



**Report to the  
GAVI Alliance Board**  
12-13 June 2012

<b>Subject:</b>	<b>Report of the internal auditor</b>
<b>Report of:</b>	Cees Klumper, Director of Internal Audit
<b>Authored by:</b>	Cees Klumper
<b>Agenda item:</b>	05
<b>Category:</b>	For Information
<b>Strategic goal:</b>	Affects all strategic goals

**Section A: Overview**

**1. Purpose of the report**

- 1.1 To inform the Board about Internal Audit's activities over the past year and to provide a summary look ahead.

**2. Recommendations**

- 2.1 This report does not contain any recommendations for the Board. It is for information only.

**3. Executive summary**

- 3.1 Internal Audit has reported on the following topics to management and to the Audit and Finance Committee, since the July 2011 Board meeting:
- (a) Actions being undertaken to further improve risk mitigation in GAVI's cash support programmes; notably, the Transparency and Accountability Team has been strengthened and the Country Programmes department is in the process of being restructured and its headcount increased, among other actions;
  - (b) Audit of the Country Programmes Department, which has provided further input into the restructuring of the department;
  - (c) Publication of Internal Audit and investigation reports, for which a protocol has been established with the Secretariat;
  - (d) Regular updates on investigations into potential and actual misuse in cash-support programmes, and their resolution in collaboration with the affected countries;
  - (e) An analysis of the relevance to GAVI of the report issued in September 2011 by the so-called High Level Review Panel, on how the Global Fund to Fight AIDS, Tuberculosis and Malaria ('the Global Fund') mitigates risk in its grant portfolio;

- (f) Vaccine programmatic risk management: as indicated to the Board at its July 2011 meeting, Internal Audit will perform an audit of how the Alliance mitigates its key vaccine programmatic risks, being (1) excessive vaccine wastage; (2) (vaccination coverage) data quality; (3) country readiness for new vaccine introductions; (4) theft and diversion of vaccines; and (5) adverse events following immunisation. The Secretariat is currently working with the WHO and UNICEF to document in-depth assessments of each of these risks. Once these assessments have been completed, Internal Audit can perform audit work, particularly in-country, to provide an opinion to management and to the Board as to whether it believes these risks are in fact being mitigated effectively;
- (g) Actions to remove bottlenecks in funds flows to countries for cash-support programmes;
- (h) Succession planning, following my recruitment to the Chief Risk Officer position at the Global Fund. As was communicated to the Board by the GAVI CEO, until a successor is in place I will continue in my role as GAVI's Internal Auditor part-time which helps reduce the impact on GAVI.

3.2 After the most recent Audit and Finance Committee meeting (held on April 11, 2012), Internal Audit performed an assessment of the Alliance's risk management process. This process was formalised in 2010 and produces, among other things, the risk register that is accessible on 'myGavi' and is updated each quarter. The main conclusions from the assessment were as follows:

- (a) On a scale of 1 to 5, Internal Audit considers GAVI's risk management process to currently rate a '3'. This is relatively good, considering the 'newness' of the process and what research tells us about the maturity of risk management in other organisations. What has contributed to this positive rating are strong management support and sufficient resourcing of the performance management function that facilitates the process within the Secretariat;
- (b) Further improvements that can be considered include (1) involving Alliance partners, especially the WHO and UNICEF, more into the process particularly where it concerns programmatic risks; (2) more clearly articulating the Alliance's risk appetite; (3) completing the analysis of risks and mitigation actions concerning vaccine programmatic risks, as described in paragraph 3.1(f); (4) expanding the process to the departmental and individual staff levels; and (5) increasing scrutiny of reported risk mitigation activities.

#### **4. Context**

- 4.1 This is the second annual report issued to the Board by Internal Audit since its establishment in November of 2009.
- 4.2 The Director of Internal Audit continued to maintain regular contact with the Chair of the Audit and Finance Committee and was present at each meeting of that Committee, as well as at the November 2011 Board meeting.

## **5. Next steps**

- 5.1 The main topics for Internal Audit in the upcoming year will be:
- (a) Recruitment of a successor to the Director of Internal Audit;
  - (b) Independent validation of management's assessment of the key vaccine programmatic risks, as outlined above, including through in-country audit work;
  - (c) Continuing to direct the Transparency and Accountability Team;
  - (d) Continued involvement in cases of suspected or actual misuse of funds in cash-support programmes;
  - (e) Evaluating management's actions to further mitigate risk, as documented in the risk register.

## **6. Conclusions**

- 6.1 GAVI has continued to improve how it manages risk and Internal Audit has been able to continue to provide independent assurance on this to the Board and to senior management. With respect to the key vaccine programmatic risks, management's assessment and Internal Audit's subsequent evaluation thereof will have to inform conclusions as to the actual levels of risk mitigation.

## **Section B: Implications**

### **7. Impact on countries**

- 7.1 Because this paper is for information only, without suggested actions, there is no impact on countries. Internal Audit's impact on countries since inception has been negligible.

### **8. Impact on GAVI Stakeholders**

- 8.1 The active inclusion of Alliance partners WHO and UNICEF in the risk management process, particularly pertaining to vaccine programmatic risks, could have some implications for those partners.

### **9. Impact on the Business Plan / Budget / Programme Financing**

- 9.1 There is a positive impact on the budget of the Secretariat as a result of the reduction of time spent by the Internal Auditor on GAVI affairs since April 16, 2012, which is of course accompanied by a negative impact on Internal Audit's ability to provide its services to the organisation.

### **10. Risk implications and mitigations**

10.1 As Internal Audit's 'core business' is to provide independent assurance about GAVI's management of risk, all matters contained in this report have a bearing on risk mitigation.

**11. Legal or governance implications**

11.1 There are no issues contained in this report that have legal or governance implications.

**12. Consultation**

12.1 Internal Audit as a matter of standard procedure consults with Secretariat managers and staff and frequently is consulted by the Secretariat on a variety of matters.

**13. Gender implications / issues**

13.1 The appointment of a new internal auditor impacts gender balance at the Secretariat.

**14. Implications for the Secretariat**

14.1 In order for Internal Audit to be able to do its work, Secretariat management and staff have to, from time to time, make themselves available in the context of audits and other activities. Internal Audit has continued to receive sufficient cooperation.