial forecast process by introducing scenario analysis

The current financial forecast process does not include development and presentation of scenarios to management for consideration and subsequent selection of the optimal scenario for the final forecast. Results of a survey conducted among the key stakeholders as part of the audit indicated that 88% of the respondents believe introducing scenario analysis would boost the confidence level of the financial forecast.

There is need to maintain proper documentation of the financial forecast processes and procedures

The financial forecasting processes and procedures were changed in 2017 during the development of version 15.0 (2016-2025) financial forecast. We however noted that the standard operating procedures had not been updated to reflect the changes in the process.

The tools in use for the financial forecast process may not be optimal

The current financial forecast process, including development of the individual input forecasts, is managed on excel worksheets which are considered more flexible. However, the excel tools have

challenges regarding the security of data, weak audit trail, managing multiple users, among others. Management should therefore consider automating some of the processes in financial forecasting to make the process more efficient and less prone to error.

Background

Gavi's financial forecast provides the latest projections and estimates of: available resources; vaccine grant and enabling grant expenditure; and Secretariat & Partner Engagement Framework (PEF) expenditure. The financial forecast is used to inform all programme funding decisions considered (and approved) by Gavi's Audit and Finance Committee (AFC) and the Gavi Board. The financial forecast is a 10-year static forecast for two fixed periods based on Gavi's strategic periods. It is updated on an annual basis and presented to the Board for approval. The current forecast runs from the year 2016 to 2025.

The forecasting process jointly carried out by a forecast team (the Forecast Group) comprising members from Information Management and Quality Assurance, Vaccine Implementation (IMQA), Market Shaping, Immunisation Financing and Sustainability (IF&S) and Financial Forecasting and Advanced Market Commitment (FF&AMC). The joint process is preceded by development of the six input forecasts prepared by the respective teams which feed into the programme expenditure forecast. These include: operational forecast (for vaccine doses and devices, including prices); HSS forecast, Cold Chain Equipment Optimisation Platform (CCEOP), IPV forecast; Advance Market Commitments (AMC) forecast and stockpiles/investment case forecast. The programme expenditure forecast is then converted into annual cashflows which are then combined with other non-programmatic forecasts (e.g. Gavi Secretariat budget), matched to donor contributions and other income and finalised for presentation to the AFC for review and approval.

The FF&AMC team performs data quality, integrity and consistency checks on each of the input forecasts and along with the forecast team, meet with management, including the Executive Office. The key focus of the management meetings is to review and jointly discuss the key drivers of forecast variability. While the number of meetings may vary depending on need, over the past five years there have been three meetings annually. The first

Summary of Findings

meeting focusses on vaccines and analyses the key drivers of variability from both volume and price perspectives. The second meeting focusses on the total programme forecast, including vaccines and cash-based programmes. The third meeting focuses on the overall long-term forecast to discuss the key drivers of variances from a consolidated perspective. Revisions are made based on the outcome of these meetings and management feedback upon which the financial forecast is finalised and presented to the AFC for review and approval.

The FF&AMC team conducts monthly and quarterly monitoring of the forecast based on which updates are shared with senior management to inform decision making. The overall performance of the forecast is reviewed on an annual basis as part of the FF&AMC team's TPM (Team Performance Metric).

The financial forecast is currently a point forecast, i.e. fixed at a point in time. The forecasting team is currently working on introducing ranges/scenarios in the forecast going forward and this is expected to improve the process of landing on the optimal position that is used in the final forecast presented to the Board. In addition, a major review of the operational forecast (which forms the bulk of the programme expenditure forecast) methodology was done in 2016 during the development of the 2016-2025 financial forecast. A new approach to forecasting demand (Data triangulation methodology) was introduced and involves using average historical data to forecast future vaccine needs for the Gavi-supported countries.

The financial forecast process, including development of the individual input forecasts, is managed on MS Excel worksheets. There are however plans to transfer some of the financial forecast activities into the ERP system once the Financial Systems Infrastructure project is implemented.

Audit Objective

Our audit assessed the adequacy and effectiveness of the governance, risk management and internal controls over the key controls in the process of financial forecasting to address the risk associated with financial forecasting variability driving inappropriate decision making.

Audit Scope and Approach

We adopted a risk-based audit approach informed by our assessment of the system of internal controls.

Our audit approach included interviewing relevant Secretariat teams, reviewing Board and committee reports, reviewing operational and country guidelines, and sample testing evidence of the process of financial forecasting. In the course of the audit we also considered the IT systems supporting the processes and the quality of the data available for use in the financial forecasting process. We also conducted a survey amongst the key stakeholders of the financial forecast, including senior management.

This audit was designed to assess the:

- Design and operating effectiveness, where possible, of the key controls;
- Economy and efficiency of the utilisation of resources;
- Quality of implemented governance and risk management practices; and
- Compliance with relevant policies, procedures, laws, regulations and where applicable, donor agreements.

The scope of this audit covered the financial forecasting process for the version 15.0 (2016-2025) financial forecast which was presented to the Gavi Board in November 2017. The audit was limited to the activities of the Financial Forecasting and Advanced Market Commitment (FF&AMC) team which included:

- Data quality checks done by the FF&AMC;
- Variability analysis of the key drivers affecting the financial forecast;
- Involvement/engagement of management in developing the forecast;
- Progress monitoring of the financial forecast;
- Reporting to management, AFC and the board; and
- Financial forecasting tools and systems.

The following areas were not considered in-scope for this audit:

- Detailed review of the processes of developing the individual forecasts (operational; HSS; CCEOP; Stockpiles/investment case; AMC; and IPV forecasts) that feed into the financial forecast.
- Secretariat/PEF budget forecast process.
- Donor contributions (including IFFIm & AMC) forecast process.
- Investment income forecast process.

Summary of Findings

We will continue to work with management to ensure that these audit issues are adequately addressed and required actions undertaken.

We take this opportunity to thank all the teams involved in this audit for their on-going assistance.

Head, Internal Audit

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
MEDIUM	There is need to enhance the documentation of the key assumptions used in developing the input forecasts						
	The long-term financial forecasting process inherently involves developing and applying various assumptions on future events which include different levels of uncertainty. Defining and documenting the assumptions applied is a critical step during the initial stages of the process, especially in ensuring that the results are justifiable. The financial forecast is derived from six input forecasts (operational, HSS, CCEOP, IPV, AMC and stockpiles) which are developed by the individual teams. The forecasts are shared with the FF&AMC team which reviews them for reasonableness, consistency and completeness.						
2018.02.01	During our review, we noted that the key assumptions applied by the individual teams in developing the input forecasts were not formally documented. In addition, the FF&AMC team had not developed criteria for identifying and testing the key assumptions and drivers of variability in the financial forecast. Discussions held with the FF&AMC team indicated that they are currently developing criteria for identifying key drivers of variability which will be used in future forecasts.	<ul style="list-style-type: none"> It may be difficult to accurately assess the reasonableness, consistency and completeness of the forecasts in the absence of clearly documented assumptions and a testing criteria. The impact of key assumptions on the financial forecast may not be assessed adequately and communicated to management, the AFC and the Board. Lack of accountability regarding the 	<p>Management should:</p> <ol style="list-style-type: none"> Ensure that the respective input forecasts from the individual teams are supported by clearly documented key assumptions. Define and document formal criteria for testing the assumptions used in developing the input forecasts. In addition, ensure that it is reviewed and updated periodically Ensure that there is formal approval and sign-off of the criteria to be used. 	<p>Whilst a formal summarized document of all key assumptions across all expenditure items was not readily available for the v15 forecast, every figure included in the financial forecast was supported by a working document providing the information source & owner of the financial figure, including sign-off/approval of the figures.</p> <p>Key variance drivers and main forecast assumptions were presented as part of the presentations in the three main v15 Forecast meetings.</p> <p>As part of the v16 financial forecast update process, a document that summarizes key assumptions was prepared and distributed to the relevant internal stakeholders for future reference.</p>	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	<p>a) Completed: Key assumptions documented and distributed for v16 on 12.Oct.2018</p> <p>b) Q2/3-2019: Development of standardized criteria for analysis for v17.0 where possible</p>	Pending verification by IA

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		forecast outcome in the absence of an objective criteria for identifying and testing key assumptions.		We take on board the recommendation to develop standardized criteria for analysis where possible, given the diversity of the expenditure portfolio			
MEDIUM	There is need to enhance the financial forecast process by introducing scenario analysis						
	Scenario analyses and sensitivity tests are the two main stress testing methods which are important elements in forecasting because they not only enhance the reliability of the outcome of the forecast but also help in proactive identification and management of risk. Consideration of different scenarios during the forecasting process encourages active participation of management in the selection of the optimal scenario for the final forecast.						
2018.02.02	<p>The current financial forecast process does not include development and presentation of scenarios to management for consideration and subsequent selection of the optimal scenario for the final forecast.</p> <p>According to the results of a survey conducted by the Internal Audit team among the key stakeholders, 88% of the respondents indicated that scenario planning would contribute to improving the confidence level of the financial forecast. Discussions held with the FF&AMC team indicated that they are in the process of introducing forecast ranges (high, low and base scenarios) which will be incorporated in</p>	<ul style="list-style-type: none"> Inability to effectively assess the financial vulnerability of Gavi's business under different scenarios. Evaluation of the effectiveness of the various mitigating options may not be robust. 	<ol style="list-style-type: none"> Introduce scenario analysis in the forecasting process. Ensure involvement of senior management in the selection of the optimal scenario for the final forecast. 	<p>The concept of high level upside & downside risks/ranges were introduced in the 2nd & 3rd meeting for the v15 forecast.</p> <p>Range analysis has been incorporated into the annual financial forecast process for v16 and we will continue to enhance this area of analysis.</p>	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC, Chair of Forecast Group	Completed: Vaccine specific scenarios created and documented as part of v16 financial forecast process in 2018. This is now part of the standard annual forecast process.	Pending verification by IA

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
	the Version 16.0 forecast (2018).						
Low	There is need for clarity on the main purpose and use of the financial forecast information						
	According to the FF&AMC team, the main purpose of the financial forecast is to inform Board investment decisions.						
2018.02.03	<p>About 75% of the respondents from the survey conducted by Internal Audit among key stakeholders indicated that the financial forecast information is used to inform both: Board investment decisions and key management decisions including replenishments (2012-2025), Alliance Partners funding, co-financing, operational-Secretariat, mid-term review and vaccine demand and supply). Therefore there is need to formally clarify the purpose and use of the financial forecast to ensure that the expectations of all the stakeholders on this are aligned. Post-script, in July 2018, following the completion of the audit, the FF&AMC team engaged the stakeholders regarding the purpose of the financial forecast.</p>	<p>Information that is primarily meant for the financial forecast may be used for other purposes/decisions for which it is not intended.</p>	<p>The FF&AMC team should ensure that the main purpose of the financial forecast information is well understood and documented in the revised financial forecasting standard operating procedures.</p>	<p>For new staff, Committee & Board member on-boarding, a standard presentation was given by the Senior Director Finance describing the financial forecast.</p> <p>We take on-board the recommendation to develop the necessary communication & training tools as well as updating the SOP accordingly.</p>	<p>MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC</p>	<p>Q1/Q2-2020 (Leverage SAC training)</p>	

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
Low	There is need to enhance understanding of the forecast process internally						
	The forecasting process is complex and dynamic, therefore requiring an understanding of the variables, assumptions and key drivers affecting the forecast output. A good understanding of the process enables the key stakeholders to effectively contribute and challenge the process as well as the outputs. Training is one of the ways to enhance understanding of this process.						
2018.02.04	According to the results of the survey conducted by the Internal Audit team among key stakeholders, 75% of the respondents indicated that there is need for some key stakeholders and management to receive some form of training on the forecasting process to enhance their effectiveness regarding oversight and enable them to add more value.	Lack of effective oversight of and valuable input into the forecast process.	Enhance understanding of the forecasting process by: 1. Facilitating an in-house training for key stakeholders and senior management involved in the process. 2. Utilising the finance portal by including a glossary of the technical terms used in the process for reference. The FF&AMC team could also consider developing a “Frequently Asked Questions” on the forecast process along with answers that can be included on the finance portal.	We take on-board the recommendation to develop the necessary communication & training tools.	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Q1/Q2-2020 (Leverage SAC implementation)	
LOW	The process of review and approval of the Pneumo-AMC forecast needs to be formalised						
	The Pneumo-AMC forecast is one of the six input forecasts prepared by the FF&AMC team. According to the Version 15.0 forecast, the AMC funds to the year 2020 are projected to be US\$ 1.5 billion with the funds being fully utilised by the end of 2020 (i.e. programme expenditure will be equal to the funds). All input forecasts are reviewed and approved by the Directors of the respective teams prior to being presented to the Executive Team (ET) for review.						

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
2018.02.05	We could not evidence the formal review and approval of the Pneumo-AMC forecast by the finance management prior to being submitted to the ET for review.	Errors in the forecast may not be identified leading to incorrect decision making.	Ensure all input forecasts are formally reviewed and approved prior to being submitted to the ET.	<p>v15 was an exceptional instance where the Pneumo-AMC forecast was prepared by the Head FF&AMC team, instead of the Senior Manager.</p> <p>The forecast was discussed with Finance management and executive management who formally signed-off on the US\$1.5bn AMC forecast.</p> <p>v16 forecast was prepared by the Senior Manager, Financial Forecasting and reviewed by Head, Financial Forecasting and ET during the three meetings in September 2018</p>	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Completed as part of v16 process in 2018	Pending verification by IA
LOW	<p>There is need to improve documentation of the management meetings in which key decisions relating to the forecast process are taken</p> <p>The FF&ACM team coordinates the three key financial forecasting management meetings which are patronised by the executive management. The first meeting focuses on the operational (vaccine) forecast, the second on the total programmes (Vaccines and Cash - HSS, VIG and Ops) and the last meeting focuses on the full forecast (cash flow) and the strategic/other funding issues and decisions.</p>						
2018.02.06	From our review of the minutes of the three meetings, it was difficult to tell what the input of the management team was including agreed action points, the person or team responsible and evidence of follow through. It is important to take minutes of key meetings as they act as the evidence of key	<ul style="list-style-type: none"> The absence of standardised and well documented meeting minutes may impede the ability to drive actions and accountability. 	<p>Management should:</p> <ol style="list-style-type: none"> Develop a standardised template for documenting management meeting minutes which should include items such as: agenda items, management input, and action points. The 	<p>Our understanding is that this is an identified risk due to the fact that the format & structure was considered sub-standard for the three sets of meeting minutes prepared.</p> <p>A new standardised template was developed for the v16 meeting minutes, including clear</p>	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Completed as part of v16 process in 2018	Pending verification by IA

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Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
	<p>deliberations and are a point of reference for agreed actions. We also noted that there is room for improvement regarding the process of communicating the final financial forecast to management. Currently this is very generic and does not highlight the key changes (if any) or include a summary of the final financial forecast given that the attachments to the email are very voluminous. The FF&AMC team requests management for feedback on the final forecast via email without giving clear guidance on the timeframe within which to respond. In addition, we observed that there is no formal process of obtaining feedback from management upon completion of the annual forecast process.</p>	<ul style="list-style-type: none"> It may be difficult for management to identify errors (if any) which may lead to incorrect decision making. Potential areas for improvement may not be identified in the absence of formalised feedback from senior management on the quality of information and the financial forecast process. 	<p>respective person/team responsible and due date. The financial forecast standard operating procedures should provide guidelines on how to deal with any exceptions.</p> <p>2. Highlight any key changes which have been considered in the final management meeting during the communication of the final forecast, include key summaries of the final forecast for ease of reference by management and specify a timeframe within which management should provide feedback.</p>	<p>demarcation of action items, management discussion and final resolutions</p>			
LOW	<p>There is need to enhance the process of validation of the accuracy of the financial forecast</p> <p>The FF&AMC team reports on their performance regarding the accuracy of the financial forecast on an annual basis as part of the TPM results presented to the Executive Office.</p>						
2018.02.07	<p>According to the results of the survey conducted by the Internal Audit team among key stakeholders, 63% of the respondents indicated that they were not aware that the</p>	<ul style="list-style-type: none"> Stakeholders may not be able to effectively provide feedback on the forecast accuracy due to 	<p>1. Review of the accuracy of the financial forecast should be part and parcel of either the quarterly monitoring or</p>	<p>The TPM for annual financial forecast accuracy is the responsibility of the Finance team. Actual expenditures are from the accounting system which also generates the</p>	<p>MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC</p>	<p>Completed.</p>	<p>Pending verification by IA</p>

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
	FF&AMC team reports on the accuracy of the financial forecast to senior management as they are not involved in validating this before it is presented to senior management. In addition, 71% of the survey respondents indicated that they do not understand the criteria for measuring the accuracy of the financial forecast.	limited understanding and/or involvement in reporting forecast accuracy.	management meetings' agenda. 2. Clarify and communicate the criteria for assessing the accuracy of the financial forecast.	externally audited financial statements. There is not the requirement or expectation that all participants from the survey would be responsible for validating the actuals as the information source is from the Finance systems. For recommendation (1) The review of the current year incurred expenditure to date compared to the Board approved forecast is already an integral part of the existing quarterly financial management reporting process. Senior management determines the agenda items for its quarterly meetings.			
MEDIUM	There is need to maintain proper documentation of the financial forecast processes and procedures						
	Process documentation and standard operating procedures are key process controls which should be implemented to reduce the business knowledge continuity risk. The financial forecasting processes are included in the Financial Planning and Analysis (FPA) procedures which were last updated in 2015.						
2018.02.08	We made the following observations during our review: a) The financial forecasting process was revised significantly in 2017 during the development of the Version 15.0 forecast. However, the documented processes and procedures had not been updated to reflect these	<ul style="list-style-type: none"> Inconsistent application of procedures. Increased business knowledge continuity risk. 	Management should develop comprehensive financial forecast standard operating procedures. Some of the key items to be addressed in the revised operating procedures	An updated Standardised Operational Procedures document has been drafted mid-2018 and the final version will ensure findings (a)-(f) are addressed	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Completed – SOP finalized & distributed in December 2018. Annual update to occur by Q2 each year	Pending verification by IA

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
	<p>changes at the time of the audit as there seems to be no process to ensure periodic review and update of the financial forecasting standard operating procedures.</p> <p>b) Some of the key processes relating to financial forecasting such as: development of the individual input forecasts (Operational, HSS, CCEOP and IPV forecasts) had not been fully documented.</p> <p>c) The roles and responsibilities of the teams involved in financial forecasting had not been defined and documented.</p> <p>d) The processes and procedures relating to financial forecasting had not been referenced to the relevant Gavi policies e.g. the programme funding policy.</p> <p>e) Reporting timelines, for instance for the quarterly finance update and monthly reconciliations had not been documented.</p> <p>f) There were no guidelines on how exceptions in the process should be handled. For instance, in the event of an activity not being undertaken as required, e.g. as noted in the monthly reconciliations which were</p>		<p>should, among others, include:</p> <ul style="list-style-type: none"> • Background on the methodology used including changes made during Version 15.0 forecast; • Objectives and key risks of the forecast process; • Key teams involved in the process and their respective roles and responsibilities; • The relevant Gavi policies which affect the forecast process; • Description of the detailed procedures undertaken during the forecast process, including development and approval of the six input forecasts; • Tentative timelines for the key activities within the process including reporting; • Reference to process maps and other 				

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
	significantly delayed for the first three months of the year due to year end closure and annual audit of the financial statements.		<ul style="list-style-type: none"> documents key to the process; • Exceptions in the process and how these should be managed; • Procedure to be followed during significant revisions of the forecasting methodology; and • Provision for regular/periodic review and update of the operating procedures. 				
LOW	There is need to improve the maintenance of key correspondence related to the financial forecast process						
	There are several teams within Gavi which are responsible for developing the six input forecasts including the operational, HSS, CCEOP, IPV, AMC and stockpile forecasts. The FF&AMC team liaises and communicates with the individual teams to understand the assumptions and the values in the input forecasts.						
2018.02.09	We noted that the correspondence between FF&AMC and the individual teams were not centrally filed, for instance in a shared folder for ease of access. Most of the correspondence is via emails and is stored in the individual emails of the FF&AMC team which makes the process of retrieval very cumbersome.	<ul style="list-style-type: none"> • The audit trail for key information which is relevant to the financial forecast may be lost. • The business knowledge continuity risk may be high, especially in the event that the key staff 	Liaise with the KMTS team for guidance on how to implement a robust filing system for key correspondence and documents which is in line with the Gavi information security standards.	Every figure included in the v15 financial forecast was supported by a working document providing the information source & owner of the financial figure. For each forecast update (including v15) there is a single coordinating document that maintains the audit trail for all working papers supporting the financial figures.	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Q1/Q2--2020 (aligned with SAC implementation timelines)	

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		involved in the process leave the organisation.					
LOW	There is need to clarify the roles and responsibilities of the various teams involved in the forecast processes						
	It is always good practice to ensure that the roles and responsibilities of the teams involved in a process are clearly defined and communicated to guard against the risk of overlap, duplication of effort and also enhance accountability.						
	A Forecasting Working Group comprises representatives from IMQA, Market Shaping, IF&S and FF&AMC teams. According to discussions held with the FF&AMC team, the group is supposed to meet on a monthly basis to develop the financial forecast which is presented to the AFC and the Board for investment decisions.						
2018.02.10	a) According to the results of the survey conducted by the Internal Audit team among key stakeholders, 38% of the respondents indicated that the roles and responsibilities of the different teams involved in the forecasting processes are not clearly defined and well understood.	<ul style="list-style-type: none"> Overlap and duplication of effort amongst the teams involved in the forecasting processes Accountability for deliverables may not be robust. 	Management should ensure that the roles and responsibilities of the teams involved in the forecasting processes are clearly defined in the financial forecasting standard operating procedures and communicated.	<p>A financial forecast working group has been in existence since before 2010.</p> <p>The financial forecast is the responsibility and deliverable of this Forecast Group whose core members are from the IMQA, Market Shaping and Finance team. The survey respondents included a wider cross-section of teams.</p>	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Completed: Updated SOP approved and distributed December 2018	Pending verification by IA
	b) We noted that the Forecast Group protocol has not been updated since 2014 to reflect the changes in the forecast process. The objective, roles and responsibilities for the group as defined in the protocol relate to the previous long term financial forecast process which	Lack of clarity regarding the roles and responsibilities of the forecast working group.	Management should review and update the terms of reference for the forecast working group to ensure that the group's objectives, roles and responsibilities are aligned to the current financial forecast process.	The updated Standardised Operational Procedures document, drafted mid-2018, includes a RACI chart.	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Completed: Updated SOP approved and distributed December 2018	Pending verification by IA

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Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
	has since been revised significantly.						
MEDIUM	The tools in use for the financial forecast process may not be optimal						
	Effective and efficient tools facilitate the delivery of outputs in a process. It is best practice for management to periodically assess the tools in use to determine whether they are fit for purpose.						
	Management is in the process of replacing the current accounting software (AX 2012) with a robust ERP system under the Financial Systems Infrastructure project.						
2018.02.11	The current financial forecast process, including development of the individual input forecasts, is managed on MS Excel worksheets. While MS Excel is considered to be more flexible, it contains inherent risks and limitations including: the security of the data, the challenge of managing multiple users in a worksheet, efficiency is dependent on the volume of data, there is weak audit trail for changes and there is significant level of effort required to consolidate different worksheets and generate reports.	<ul style="list-style-type: none"> • The risk of errors may be high leading to inaccurate financial forecast. • Loss of critical data • The tools in use may not be optimal leading to inefficiencies and significant loss of management time. 	Consider automating the financial forecast process to mitigate the highlighted risks.	Gavi is in the process of designing and implementing a new integrated Enterprise Resource Planning tool (SAP). Discussions are underway to determine the scope in which the financial forecast process will be included	MD, Fin. & Operations, Head, Fin. F/casting, Systems & AMC	Q1/Q2-2020, aligned with SAC implementation timeline	

Appendix 2: Summary of Performance Ratings and Distribution

Summary Performance Ratings on Areas Reviewed

For ease of follow up and to enable management to focus effectively in addressing the issues in our report, we have classified the issues arising from our review in order of significance: High, Medium and Low. In ranking the issues between 'High', 'Medium' and 'Low', we have considered the relative importance of each matter, taken in the context of both quantitative and qualitative factors, such as the relative magnitude and the nature and effect on the subject matter. This is in accordance with the Committee of Sponsoring Organisations of the Treadway Committee (COSO) guidance and the Institute of Internal Auditors standards.

Rating	Implication
High	Address a fundamental control weakness in relation to internal controls, governance and/or risk management that should be resolved as a priority
Medium	Address a control weakness in relation to internal controls, governance and/or risk management that should be resolved within a reasonable period of time
Low	Address a potential improvement opportunity in relation to internal controls, governance and/or risk management

Distribution

Title
Managing Director, Finance and Operations Management
Senior Director, Finance & Chief Accounting Officer, Finance & Operations
Head, Financial Forecasting, Systems and Advanced Market Commitment, Finance

For Information

Title
Chief Executive Officer
Deputy Chief Executive Officer
Managing Director, Audit & Investigations
Executive Team
Chief of Staff
Managing Director, Vaccines & Sustainability, Vaccines and Sustainability Management
Managing Director, Country Programmes
Director, Legal
Director, Vaccine Implementation
Head, Risk