
Subject	Report from Audit and Investigations
Agenda item	12
Category	For Information

Section A: Executive Summary

Context

The Managing Director, Audit and Investigations (A&I) is required, under A&I's Terms of Reference approved by the Board, to report to the Board at least annually and to confirm to the Board at least annually the organisational independence of A&I.

Questions this paper addresses

How has A&I fulfilled its Terms of Reference in 2022, to provide an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to the organisation's governing body and senior management?

How does A&I plan to undertake its 2023 activity?

Does A&I report to a level within the organisation that allows the activity to fulfil its responsibilities? Can A&I confirm the necessary organisational independence?

Conclusions

A&I has provided risk-based and objective assurance, advice and insight to the governing body and senior management and has assessed probity in 2022. A&I has facilitated the Audit and Finance Committee in executing its responsibility to oversee, review and monitor the operation of the A&I function, in support of the Board's oversight responsibilities.

A&I has prepared, and the Audit and Finance Committee has approved, a work plan for 2023. The plan continues the trend for executing more audits which began in 2022 in response to elevated and continuing risks and starts to gear up to provide the accountability and counter-fraud services which would be reasonably expected in the context of Gavi 5.1 and moving towards Gavi 6.0.

A&I reports to the Board, effecting this through routine reporting to the Audit and Finance Committee, and to the CEO, and this reporting arrangement allows the activity to fulfil its responsibilities. A&I confirms the necessary organisational independence.

Section B: Audit and Investigations Report

1. 2022 Audit and Investigations Activity

- 1.1 A&I reports regularly to the Audit and Finance Committee (AFC) on the status of its workplan achievement and brings all significant issues arising from its work to the attention of the AFC. In this way A&I facilitates the AFC in executing its responsibility to oversee, review and monitor the operation of the A&I function, in support of the Board's oversight responsibilities.
- 1.2 The incoming Managing Director, A&I, was engaged by Gavi in March 2022. She worked alongside the outgoing Managing Director, and her appointment was confirmed by the Gavi Alliance Board on 6 April 2022. The outgoing Managing Director worked to 30 April 2022, together they conducted a thorough handover to ensure a smooth transition.
- 1.3 A&I began the year with an ambitious plan approved by the AFC in late 2021, to catch up on delays in audit execution during 2020 and 2021 caused by the pandemic, and to achieve significant additional assurance coverage in 2022, including the first country-focused audits of COVID-19 vaccine delivery and support. Travel restrictions in the first quarter of 2022 and a significant backlog in both secretariat-focused and country-focused audit finalisation from prior years led A&I and the AFC to reset the work plan at the mid-year point, maintaining the same objectives but with a reduced number of audits. All audits on the 2021 plan have now been executed and the 2022 work plan was at approximately 70% completion by October 2022.
- 1.4 A&I's audit work aims to bring recommendations for improvement in governance, risk management and control, as well as to enhance accountability. For example, an emphasis on vaccine supply chain management over several country-focused audits and in the Secretariat resulted in cross-cutting audit observations in 2022, with the objectives of improving accountability; ensuring the next phase of the Gavi Alliance immunisation supply chain strategy applies lessons learnt when operationalising; and bringing useful lessons to the design of future Gavi strategies.
- 1.5 Many programme audits result in determinations of misuse and the need for reimbursement - which is a key principle in ensuring that Gavi can provide assurance on the proper use of donated resources. The final determination for reimbursement is made by Country Programme management in liaison with A&I, and it is they who manage the repayment process with the countries. Some countries have asked to extend their timeframes for reimbursement given the fiscal tightening many are experiencing – and others have missed repayment dates. Nevertheless, the recovery rate against the schedule of reimbursement remains high at 93% (after allowing for the rescheduling of payments). Gavi has determined that no waiver of committed repayments will be allowed, consistent with the principle that Gavi must be made whole on any identified misuse.

- 1.6 Since 2009, the total misuse identified through A&I's work is US\$ 44.5 million of which US\$ 38.1 million had been repaid as at the end of August 2022. Of the US\$ 6.4 million outstanding, US\$ 2.9 million is overdue, which the Senior Country Managers are following up on. This analysis is routinely updated and presented in detail to the AFC. Following through on misuse ensures that accountability is maintained at country level; the Secretariat continues to insist on 100% recovery.
- 1.7 Preventive counter-fraud work in 2022 included the development of a structured methodology to identify and address fraud risks, with an initial focus on in-country programmes; and an exercise to examine and, where needed, suggest additional mitigation for, a set of fraud risks identified within selected Secretariat processes.
- 1.8 The confidential whistleblowing reporting lines operate to receive reports from staff across the Gavi Alliance and any third party who has relevant concerns. Any matters may be raised through the reporting facilities relating to financial or programmatic misuse, or other misconduct generally (including sexual exploitation, abuse and harassment). Reports received have been treated according to the Board-approved Whistleblowing Policy, and where appropriate in coordination with the oversight functions of Alliance partners. The AFC receives regular updates on reports received and the follow-through in both open and closed sessions of the committee according to the sensitivity of the matter in hand.
- 1.9 A&I continued throughout the year to advise on or conduct investigative activity and to address outstanding issues from earlier investigations where needed.
- 1.10 A&I prepared revisions to the Audit and Investigations Terms of Reference, for AFC review and recommendation to the Board for approval. The proposed revisions are conforming rather than substantive, they are intended to improve alignment and clarity and to incorporate recent guidance from the Institute of Internal Auditors. These revisions are on the AFC's agenda for 30 November 2022, and, subject to AFC recommendation to the Board, on the Board's consent agenda.

2. Audit and Investigations Plan 2023

- 2.1 The AFC approved the 2023 Audit and Investigations Plan at its October 2022 meeting. The audit plan continues the trend for executing more audits which began in 2022 in response to elevated and continuing risks in programme countries and the Secretariat, due to the current external context, Gavi's ambitious strategy, and the mission of the COVAX facility.
- 2.2 The investigations and counter-fraud plan for 2023 presents a significant shift from previous plans. While the Board-approved Terms of Reference for investigations and counter-fraud are sound, the function received less focus and resources in the early years of A&I, as A&I began its journey towards maturity with initial, and successful, emphasis on building and consolidating the

audit functions, with the result that investigations/counter-fraud is not yet able to deliver on the entire breadth of its Terms of Reference. This situation needs to be placed in the current and expected future Gavi context of heightened risk factors, including fraud risk. A&I identified the key risks and gaps and developed a business case including the necessary additional resources over the period 2023-2025, which has been approved by the AFC. In 2023 A&I will thus start to gear up to achieve the terms of reference and provide the accountability and counter-fraud services which would be reasonably expected in the context of Gavi 5.1 and moving towards Gavi 6.0.

3. Independence

- 3.1 The A&I Terms of Reference require the Managing Director, A&I to confirm A&I's organisational independence at least annually to the Board. A&I reports to the Board, effecting this through routine reporting to the Audit and Finance Committee, and to the CEO. Having considered the operation of A&I in practice and its reporting structures, I conclude that the reporting arrangement allows the activity to fulfil its responsibilities and I confirm to the Board the organisational independence of the A&I function.

Additional reference materials online:

Gavi Alliance Audit and Investigations website: <https://www.gavi.org/our-alliance/governance/audit-and-investigations>