

INTERNAL AUDIT REPORT

Eligibility, Co-financing & Transition
October 2021



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Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the design and operating effectiveness of the controls in the processes related to Eligibility, Co-financing, and Transition.

Eligibility, Co-financing, and Transition are at the heart of Gavi's catalytic support model, whereby Gavi's support is targeted to lower income countries, and all countries are required to co-finance a share of the cost of their Gavi-supported vaccines; with a country's contributions gradually increasing as its income grows, until it is able to cover the full cost of its vaccines.

Gavi's Eligibility and Transition Policy sets out the criteria that determine which countries are eligible, and when, to apply for and receive different forms of Gavi support, as they transition along a continuum of economic development to the point that they are phased out of Gavi support.

Gavi's Co-Financing Policy covers country groupings for vaccine co-financing purposes, co-financing levels, the process for annual co-financing updates, and the mechanism for situations in which countries fail to meet co-financing requirements.

In order to avoid duplication of effort, the approach to this audit was tailored to place reliance, where possible, on all relevant work undertaken by recent or concurrent reviews. Through our audit procedures which relied to a large extent on the reviews of Gavi's Eligibility, Co-financing, and Transition policies, we identified high risk issues relating to the criteria for eligibility for Gavi support and the approach to post-transition support and monitoring. These and the medium risk issues reported below had already been identified and mitigating actions agreed by management.

Summary of Key Audit Findings

Issue Description	* Rating	Page
There is a need to extend the criteria for Gavi eligibility to include programmatic considerations alongside GNI p.c. to mitigate the risk of unsuccessful transition.	H	5
There is a need for further definition of post-transition support and monitoring and for a more holistic approach to its delivery.	H	6
There is a need to revise the ECT Policies and related governance processes to accommodate countries facing severe economic downturn, humanitarian crisis or other exceptional circumstances.	M	6
There is a need to simplify the calculation of co-financing requirements to increase predictability, facilitate communication and increase country ownership.	M	6
There is a need for earlier and broader engagement to support transition planning.	M	7

** The audit ratings attributed to each section of this report, the level of risk assigned to each audit finding and the level of priority for each recommendation, are defined in annex 2 of this report.*

Summary of findings

Introduction

The risk that countries fail to sustain progress of their immunisation programmes after transition from Gavi support is a 'Top Risk' which has been the subject of substantial Board attention in recent years. As reported in the Vaccine Alliance Risk & Assurance Report at the time of the audit, its risk rating decreased from 'very high' to 'high', reflecting the considerable progress which had been made in this area. This includes engaging early with countries to build and strengthen the financing, systems and capacities needed to deliver on sustainable coverage and equity and more firmly embedding sustainability into different Gavi systems and processes, for example Joint Appraisals, TCA support and Full Portfolio Planning. Further risk mitigation measures are described in the Risk & Assurance Report. However, the risk increased in 2020 due to the COVID-19 pandemic which has had significant impact on macro-economic and fiscal stability in Gavi-supported countries and is likely to affect countries' transition trajectories, their fiscal space for co-financing and risks of backsliding in already transitioned countries.

Sustainable transition is a key focus of the new Gavi 5.0 strategy, with plans for earlier dialogue to support transition assessment and planning, incorporation of a programmatic sustainability lens across the whole portfolio management cycle and institutionalisation of post-transition support. Reflecting this strategic shift, the Board-approved Risk & Assurance Report goes further and states that the 'risks related to a sustainable transition of countries out of Gavi support and potential back-sliding post transition will likely decrease further with post-transition support being institutionalised and an increased focus on programmatic sustainability under Gavi 5.0. This includes a focus on early dialogue for transition and programmatic sustainability and requires that countries deliver immunisation in a sustainable manner, programmatic approaches are efficient and cost-effective, and there are strong institutions to maintain performance after transitioning.'

In support of this key strategic objective, two important initiatives have been commissioned: an external Evaluation of the Eligibility, Co-financing, and Transition Policies – which assesses the design, implementation and results of these policies - and an internal Funding Policy Review which will deliver a revised set of policies for Board approval as part of the Gavi 5.0 operationalisation. The audit approach was adapted to take account of these in-depth reviews and their results informed the audit conclusions.

Overall, the Eligibility, Co-financing, and Transition ('ECT') Policies and related processes have served Gavi well over the 4.0 strategic period but there is a clear need for substantial changes to ensure support of Gavi's 5.0 strategic objectives. The planned scope and approach of the Gavi 5.0 workstreams (including the Funding Policy Review) demonstrate management's awareness of all key risks requiring attention, and management has agreed actions to all recommendations from the Evaluation covered by the audit scope. The audit did not identify any areas not already reflected in the Gavi 5.0 plans.

In respect of policy design, the above-mentioned reviews ensure full alignment with Gavi's strategic goals, both feeding into the 5.0 development process. The Funding Policy Review involves comprehensive consultation with internal and external stakeholders and in-depth analysis of 'Problem Statements' and future options. Proposed revisions to address limitations of the current eligibility criteria, to simplify the co-financing rules and to institutionalise flexibilities to co-financing in exceptional circumstances have already been approved by the Board. The policy will be submitted for approval in its entirety in a future board meeting. The audit highlighted the need for robust planning to ensure effective implementation of the revised policies, including allocation of resource, development of guidelines, communication, and training. Current 5.0 workstream plans include all these considerations.

In respect of policy implementation, the scope of the 5.0 Organisational Review covered all people-related issues noted by the audit and Evaluation; the Portfolio Management workstream also included such issues in its 'Problem Statements'. These include the need to clarify and communicate roles, responsibilities, and accountabilities for financial and programmatic sustainability both within and between Secretariat teams, reflecting the principles of the Three Lines of Defence. These are not high-risk areas, but the 5.0

operationalisation presents an opportunity to improve the efficiency and effectiveness of internal ECT structures and processes and to embed more transparent controls and oversight mechanisms.

The assessment of current 'core' ECT processes - for identification and communication of eligibility, determination and communication of co-financing contributions, and management of country co-financing compliance and of default - did not identify any significant anomalies. Process-related risks in these areas are expected to decrease with the new, simplified co-financing rules.

Transition assessment, planning and monitoring were assessed in some detail by the Evaluation, including through country case studies and stakeholder consultation. Improvements were reported in country engagement, including co-ordinated learning around transition planning; the Full Portfolio Planning process (which replaced separate assessment and planning) allows a better focus on addressing sustainability issues in-country; and there has been tailored support for 'high risk' countries. However, the Evaluation raised some important concerns in this area, including:

- The lack of a clear definition of 'successful transition' to enable effective decision-making and performance monitoring;
- The need to incorporate more programmatic considerations into the decision-making process regarding the length of accelerated transition; and
- The need for earlier and continued country engagement to support transition assessment.

Significant risks in this area and related to post-transition support form the basis of the majority of the Evaluation recommendations. However, all are reflected in the Gavi 5.0 workstreams, with plans to address them. 'Mitigating the risk of unsuccessful transition' is a central Problem Statement of the Funding Policy Review, which includes defining programmatic readiness for transition and addresses the policy elements of transition assessment and planning. Its operationalisation is covered principally by the:

- Portfolio Management Processes workstream – a comprehensive review of all aspects of the grant management cycle; and,
- Healthy Transition Framework – designed to support strategic shifts on country differentiation and programmatic sustainability, with a focus on defining what successful transition looks like and how Gavi can support the achievement of this vision of success across the maturity continuum.

Documentation available at the time of the audit and discussion with project and IF&S team members provided assurance that all key issues raised by the Evaluation in these critical areas have been recognised by Secretariat management and are covered by one or other 5.0 workstream plan.

Much assurance can be taken from the in-depth analysis and assessments performed to support revised Eligibility, Co-financing, and Transition Policies and from the incorporation of all key Evaluation recommendations in Gavi 5.0 plans. However successful implementation and embedding is largely dependent on the success of the wider 5.0 development. It is therefore essential that robust governance processes are in place, with clear accountabilities, to monitor progress and ensure that no key actions are deprioritised without valid justification. This will be particularly important in the event that there are competing priorities.

Summary of Key Issues Arising

Through our audit procedures, we have identified a total of eight issues: two high risk issues, three medium risk issues and three low risk issues (i.e., opportunities for improvement which are not reported here). The key issues identified by the ECT Evaluation and Funding Policy Review which fall within the scope of the audit are summarised below. No significant issues that had not already been raised by the Evaluation were identified by the audit.

There is a need to extend the criteria for Gavi eligibility to include programmatic considerations alongside GNI p.c. to mitigate the risk of unsuccessful transition.

While GNI per capita has proved to be a suitable indicator for financial sustainability, it has worked less well as a proxy for programmatic sustainability. Given country experiences and the variability of programmatic

readiness to transition, additional criteria could be applied in the accelerated transition phase to ensure maximum impact and sustainability of Gavi support. This is in line with the Gavi 5.0 strategy's increased focus on programmatic sustainability and with guidance provided by the Board at its retreat in March 2019.

Management has agreed to complete the development of measures of programmatic capacity under the Healthy Transition Framework workstream of the Gavi 5.0 operationalisation to feed into the policy redesign process.

There is a need for further definition of post-transition support and monitoring and for a more holistic approach to its delivery.

The ECT Evaluation acknowledges improvements in identifying and planning for transition challenges but states that significant programmatic and institutional challenges remain to sustaining immunisation coverage throughout, and beyond, the transition from Gavi support.

While most transitioned countries are maintaining immunisation performance, some countries have gaps in programmatic capacities or have not yet introduced critical high impact vaccines.

Further attention is needed to strengthen programmes during, and beyond, transition, particularly as the current cohort of transitioning countries is experiencing more significant challenges than those countries that have already exited from Gavi financing.

Post-transition funding and support is at the heart of the Gavi 5.0 strategy and is being considered as part of a holistic review of the whole portfolio management cycle – and no longer as a standalone set of processes.

In response to the Evaluation's recommendations in this area and as part of the Gavi 5.0 strategy development, management has agreed to implement an approach to monitoring risk and tailoring support to Gavi supported countries based on the Healthy Transition Framework. This will define a vision of success including the attributes of success post-transition, to identify and address bottlenecks earlier on, so that by the time countries reach transition, those are minimised, setting the path for successful transition.

There is a need to revise the ECT Policies and related governance processes to accommodate countries facing severe economic downturn, humanitarian crisis or other exceptional circumstances.

While the standardised approach required by the Policies has proved to be beneficial for most Gavi-supported countries, its lack of flexibility has required ad hoc, tailored responses to deal with exceptional situations. This can lead to lower responsiveness to country needs and higher cost to Gavi.

Following feedback from consultations with countries and Alliance partners, and from the Board and Funding Policy Review Steering Committee (FPR), and in line with the Evaluation recommendations, management has agreed to redesign the Policies:

- To include a more proactive consideration of co-financing flexibilities in exceptional circumstances (e.g., fiscal distress and humanitarian crises) based on a robust Secretariat-led governance process.
- To tailor the accelerated transition phase in exceptional circumstances, based on defined coverage and equity criteria and a robust Secretariat-led governance process.

At its October 2019 meeting, the PPC endorsed the proposed approach to handling exceptional circumstances. The governance framework reflecting the shift in decision-making from the Board to the CEO was approved by the Board.

There is a need to simplify the calculation of co-financing requirements to increase predictability, facilitate communication and increase country ownership.

The model of linking co-financing to co-procurement of vaccines is regarded by the CEPA Evaluation as positive. However, co-financing calculations are considered too complex, creating challenges with country ownership and transparency. The Funding Policy Review also states a need to redesign the Co-financing Policy to simplify the calculations for the same reasons. At the October 2019 PPC meeting, a new, simplified approach, based on the share of doses required by a country, was endorsed, and recommended for Board approval.

As part of the Gavi 5.0 Strategy operationalisation, management will also enhance the process around sharing country projected vaccine co-financing commitments, to ensure that the information is received by all relevant stakeholders and integrated within relevant country planning and decision processes.

There is a need for earlier and broader engagement to support transition planning.

The Evaluation noted solid improvements in country engagement in recent years, based on lessons learned around the implementation of the Policies, and in relation to transition planning. However, it recommended earlier and broader engagement on sustainability.

Secretariat recognition of the need for earlier engagement is clear from the Sustainability SFA of 2016 but this has not been fully implemented. However, management argue that engagement on transition is already designed to be very broad, spanning a range of technical areas and engaging with relevant stakeholders. Broadening it further may risk loss of focus, inefficiency, and ineffectiveness.

Management has agreed the following actions, as part of Gavi 5.0 operationalisation, which focus on improving processes and communication:

- Develop and implement a process and the necessary tools to engage with countries throughout their lifecycle based on the Healthy Transition Framework; and
- Ensure appropriate communication of this approach in line with the 5.0 communication strategy.

Background

Eligibility, Co-financing, and Transition are at the heart of Gavi's catalytic support model, whereby Gavi's support is targeted to lower income countries, and all countries are required to co-finance a share of the cost of their Gavi-supported vaccines; with a country's contributions gradually increasing as its income grows, until it is in a position to cover the full cost of its vaccines.

Gavi's Eligibility and Transition Policy sets out the criteria that determine which countries are eligible, and when, to apply for and receive different forms of Gavi support, as they transition along a continuum of economic development to the point that they are phased out of Gavi support. The current policy came into effect on 1 July 2015, replacing the former Eligibility and Graduation Policies.

Gavi's Co-Financing Policy covers country groupings for vaccine co-financing purposes, co-financing levels, the process for annual co-financing updates, and the mechanism for situations in which countries fail to meet co-financing requirements. The current policy was last updated in June 2016.

Given the strategic importance of these policies and in the context of Gavi 5.0 discussions and planning, an external evaluation of both policies was commissioned by the Evaluation Advisory Committee and took place in mid-2019. The intention was for the findings from the Evaluation to feed into a full review and update of Gavi's financing and support policies as part of the operationalisation of Gavi's 5.0 strategy. This 'Funding Policy Review' began in late 2018 and is due to deliver an updated, aligned set of funding policies for Board approval at a future date.

The review is aligned with the broader Gavi 5.0 operationalisation process and co-ordinated with its other workstreams. At the time of the audit, the first significant proposed revisions had already been endorsed by the PPC and the project was generally on track.

Audit Objective

Our audit assessed the design and operating effectiveness of the internal controls in relation to Eligibility, Co-financing, and Transition processes.

Audit Scope and Approach

This audit was designed to assess the:

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

The focus was on Gavi's Eligibility & Transition and Co-financing Policies and the related organisational structures, resources and operational processes employed to implement them. The audit did not assess the technical content or outcomes achieved by these policies. The audit covered the following principal areas:

- Development and approval of Eligibility, Co-financing and Transition ('ECT') policies and alignment with Gavi strategic goals
- Policy implementation planning – structures, systems, resources, guidance
- Monitoring and oversight to ensure policy compliance
- Identification and communication of country eligibility for Gavi support
- Determination and communication of co-financing contributions
- Monitoring of country compliance with co-financing commitments and default mechanisms
- Transition assessment, planning and monitoring
- Needs identification and implementation of post-transition support
- Post-transition monitoring.

The following areas were excluded from this audit's scope:

- HSIS Framework and related processes
- Co-ordination of Alliance partner support for country transition.

Preliminary audit work identified the following recent or ongoing reviews which cover many of the above-mentioned scope areas:

- CEPA Evaluation of Gavi's Co-financing and Eligibility and Transition Policies (Final Report dated 15 October 2019)
- Gavi Funding Policy Review (incorporating Co-financing, Eligibility and Transition Policies).

Other Gavi 5.0 Operationalisation workstreams, relevant to the audit scope areas, were also in varying stages of development at the time of the audit. Processes likely to be substantially changed or replaced under Gavi 5.0 plans were subject only to high-level audit review. This included all post-transition activities.

Gavi's Internal Audit approach is risk-based, informed by our understanding of Gavi's business, internal control systems, risk management and governance processes as well as our assessment of the risks associated with the audit area. Audits may include review of documentation, process walkthroughs, assessing the design and operating effectiveness of key controls, substantive testing (on a sample basis) and assessing the governance processes and other elements of the control environment.

In order to avoid duplication of effort, the approach to this audit was tailored to place reliance, where possible, on all relevant work undertaken by recent or concurrent reviews. It consisted of:

- Reviewing the terms of reference and report of the CEPA Evaluation to determine whether:
 - all audit scope areas are covered
 - it provides an independent assessment
 - the approach is adequate to support the conclusions and recommendations.
- Reviewing the scope, objectives and progress to date of the Funding Policy Review and other relevant Gavi 5.0 workstreams and assessing the extent to which they address audit scope areas.
- Performing additional audit work to validate controls over inherent risks not sufficiently covered (for audit purposes) by the above-mentioned reviews. This included:
 - The adequacy and/or appropriate deployment of internal resources to ensure policy implementation;
 - Clarity and communication of roles, responsibilities and accountabilities; and

- Compliance with policy - effectiveness of monitoring controls within Secretariat processes.

Having established that the CEPA Evaluation is a reliable source of assurance, Gavi management responses to all recommendations relevant to the audit scope were reviewed to ensure adequacy of agreed actions, clarity of ownership and appropriate, timeframes for implementation and follow-up.

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 the IF&S, Policy and Strategy teams for their assistance during this audit.

Head, Internal Audit

Annexes

Annexe 1 – Methodology

Gavi's Audit and Investigations (A&I) audits are conducted in accordance with the Institute of Internal Auditors' ("the Institute") mandatory guidance which includes the definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the audit activity's performance. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers are also adhered to as applicable to guide operations. In addition, A&I staff adhere to A&I's standard operating procedures manual.

The principles and details of the A&I's audit approach are described in its Board-approved Terms of Reference and Audit Manual and specific terms of reference for each engagement. These documents help audit staff to provide high quality professional work, and to operate efficiently and effectively. They help safeguard the independence of the A&I staff and the integrity of their work. The A&I's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

In general, the scope of A&I's work extends not only to the Secretariat but also to the programmes and activities carried out by Gavi's grant recipients and partners. More specifically, its scope encompasses the examination and evaluation of the adequacy and effectiveness of Gavi's governance, risk management processes, system of internal control, and the quality of performance in carrying out assigned responsibilities to achieve stated goals and objectives.

Annexe 2 – Definitions: audit rating and prioritisation

Issue Rating

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	<p>At least one instance of the criteria described below is applicable to the finding raised:</p> <ul style="list-style-type: none">• Controls mitigating high inherent risks or strategic business risks are either inadequate or ineffective.• The issues identified may result in a risk materialising that could either have: a major impact on delivery of organisational objectives; major reputation damage; or major financial consequences.• The risk has either materialised or the probability of it occurring is very likely and the mitigations put in place do not mitigate the risk.• Management attention is required as a matter of priority.• Fraud and unethical behaviour including management override of key controls.

Rating	Implication
Medium	<p>At least one instance of the criteria described below is applicable to the finding raised:</p> <ul style="list-style-type: none"> • Controls mitigating medium inherent risks are either inadequate or ineffective. • The issues identified may result in a risk materialising that could either have: a moderate impact on delivery of organisational objectives; moderate reputation damage; or moderate financial consequences • The probability of the risk occurring is possible and the mitigations put in place moderately reduce the risk. • Management action is required within a reasonable time period.
Low	<p>At least one instance of the criteria described below is applicable to the finding raised:</p> <ul style="list-style-type: none"> • Controls mitigating low inherent risks are either inadequate or ineffective. • The Issues identified could have a minor negative impact on the risk and control environment. • The probability of the risk occurring is unlikely to happen. • Corrective action is required as appropriate.

Distribution

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For Information

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Chief Executive Officer
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Director, Legal
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