

**SUBJECT: REPORT FROM AUDIT AND INVESTIGATIONS**

**Agenda item: 04**

**Category: For Information**

## **Section A: Executive Summary**

### **Context**

The Managing Director Audit and Investigations (A&I) is required to report to the Board at least annually (detailed reports are made regularly to the Audit and Finance Committee(AFC) throughout the year including special meetings on COVAX). Annex A presents a summary background on the activities of A&I for newer Board members who may be unfamiliar with its scope of work and operation.

### **Questions this paper addresses**

What is A&I doing to assess the risks related to the operation of COVAX and COVID-19 delivery, and to evaluate management's risk mitigation?

What is A&I doing to assess the on-going risks of 'core Gavi' and management's risk mitigation (recognising the significant focus within the Secretariat on COVAX)? How is this affected by the need for A&I to work remotely, especially with respect to programme audits conducted in country?

What activity is being noted through Gavi's whistleblower channels given the public profile of COVAX?

### **Conclusions**

A&I has undertaken significant work – across audit, counter-fraud, and advisory assignments - to understand the special risks, and their mitigation, on the COVAX facility and the distribution of COVID-19 vaccines.

Whilst there has been significant focus on COVAX operations and COVID-19 vaccine deployment, A&I has maintained a regular programme of activity, as agreed with AFC, ensuring that there has been on-going coverage of the core Gavi activities. This balance will be maintained into 2022. Following suspension of programme audits in 2020, these have recommenced in 2021 utilising local consultants and, increasingly, with A&I staff travelling to country to engage with programme and ministry management directly.

Regarding the receipt of whistleblower reports in 2021, these have increased significantly compared to prior years – though a large number are non-substantive, misdirected, or anti-vaxxer in nature. Nonetheless, those which are well-intended and well-directed provide insights which have been followed through, in

conjunction with relevant management and the oversight functions of partner organisations, as appropriate. They are an important part of the intelligence-gathering process of A&I.

## **Section B: Report from Audit and Investigations**

### **1. COVAX and COVID-19 vaccine distribution**

- 1.1 In taking on responsibility for the funding, establishment, and operation of COVAX, and the distribution of COVID-19 vaccines, Gavi and its partners face risks which are new or significantly increased relative to the core Gavi model. A&I is undertaking targeted audits and other reviews in 2021 so as to evaluate those risks in practice and management's mitigation of them. Some of this work has been undertaken on an 'agile-audit' basis, as agreed with the AFC, so as to facilitate A&I's rapid engagement and feedback around COVAX.
- 1.2 A&I has examined various aspects of the COVAX processes which have been newly established. This has covered: project management of the facility; processes supporting vaccine prioritisation and country allocation; preliminary country-readiness assessments and the electronic joint reporting form; and COVID-19 Delivery Support (CDS) disbursement on a 'no regrets' basis. This also included an audit of Gavi's procurement process as applied to COVAX, recognising that Gavi's regular processes would be subject to increased pressure given the significantly higher volume and value of activity passing through them. No significant issues arose in any of these audits and reviews, and A&I considers these activities generally to be operating satisfactorily.
- 1.3 One area of especial relevance currently is the risk of cyber-attack, which is heightened given the profile of COVAX. A&I has undertaken an audit to assess Gavi's cyber-risk management across its regular activities (which also provides assurance on COVAX-related activities as these leverage the same technology infrastructure, systems, and processes). This follows a prior cyber-risk audit of 2018 and builds on the findings identified then and the improvements which were implemented. The recent audit identified certain high risk issues for improvement. These related to:
  - a) the need to improve segregation of duties for key system administrators who had broad systems access which may compromise control; and
  - b) the need to improve the operation of the various systems environments (which are a common technology construct used to ensure the segregation of development, testing, and production) to ensure better integrity in their management.

Remediation has been agreed on those and the resolutions are in the course of implementation. Overall, the state of Gavi's cyber defences is much stronger than at the time of the prior audit and will be further improved with the implementation of the identified enhancements.

- 1.4 It is recognised that certain challenges being experienced by COVAX are beyond the scope of this work by A&I, and generally these relate to externalities on the adequate supply of vaccines and their effective take up in programmes in-country - which are not readily susceptible to audit of the internal processes of Gavi and COVAX. That being said, A&I has found that the internal processes of COVAX operate effectively though that clearly has put significant strain on the team, necessitating significant recruitment, on-boarding of new staff, and their assimilation.
- 1.5 It is anticipated that the utilisation of vaccines in-country will be subject to enhanced programme audit in 2022 given that risks around the distribution of COVID-19 vaccines and utilisation of CDS grants for operational costs will increase with the significant ramp-up of deliveries. It has been agreed with AFC that A&I will significantly increase the extent of programme audit activity in 2022 – with additional resource - to encompass these additional risks. This will include audits of a selection of AMC countries which have not previously been Gavi-eligible (31 countries in total) as Gavi Country Support management does not have the same appreciation of programme capacity as for Gavi-eligible countries, which has been built up over many years.
- 1.6 A&I has also undertaken work of an advisory nature on risks of vaccine distribution with Gavi management: assessing the risk of vaccine diversion (and the means of mitigation) given the special characteristics of the highly in-demand COVID-19 vaccines compared to the traditional portfolio of Gavi-supplied vaccines; and supporting the evaluation of different proposals for novel vaccine insurance, resulting in a proposal being taken up, as facilitated by UNICEF.

## **2. Core Gavi**

- 2.1 The Board was briefed previously that the programme audit activity had been suspended in 2020 because of the inability to travel. This activity has been restarted in 2021, initially using consultants locally but increasingly with some limited travel from A&I staff (which it has been found, is an essential element of the effectiveness of audits in country, both in terms of expertise on vaccines but also in terms of effective engagement with programme management and ministry staff). In certain instances, the ability to undertake audits in countries has been compromised because of the need for programme management in country to prioritise efforts locally on the pandemic response, and A&I has therefore deferred certain programme audits until 2022. It is anticipated that the ability of A&I staff to travel will improve and be a regular feature of the conduct of programme audits in 2022.
- 2.2 At the time of the last presentation to the Board in 2019, there was significant discussion about how A&I could operate in a way that facilitated skill and knowledge transfer to eligible countries. Much discussion centred around A&I's ability to work with Supreme Audit Institutions (SAIs) in the conduct of programme audits. The suspension of the programme audit activity in 2020 and the re-establishment of the programme in 2021 has

delayed progression toward that goal. Therefore, A&I is pleased to report that, building on relationships and working arrangements previously established by the Global Fund, A&I has agreed memoranda of understanding with the two 'umbrella' organisations covering the SAIs in anglophone and francophone Africa: AFROSAI-E, and CREFIAF.

- 2.3 In 2021, certain programme audits are now being conducted working with SAIs in relevant countries. These are early days in this initiative, but they are the first steps toward an ambition of more regular engagement with SAIs with their fuller participation in Gavi programme audits. It is hoped, over time, that these will progress to a more mature and effective model of programme audit with SAI participation. The experience of working with consultants remotely in the course of 2021 has also provided 'fast-track' experience, both positives and negatives, of what can be achieved with a different model of engagement with A&I staff based in Geneva.
- 2.4 A plan for A&I's intended audit and counter-fraud coverage in 2022, covering risks relating to COVAX, COVID-19s vaccine and core Gavi has been submitted to the AFC, for review and approval at its meeting of 29 November 2021.

### **3. Whistleblower Reporting, Counter-Fraud, and Investigations**

- 3.1 **Whistleblower Reporting.** A&I operates a variety of whistleblower channels - through a web-based portal, by mail and email, and through voice-messaging - to receive whistleblower communications on a confidential and/or anonymous basis. These may come from within the Secretariat, from partner staff, or from individuals anywhere in the world. All reports received are subject to a three stage evaluation to determine if they are substantive and may require more focused follow-through. Recognising the need to co-ordinate activities across the Alliance partnership, A&I liaises with the oversight functions of CEPI (Coalition for Epidemic Preparedness Innovations), UNICEF, and WHO on whistleblower reports received of common interest, especially any relating to COVAX and COVID-19 vaccines distribution.
- 3.2 Since 2013 (when the whistleblower reporting capabilities were established), Gavi has received relatively few whistleblower reports – an average of about three reports per annum. Since the time of the pandemic, the volume of reports has increased significantly – in 2021 year-to-date, 67 have been received. Most of these are non-substantive, misdirected in some way, or else reflect anti-vaxxer sentiment. Of the 16 reports received so far in 2021 which are appropriately directed and seem to be substantive in nature, 14 relate to COVID-19 vaccines (mostly relating to concerns from individuals about equitable vaccine distribution in line with agreed priorities) – the remaining 2 reports relate to core Gavi activities. These have all been/are being followed up directly with the reporters where possible, very typically in conjunction with Gavi's Country Support team (depending on considerations of confidentiality of reporting). It is notable that the reports relating to equitable distribution of COVID-19 vaccines tend to relate to the

earliest periods of vaccine distribution, and these have declined since then (presumably as vaccine distribution has increased), and none have been received in the most recent period. Follow-up continues on those which remain open, and progress overall is reported routinely to the AFC. It is important to note that none of the reports received have related to matters of sexual harassment, exploitation, or abuse.

- 3.3 **Counter-Fraud.** Counter-Fraud activity has focused on how best to leverage the special skills available within the Counter-Fraud function (staffed by a single person in A&I who covers both this activity and investigations). Recognising that the responsibility for fraud risk management lies with Gavi and/or COVAX management, a key aim of the counter-fraud activity is to facilitate the take-up of best practice fraud risk management by relevant management. A number of initiatives are in progress to support this.
- 3.4 A key development is the introduction of a counter-fraud framework (in final draft, pending issuance) which has the aim of enabling proper consideration of fraud risk by Alliance participants, and pro-active, preventive action. This includes identifying roles and responsibilities, raising awareness of the issue, catalysing cultural change, and highlighting the key pillars under which counter-fraud activity can take place. The draft was shared with certain Multilateral Development Banks (MDBs) who are providing access to funding for COVAX participants and sought assurance on Gavi/COVAX credentials in managing integrity throughout the chain of utilisation of their funds. Significant additional effort was applied in ensuring that contract terms with new counterparts provided management with appropriate audit and/or investigatory access, as feasible, in the event of concerns arising on the proper execution of contracts – also in line with MDB expectations.
- 3.5 **Investigations.** No investigations have been undertaken in the year relating to fraud or other financial misuse; management has requested investigatory support on one matter of an internal, non-financial nature. This was undertaken through an external contractor (with A&I Investigations oversight) to ensure that capacity could be prioritised in favour of counter-fraud activity, as agreed with the AFC.
- 3.6 A&I tracks the reimbursement of any amounts of misuse (as agreed with Country Programmes management) arising from its programme audits and investigations. These recoveries are reported to the AFC routinely. While there has been accommodation by Gavi on the scheduling of amounts to be recovered given the financial impact of the pandemic for many countries, the recovery against the agreed schedule has remained high, and currently is 93%.

#### 4. Independence

- 4.1 As required in the Board-approved Terms of Reference, the Managing Director Audit and Investigations confirms A&I's independence at least annually to the Board. Having considered the operation of A&I in practice, and its reporting structures, I confirm to the Board the organisational and

operational independence of the A&I function (which has not changed due to the recent Gavi reorganisation).

## **Annexes**

**Annex A:** Audit and Investigations - background

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- In 2009 Gavi became an independent organisation (having previously been 'hosted' by UNICEF), and Gavi's Internal Audit function was first-established as a single person activity. In December 2014, with a growing need for assurance, the Board approved the reconstitution of audit as the 13-person Audit and Investigations (A&I) function. A&I comprises the third line of defence being independent of Gavi's core activities and oversight functions and reports to the Board, which is achieved through routine reporting to the AFC, and the Chief Executive Officer. Audits and other reviews are conducted against annual plans approved by the AFC, drawn from a risk-based assessment of priority.
- A&I operates under a charter approved by the Board, ("Audit and Investigations Terms of Reference", ToR) which is reviewed and updated periodically. This sets out the basis of operation of the function, its reporting relationship to the AFC and Board, and critically, the basis of its independence. This was last amended in June 2020.
- The A&I function undertakes four main activities:
  - Internal Audit which is an independent and objective assurance and consulting activity to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.
  - Programme Audit which conducts audits of programmes in-country to assess whether: a) programmes are operating with appropriate systems and processes in a manner consistent with the requirements of the Partnership Framework Agreement (PFA) agreed between country and Gavi, and is sufficient to support an independent and sustainable programme after transition from Gavi support; b) Gavi support, including cash, vaccines and related supplies, have been used as intended to provide value-for-money, considering both financial and programmatic aspects.
  - 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 undertakes preventive activities to minimise the risk of such conduct occurring and/or impacting the organisation.
  - Whistleblower Reporting which receives reports from internal and external sources, and follows up as appropriate, on potential concerns relating to: financial or programmatic misuse; sexual harassment, exploitation, and abuse; or other misconduct.
- A&I is required by the professional standards of the Institute of Internal Auditors ('the Institute'), as embodied within the ToR, to undergo at least a five-yearly independent assessment of its policies and procedures, and satisfactory application of them. This was satisfactorily concluded in March 2020 by the assessment arm of the French Institute without qualification against any of the 62 assessment criteria.