



Report: Audit of 2013 expenses  
Report Number: 2014-01  
Audit Period: March – April 2014

**Contents:**

I.	Audit Objective and Scope .....	2
II.	Management Summary .....	3
III.	Detailed Findings and Recommendations .....	5
IV.	Remediation .....	5
V.	Action Plan .....	6

**Distributed to:**

Seth Berkley, Chief Executive Officer  
Anuradha Gupta, Deputy Chief Executive Officer

**cc.** Executive Team

## **I. Audit Objective and Scope**

### Audit Objective

The objective of the audit of the expenses process was to evaluate the effectiveness of controls operating for expense reimbursement covering: initial travel request and approval; claim submission by traveller, and review and approval by line supervisors and Finance; and expense reimbursement to individuals.

Gavi uses donated monies to support its operations and a key objective was to assess those controls which ensure reimbursements are made against legitimately incurred expenses; it is recognised that assurance on this is especially important on expense reimbursement of Gavi management and Board members.

### Audit Scope

The scope of the audit encompassed the controls operating in 2013, and expenses paid in that period, including expenses paid to staff and non-employees for both Geneva and Washington DC offices. Although the majority of expenses incurred by GAVI relate to travel, certain expenses of a non-travel nature are occasionally incurred and these were included in the scope of the audit.

Total travel and other reimbursable expenses incurred on GAVI business in 2013 were approximately \$7 million – for staff, Board and alternate members, and temporary contract and consulting workers.

The scope of the audit encompassed an evaluation and testing of key controls in the process to ensure that all claims processed were appropriately controlled and expenses incurred were consistent with the approved travel policy. The audit also involved significant testing of individual expense claims (71 individual claims comprising over 600 individual lines of expense - representing over 10% of total

expenses paid) to provide assurance that, beyond providing insight on the overall effectiveness of controls, individual claims were appropriately made and processed. The samples were selected to ensure a significant representation of senior management and Board members.

The audit scope did not include policy and procedures relating to the use of GAVI-issued credit and other cards; that will be the subject of a separate audit.

## **II. Management Summary and Conclusion**

The system of expenses management and reimbursement is effective and well-controlled. Expenses are controlled through the MobileExpense system (MBX) which enables the automated routing and approval of travel requests and expense approvals.

The significant majority of expenses relate to costs incurred directly by GAVI (principally the cost of flights) or else charged directly to GAVI corporate credit or charge cards (particularly hotel lodging expenses); such expenses are paid directly by GAVI and employees neither incur the expense personally nor receive reimbursement for such expenses. Other commonly incurred expenses are reimbursed to individuals against a set scale of per diem allowance according to the travel location (covering travel expenses from airport or railway terminus to city centre, and food and other subsistence expenses). Any remaining expenses, the significant minority, are recharged on an as-incurred basis.

Travel itineraries are reviewed and approved by line supervisors before flights and hotels are booked; expenses incurred are reviewed and approved by supervisors, and then further validated by Finance for compliance with policy.

The above arrangements are well-designed and structured so as to minimise the risk of expenses being misclaimed and reimbursed inappropriately. The potential for significant error or misuse is considered to be low.

Regarding the payment of expense amounts to individuals, these are paid directly into individuals' bank accounts (except for Washington DC-based staff who receive their expense payments through payroll each two-weekly period). Bank account details are maintained in GAVI's main accounting system, AX. These paying details are set-up and changed with appropriate procedural segregation ie. manual procedures are established to ensure that no one individual has the ability to both change paying bank details and release them into the system for payment. However, the AX system did not enforce these segregations and therefore at the time of the audit, certain individuals in Finance authorised to process expenses had the ability to both amend and release bank account details, notwithstanding the procedural requirements which were intended to prevent this.

This is a key segregation in the operating controls. However, the risk associated with this is considered to be moderate, taking into account counterveilling controls and context. The exposure in this situation arises if someone involved in the processing of expenses were to intervene and redirect expenses reimbursements (or other procurement expenditures generally as the same system controls apply to procurement payments as to expense reimbursement) away from the bank account intended to receive reimbursement to another bank account that they control. It is expected that any such redirection would be identified in the normal cycle of review and reconciliation within Gavi, or by employees or vendors who did not receive payments as expected, within a short period of time, likely several weeks to a month. Consequently, the existence of this kind of weakness is not one in which misdirection would be unidentified for an extended period. Nonetheless, it is an important matter to remediate, because it relates to a prime segregation requirement around processing payments through bank accounts. Management immediately agreed to put in place remediating actions, as described below.

### **III. Detailed Findings and Recommendations**

Detailed findings and recommendations are set out in section V, Action Plan.

### **IV. Remediation**

Detailed action plans are set out in the following section. All of the remediating actions have been completed and the issue is now fully remediated.