INTERNAL AUDIT REPORT

Grant Oversight – Monitoring Implementation of Recommendations
November 2021

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1. Executive Summary

1.1.   Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the design and effectiveness of the key controls in the processes related to Grant Oversight – Monitoring implementation of recommendations.

The Secretariat has structured its risk management and assurance functions according to the best practice "Three Lines of Defence" model, ensuring clear and distinct roles and objective checks, balances, and controls. Under this model three separate groups (known as "lines of defence") across the Alliance each play a distinct role in risk management and in validating its effectiveness. Country Teams, constituting mainly Country Programme teams spearheaded by Country Support perform first line of defence roles. Their primary responsibilities are to leverage Gavi support to drive for results (coverage, equity, and sustainability); to engage throughout the grant lifecycle; to proactively identify, monitor, manage and mitigate risks; to work with partners to better support countries; and to actively contribute to continuous improvement in the planning and management of grants. In addition, part of their grant oversight role is to monitor the in-country implementation of recommendations arising from various sources of assurance.

We assessed the design and operating effectiveness of the key controls related to monitoring implementation of recommendations and concluded that the process has some weaknesses in design and operating effectiveness. We have identified one high risk issue relating to the process of monitoring, tracking and validation of the implementation of recommendations. Medium risk issues were also identified some of which are summarised below.

1.2.   Summary of key audit findings

Ref	Description	Rating*
Monitoring and tracking the implementation of recommendations		
1.3.1	There is need to enhance the process of monitoring and tracking the implementation of recommendations.	🟥
Validation of implementation of recommendations		
1.3.2	There is need to ensure that adequate supporting documentation is obtained from countries and validated prior to closure of recommendations.	🟧
Completeness and accuracy of data in Salesforce		
1.3.3	There is need to enhance the completeness and accuracy of recommendations' data recorded in the tracking tool.	🟧
Policies and Procedures		
1.3.4	There is need for documented procedures to provide guidance regarding the process of monitoring implementation of recommendations.	🟧

* The audit ratings attributed to each section of this report, the level of risk assigned to each audit finding and the level of priority for each recommendation, are defined in annex 2 of this report.

1.3.   Summary of findings

Through our audit procedures, we have identified one high and four medium risk-rated issues as summarised below.

1.3.1 Monitoring and tracking the implementation of recommendations

There is need to enhance the process of monitoring and tracking the implementation of recommendations

There is currently no defined process within the Secretariat of monitoring and tracking Programme Audit (PA) recommendations and how the respective country's actions are validated. This is because Programme Audit staff are not in a position to validate remediation status of PA recommendations directly. This role which is supposed to be performed by the Country Support team involves tracking the respective status, follow-up of recommendations and validation of successful implementation. To facilitate this exercise and enable the audit team to prepare reports to the Audit and Finance Committee, a tracking system was developed in Salesforce in September 2018 – alongside the GMR (Grant Management Requirements) tracker. The Country team staff responsible for entering comments into the PA tracker, effectively provide their best self-assessment of the status. However, this assessment is not always validated with underlying supporting documentation. In addition, based on data points from select return (ie subsequent) programme audits of some countries, it has been demonstrated that the underlying audit issues and associated recommendations have not been consistently addressed or remediated.

Given that some of the issues which have been identified through the programme audits are regarded as Gavi's top risks, the lack of a robust process of monitoring, tracking and validation of the remediation status may lead to potential risks materialising and/or not being escalated on a timely basis. In addition, programme implementation objectives may not be achieved effectively and/or efficiently.

1.3.2 Validation of implementation of recommendations

There is need to ensure that adequate supporting documentation is obtained from countries and validated prior to closure of recommendations

The PFM and PA teams upload the recommendations arising from their assurance activities to the tool in Salesforce. The role of the Country Support team is to monitor the implementation of recommendations and update the tool in Salesforce. The Country support obtains evidence from countries as evidence of remediation through monitoring agents or country visits.

 Through our audit procedures, we sampled some recommendations to determine whether the 'completed' status as indicated in the tool in Salesforce could be independently verified. We observed that the supporting documentation for recommendations having 'completed' status is not consistently obtained and maintained on file. The Country Support team mainly relies on excel files provided occasionally by the monitoring agent (in general before the joint appraisal - not regularly). These excel files summarise the work done and the progress of implementation of recommendation by countries. In addition, for some of the recommendations, the status as indicated in Salesforce was not accurate e.g., some recommendations are shown as ongoing and yet they have been implemented or are still open. The implication of this is that significant gaps or risks identified during the various assurance activities may not be fully mitigated in the absence of an effective independent verification process.

1.3.3 Completeness and accuracy of data in Salesforce

There is need to enhance the completeness and accuracy of recommendations recorded in Salesforce

Salesforce is the main system for recording and tracking recommendations arising from Programme Audits and Programme Capacity Assessments (PCAs).

Our audit procedures included review of Salesforce, documentation on Gavi Drive and interviews with various staff from various teams (i.e., Programme Officers, SCMs, Regional Heads, and Knowledge Management and Technology Solutions). We identified cases of data incompleteness and inaccuracy in Salesforce e.g., where the number of recommendations recorded was different and lower than the number of recommendations in the final reports; and where the status, implementation date or deadline as recorded in Salesforce did not match with the details in the final reports. The implication of this is that identified gaps or risks may not be mitigated timeously through effective monitoring and follow up if the data captured in Salesforce is incomplete and inaccurate.

1.3.4 Systems and Tools, Policies and Procedures

There is need to have documented procedures to provide guidance regarding the process of monitoring implementation of recommendations

Country Support activities are documented in various documents such as the ABC rating (the risk categorisation ranking, updated in the second half of 2021 following the reorganisation), the grant management operations manual, and the country team operational guidelines. These documents are updated regularly.
The grant operations manual does not include defined processes for activities relating to monitoring implementation of recommendations. While some of the templates linked to the manual refer to some of the key activities such as GMRs and issue resolution tool, there is insufficient guidance on what should be included in these templates.
Additionally, roles and responsibilities have not been adequately defined. The main document which references the roles and responsibilities is the ABC service package guidance. However, this is at a high level and does not include sufficient detail on monitoring to facilitate accountability in the process. The implication of this is that inconsistencies may arise in execution of activities and/or quality of work done may not be sufficient. In addition, accountability may not be robust in the absence of comprehensive roles and responsibilities.

Previously identified significant findings yet to be remediated

There is need to enhance the implementation of GMRs

We noted the slow progress in the implementation of GMRs such that a significant number of GMRs which were due were either not met, delayed, or partially met at the time of the monitoring review. For instance, in the four countries sampled, on average only 32% of the GMRs which were due were met while 41% of the GMRs that were due were either not met, delayed, or partially met. A further 23% were started but were running behind schedule. The low implementation rate was due to the lack of a well-defined oversight process of programmes by the country teams to ensure that the GMRs are implemented on time and as required. In addition, we noted that there are no formally defined guidelines and requirements for the Country Support team to report on the ongoing monitoring of implementation of GMRs on a periodic basis. The process was, to a large extent, dependent on the individual SCM and varied across countries and regions.

There is need to strengthen the oversight process by the Secretariat of holding countries to account and ensuring that significant financial and programmatic risks identified impacting programme objectives are mitigated within the agreed timeframe.

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

2. Objectives and Scope

2.1.   Audit Objective

Our audit assessed the adequacy and effectiveness of the governance, risk management and internal controls related to one of the Grant Oversight processes: Monitoring and tracking the implementation of recommendations.

2.2.   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 relevant policies, operational and country guidelines, and reviewing on sample basis evidence relating to the process of monitoring and tracking implementation of recommendations. We also considered the IT systems supporting the process under review.

This audit was designed to assess the:

- Design and operating effectiveness, where possible, of the 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 period from January 2018 to August 2020.

In particular, we reviewed the key controls in the process put in place by the Alliance to monitor and ensure timely implementation of recommendations by countries. The scope of the audit covered the following key activities:

a)   Review of recommendations of audits and assessments undertaken in countries receiving GAVI support;

b)   Defining and measuring the performance (including outcomes and impact) and integration of the recommendations from the audits and assessments in the strategy of the Alliance;

c)   Definition of roles and responsibilities for the various stakeholders involved in process under review; and

d)   Policies and procedures, and tools and systems in use.

The following areas were excluded from the scope:

a)   Special studies and evaluations;

b)   The process of outsourcing the audits and assessments; and

c)   Grant approvals and Cash Disbursement Requests (CDR).

3. Background

Salesforce is the main system for recording and tracking recommendations arising from Programme Audits (PA) and PCAs. PA recommendations are recorded in Salesforce by PA staff, PCA recommendations - Grant Management Requirements (GMRs) and Grant Management Actions (GMAs) by the PCA team, IRC recommendations by FD&R team while HLRP recommendations are currently not recorded in this tool. Once the recommendations have been recorded in Salesforce, the Country Support team is then notified so that monitoring and follow up can begin. These recommendations are accessible via the country portal or the Issue Resolution Tool. The Country Support team updates the status of recommendations recorded in Salesforce based on their knowledge of the status of remediation in-country. The team is supposed to monitor and validate the implementation of recommendations with underlying supporting documentation before updating the status in Salesforce.

The Country Support team places more emphasis on the tracking of GMRs due to the fact that they are legally binding and form annex 6 of the Partnership Framework Agreement (PFA).

GMRs are recommendations that address a major grant implementation risk (fiduciary or programmatic) that is very likely to significantly hinder the achievement of grant objectives; or a risk of material non-compliance with Gavi requirements that is likely to have adverse financial, programmatic, or reputational consequences. The GMRs are reviewed by the PCA and country teams and later agreed with the Gavi-supported country for implementation. The GMRs include the agreed requirement, the implementation timelines, the responsible party, and the implications for non-compliance.

A guidance issued by CP management in August 2016 defines GMRs as recommendations arising from specific actions that need to be addressed before a disbursement or within a particular deadline, such as the recruitment of a key position before a particular disbursement, or the establishment of an M&E function within a period of time. Failing to address a requirement of this nature could result in a disbursement being delayed until it is completed. Other requirements that have no particular deadline (unless they are not already in place) but that need to be maintained on an ongoing basis, such as the procurement rules the country must comply with or the requirement to maintain certain bank accounts could impact upon disbursements as well if they are not met.

The other recommendations that can be monitored through ongoing grant oversight processes are consolidated into Grant Management Actions (GMAs) and are supposed to be communicated to the Gavi-supported countries through decision letters and/or management letters.

The current system to track Programme Audit recommendations went 'live' in Salesforce in September 2018. The system was implemented for Country Programmes staff to track the respective status and follow-up of recommendations for which they are responsible. The PA recommendations' tracker's design is in effect an exact copy of the GMR tracker's parameters as agreed between the Country Programmes and PCA teams.

4. Annexes

Annexe 1 – Acronyms

CDR	Cash Disbursement Request
GMA	Grant Management Action
GMR	Grant Management Requirement
HLRP	High Level Review Panel
OG	Operating Guidelines
PA	Programme Audit
PCA	Programme Country Assessment
QMR	Quarterly Management Review
SOP	Standard Operating Procedure
USD	United States Dollars

Annexe 2 – Methodology

Gavi's Audit and Investigations (A&I) audits are conducted in accordance with the Institute of Internal Auditors' ("the Institute") mandatory guidance which includes the definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the audit activity's performance. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers are also adhered to as applicable to guide operations. In addition, A&I staff adhere to A&I's standard operating procedures manual.

The principles and details of the A&I's audit approach are described in its Board-approved Terms of Reference and Audit Manual and specific terms of reference for each engagement. These documents help A&I auditors to provide high quality professional work, and to operate efficiently and effectively. They help safeguard the independence of the A&I auditors and the integrity of their work. The A&I's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

In general, the scope of A&I's work extends not only to the Secretariat but also to the programmes and activities carried out by Gavi's grant recipients and partners. More specifically, its scope encompasses the examination and evaluation of the adequacy and effectiveness of Gavi's governance, risk management processes, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve stated goals and objectives.

Annexe 3 – Definitions: opinion, audit rating and prioritisation

A.   Issue Rating

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	At least one instance of the criteria described below is applicable to the finding raised: • Controls mitigating high inherent risks or strategic business risks are either inadequate or ineffective. • The issues identified may result in a risk materialising that could either have: a major impact on delivery of organisational objectives; major reputation damage; or major financial consequences. • The risk has either materialised or the probability of it occurring is very likely and the mitigations put in place do not mitigate the risk. • Management attention is required as a matter of priority. • Fraud and unethical behaviour including management override of key controls.
Medium	At least one instance of the criteria described below is applicable to the finding raised: • Controls mitigating medium inherent risks are either inadequate or ineffective. • The issues identified may result in a risk materialising that could either have: a moderate impact on delivery of organisational objectives; moderate reputation damage; or moderate financial consequences • The probability of the risk occurring is possible and the mitigations put in place moderately reduce the risk. • Management action is required within a reasonable time period.
Low	At least one instance of the criteria described below is applicable to the finding raised: • Controls mitigating low inherent risks are either inadequate or ineffective. • The Issues identified could have a minor negative impact on the risk and control environment. • The probability of the risk occurring is unlikely to happen. • Corrective action is required as appropriate.

B.   Distribution

Title
Managing Director, Country Programmes
Director, Core Countries
Director, High Impact Countries
Director, Fragile & Conflict Countries
Regional Heads, Country Support
Head, Programme Support Team – Country Programmes
Director, Immunisation, Financing & Sustainability
Director, Strategy, Funding & Performance
Head, FDR

C.   For Information

Title
Chief Executive Officer
Deputy Chief Executive Officer
Managing Director, Audit & Investigations
Executive Team
Director, PFM
Director, Legal & General Counsel
Head, Risk