

**INTERNAL AUDIT REPORT
GRANT CLOSURE PROCESS
FEBRUARY 2017**



Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the adequacy and effectiveness of the governance, risk management and internal controls over the closure process for cash grants. Gavi provides various types of cash grants to countries in order to support immunisation outcomes, including: Health System Strengthening (HSS) grants, Cold Chain Equipment Optimisation Platform (CCEOP) grants, Vaccine Introduction Grants (VIG), campaign operational costs, product switch grants, HPV vaccine demonstration project grants and Transition grants.

Grant closure is the final stage of each Gavi cash grant provided (i.e. programmatic and financial closure). Proper programmatic and financial closure of each cash grant is an essential part of grant management and a fundamental element in ensuring that countries can ultimately transition out of Gavi support. Delays in grant closure may have significant consequences including unspent funds remaining in country, undisbursed balances not being released for use in other programmes, and programmatic outcomes not being assessed to inform future programmes.

Through our audit procedures, we have identified high risk issues relating to the final accounting for the closure of grants and residual monies left in country.

We have confirmed that the key issues in this process are a result of various root causes related to the design of the grant closure process as well as the tools and systems in place to support the implementation of the process; in particular, the absence of a centralised grant management system to collate and maintain key grant data and lack of clear guidance on the process. Management is aware of these issues and is undertaking various initiatives to address them including updating the grant closure guidelines, integrating grant closure requirements in existing process and system improvement initiatives.

Internal Audit Key Issues Summary

Issue Description	Rating	Ref	Page
Gaps in the design of the grant closure process			
The treatment of 'historical' grants needs to be clarified	H	2016-02A.01	4
The process of cancelling grants and release of undisbursed funds needs improvement	M	2016-02A.02	5
There is need for clear definition of 'grant', 'start date', 'end date' and 'grant closure'	M	2016-02A.03	6
The Grant closure OG needs clarity on closure of grants with third parties	M	2016-02A.04	8
Grant closure OG needs to be aligned to the on-going grant management processes	M	2016-02A.05	8
Sub-optimal systems & tools to support the grant closure process			
Management of the closure of grants requires improvement	H	2016-02A.07	11
Final accounting for residual monies left in country requires strengthening	H	2016-02A.08	13
Process of monitoring of the closure of grants and reporting requires improvement	M	2016-02A.09	14

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Summary of Findings

Summary of Key Issues Arising

Through our audit procedures, we have identified three high risk issues relating to management of the closure of grants, final accounting for residual monies left in country and treatment of “historical” grants as summarised below.

Sub-optimal Systems & Tools to Support the Grant Closure Process

Management of the closure of grants requires improvement

There is limited visibility on the status of all grants due to lack of complete and accurate centralised grant management data for grant end dates, extensions, status of outstanding financial and reporting requirements, grant closure status and unspent balances. The lack of this data makes it difficult for the Secretariat to monitor, track and effectively carry out grant closures. In addition, it is not possible to ensure that future funding and disbursement decisions take into account the closure status of existing grants.

As a result, we were unable to accurately identify on a holistic basis grants that had passed their end date, closed grants, grants with outstanding issues to be resolved, and grants with unspent funds.

It is recommended that the required data is collated and maintained, ideally in a centralised grant management system by a designated team, to enhance visibility over status of various grants and facilitate effective grant closure.

Final accounting for residual monies left in country requires strengthening

There is no regular central monitoring of the unspent funds remaining in-country, both with governments and Alliance partners (In certain circumstances, cash grants are channelled through Alliance Partners).

As a result of this control weakness, we reviewed a number of grants with end dates that had passed and noted that there are unspent balances in-country that have not been reimbursed or reprogrammed. These funds cannot be used for other programmes and present an increased risk of misuse. We confirmed that for one country there was US\$ 29.56 million in unspent funds as at 30

June 2016 and for another country there was US\$ 5 million in unspent funds for cash grants with end dates on or before 2013.

In addition, there is no clear guidance on the treatment of unspent funds i.e. approval process and reprogramming, the exchange rate to be used, and accounting for interest earned on these funds.

It is recommended that adequate measures are implemented to centrally monitor and track unspent balances on a regular basis, and clear guidance is provided on the treatment of unspent funds.

Post-script, June 2017. At the time of this audit it was not feasible to determine the extent of Gavi’s exposure on the residual grant balances in-country as described in this report. Since the completion of the audit, preliminary work has been undertaken to identify the relevant amounts. Based on that analysis, the gross amount, being the total value of such residual balances, is about \$45m. This amount includes funds which were already identified as requiring reallocation or reprogramming. The net amount, being the value of those items which had not been previously identified until this analysis was undertaken, is just over \$9m. As the remediation described in the report is progressed further, these net amounts will reduce further, ultimately to zero.

Process of monitoring of the closure of grants and reporting requires improvement

There are no key performance indicators (KPIs) relating specifically to grant closure under the Team Performance Management (TPM) process. In addition, there is no central reporting or monitoring of the closure of grants and, as a result, grant closure is not prioritised.

There are KPIs in place in relation to sustainability and country transition, and in order to meet these, it is essential that the process of closing individual grants is done effectively given that this is one of the key steps/requirements prior to country transition.

It is recommended that specific KPIs relating to grant closure are introduced and regularly monitored. We note that the effective implementation of these KPIs is dependent on the resolution of the other issues raised in this report.

Summary of Findings

Gaps in the Design of the Grant Closure Process

Treatment of historical grants needs to be clarified

The grant closure OG was effected in February 2015 and does not provide guidance on how grants with end dates prior to this date should be dealt with even though there are a large number of such grants (historical grants) that have not been formally closed. As at May 2016, US\$ 30.3 million of approved funding for the programme years 2008-2013 for key cash grants remained undisbursed.

It is recommended that a simplified process is implemented for the closure of historical grants and that any undisbursed balances and/or funds sitting in country are either reprogrammed or written-back.

The closure of historical grants is particularly important given that under the Partnership Framework Agreement (PFA), countries have agreed to retain records for a minimum of five years after the completion of a programme. Therefore, after this time, the required documents may no longer be available.

Other Issues identified

In addition, we identified, five medium and two low-rated issues. These relate to compliance with the grant closure OG (for cash grants) and variations in the level of closure processes completed across teams and countries.

In particular, there is a lack of clear guidance regarding: the process for cancelled grants and release of undisbursed funds, key terms (such as 'grant', 'grant start date', 'grant end date' and 'grant closure'), closure of grant agreements with Alliance partners, the process for monitoring the closure of grants and reporting and alignment to other on-going grant management processes.

A detailed analysis of all issues raised including medium and low rated issues, is included in the appendix.

Background

Since inception to 31 May 2016, Gavi has approved US\$ 2.2bn for cash grant funding, and disbursed US\$ 1.9bn¹.

Grant closure is the final stage of each Gavi cash grant provided. It involves the programmatic and financial closure of each individual grant. The closure process involves assessing the achievement of the grant objectives as well as determining whether the country has fulfilled the conditions of the grant.

The Secretariat implemented a grant closure OG in February 2015 to provide guidance to Country Programmes (CP) staff on the actions required to close individual grants and to ensure the grant closure processes and responsibilities are fully defined and applied consistently. The OG details the process to be followed in the closure of individual grants including the determination of the balance and treatment of any unspent funds. The grant closure process should be finalised within six months of each grant end date, and formally communicated to the country.

The Country Programmes team is aware of the issues raised in this report and is already undertaking various initiatives to address them including updating the grant closure guidelines, integrating grant closure requirements in existing process, and building up grant data using readily available tools in the short-term while the Knowledge Management team develops a more robust IT based solution.

It should be noted that previously prime emphasis had been given by management to the need to develop a system of proactive grant management, with the need to establish new processes in critical areas and enhance risk management. The agreed action plan set out in this report reflects a reprioritisation, with the benefit of newly augmented resources, to ensure that risks highlighted in this audit are addressed in a more timely manner than was previously envisaged.

Audit Objective

Our audit assessed the adequacy and effectiveness of the governance, risk

¹ Figures sourced from the CP Approval and Disbursement tabs of the Finance Consolidated Approvals and Disbursement Report dated 31 May 2016 filtered by grant type to include HSS, ISS, CSO, HPV Demo, Op Costs, VIGs, Product Switch Grants, Graduation Grants and Ebola Recovery Plan grants

Summary of Findings

management and internal controls over the grant closure process for cash grants.

Audit Scope and Approach

We adopted a risk-based audit approach informed by our assessment of the system of internal controls.

Our audit approach included interviewing relevant Secretariat teams, reviewing Board and committee reports, reviewing operational and country guidelines, reviewing legal agreements with countries and partners, and sample testing evidence of the grant closure process. In the course of the audit we also considered the IT systems supporting the processes and the quality of the grant management data available.

This audit was designed to assess the:

- Design and operating effectiveness, where possible, of the key controls;
- Economy and efficiency of the utilisation of resources;
- Quality of implemented governance and risk management practices; and
- Compliance with relevant policies, procedures, laws, regulations and where applicable, donor agreements.

The scope of this audit covered the following key areas in relation to programmatic and financial closure of grants for the period 10 February 2015 (effective date of the grant closure operational guideline) to 31 May 2016:

- Design and implementation of the grant closure OG; and
- Compliance with the grant closure OG including submission of closure reports, formal confirmation of grant closure and reimbursement of unused funds.

The following areas were not considered in-scope for this audit:

- The closure process of new vaccine support to countries;
- Reprogramming, reallocating and no cost extensions of Health System Strengthening (HSS) funds;
- Reimbursement of misused funds;
- Country transition process; and
- PEF framework and business plan agreements

We will continue to work with management to ensure that these audit issues are adequately addressed and required actions undertaken.

We take this opportunity to thank all the teams involved in this audit for their on-going assistance.

Head, Internal Audit

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
GAPS IN THE DESIGN OF THE GRANT CLOSURE PROCESS							
HIGH	Treatment of 'historical' grants needs to be clarified						
	The OG was approved and became effective in February 2015 and applies to all grants with end dates after this date.						
1(a)	<p>The grant closure OG was effected in February 2015 and does not provide guidance on how grants with end dates prior to this date should be dealt with even though there are a large number of such grants (historical grants) that have not been formally closed.</p> <p>We sampled two countries where the Programme Finance (PF) team had prepared an overview of the status of all cash grants paid to the government. These countries had a number of historical grants dating back to 2006 that had not been formally closed and still had outstanding issues to be addressed.</p> <p>The closure of historical grants is particularly important given under the PFA, countries have agreed to retain records for a minimum of 5 years after the completion of a programme. There is no definition of 'completion of a programme' in the PFA, and if it is taken as the completion of the programme activities, this could mean that documents and reports are no longer available for older grants.</p>	<p>The status of historical grants is unknown or not monitored meaning issues go unresolved, grants are not closed, or documents are no longer available.</p> <p>Delay in reprogramming or release of any undisbursed balances</p>	<p>(i) Implement a simplified process for the closure of historical grants, and ensure historical grants are formally closed.</p> <p>(ii) Ensure monitoring and reporting on grant closure includes historical grants.</p>	<p>(i) We acknowledge the findings of the Internal Audit and would like to highlight that with limited resources at a time when we were still building capacity in CP at the same time working full speed to institutionalize the concept of proactive grant management including risk management and mitigation, enhancing accountability at all levels, building results framework and developing the business architecture of grant renewals etc we had to look closely at our priorities and how we manage Gavi's business and the risks associated with it. A decision was taken to focus more energies on enhancing our capacity, building the capability of our CP Team, establishing processes in critical areas such as budget requirements etc and clarifying our ask from countries. Having said that it is important to note that the OG provided high level</p>	MD, Country Programmes, Regional Heads, Country Support with support from Programme Finance and Knowledge Management, Senior Manager, OGs	30 Sept 2017	Open

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
				<p>information to our staff for them to determine unspent balances in country or still with Gavi before opening a new grant. That is why we could pull the information in a good time as it was with our SCMs. As pointed out by the audit we lack the system to capture the data around our grants in a systematic way. We are now moving to build this information in an excel file as Knowledge Management Team are working on an IT based solution.</p> <p>Based on the finding of this audit we agreed on accelerated approach to identify all "historical" grants by Country Support Team in collaboration with Programme Finance. Additional temporary resources will be engaged as need be, as agreed at the Risk Committee (3 April 2017) to help out on this. The scope will include cash provided both to countries directly and to partners. The scope will also incorporate any other assets acquired.</p> <p>Management has taken a decision to work forward from cut-off date in 2011</p>			

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Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
				<p>as a first step (with older grants to be reconsidered after this first phase), given PFA requirement to retain records for 5 years and start of previous strategy period.</p> <p>(ii) The Grant Closure OG will be revised to address this case.</p>			
1(b)	<p>As at May 2016, US\$ 30.3m of approved funding for the programme years 2008-2013 for key cash grants remained undisbursed (HSS, Immunisation Services Support (ISS), Vaccine Introduction Grants and Operational Costs).</p> <p>These amounts are recorded as liabilities for Gavi and they are not available for use in other programmes until released.</p> <p>51% of this undisbursed balance relates to historical ISS grants. For these grants, countries were given until 16 December 2016 to submit a new workplan and budget to utilise the funds.</p>	<p>Undisbursed amounts will not be released on a timely basis for use in other programmes for grants with long-outstanding undisbursed balances that have not been closed.</p>	<p>Ensure undisbursed balances for historical grants are either reprogrammed or written-back on a timely basis.</p>	<p>Undisbursed cash will be reprogrammed or written back based on the context of the country, the absorptive capacity and whether the country has been granted new funding from Gavi. Guidelines are being developed to address these gaps.</p>	<p>MD, Country Programmes, Regional Heads, Country Support and Senior Manager, OGs</p>	<p>30 Sept 2017</p>	<p>Open</p>
MED	<p>Process of cancelling grants and release of undisbursed funds needs improvement</p> <p>The OG states that for unanticipated closures, the country team, with the relevant Secretariat focal points and the beneficiary country must agree to a timeframe for the closure activities.</p>						
2(a)	<p>Information sharing between various teams involved in the process of unanticipated grant closures is not optimal and this has resulted in delay in the release of commitments by Finance, potentially reducing the amount available for other programmes.</p> <p>For three grants with unanticipated closures, one was communicated to Finance three months after the closure and the other two still</p>	<p>Delay in writing off of commitments and approvals and potentially reducing the programme funding envelope available for other programmes.</p>	<p>Update the OG to provide clear guidance on the requirement to notify Finance within a specified timeframe of any unanticipated grant closures.</p>	<p>Clear guidance to be developed as an OG.</p>	<p>MD, Country Programmes, Regional Heads, Country Support and Senior</p>	<p>30 Sept 2017</p>	<p>Open</p>

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
	had outstanding commitments recorded totalling US\$ 5m due to Finance not being informed of the closures.				Manager, OGs		
2(b)	The OG does not include minimum requirements to be met in processing unanticipated grant closures. From the sample selected, there were differences identified in the approval of the closure, the reporting required from countries, the communication to countries and the internal communication to Secretariat teams.	Unanticipated grant closure procedures may not be consistently applied across countries.	(i) Update the OG to include minimum steps required to be followed for unanticipated closures, including the internal approval process, reporting requirements, communication to countries, and notification to internal Secretariat teams. (ii) Clarify the formal country communication required to ensure grant cancellations are legally effective.	OG will be updated Closure being progressively cleared with decision letters.	MD, Country Programmes, Senior Manager, OGs with the support of Country Support and Programme Finance	30 Sept 2017	Open
2(c)	The OG does not contain a definition of what constitutes an 'unanticipated closure' and it is not clear whether this includes closures due to misuse, or only the cancellation of grants due to other reasons.	The grant closure process followed may differ if the definition of unanticipated closures is not consistently applied.	Include a clear definition of 'unanticipated closures' in the OG.	OG will be updated	MD, Country Programmes, Senior Manager, OGs with the support of Country Support and Programme Finance	30 Sept 2017	Open
MED	Definition of 'grant', 'grant start date', 'grant end date', and 'grant closure' is unclear						
	The OG refers to various terms when outlining the process to be followed for grant closure. In order for the OG to be understood and implemented, it is essential for the terms to be clearly defined and consistently used across the Secretariat.						
3(a)	The OG provides a definition of 'grant end date' as the date of the decision letter plus the year of termination of support.	Inconsistent closure of grants (If the definition	(i) Clearly define 'grant end date' in the context of grant closure. Ensure this	These definitions are critical and need to be documented in a	MD, Country Programmes with support	30 Sept 2017	Open

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Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
	<p>In practise, for HSS grants, the grant period is usually calculated from the date of the first disbursement due to delays between the decision letter being signed and the country receiving the funds (for the sample selected there was an average of 322 days between the decision letter and the first disbursement). This is inconsistent with the OG, and means that HSS grants may already have been informally extended by 12 months or more due to disbursement delays prior to a no cost extension being requested.</p> <p>For non-HSS grants, this definition does not work as the grants do not have a defined period. We were not able to identify formal end dates for non-HSS grants.</p>	of 'grant end date' is not clearly defined).	<p>definition covers all types of cash grants, in particular vaccine introduction and operational cost support grants.</p> <p>(ii) Ensure that grant end dates are clearly documented in the Decision Letter or other communication with countries.</p> <p>(iii) Ensure there is an approval process in place to cover all extensions to grant end dates.</p>	dashboard accessible to all staff involved in grant management. They need to be agreed upon by Country Programmes, Finance and Legal. A working group will be set up to solve this issue.	from Country Support, Legal, Finance and Knowledge Management		
3(b)	<p>The OG does not provide a definition of 'grant closure' and what constitutes a grant being 'closed'.</p> <p>Secretariat teams engaged during this audit understand grant closure differently, and there is not a shared understanding of when a grant should be considered formally closed.</p> <p>For example, grant closure could be when all activities have been completed, when all reporting has been received and issues resolved, when any required reimbursements have been received, or when any undisbursed amounts have been written-back.</p>	The grant closure process will not be consistently applied.	Clearly define at what stage a grant is considered closed, and where this formal closure should be reported.	The OG will be updated, with clear definition of what grant closure means	MD, Country Programmes, Senior Manager, OGs and Regional Heads, Country Support	30 Sept 2017	Open
3(c)	<p>We were unable to find a clear and consistent definition of a 'grant' across the Secretariat teams.</p> <p>The OG refers to grants and programmes interchangeably, however the PFA uses the term 'programme' to refer to both cash and vaccine funding.</p>	If the definition of a 'grant' is not clearly understood, then it will not be possible to identify which arrangements need to be closed and are subject to the OG.	Clarify the definition of a grant and a programme, and then implement a grant/programme identification code to support this definition.	The KMTS team is undertaking an initiative, in collaboration with various business teams, to define a grant, a country immunisation programme, a Gavi vaccine	Chief Knowledge Officer, Knowledge Management with support from	30 Sept 2017	Open

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
	<p>'Grants' (including cash and vaccines) are designated with grant approval codes which include the year of the grant duration. These codes are overwritten if the grant implementation period changes and therefore one 'grant' may have multiple codes. We established that there are 912 different grant codes for cash grants approved by Gavi since inception to 31 May 2016. However, we were unable to confirm the number of individual cash grants approved since inception as this information was not available.</p>			programme, different start and end dates, and other related concepts. Some work is already underway to establish unique identifiers for grants and other data entities across all Gavi information systems and data sets, but it cannot be fully completed without a shared conceptual model.	Secretariat teams		
MED	<p>Closure of grant agreements with Alliance partners is not covered in the OG</p> <p>The OG includes a section on closure of cash support disbursed to third parties' and this section specifically refers to non-core expanded partners.</p>						
4(a)	<p>The OG does not cover the process for the closure of grant agreements with Alliance partners. As a result, grant agreements with Alliance partners are not being formally closed. We sampled three grants managed by Alliance partners and confirmed that a formal closure process had not been completed.</p> <p>For one country sampled, a reimbursement and statement of account was received by the Finance team 15.5 months after the activities were completed. The Secretariat teams were not aware of or expecting this reimbursement.</p>	<p>Unspent funds may not be identified and reimbursed on a timely basis if reporting for grants being managed by Alliance partners is not done and grants formally closed.</p>	<p>(i) Update the OG to include the process for closing grants managed by Alliance partners, and ensure the process is consistent with the terms of the grant agreements.</p> <p>(ii) Ensure monitoring and reporting on grant closure includes grants managed by partners.</p>	<p>OG on partnership under preparation will include an element on grant closure, and need to revisit MOUs with partners identified by Country Support and Programme Finance</p>	<p>MD, Country Programmes, Senior Manager, OGs and Regional Heads, Country Support</p>	<p>30 Sept 2017</p>	<p>Open</p>
4(b)	<p>The Alliance partner grant agreements sampled did not include grant end dates and details on how unspent funds should be treated.</p> <p>We note that the 2016 grant agreement template for one of the Alliance partners has now been updated to include these details.</p>	<p>Grant end dates may be unclear meaning grants are not closed on a timely basis.</p> <p>Treatment of unspent funds may be inconsistent across partners.</p>	<p>Update the grant agreement template for the remaining Alliance partner(s) to include clear grant end dates and details on how unspent funds should be treated.</p>	<p>We will work on harmonising all the Alliance partners' grant agreement templates to reflect grant start and end dates. We note that this may form part of a wider Secretariat discussion with respect to the grant agreement template.</p>	<p>Director, Legal</p>	<p>30 Sept 2017</p>	<p>Open</p>

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
MED	Grant closure OG is not aligned to on-going grant management processes						
	The grant closure process in the OG requires a closure report to be submitted by countries including a statement of progress made towards the achievement of originally stated programme objectives, a list of results considered significant, a financial statement for the grant period from inception, and a statement of expenditure covering the grant period.						
5(a)	The OG does not require countries to submit an asset register as part of the closure report although it is a requirement in the PFA that after a programme ends, any assets bought by the country using Gavi funds shall continue to be used by the country for immunisation activities.	Assets bought with Gavi funds may not be used for immunisation activities once the grant has ended. Accounting for assets bought with Gavi funds may not be robust enough.	(i) Update the OG to require countries to submit an asset register as part of grant closure reporting. (ii) Enhance the process of accounting for assets bought with Gavi funds as part of on-going grant management.	OG will be revised	MD, Country Programmes, Senior Manager, OGs with the support of Country Support and Programme Finance	30 Sept 2017	Open
5(b)	The financial reporting requirements in the OG are not aligned to the on-going financial reporting requirements. The PFA requires countries to submit financial statements and audit reports on an annual basis, and the 2016 Guidelines on Reporting and Renewals (on Gavi's website) states that annual financial statements and an annual external audit report is required for grant closure. However, the OG does not require an audit report to be provided as part of the closure report but requires financial statements for the entire grant period. In addition, the Vaccine Introduction Grant & Operational Support for Campaigns Policy includes specific audit requirements that are not included in the OG.	Financial reporting requirements for grant closure do not align with on-going reporting requirements creating additional burden on countries.	Align the financial reporting requirements for grant closure in the OG to other on-going reporting requirements for countries, and ensure the Secretariat is not asking for information already in its possession.	Agreed	MD, Country Programmes, Head, Programme Finance	30 Sept 2017	Open
5(c)	The programmatic reporting requirements in the OG are not aligned to on-going programmatic reporting processes. The newly introduced Grant Performance Framework includes specific indicators for the	Programmatic reporting requirements for grant closure do not align with on-going reporting requirements creating	Align the programmatic reporting requirements for grant closure in the OG to other on-going reporting requirements for countries, and ensure the Secretariat	OG will be revised	MD, Country Programmes, Senior Manager, OGs with the	30 Sept 2017	Open

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
	<p>country and each grant, and progress is reported through the annual Joint Approval process. However, the OG requires a statement of progress and a list of results covering the entire grant period to be submitted.</p> <p>In addition, specific reporting requirements are in place for campaigns that are not included in the OG.</p>	additional burden on countries.	is not asking for information already in its possession.		support of Country Support and Programme Finance		
5(d)	The timing of the grant closure process in the OG is not aligned with the reporting timelines for countries. The OG states that the closure report should be submitted either 1-2 or 3-4 months before the grant end date (two separate sections of the OG itself are inconsistent with each other on this timing) whereas country annual financial statements are generally due 3 months after the end of the fiscal year end (and audit reports are due 6 months after the year-end).	Timing of reporting for grant closure does not align with on-going reporting timelines and country systems and therefore creates additional burden on countries.	Update the timelines in the OG to be consistent with the on-going reporting timelines for countries.	OG will be revised	MD, Country Programmes, Senior Manager, OGs with the support of Country Support and Programme Finance	30 Sept 2017	Open
LOW	The grant closure OG may be outdated and not practically implementable						
6(a)	It is not clear which Secretariat team owns the OG and is responsible for making sure it is implemented and up-to-date.	The OG may be outdated and not practically implementable.	<p>(i) Identify which team owns the OG and is responsible for ensuring it is implemented and up-to-date.</p> <p>(ii) Given the upcoming changes due to the newly approved Health System and Immunisation Strengthening (HSIS) Framework and the Country Engagement Model, it will be essential to ensure that the OG is reviewed and</p>	OG will be updated	MD, Country Programmes, Senior Manager, OGs	30 Sept 2017	Open

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
				updated to align to this new model.			
6(b)	The OG does not identify and link to the requirements from relevant Board approved policies (e.g. the Vaccine Introduction Grant & Operational Support for Campaigns Policy and the Transparency & Accountability Policy) and key legal documents (e.g. PFA and partner grant agreements).	The OG may not be in compliance with the Board-approved policies and key legal documents.	Ensure the OG identifies the relevant requirements from the Board-approved policies and legal documents, and is in compliance with these requirements.	OG will be updated	MD, Country Programmes, Senior Manager, OGs	30 Sept 2017	Open
6(c)	The OG does not state the process for the approval of grant closures, and therefore it is not clear who has the authority to approve grant closures, and which teams need to be engaged prior to the formal closure of a grant.	Grant closures may be approved inappropriately i.e. when there are outstanding issues still to be resolved.	Update the OG to include a clear approval process for grant closures including which teams need to be engaged prior to closure.	OG will be updated	MD, Country Programmes, Senior Manager, OGs	30 Sept 2017	Open
6(d)	Additional clarity may be required on the process for closing grants with third parties. There are various agreements with third parties across Gavi and it is not clear which ones require a formal closure process to be followed.	Grant agreements with third parties may not be appropriately closed.	Consider the need to clarify the process for closing other grants with third parties, and clarify which third party agreements the closure process should be applied to.	OG will be updated as appropriate.	MD, Country Programmes, Senior Manager, OGs	30 Sept 2017	Open

SUB-OPTIMAL SYSTEMS & TOOLS TO SUPPORT THE GRANT CLOSURE PROCESS

HIGH

Management of the closure of grants requires improvement

Complete and accurate grant management data is key in the process of grant closure including identifying grant end dates, extensions, status of outstanding financial and reporting requirements, grant closures and unspent balances.

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
7(a)	<p>There is limited visibility on the status of all grants. This is mainly because the following key information required to effectively implement, monitor and track the grant closure process is not readily available and/or centrally monitored:</p> <ul style="list-style-type: none"> • Original and final end dates for all cash grants, including any extensions approved (partial list is maintained manually for HSS grants by the HSIS team); • Status of compliance with reporting and financial requirements for each grant including issues to be resolved (this information is currently being reconstructed for cash grants paid to the government for certain countries by the PF team); • Status of closure activities for each grant passed its final end date, including whether the grant has been formally closed; • List of all grants where unanticipated closures have taken place (partial list maintained for HSS grants by the HSIS team); and • Balance of unspent funds in-country for each grant, and amounts to be reimbursed. 	<p>Unspent funds may not be identified and re-programmed on a timely basis.</p> <p>Undisbursed funds/commitments may not be released on a timely basis.</p> <p>Non-compliance with financial and reporting requirements may not be identified.</p> <p>Grants may not be closed on a timely basis</p>	<p>Collate and maintain key grant management data, ideally in a centralised grant management system, by a designated team, to enhance visibility over status of all grants and facilitate effective grant closure.</p>	<p>Management will liaise with KMTS to prioritise the development of a centralised grant management database system as it is a pre-requisite for any other action. This will be linked with the new financial management system work by KM (and not another parallel system). In addition, KMTS will integrate grant closure requirements in existing process and system improvement initiatives in the medium term, while in the short term CP will proceed manually (using excel tools) with analysis and closure of grants. Additional temporary resources will be engaged for 6-9 months to help out on this. The scope will include both cash in country and to partners, as well as assets.</p>	MD, Country Programmes with support from Country Support, and Knowledge Management	31 Dec 2017	Open
7(b)	<p>We identified multiple examples where subsequent grants have been approved prior to previous grants being closed. This is because there is no way of ensuring that disbursements are not made on subsequent grants when there are outstanding reimbursements for unspent funds still owed by the country given that there is no central data available for the grant closure process.</p>	<p>Disbursements may be made on new grants, when there are unspent funds in the country from previous grants.</p>	<p>Implement a control to ensure that previous grants of the same type (e.g. HSS) are closed and unspent funds are either reimbursed or reprogrammed prior to disbursements being made on new grants.</p>	<p>There are instances where indeed several grants are being implemented at the same time, with different timelines and activities. With the support from Program Finance, improved monitoring and reporting system is being</p>	MD, Country Programmes, Regional Heads, Country Support	31 Dec 2017	Open

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
				put in place to ensure a better control over the total amount of cash available in each country and limit additional disbursement when deemed appropriate			
HIGH	Final accounting for residual monies left in country requires strengthening						
	The OG states that countries should reimburse to Gavi all unspent funds remaining at the end of a grant. Any reimbursement must be made in US\$ and should be paid within 60 days of Gavi's formal request for reimbursement.						
8(a)	<p>There is no regular central monitoring of the unspent funds remaining in-country, both with the Alliance partners and the government. As a result of this control weakness, we reviewed a number of grants with end dates that had passed and established that there are unspent balances in-country that have not been reimbursed or reprogrammed.</p> <p>For one country sampled, the PF team has recently completed a review of financial statements and found that for cash grants paid to the government with end dates in 2013 or before, there was potentially US\$ 5m in unspent funds and another US\$ 2m in outstanding advances.</p> <p>For another country, the PF team has reviewed the financial statements and confirmed that as at 30 June 2016 there is US\$ 29.56m in unspent funds remaining in-country from previous HSS, vaccine introduction, operational cost support and immunisation services support (ISS) grants.</p> <p>It is also not clear how unspent funds should be monitored and confirmed. If audited financial statements are required then the balances may be six months or more out of date, whereas other sources of information</p>	<p>Unspent funds in-country cannot be used for other programmes.</p> <p>Unspent and unreimbursed funds present an increased risk of misuse.</p>	<p>Implement a process for monitoring and tracking unspent funds in-country on a regular basis, including guidance on how unspent funds should be confirmed.</p>	<p>Agreed that there is no formal system to track and monitor unspent funds. The proposed Programme Finance resourcing and workplan for 2017 involves further monitoring of financial reporting compliance on 6 monthly basis, from which the level of unused funds will be tracked. The SCMs will be supported to conduct additional validation during JA process.</p>	MD, Country Programmes, Director, CS	31 Dec 2017	Open

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
	may not be as reliable e.g. financial reports, joint appraisal reports, bank statements, etc.						
8(b)	<p>There is inconsistency between documents on how unspent funds should be treated:</p> <ul style="list-style-type: none"> The PFA and the OG state that any unspent funds should be reimbursed within 60 days; The joint appraisal guidance states that proposals on the use of unspent funds will be discussed during the joint appraisal; The 2016 Alliance partner grant agreement (for one partner) states that balances below US\$1,000 can be used for similar activities, and balances above this can be used for other Gavi programmes, if agreed with Gavi; The Vaccine Introduction Grant & Operational Support for Campaigns Policy states that these grants are for one-off investment costs and shouldn't be used for recurring costs; The new HSIS Framework states that non-HSS unspent funds can be used for HSS activities but not vice versa. <p>In addition, none of these documents state what approval process should be followed if unspent balances are reprogrammed.</p>	Treatment of unspent funds may be inconsistent across countries.	Clarify and document the treatment of unspent funds for each type of cash grant, including the approval process for reprogramming unspent funds.	To establish a clear guidance on how to use unspent funds	MD, Country Programmes, Senior Manager, OGs with the support of Country Support and Programme Finance	30 Jun 2017	Open
8(c)	There is currently no guidance on the exchange rate to be used when calculating the unspent funds to be reimbursed or on how interest earned on unspent balances should be treated.	Treatment of exchange rates and interest earned on unspent balances may be inconsistent across countries.	Update the OG to provide guidance on the exchange rate to be applied for unspent balances and how interest earned on these balances should be treated.	Agreed that guidance should be included in the OG to encourage refunds in accordance with the stipulated timelines. This should also cover the treatment of interest.	MD, Country Programmes, Head, Programme Finance	30 Jun 2017	Open
MED	<p>Process of monitoring of the closure of grants and reporting requires improvement</p> <p>As part of the Alliance Accountability Framework implemented in 2016, there are KPIs at the Alliance, corporate, team and individual level that are actively monitored and reported.</p>						

Appendix 1: Detailed Findings and Recommendations

Issue No.	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	ET Member/ Action Owner	Target Completion Date	Status
9	<p>There are no KPIs relating specifically to grant closure under the Team Performance Management process. In addition, there is no central reporting or monitoring of the closure of grants and, as a result, grant closure is not prioritised.</p> <p>There are KPIs in place in relation to sustainability and country transition, and in order to meet these, it is essential that the process of closing individual grants is done effectively given that this is one of the key steps/requirements prior to country transition.</p>	<p>Closure of grants may not be prioritised.</p> <p>Issues with grant closures and the flow-on impact to country transition may not be proactively identified, monitored or addressed.</p>	<p>Introduce a specific team performance metric in relation to grant closure, and ensure it is regularly monitored.</p>	<p>New TPM related to grant management cycle will be included as progress are made with tools for grant management.</p> <p>Implementation of OG is already part of staff evaluation</p>	<p>MD, Country Programmes, Regional Heads</p>	<p>31 Mar 2017</p>	<p>Open</p>
LOW	<p>Country guidance does not set clear expectations for grant closure requirements</p> <p>Gavi has various guidance documents in place for countries including Country Guidelines (General and grant-type specific), Financial Management and Audit Requirements, Grant Management Approach, Joint Appraisal Reporting Guidance, and Guidance on Reporting and Renewal. In addition, countries' relationships with Gavi are governed by a PFA as well as individual Decision Letters.</p>						
10	<p>The grant closure process and requirements are not included clearly in one document for countries.</p> <p>There is currently no information on the grant closure process in the Country Guidelines, the Decision Letter, and the Transparency and Accountability Policy, and no clear reporting requirements for closure of non-HSS cash grants in any of the country guidance documents.</p> <p>As a result, the grant closure process is not clear for countries.</p>	<p>Countries do not understand the closure process and therefore do not comply with it.</p>	<p>Update country guidance documents to clearly set out the grant closure process and set clear expectations for countries when grants end.</p>	<p>Detailed guidance will be included in the DL, PFA and Guidance on Reporting and Renewal</p>	<p>Regional Heads, Country Support with support from Legal</p>	<p>31 Dec 2017</p>	<p>Open</p>

Appendix 2: Summary of Performance Ratings and Distribution

Summary Performance Ratings on Areas Reviewed

For ease of follow up and to enable management to focus effectively in addressing the issues in our report, we have classified the issues arising from our review in order of significance: High, Medium and Low. In ranking the issues between 'High', 'Medium' and 'Low', we have considered the relative importance of each matter, taken in the context of both quantitative and qualitative factors, such as the relative magnitude and the nature and effect on the subject matter. This is in accordance with the Committee of Sponsoring Organisations of the Treadway Committee (COSO) guidance and the Institute of Internal Auditors standards.

Rating	Implication
High	Address a fundamental control weakness in relation to internal controls, governance and/or risk management that should be resolved as a priority
Medium	Address a control weakness in relation to internal controls, governance and/or risk management that should be resolved within a reasonable period of time
Low	Address a potential improvement opportunity in relation to internal controls, governance and/or risk management

Distribution

Title
Managing Director, Country Programmes

For Information

Title
Chief Executive Officer
Deputy Chief Executive Officer
Managing Director, Audit & Investigations
Executive Team
Chief of Staff
Director, Legal
Regional Heads, Country Support
Director, Health Systems & Immunisation Strengthening (HSIS)
Director, Vaccine Implementation
Head, Programme Finance
Chief Knowledge Office, Knowledge Management
Head, Risk