

<b>SUBJECT:</b>	<b>CONSENT AGENDA: AUDIT AND INVESTIGATIONS TERMS OF REFERENCE</b>
<b>Report of:</b>	Simon Lamb, Managing Director, Audit and Investigations
<b>Authored by:</b>	Simon Lamb
<b>Agenda item:</b>	02f
<b>Category:</b>	For Decision
<b>Strategic goal:</b>	Alliance operations

## **Section A: Overview**

### **1. Executive Summary**

- 1.1 The Terms of Reference (ToR) for the Audit and Investigations function (A&I) provides the constitution and authority for the operation of this activity in Gavi, and are approved by the Board. The ToR are subject to periodic review by the Managing Director Audit and Investigations, and any changes must also be approved by the Board. As described below, multiple changes are proposed to the previously approved ToR, and the revised draft has been reviewed by the Audit and Finance Committee on 6 November 2015, which recommends that the Board approves the revised document.

### **2. Recommendations**

- 2.1 The Gavi Audit and Finance Committee recommends to the Board that it:
- Approve** the revised Audit and Investigations Terms of Reference attached as Annex A to Doc 02f.

## **Section B: Content**

### **3. Revisions to the Audit and Investigations Terms of Reference**

- 3.1 The Board-approved ToR provide the basis of authority and the operational framework for the conduct of audit in Gavi. This was last amended, and approved by the Board, in June 2013 and is now being revised to reflect the reorganisation of A&I, and to incorporate recommendations arising from the External Quality Assessment of the Internal Audit activity conducted earlier in 2015; both of these matters have been previously reported to the Board. The revised ToR has built on the previously-approved ToR to the extent possible. Overall there are many changes, the most significant of which are:

- (a) Sections 1 a.,b., and c. The inclusion of the new activities of Programme Audit, Investigations and Counter-Fraud, and Whistleblower (confidential) Reporting within the A&I function.
  - (b) Section 2. Clarifying the Board's oversight role in the establishment of the audit function.
  - (c) Section 5. Clarifying the nature of A&I's interaction with the external auditors (reviewed and agreed with KPMG).
  - (d) Sections 7 and 8. Clarifying authority and confidentiality with respect to Gavi-supported countries and partners given the expansion of A&I's activities.
  - (e) Section 10. Clarifying the Managing Director A&I's reporting lines to, respectively, the Audit and Finance Committee, and the Board.
  - (f) Section 12. Establishing the need to report to the Board annually on A&I's organisational independence, as required by professional standards.
  - (g) Section 16m. Clarifying the nature of consulting services which A&I may provide.
  - (h) Section 18. Establishing that the Audit and Finance Committee will review and approve the audit plans, and make a recommendation to the Board on the approval of the function's budget (as a component part of the overall Secretariat budget).
  - (i) Section 20. Establishing that audit reports will be distributed as appropriate, under (to be agreed) policies, rather than include such operational matters in the ToR.
- 3.2 The revised ToR are included at Annex A. The main changes are described above ((a) – (i)).

#### **4. Confirmation of Organisational Independence**

- 4.1 As required in Section 12 of the ToR (as noted in 3.1(f), above), the MDAI will confirm at least annually to the Board the organisational independence of A&I. Having considered the reorganisation of A&I of February 2015, A&I's reporting lines as set out in the redrafted ToR, 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**

5. There are no risk implications arising from the approval of the Audit and Investigations Terms of Reference.

**Section D: Implications****6. Impact on countries**

- 6.1 None

**7. Impact on Gavi stakeholders**

- 7.1 None

**8. Impact on Secretariat**

- 8.1 None

**9. Legal and governance implications**

- 9.1 Subsequent to Board approval of the revised ToR, a review will be conducted of the Audit and Finance Committee Charter to ensure that all responsibilities and activities commonly described in the two documents are aligned.

**10. Consultation**

- 10.1 The revised ToR have been reviewed with the Secretariat Executive Office, the Director of Legal, and the Director of Governance. The external auditors, KPMG, were also consulted. The ToR were presented to the Audit and Finance Committee for review on 6 November 2015, and the Committee recommended them for Board approval.

**11. Gender implications**

- 11.1 None

**Annexes**

Annex A: Audit and Investigations revised Terms of Reference, showing tracked changes from the prior approved version of June 2013.

## ~~Internal~~ **Audit and Investigations: Terms of Reference**

### **Introduction:**

1. Audit and Investigations ("A&I") is an independent function designed to assist the management and stakeholders of Gavi, the Vaccine Alliance ("Gavi"), in accomplishing its objectives. A&I is headed by the Managing Director Audit and Investigations ("MDAI") and comprises the following functions:

- a. **Internal Audit ("IA"), which** is an independent and objective assurance and consulting activity designed to add value and improve the internal operations of ~~the GAVI Alliance ("GAVI"). IA assists GAVI in accomplishing its objectives~~Gavi by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

~~The scope of IA's work extends not only to the Secretariat but also to the programs and activities carried out by GAVI's grant recipients and partners.~~

### **Professional Standards:**

- b. ~~IA~~**Programme Audit**, which conducts audits of programmes in-country to assess whether Gavi support, including cash, vaccines and related supplies, have been used as intended to provide value-for-money, considering both financial and programmatic aspects.
- c. **Investigations and Counter-Fraud**, which conducts an evidence-based examination of possible misuse and other misconduct within Gavi, in Gavi-supported programmes in-country, or which otherwise impact upon the organisation. It conducts preventive activities to minimise the risk of such conduct occurring and/or impacting the organisation.
- d. **Whistleblower (confidential) Reporting**, which receives reports from internal and external sources, on potential misuse or other misconduct. This function comprises the receipt of such reports and determination of how they should be progressed.

### **Role**

2. The A&I activity is established by the Board. A&I's activities are defined by the Board as part of their oversight role, as set out in these Terms of Reference, which are reviewed and approved by the Board.

### **Professionalism**

3. A&I staff shall govern themselves by adherence to ~~The~~the standards of their respective professional bodies, where applicable:

- a. Audit staff must adhere to the Institute of Internal Auditors' ("the Institute") Code of Ethics, which is mandatory guidance, and to A&I's own ethical standards as set out in the function's audit manual. The Institute's International Standards for the Professional Practice of Internal Auditing ("the Standards"), which is mandatory guidance, shall constitute the operating procedures for the department. ~~The Institute of Internal Auditors'~~ The Institute's Practice Advisories will be adhered to as applicable. ~~In addition, IA~~
- b. Investigation staff will adhere to GAVI's the Uniform Guidelines for Investigations, as issued by the Conference of International Investigators in 2009.

4. In addition, A&I staff will adhere to Gavi's policies and procedures.

5. A&I is expected to co-ordinate and interact as appropriate with Gavi's external auditors, sharing insights and relevant information and material as the MDAI considers appropriate, so as to ensure the efficient and effective conduct of audit by both A&I and the external auditors to the benefit of Gavi. It is expected that such activities will not compromise the independence of either A&I or the external auditors but judgement should be applied as appropriate in ensuring the independence of both parties is appropriately maintained by such liaison.

## **Authority and ~~confidentiality:~~ Confidentiality**

6. Authority is granted for A&I shall have full, free and unrestricted access to any and all GAVI of Gavi's records, physical properties, and staff relevant to any area under review. All employees are requested required to assist IA A&I in fulfilling its function.

### Documents

7. In accordance with the Partnership Framework Agreements signed with Gavi-eligible countries, A&I has access to country-related information and data relevant to Gavi's oversight.

8. In accordance with relevant agreements and Memorandums of Understanding with partners, A&I may also have access to partner-related information and data relevant to GAVI's oversight.

9. In all cases, documents and information obtained by IA A&I will be handled in the same prudent and confidential manner as by expected of those employees individuals normally accountable responsible for them.

## **Independence: and Objectivity**

10. The MDAI reports to the Board, which is effected through routine reporting to the Audit and Finance Committee, and the Chief Executive Officer (CEO). The Director of IA reports to the Board, who Board appoints and terminates the Director MDAI upon recommendation of the Board's Audit and Finance Committee, and the Chief Executive Officer.

11. The MDAI will report to the Board at least annually, or more frequently, ad hoc if considered necessary by the Board or the MDAI.

12. The MDAI will confirm at least annually to the Board the organisational independence of A&I.

13. The Audit and Finance Committee also assesses ~~IA's~~A&I's organisational structure, mandate and operating budget to ensure that these are appropriate and sufficient to meet agreed activities. The ~~Director of IAMDAI~~ has free and unrestricted access to the Chair and Vice-Chair of the Board and to the Chair of the Audit and Finance Committee.

14. All ~~IAA&I~~ activities shall remain free of influence by any element in ~~the organisation~~Gavi, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in ~~performing the function~~fulfilling its roles and responsibilities.

~~IA~~

15. A&I shall have no direct operational responsibility or authority over any of the activities it reviews. Accordingly, it shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be considered management or staff's responsibility.

~~The Board shall review and approve, as appropriate~~

### Scope of Activities

~~In general, the annual audit plan and budget, based upon the advice and recommendation of the Audit and Finance Committee. The Director scope of IA will report~~A&I's work extends not only to the ~~Board at least annually, or more frequently, ad hoc if considered necessary~~Secretariat but also to the ~~programmes and activities carried out by the Board or the Director of Internal Audit.~~

#### Audit Scope:

16. ~~IA's~~Gavi's grant recipients and partners. More specifically, its scope encompasses the examination and evaluation of the adequacy and effectiveness of ~~the organisation's~~Gavi's governance, risk management ~~process~~processes, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve ~~GAVI's~~stated goals and objectives. It includes:

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a. Monitoring and evaluating the effectiveness of ~~GAVI's~~Gavi's risk management system.

b. • Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

c. • Reviewing the adequacy of the systems established to ensure compliance with policies, plans, procedures, laws, and regulations and establishing whether ~~GAVI~~Gavi is in fact in compliance.

- d. ~~•~~ Reviewing the adequacy, implementation and operation of ~~GAVI's~~Gavi's Transparency and Accountability Policy and of other anti-corruption, fraud and related misuse policies and procedures.

~~• Acting as the Compliance Officer for GAVI's Whistleblower Policy and investigating whistleblower complaints and allegations of misconduct or fraud.~~

- e. ~~•~~ Auditing internal control processes at the Secretariat and country level including income, non-grant expenditure, internal projects, information and communication, grant application and grant awards, funds disbursement, and risk assessment processes.
- f. ~~•~~ Reviewing the means of safeguarding assets and, as appropriate, verifying their existence.
- g. ~~•~~ Reviewing and appraising the economy and efficiency with which resources are employed.
- h. ~~•~~ Reviewing operations or ~~programs~~programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or ~~programs~~programmes are being carried out as planned.
- i. ~~•~~ Conducting specific reviews or tasks requested by the Board, the Audit and Finance Committee or the CEO, provided such reviews and tasks do not compromise IA'sA&I's independence or objectivity.

#### Audit Planning:

- j. ~~IA shall regularly submit to the CEO and Audit and Finance Committee an up-to-date summary~~MDAI acting as the Compliance Officer for Gavi's Whistleblower Policy.
- k. ~~Investigating allegations (including items reported under the Whistleblower Policy) and suspicions of the audit plan. The budget for misconduct or misuse (including but not limited to fraud, theft and corruption) affecting Gavi and/or its programmes.~~
- l. ~~Advising on the function is prepared and presented annually. The Audit and Finance Committee will advise upon and recommend, as appropriate, implementation of procedures to reduce the annual audit plan risk of fraud, theft, corruption and other misuse and/or misconduct from affecting the organisation.~~
- m. ~~Providing consulting services to management and budget to the Board. The audit plan, as requested. The provision of consulting services should be in those areas in which A&I is competent, principally relating to improvements in the effectiveness of the organisation's risk management, control, and governance processes.~~

### Audit Planning

17. The audit plan, encompassing both Internal and Programme Audit, is developed based on a prioritisation ~~of the audit universe~~ using a risk-based methodology. ~~Any significant deviation from the formally approved~~ The plan will also incorporate consulting assignments, as appropriate, as requested by and agreed with the CEO or his delegates as appropriate, and the Audit and Finance Committee or Board.

18. The Audit and Finance Committee will review and approve, as appropriate, the audit plan, and review and recommend to the Board, as appropriate, A&I's budget to execute the plan (as a component of the overall Secretariat budget).
19. The MDAI shall ~~be communicated~~ regularly submit to the CEO and ~~the~~ Audit and Finance Committee an up-to-date status of the plan for audit activities through periodic activity reports-, including any significant deviation from the approved plans. The MDAI will also communicate the impact of resource limitations and any significant interim changes.



**Reporting:**

20. A written report will be prepared and issued following the conclusion of each audit or review and will be distributed as appropriate. ~~A copy of each report will be forwarded to the CEO and the Chairman of the Audit and Finance Committee.~~ under Gavi policies.

21. The audit report ordinarily will contain the auditee's response and corrective action (to be taken in regard to the specific findings and recommendations, including a timetable for anticipated completion and a justification for any recommendations not addressed.

~~IA shall monitor the~~

22. A&I will be responsible for appropriate follow-up on audit findings and recommendations- i.e. A&I monitoring that there has been appropriate remediation of the issue by the responsible party. All significant findings will remain in an open issues file until remediated or otherwise cleared.

**Periodic Assessment:**

23. ~~IA&I~~ shall develop and maintain a quality assurance and improvement ~~program~~programme that covers all aspects of its activities.

24. The ~~Director of IAMDAI~~ periodically assesses whether the purpose, authority, and responsibility, as defined in ~~this charter~~these Terms of Reference, continue to be adequate to enable ~~IA&I~~ to accomplish its objectives.

25. In addition, in conformity with ~~The Institute of Internal Auditors International~~the Standards ~~for the Professional Practice of Internal Auditing~~, an external assessment will be conducted at least every five years by a qualified independent reviewer from outside the organisation. The results of these internal and external assessments are communicated to the CEO and with the Audit and Finance Committee.

Approved by the Board of Gavi, the Vaccine Alliance, XX th December 2015