

# INTERNAL AUDIT REPORT

Expanded Partners

May 2024



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## Conclusion

Our audit procedures were designed to provide assurance to Management and the Gavi Board on the design and effectiveness of the key controls in the processes related to the selection and performance management/ contract management of Expanded Partners.

The vision for Gavi's Partners' Engagement Framework (PEF) in the Gavi 5.0 strategic period (2021–2025) is to sustain the progress made in technical assistance (TA) to countries, referred to as Targeted Country Assistance (TCA) with regards to transparency, value for money, accountability, country focus and differentiation. PEF TCA needs are to be supported by Core or Expanded Partners, which can be identified through Gavi processes such as the Full Portfolio Planning, programme capacity assessments, country missions, Expanded Programme on Immunization (EPI) reviews, etc., involving Senior MOH management, EPI and Gavi's focal point, the Senior Country Manager (SCM).

Through our audit procedures, we have identified high risk issues related to the vendor due diligence process and contract management. A summary of the key issues is provided below.

## Summary of Key Audit Issues

Ref	Description	Rating*
<b>1.1 Guidance for the Selection, Contract Management and Performance Evaluation of Expanded Partners.</b>		
	Formally document the guidance, including the roles and responsibilities for the selection, contract management and performance evaluation of Expanded Partners	
<b>1.2 Enhancing the Effectiveness of the Competitive Sourcing Approach for Procurement.</b>		
	Establish stringent criteria for justifying single sourcing decisions.	
<b>1.3 Strengthening the Process for Grants Management.</b>		
	Enhance the participation of the Procurement Team in the Grants Management Cycle.	
<b>1.4 Conflict of Interests Declarations.</b>		
	Ensure Conflict of Interest declarations are made in line with Gavi policy.	
<b>1.5 Strengthening the Process of Vendor Due Diligence.</b>		
1.5.1	Enhance the Risk Assessment Methodology for Vendor Due Diligence	
1.5.2	Establish a robust vendor due diligence monitoring system.	
<b>1.6 Approval of Contracts</b>		
	Streamline and monitor the contract approval process.	
<b>1.7 Closure of Contracts</b>		
	Enhance the process of finalisation and closure of contracts	
<b>1.8 Development of Guidance for Vendor Contract Management.</b>		
	Establish clear and comprehensive guidelines for vendor contract management.	

\* 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.

## 1. Summary of issues

Through our audit procedures, we have identified two high and seven medium risk issues which are summarised below.

### 1.1 Guidance for the Selection, Contract Management and Performance Evaluation of Expanded Partners.

Formally document the guidance, including the roles and responsibilities for the selection, contract management and performance evaluation of Expanded Partners.

The operating guidelines in place to provide guidance for the selection, contract management and performance evaluation for Expanded Partners titled - Standard Operating Procedure on Contracting and Managing Expanded Partners is not up to date as it was last revised in October 2018. This SOP outlines the process to identify, request, contract and manage Expanded Partners; including the roles and responsibilities for the key processes.

The Training Module titled - Technical assistance through expanded partners which explains how Gavi supports the provision of technical assistance to countries through Expanded Partners was dated July 2019 and is no longer current.

Furthermore, the document titled - Contracting: Selecting the appropriate legal instrument V.3.0 detailing the key differences between Grant Agreements and Service Contracts; providing a framework for selecting the most suitable option for a given engagement was prepared by the Legal Team on 24 March 2023. At the time of this audit, it was yet to be approved.

Lack of clear and up to date guidance for the selection, contract management and performance evaluation of Expanded Partners could lead to inconsistencies, irregularities, errors, delays and inefficiencies in these processes. This could result in financial loss, reputational damage or non-compliance with relevant regulations and negatively impact the achievement of Gavi's objectives.

Where there is no clarity in the related roles and responsibilities, this could lead to potential inefficiencies, increase operational risks, and hinder effective oversight and accountability.

### 1.2 Enhancing the Effectiveness of the Competitive Sourcing approach for Procurement.

Establish stringent criteria for justifying single sourcing decisions.

There is a high percentage of Expanded Partners being sourced via the single sourcing methodology. Analysis of the contract documentation for the randomly selected sample of 10 Expanded Partners highlighted that a significant proportion (70%) was selected through single sourcing.

A scrutiny of the raw data pertaining to Gavi's procurement activity indicated that in the year 2022, 53% of acquisitions were obtained through competitive sourcing, while 46% were single sourced, and 1% were of low value. As of the second quarter of 2023, 54% of acquisitions were competitively sourced, 45% were single sourced, and 0.6% were of low value.

The high frequency of single sourcing introduces a potential risk of undue vendor dependency, limiting Gavi's flexibility to explore alternative vendor relationships and negotiate favourable terms. This may also lead to missed opportunities for cost savings, quality improvement, and innovation that can arise from competitive bidding.

### 1.3 Strengthening the Procurement Process within Grants Management.

Enhance the participation of the Procurement Team in the Grants Management Cycle.

Of the sample of 10 Expanded Partners selected for this review, three were identified as having been procured through a competitive process using the Request for Proposal (RFP) approach. Of the three RFP related contracts, one agreement (for strengthening leadership, management, and coordination among Health Authorities for the management of the National Immunization Programme of an East African country) commenced on 20 October 2020 prior to the period covered by this audit review.

For the remaining two agreements (contracts established with two partners linked to the Multi Country Equity Accelerator Fund in the Horn of Africa and the Sahel respectively), examination of contract documentation noted a lack

of direct engagement of the Procurement Team during the RFP Process. Discussions with the relevant teams highlighted that this situation stemmed from the fact that the contract was financed through a grant mechanism.

Limited engagement of the procurement team in the critical stages of the procurement process may result in potential risks related to fairness, transparency, and adherence to established procurement guidelines materialising.

#### 1.4 Conflict of Interest (COI) Declarations.

Ensure Conflict of Interest declarations are made in line with Gavi policy.

The evaluation process for the two agreements linked to the Multi Country Equity Accelerator Fund in the Horn of Africa and the Sahel consisted of a two-stage approach - Initial Concept Screening and Full Proposal Screening.

Examination of the documentation related to the Initial Concept Screening noted that Conflict of Interest declaration was not done by one out of the eight evaluators. Additionally, Conflict of Interest declaration was not done by seven out of the nine IRC members involved in the full proposal screening.

The Conflict-of-Interest declaration forms that were available had not been stored in an accessible central location.

The lack of a consistent COI declaration process increases the chances of bias and unfairness in the procurement process which could lead to reputational damage to the organisation.

#### 1.5 Strengthening the Process of Vendor Due Diligence

##### 1.5.1 Enhance the Risk Assessment Methodology for Vendor Due Diligence.

The current vendor risk assessment framework applied does not adequately identify and assess potential reputational and delivery risks. The responsibility to assess these risks is assigned to the Business/ Contract Owners, however, there is no guidance or training in place to ensure consistency in the process and that it is performed properly. There is also a heightened risk of Conflict of Interest as well as inability of the Contract Owner to perform this task in an objective and optimal manner.

Examination of due diligence documentation and discussion with the Procurement team established that additional due diligence is only required for medium and high-risk levels. The requirement to screen key management or project personnel, analysis of ownership structure and additional investigation is only required for vendors assigned a high risk rating (i.e., with total open contracts above \$1,000,000). However, the nature of service to be performed or activity to be carried out and its impact on the achievement of Gavi's programmatic objectives is not considered in the risk assessment and rating of vendors.

We also noted that besides the routine due diligence report obtained from Dow Jones, Gavi does not undertake SEAH-specific due diligence before entering into contracts with contractors and service providers. The current due diligence process is not comprehensive enough as it does not place specific emphasis on sexual exploitation, abuse, and harassment risks. Furthermore, the due diligence is carried out only on new vendors for contract values exceeding \$200k, unless there is a specific necessity to do this for any contracts of a lower value.

Gavi may inadvertently enter into contracts with service providers who are unsuitable, unreliable, incapable of delivering or whose activities are not aligned with its mission, potentially impacting programmatic objectives and its reputational standing.

##### 1.5.2 Establish a robust vendor due diligence monitoring system.

Prior to the award of any contract (or earlier in the procurement process as appropriate), the Procurement Team conducts appropriate due diligence, assessing potential suppliers against three key risk areas: financial risk, reputational/ethical risk, and delivery risk. The process of due diligence is performed to ensure that suppliers and partners meet the legal obligations and standards required and to identify any potential risks that may impact Gavi's operations, finances, security, or reputation.

However, examination of the records which are maintained to document the parameters and results of the due diligence assessments performed highlighted instances of missing, incomplete, or out of date/aged data reflecting a lack of periodic monitoring.

There was no evidence of assessment of reputational and delivery risks at the time of contract approvals for 30% of the sample. In addition, it is not clear whether financial due diligence had been carried out for 50% of the sample given that the relevant records had not been updated for the last two years to reflect this. There is a requirement for the due diligence records to be updated on a monthly basis.

The lack of a robust vendor due diligence process may be hampering Gavi's ability to effectively assess and mitigate financial, reputational/ethical, and delivery risks before engaging partners and other service providers.

### 1.6 Approval of Contracts

Streamline and monitor the contract approval process.

Examination of contract documentation for the sample of 10 Expanded Partners selected revealed that six of them were signed 'after-the-fact' or post commencement of the respective commitments.

Signing contracts after the commencement of services puts the organisation at a disadvantage in the event of disagreement regarding any clause in the contract and/or legal disputes.

### 1.7 Closure of Contracts

Enhance the process of finalisation and closure of contracts.

The process of finalisation and closure of contracts is not being undertaken in accordance with the procurement manual. Three out of the sample of 10 Expanded Partners' contracts selected for review which ended within the review period were not finalised and closed in accordance with the procedures set out in the procurement regulations including supplier performance evaluation.

Conducting proper close out procedures at the end of every contract ensures that invoices are only paid upon confirmation of satisfactory receipt of goods/services by contract owners. In addition, carrying out supplier performance evaluation ensures that only service providers with a good track record of delivery are retained or reengaged in future.

### 1.8 Development of Guidance for Vendor Contract Management.

Establish clear and comprehensive guidelines for vendor contract management.

We noted a limitation in the contract management process due to resource constraints within the CPD team. As a result, most of contract monitoring is done remotely. This approach does offer some insights; however, it may not be as effective as on-site monitoring especially if one wants to properly assess contract performance and compliance.

We noted instances where contract KPIs lacked specificity (i.e., were not SMART enough). This potentially compromises effective contract monitoring and the achievement of contract objectives. It is also difficult to assess progress and outcomes.

Furthermore, we identified instances of incomplete or missing reports in the PEF portal. We understand that this is partly due to the challenges that the partners experience when uploading their reports to the PEF Partner Portal.

The lack of an effective contract management process across countries could impede the achievement of programmatic objectives.

## 2. Background

Since 2016, Gavi provides Target Country Assistance (TCA) support to countries through the Partners' Engagement Framework (PEF) to support countries' immunisation programmes. PEF is a country-centric approach designed to expand the pool of technical assistance providers at country level, leverage the comparative strengths of partners, as well as increase transparency and accountability for results.

Support under PEF is divided into three main areas: Targeted Country Assistance, Special Investment for Strategic Focus Areas, and Foundational Support. Targeted Country Assistance (TCA) is technical assistance provided by partners and tailored to country needs. It is the most distinctive feature of PEF and currently accounts for a greater percentage of the

PEF funding to partners. TCA can be provided by Gavi’s traditional “core” partners (including WHO, UNICEF, CDC, the World Bank), as well as by other partners, typically referred to as “Expanded” Partners.

Expanded Partners can include academic/research institutions, consultancy firms, private institutions, other UN agencies, CSOs, NGO’s and not for profit implementers. TCA provided under the PEF by Expanded Partners must be complementary to the support provided by traditional partners and become an integral part of the ‘One TA Plan’ of the country. The arrangements with the Expanded Partners are governed by either service contracts, grant agreements or a hybrid arrangement. This process was last audited in 2017/2018 during which two high risk and seven medium risk issues were identified.

### 3. Objectives and Scope

#### 3.1 Audit Objective

This audit was focused on the assessment of the design and operating effectiveness of the key controls related to:

- Selection of Expanded Partners which ensure that the most suitable technical partners are selected to provide the technical support or services needed by the country in line with Gavi’s policies, rules, and regulations; and
- Performance management of the Expanded Partners to ensure that contract management is performed in line with Gavi’s policies, rules, and regulations and that the services delivered are in line with the relevant contracts.

#### 3.2 Audit Scope and Approach

This audit covered the Expanded Partners who were contracted (i.e., new contracts and renewals) and terminated in the period 1 January 2022 to 31 March 2023 on a sample basis.

The following key areas were reviewed:

- Selection (including guidance for selection (Gavi Policies & Procedures)- including role definition, due diligence, and implementation (formation of and variations to contracts)
- Contract Performance Management (including contract performance monitoring, management reporting, contract renewal and termination).

We will continue to work with management to ensure that these 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.

Director, 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 Core Principles for the Professional Practice of Internal Auditing, 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's 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
<b>High</b>	<p>At least one instance of the criteria described below is applicable to the finding raised:</p> <ul style="list-style-type: none"> <li>• Controls mitigating high inherent risks or strategic business risks are either inadequate or ineffective.</li> <li>• 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.</li> <li>• 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.</li> <li>• Management attention is required as a matter of priority.</li> <li>• Fraud and unethical behaviour including management override of key controls.</li> </ul>
<b>Medium</b>	<p>At least one instance of the criteria described below is applicable to the finding raised:</p> <ul style="list-style-type: none"> <li>• Controls mitigating medium inherent risks are either inadequate or ineffective.</li> <li>• 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</li> <li>• The probability of the risk occurring is possible and the mitigations put in place moderately reduce the risk.</li> <li>• Management action is required within a reasonable time period.</li> </ul>
<b>Low</b>	<p>At least one instance of the criteria described below is applicable to the finding raised:</p> <ul style="list-style-type: none"> <li>• Controls mitigating low inherent risks are either inadequate or ineffective.</li> <li>• The Issues identified could have a minor negative impact on the risk and control environment.</li> <li>• The probability of the risk occurring is unlikely to happen.</li> <li>• Corrective action is required as appropriate.</li> </ul>