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This document concerns GAVI’s approach to risk management as seen from the perspective of the recently established Internal Audit function and covers:

- GAVI’s current approach to risk management
- recent important improvements
- suggestions for further improvement

No requests are being made of the Board at this time.

Fiduciary Risk Management

Risk management is an important topic for GAVI. A breakdown in controls, especially when it relates to cases of significant fraud or corruption, will hurt GAVI’s cause. Similarly, if activities that are undertaken are inefficient or ineffective, outcomes will be sub-optimal. Hence, GAVI has continually made this a priority.

Recent audits and inquiries from several donors have further reinforced the importance of good risk management. At the same time, GAVI’s structure as a partnership presents specific challenges and opportunities as to how risk can be best managed.

To further improve risk management, GAVI established a one full time equivalent (FTE) Internal Audit function and the current Director of Internal Audit started 1 November 2009. This update is to inform the Board of Internal Audit’s current views on GAVI’s approach to risk management.

GAVI’s Current Approach to Risk Management

The following is an overview of the different risk areas GAVI deals with on an ongoing basis:

Risk area:	Level of risk		
	Low	Medium	High
<u>GAVI as an organisation</u>			
GAVI Secretariat operations	Low		
securing funding			High
other external factors		Medium	
<u>Implementation level</u>			
cash support is properly accounted for		Medium	
cash support is used as intended			High
value for money is achieved		Medium	
activities lead to desired results		Medium	

The Secretariat maintains an inventory of the (35 or so) most significant risks and mitigating controls (the ‘Risk Register’). The Risk Register is discussed on a regular basis among senior management and any identified possibilities for improvements are followed up for implementation. At a more granular level, the Finance function also maintains a very detailed inventory of risks and controls that concern GAVI’s own internal financial accounting and reporting processes.

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Recent Important Improvements

Through the establishment of the Transparency and Accountability Policy (TAP) and staffing of the TAP team with four FTE in 2009, most of the focus in terms of strengthening risk management has recently been on the following two risk areas:

Risk area:	Level of risk		
	Low	Medium	High
<u>GAVI as an organisation</u>			
GAVI Secretariat operations			
securing funding			
other external factors			
<u>Implementation level</u>			
cash support is properly accounted for		Medium	
cash support is used as intended			High
value for money is achieved			
activities lead to desired results			

It should be kept in mind that the scope and activities of TAP are focused on the stewardship of cash-based grants, and do not extend to non-cash funded activities such as the procurement and distribution of vaccines, nor on “value for money” or efficiency-related topics for the most part.

The establishment of an internal audit function also results in stronger (oversight over) risk management. The terms of reference for Internal Audit state that “Internal Audit is an independent and objective assurance and consulting activity designed to add value and improve the operations of the GAVI Alliance”. This means that Internal Audit looks at all areas that are important to GAVI achieving its objectives and evaluates them against a generally accepted framework for internal control, in order to come to an independent conclusion as to whether they are well-controlled; in other words, whether all important risks are being managed.

Areas where Internal Audit Suggests Risk Management may be Strengthened Further

Further improvements in risk management appear possible along the following lines while fully preserving the underlying principles of the Alliance such as non-duplication of activities and relying first and foremost on the internal controls and procedures of partners, especially those at country level:

- Further improving on the continuous exchange of information between the partners, particularly on implementation matters. As a partnership, the vast majority of the activities that GAVI helps fund are executed in-country by the partners who should be able to rely on each other to exercise proper oversight and manage the risks inherent in the activities that each carries out. This reliance and ‘trust’ model is effective so long as there is a sufficient flow of information, including when the news is not good. It is possible that some measures will be identified in order to validate the trust that is the foundation of the GAVI

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partnership with an appropriate measure of verification (“trust but verify”).

- This implies, among other things, more interaction between the GAVI Secretariat and those implementing the different activities, as well as making more and better use of the information that is already being provided on those activities.
- It is possible that, as a result of more focus on the areas noted, gaps such as the one that led to the creation of TAP, are identified in the future, either in the normal course of business or as a result of future internal audits.

The Board will be informed of progress on a regular basis, predominantly through its Audit and Finance Committee.