

**SUBJECT: CONSENT AGENDA: AUDIT AND INVESTIGATIONS  
REPORT**

**Agenda item:** 01h

**Category:** For Decision

## **Section A: Executive Summary**

### **Context**

The Managing Director of the Audit and Investigations (A&I) function is required to report to the Board at least annually. Given the constraints on time for this meeting, it has been agreed with the Board Chair to postpone that report until the December meeting. Consequently, certain items for immediate update are presented in this paper.

### **Questions this paper addresses**

- The Board has been briefed previously on the need to undertake an External Quality Assessment (EQA) of the A&I function by an independent third party, a requirement of the professional standards by which the function operates. This assessment was undertaken in late 2019. What are the results of the EQA?
- In the light of the COVID-19 pandemic, the planned activities of the A&I function for 2020 have been significantly recast. What considerations have been taken in to account in revising the plan, and what coverage of risk is achieved consequently?
- Certain updates are required in A&I's Terms of Reference (ToR), the charter which sets the foundations for the conduct of the A&I activity and the scope of its operation. Why are changes to the ToR required, and what are they? What is the basis of the Board's approval?

### **Conclusions**

The EQA resulted in an overall rating of 'generally complies' (which is the highest achievable). A&I was assessed against 62 criteria and satisfied them all without qualification or recommendation. Certain 'value-added' observations, not critical, were made by the assessors for the further development of the A&I function.

The A&I 2020 plan has been revised with a consideration of: the changing risk profile which Gavi faces; the practical effects of not being able to travel to countries to conduct programme audits; and the compromised availability currently of management and staff members to engage with A&I. The revised plan, approved by the AFC, is shown at Annex A.

The A&I ToR have been updated to reflect certain of the observations made by the EQA assessors. These will be reviewed by the Audit and Finance Committee (AFC) on 22 June 2020 and subsequently shared with the Board as Annex B to this paper.

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

### **1. A&I External Quality Assessment**

- 1.1 The A&I function undertakes its work in compliance with the professional standards of the Institute of Internal Auditors (IIA) (as set out in the ToR and approved by the Board). This requires that at least every five years the A&I function must be subject to independent assessment. This was last undertaken in early 2015 when the department operated as a single-person internal audit function and this is the first time that the reconstituted A&I function has been subject to independent assessment.
- 1.2 This assessment was undertaken in November/December 2019 by IFACI (Institut français des auditeurs et contrôleurs internes), part of the French IIA specialising in such assessments. The scope of the assessment covered the work of Internal Audit and Programme Audit (which comprise 90% of A&I's activity). Other activities undertaken within A&I (investigations, counter-fraud work, and whistleblower reporting) will be subject to independent assessment subsequently.
- 1.3 Altogether 62 criteria were evaluated and all of them were satisfied without qualification. The assessors briefed the AFC that they considered A&I to be in the top 25% of audit functions they assessed. In addition, 14 further observations were made for consideration; the follow-through on these has been incorporated into the revised 2020 A&I plan.

### **2. Revised annual A&I Plan**

- 2.1 The need to revise the A&I annual plan, at the request of the AFC, has arisen because:
  - a) Two-thirds of A&I's work relates to programme audits undertaken in Gavi-supported countries and since early March no travel to these countries has been possible.
  - b) The emergence of COVID-19 and Gavi's response has meant that the risks faced by Gavi, both programmatic and operational risks, have changed significantly. The activities of A&I have been reconfigured so as to provide capacity to consider those changed risks and to undertake additional work to provide assurance on the management of them, as required.
- 2.2 A significant consideration in reworking the plan has been the need to recognise the impact of remote working across the Secretariat, and the significantly increased Secretariat activity around Gavi's COVID-19 response. This has clearly put significant strain upon Gavi staff members

and challenged their capacity to engage with audit staff. Therefore, the plan has been revised in a way that will minimise input from management and staff members. In particular, the follow-through of the observations made by the EQA assessor team, which requires almost no input from the Secretariat, has been prioritised in the plan schedule. This, together with the need to complete existing audits on which fieldwork is complete, means that there will be little need to engage with the Secretariat until the second half of 2020. At that point, A&I will liaise extensively with management and team members on a case by case basis to ensure that audits are as un-intrusive as possible (recognising that all audits require some time and attention).

- 2.3 The recut plan was presented to AFC at its 6 May 2020 meeting and approved, with the strong expectation that the plan will be flexible according to on-going experience and changing insights on risks related to Covid-19.

### **3. Revised A&I Terms of Reference for Board approval**

- 3.1 One item for the Board's approval relates to certain observations arising in the EQA to enhance A&I's ToR. The proposed changes relate to specific observations. None of these are considered to be substantive to affect the operation of the A&I activity but nonetheless have been incorporated to ensure alignment with current best practice of the IIA. The changes to the ToR will be reviewed by the AFC on 22 June 2020.

## **Section C: Actions requested of the Board**

The Gavi Alliance Audit and Finance Committee **recommends** to the Gavi Alliance Board that it:

**Approve** a revised version of the Audit and Investigations Terms of Reference to incorporate certain changes resulting from observations made in the recently conducted External Quality Assessment attached as Annex B<sup>1</sup> to Doc 01h.

### **Annexes**

**Annex A:** Revised A&I 2020 plan, as approved by the AFC

**Annex B:** Revised version of the A&I Terms of Reference, for Board approval (*To follow after AFC meeting of 22 June 2020*)

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<sup>1</sup> To be shared with the Board on 22 June 2020 if recommended for approval by the AFC

Annex A: Recut of A&I 2020 plan

<p><b>1</b> Current audit run-offs</p>	<p><b>2</b> Audits internal to the Secretariat</p>	<p><b>3</b> Counter-fraud strategy action plan</p>	<p><b>4</b> EQA follow up</p>	<p><b>2020 plan activities to be deferred</b></p>
<p><b>Finalisation of the following engagements carried over:</b></p> <ul style="list-style-type: none"> <li>• Programme Audits from six countries;</li> <li>• Programme Management Unit advisory;</li> <li>• HSIS Audit;</li> <li>• Data Quality Audit;</li> <li>• PCA;</li> <li>• ERM;</li> <li>• Supplier selection and contract management;</li> <li>• PEF Secretariat processes;</li> <li>• Co-financing and transition;</li> <li>• Incident Management;</li> <li>• Market Shaping;</li> <li>• <u>Pentana MKI</u>.</li> </ul>	<p><b>Audits and reviews that can be conducted internally:</b></p> <ul style="list-style-type: none"> <li>• Gavi top risks mitigation;</li> <li>• Risk and control culture;</li> <li>• Grant oversight by CS;</li> <li>• SAP post-implementation and segregation of duties;</li> <li>• CP external audits process;</li> <li>• Vaccine supply chain management;</li> <li>• PEF/TCA activities (excluding country missions)</li> <li>• IT projects management; BCP/DRP; Data security;</li> <li>• Expenses claims and reimbursements;</li> <li>• Review of recommendations implementation.</li> </ul>	<p><b>Counter-fraud activities:</b></p> <ul style="list-style-type: none"> <li>• Assessing fraud risks with Management and staff;</li> <li>• Fraud risk prioritisation;</li> <li>• Develop a counter-fraud policy;</li> <li>• Review of partnership contracts – lacunae, legal changes, etc.</li> <li>• Counter-fraud course development and training;</li> <li>• Gavi hotline assessment.</li> </ul>	<p><b>EQA observation follow-through:</b></p> <ul style="list-style-type: none"> <li>• Updating A&amp;I ToRs;</li> <li>• Website disclaimers;</li> <li>• Counter-fraud independent assessment;</li> <li>• Streamlined Audit Planning;</li> <li>• Contribute to 3LOD review;</li> <li>• Analysis of root causes, and link broad themes to top risks.</li> <li>• Preparation for review of: Whistleblowing; Counter Fraud and Investigations;</li> <li>• Post audit surveys;</li> <li>• Reengineer audit reports;</li> <li>• A&amp;I <u>quadriennial</u> report.</li> </ul>	<p><b>The following A&amp;I 2020 plan activities will be deferred:</b></p> <ul style="list-style-type: none"> <li>• Nigeria accountability framework;</li> <li>• Development of a country-level Counter-Fraud Risk Assessment toolkit;</li> <li>• Execution of country-level programme audits in: <ul style="list-style-type: none"> <li>• India;</li> <li>• Kenya;</li> <li>• Malawi;</li> <li>• Afghanistan;</li> <li>• Mali;</li> <li>• Ivory Coast;</li> <li>• Chad.</li> </ul> </li> </ul>