

# INTERNAL AUDIT REPORT

**Audit of the process of managing  
Expanded Partners contracting,  
performance management and evaluation**

**July 2018**



## Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the adequacy and effectiveness of the key controls related to the process of identification, selection, contract performance management and performance evaluation of Expanded Partners.

Since 2016, Gavi provides Target Country Assistance (TCA) support to the benefit of countries through the Partners' Engagement Framework (PEF). This allows them to provide targeted country assistance (TCA) to support countries' immunisation programmes. TCA can be provided by Gavi's traditional "core" partners (WHO, UNICEF, the Centers for Disease Control and Prevention, the World Bank and the CSO Consortium) as well as by other partners, typically referred to as "expanded" partners. Based on the needs identified at the country level, the Secretariat reaches out to a set of expanded partners to complement the TCA provided by core partners. There are various strategies in place to identify expanded partners including public requests for proposals (RFP). Expanded partners are required to report progress against milestones on a semi-annual basis.

Through our audit procedures, we have identified high risk issues relating to contract performance management, performance evaluation and the due diligence process as summarised below.

### Key Internal Audit Issue Summary

Issue Description	Rating	Ref	Page
<b>Contract Performance Management and Performance Evaluation</b>			
The process of contract performance management and performance evaluation of the Expanded Partners should be enhanced.	High	7	15
<b>The Due Diligence process</b>			
The process of conducting due diligence of the Expanded Partners should be enhanced.	High	5	12
<b>Procurement and Selection</b>			
The use of 'local' expanded partners should be encouraged.	Medium	4	11
There is a need to develop adequate reference and benchmarking information to facilitate the reasonableness review of contract fees	Medium	6	14

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# Summary of Findings

Through our audit procedures, we have identified two high-rated issues related to contracting, performance management and the due diligence process.

## Contract Performance Management of Expanded Partners and Performance Evaluation

The process of contract performance management and performance evaluation of the Expanded Partners should be enhanced.

According to the Gavi Procurement Regulations, all contracts should have a performance criteria which acts as the basis for the assessment of the service provider's overall performance. The performance results should be taken into account when making decisions of continuation or discontinuation of contracts, and future contract negotiations and awards.

Through our audit procedures, we observed that the process of assessing the overall performance of Expanded Partners has not been implemented. We identified instances where contracts were renewed (or not renewed) before the performance of the Expanded Partners had been assessed. In addition, the deliverables defined in the contracts we reviewed were very generic and without specific and measurable KPIs.

### The Due Diligence process

The process of conducting due diligence of the Expanded Partners should be enhanced

According to the Gavi Procurement Regulations, a process of due diligence should be conducted so as to provide insight on the capability of any selected service provider or partner. The due diligence process evaluates the risks and benefits of working with a prospective or current partner and focuses on essential areas such as corporate image, social responsibility, environmental accountability, financial soundness, and policy compatibility. It reveals which partners have a proven and recognised commitment to principled business practices. The aim is to minimise the risk that the business practices of a partner will reflect poorly on Gavi and its stakeholders.

Through our audit procedures, we observed that the process of conducting due diligence of

Expanded Partners has not been fully implemented. For instance, on-going due diligence is not done for all Expanded Partners. In addition, we could not evidence how the process was undertaken before the contract related to supply chain work was signed for one of the Gavi-supported countries.

## Other Issues identified

In addition, we identified seven medium-rated issues related to the procurement process, reasonableness of fees charged, and the need to include 'local' expanded partners in the pre-qualified list of Expanded Partners. A detailed analysis of all issues raised is included in the appendix.

## Audit Objective

Our audit assessed the adequacy and effectiveness of the key controls related to the process of identification, selection, contracting and performance management of Expanded Partners.

## Audit Scope and Approach

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

Our audit approach included interviewing the relevant Secretariat teams, reviewing relevant management reports, reviewing relevant policies and procedures, reviewing contract agreements in place and related documents and sample-testing evidence of the controls in place.

This audit was designed to assess the:

- Design and operating effectiveness, where possible, of the key controls;
- Economy and efficiency of the utilization of resources;
- Quality of implemented governance and risk management practices; and
- Compliance with relevant policies and procedures approved by management.

The scope of this audit covered the following key areas:

- The due diligence process of Expanded Partners;
- Selection and contract performance management; and

# Summary of Findings

- Oversight and performance evaluation of Expanded Partners.

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

## Background

Since 2016, Gavi provides Target Country Assistance (TCA) support to the benefit of countries through the Partners' Engagement Framework (PEF) to support countries' immunisation programmes using a new way of planning, funding, operationalising and monitoring technical assistance provided by partners. The PEF is a country-centric approach, designed to expand the pool of technical assistance providers at country level, leverage the comparative strengths of each partner as well as to increase transparency and accountability for results.

The PEF support is divided into three main areas: Targeted Country Assistance (TCA); Special Investment for Strategic Focus Areas; and Foundational Support. The TCA is technical assistance provided by partners (Core and Expanded) and is tailored to country needs and currently accounts for approximately 50% of the PEF funding to partners. While all Gavi-supported countries are eligible for TCA, only 20 countries are given special priority because they face the most severe challenges related to coverage, equity and sustainability of immunisation.

The TCA can be provided by the Core Alliance Partners (WHO, UNICEF, CDC and World Bank) or Expanded Partners (e.g. academic/research institutions, consultancy firms, private institutions, other UN agencies, CSOs, NGO's and etc.). TCA provided under the PEF by Expanded Partners must be complementary to the support provided by core partners.

TCA provided by Expanded Partners is guided by the following principles:

- Country ownership: assistance provided by expanded partners should be based on technical assistance needs identified by countries to help them overcome key immunisation bottlenecks. Expanded partners

should therefore be contracted in consultation with the country's ministry of health. Countries generally identify their challenges and express their technical assistance needs through the annual joint appraisal process, and regularly assess the effectiveness and quality of support they receive from expanded partners. Technical assistance provided by expanded partners should form part of a composite "one technical assistance (TA) plan", which offers a holistic view of all TCA provided to a country. This ensures complementarity of support and reduces the risk of duplication;

- Technical assistance is embedded within the EPI team: staff providing technical assistance should spend the majority of their time in country, directly supporting the national EPI programme;
- Technical assistance activities are clearly focused on the transfer of skills, with a goal towards achieving sustainability: activities and deliverables should aim to strengthen country-level capacity and put in place sustainable mechanisms;
- Cost effectiveness: the majority of the cost should be spent at country level (as opposed to global/regional levels); and
- Strong accountability: clearly defined semi-annual milestones should be reported against to ensure transparent and timely monitoring of indicators and deliverables. Countries should have complete insight into this reporting and be able to review their partner's performance on a regular basis.

Based on the needs identified at the country level, the Secretariat reaches out to a set of expanded partners to complement the TCA provided by core partners. There are various strategies to identify expanded partners including public request for proposal (RFP).

Expanded partners are held to the same standards of accountability as traditional, "core" partners and are required to regularly report progress against milestones. TCA milestones are country-specific and help link TCA investments to tangible, time-bound activities. Expanded partners define a set of "milestones" representing the specific results expected as part of their support to the country. They are required to report against these milestones on a semi-annual basis. Before being consolidated at the regional and global level, these reports are discussed at the country level with the

# Summary of Findings

EPI team and Inter-agency Coordinating Committee (ICC).

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
1.	Medium	<p><b>There is need for more involvement of the PEF team in the development of the terms of reference for the expanded partners.</b></p> <p>Targeted Country Assistance (TCA) is an integral part of the overall portfolio of Alliance support to countries. It aims to support the implementation of Gavi vaccine and health system strengthening grants, and to improve coverage and equity of immunisation in a sustainable manner. The TCA provided by expanded partners under PEF is complementary to that provided by the traditional “core” partners and is based on technical assistance needs identified by countries to help them overcome key immunisation bottlenecks. Countries generally identify their challenges and express their technical assistance needs through the annual joint appraisal process (JA). The requests for technical assistance (TA) by countries are then reviewed by the High Level Review Panel (HLRP), which analyses their relevance and prioritises them in</p>	The process of evaluating the performance of the expanded partners maybe inconsistent and not rigorous if the contract deliverables (including KPIs) are not ‘SMART’	<p>1. Management should clarify the role of the PEF team in the development of the terms of reference of the expanded partners and in the sourcing process.</p> <p>2. The role of the PEF team in this should be included in the standard operating procedures.</p>	<p>The contracts identified to assess during the audit were issued in 2015 and 2016 prior to many processes being introduced to strengthen management and oversight of expanded partners contracting. In accordance with the recently finalised SOP on expanded partner contracting the PEF team is systematically involved in the drafting of the exhibits and ToRs of expanded partners’ contracts. The new SOPs on expanded partners also highlights delegation of signature authority and defines roles and responsibilities.</p> <p>Guidance on development of milestone has been published:</p>	Director, Strategy & Performance,  Head, Partnership Engagement Framework	SOPs for Expanded Partners approved	Addressed, pending verification by Internal Audit.

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

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		<p>light of the identified challenges in implementing Gavi grants and the bottlenecks impeding equitable coverage of immunisation. These TA needs form the basis of the budget proposals submitted by partners, enabling a country driven set of activities and corresponding budgets. The PEF team developed the Partners' Engagement Framework and supports Alliance teams to drive the implementation steps and operating model. The team also works with a comprehensive performance management framework, which includes regular reporting and review of progress. From our review of the process of preparation of contracts (i.e. based on a selected sample of contracts), we observed that there is lack of clarity regarding the role of the PEF team during the development of the Terms of Reference (ToR) of the expanded partners before they are sourced. Given the critical role played by the PEF team in the PEF process, their involvement at an early stage can help to enhance</p>			<p><a href="https://gavinet.sharepoint.com/:w:/s/public/EVFBEZJf165DnOOQd3YdYvgB2Z9Kd0WEObXgg9Vc9!HXHA?e=g8ZX2H">https://gavinet.sharepoint.com/:w:/s/public/EVFBEZJf165DnOOQd3YdYvgB2Z9Kd0WEObXgg9Vc9!HXHA?e=g8ZX2H</a></p>			



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		the quality of the contract deliverables (or KPIs) to be reported on before the ToR are finalised by the Country Support team.						
2.	Medium	<p><b>There is need to involve the Procurement team in the sourcing and selection of the Expanded Partners</b></p> <p>a) The Gavi procurement regulations (clause 4.1) require the business owner to clearly communicate all requirements to the Procurement team in good time to enable the team undertake appropriate market research and benchmarking to support supplier selection as appropriate. From our review of the process of preparation of contracts (i.e. based on a selected sample of contracts), we observed that the ToR or requirements for the expanded partners were not communicated to the Procurement team early enough to enable the team undertake appropriate market research and benchmarking, identify opportunities for saving (time or funds) and set criteria for measurement and evaluation of</p>	<p>1. Value for money may not be achieved if an appropriate market research and benchmarking is not undertaken.</p> <p>2. There is increased risk of noncompliance with the procurement regulations</p>	<p>1. Involve the procurement team in the sourcing and selection of Expanded Partners in accordance with the Procurement Regulations.</p> <p>2. The timelines for submission of requirements by Country Support regarding Targeted Country Assistance needs should be defined in the standard operating guideline.</p> <p>3. The ToR or requirements should be shared with the Procurement team in good time (at least within 2 to 3 weeks).</p>	The procurement team is already involved systematically in contracts signed with expanded partners except when the work is signed through a grant agreement. Based on the recently approved expanded partners SoP going forward, all expanded partners will be signed through an agreement and procurement will therefore systematically be involved in the negotiations. The SOP on expanded partners already reflects the requirement to share the ToR with Procurement in advance, however further strengthening of the planning, sourcing and	<b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b>	SOPs updated and approved	Addressed, pending verification by Internal Audit.

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		<p>performance.</p> <p>b) Furthermore, the Gavi procurement regulations (clause 4.6) require the Business owner supported by the Procurement team to form an appropriate selection team to review all supplier proposals and select the most appropriate supplier. The selection team should include representation from the Procurement team and any appropriate subject matter experts or interested parties and also follow the Gender policy. From the review of the process of selection of the independent contractor for Haiti (budget was \$300,000), we observed that the selection team was composed of only two managers (i.e. the business owner and the subject matter expert) from the Country Support team. The procurement team was not involved in the process. The procurement team is expected to undertake the financial evaluation on costs while the business owner and subject matter expert perform the technical evaluation.</p>			<p>selection process is scheduled for 2019. The Expanded partner SOP clearly states roles of different teams (including requirements of business owners and SCMs regarding communication requirements)</p> <p>All sourcing processes go through Procurement (e.g. publishing RFIs and RFPs) who provide financial assessments for all proposals.</p> <p>PEF supports the process by undertaking benchmarking exercise.</p>			

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

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3.	Medium	<p><b>There is need to enhance the competitiveness of the sourcing and selection process of Expanded Partners</b></p> <p>According to the Gavi Procurement Policy (clause 3.3), the procurement of services will be carried out to maximise competition to the greatest extent practicable and to obtain value for money. The procurement regulations require exceptions to competition (single source sourcing) to be justified in the Single Source Justification form. From our review, we observed that the sourcing of expanded partners was mainly undertaken through the single source sourcing process. According to the justification forms on file (three out of four sample contracts), there was either compelling urgency to award the contract or it was a 'follow-on' to an existing contract. There is need for the business owners to prepare procurement plans for the targeted country assistance needs on a timely basis to accord the procurement team ample time to undertake a</p>	Gavi may not be obtaining the best value for money.	<p>1. There is need for the business owners to prepare procurement plans for the targeted country assistance needs on a timely basis to accord the procurement team ample time to undertake a competitive selection process and minimise the use of single sourcing. The use of the open tender method encourages competition which ensures the best value for money is obtained and therefore should be the preferred option.</p> <p>2. Ensure that the supplier performance evaluation process (procurement regulation 6.1, 6.2) precedes 'follow-on award' decisions to existing contracts.</p>	<p>The main justification for selecting single sourced partners is to build on existing capacity on the ground (i.e. work already done funded through Gavi or other partners) where there is a clear comparative advantage for that partner to continue the work. PEF process is country-led and highly coordinated with MoH, in many instances a specific partner is identified and preferred by MoH. PEF is now undertaking a 'contract closure' exercise reviewing the performance based on structured criteria.</p> <p>PEF team ran two RFI in 2016 to identify the set of partners that are willing to provide TA to</p>	<p><b>Director, Strategy &amp; Performance,</b></p> <p><b>Head, Partnership Engagement Framework</b></p>	N/A	Addressed, pending verification by Internal Audit.

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

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		<p>competitive selection process and minimise the use of single sourcing. The use of the open tender method encourages competition which ensures the best value for money is obtained and therefore should be the preferred option.</p> <p>In addition, supplier performance evaluation (procurement regulation 6.1, 6.2) should precede 'follow-on award' decisions to existing contracts.</p>			<p>countries in the strategic areas of interest. In 2018 there has been an escalation of TA needs identified which resulted in implementing up to 10 RFP/RFI (to date). However, this finding is acknowledged and further strengthening of the planning, sourcing and selection process is scheduled for 2019.</p>			
4.	Medium	<p><b>The use of 'local' expanded partners should be encouraged</b></p> <p>Through our audit procedures, we observed that there is need to encourage the participation of 'local' expanded partners in providing technical support to countries. For instance, while reviewing the selection process of the expanded partner to undertake the supply chain mapping in Haiti, we noted that there was no documentary evidence to indicate that any attempts were made to encourage the participation of the local Expanded Partners (including</p>	<ol style="list-style-type: none"> <li>1. Gavi may not be obtaining value for money</li> <li>2. The current model may not effectively strengthen country-level capacity and put in place sustainable mechanisms</li> </ol>	<ol style="list-style-type: none"> <li>a) Clearly define who are 'local' expanded partners</li> <li>b) Encourage the participation of 'local' expanded partners in the TCA tenders to realise more efficiencies and for cost effectiveness.</li> </ol>	<p>Agreed;</p> <p>The PEF team works with the WHO Collaborative Centre to identify local institutions who can provide TA.</p> <p>CS are also be tasked to identify local institutions through their interactions with countries.</p> <p>PEF team ran a RFI to identify local partners in 2018 in targeted countries, this process will be renewed as frequent as necessary.</p>	<p><b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b></p>	<p>Connection with WHO Collaborative centres by May 2018</p>	<p>Addressed, pending verification by Internal Audit.</p>

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		Independent contractors) in the tender. a) Use of local expanded partners should be encouraged to build local capacity and for cost-effectiveness. The local partners also tend to have more in-country insight regarding the challenges being faced by the countries in which they operate and how to address them. Therefore they are likely to be more efficient and effective in their approach. b) In addition, there is lack of clarity regarding the definition of local expanded partners.			In 2018 PEF reached its alliance target of 9% of countries availing of local partners in its provision of TA.			
5.	High	<b>The process of conducting due diligence of the Expanded Partners should be enhanced</b> According to the procurement regulations, a process of due diligence should be conducted so as to provide insight on the capability of any selected service provider or partner. The due diligence process evaluates the risks and benefits of working with a prospective or current partner and focuses on essential areas such as corporate image, social responsibility, environmental accountability, financial	1. Risk of partnering with expanded partners whose activities are incompatible with Gavi's role and mission as an organisation focused on saving children's lives and protecting people's health e.g. reputational Laundering, Tax Evasion and/or	1. Agree with the Procurement team on the due diligence process to be undertaken before engaging Expanded Partners. 2. Consider undertaking ongoing due diligence (controversy assessment) of contracted expanded partners. 3. Ensure the standard operating procedures provide guidance on the due diligence process of	The majority of technical assistance provided through the PEF comes from established partners with excellent reputation and strong history of performance with Gavi, especially in the local contexts in which they are engaged. Due diligence is now carried out on all partners during the selection process where the suitability, reputation, capacity and	<b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework; and Head, Procurement</b>		Open

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

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		<p>soundness, and policy compatibility. It reveals which partners have a proven and recognised commitment to principled business practices. The aim is to minimise the risk that the business practices of a partner will reflect poorly on Gavi and its stakeholders.</p> <p>Through our audit procedures, we observed that the process of conducting due diligence of Expanded Partners has not been fully implemented. For instance, on-going due diligence is not done for all Expanded Partners.</p> <p>The Procurement Regulations (clause 4.2) require that a process of due diligence should be agreed between the Business Owner and Procurement team, with agreed responsibilities for its completion, so as to provide insight on the capability of any selected supplier. The nature and extent of the due diligence process depends on the nature of the services or goods being procured, the expected cost for Gavi for services or goods and any current and/or recent experience in working with the Supplier.</p>	<p>terrorism financing from shell Charities.</p> <p>2. Increased risk of unpleasant surprises due to lack of clarity on how to deal with incidents and/or controversies involving expanded partners with potential reputational consequences.</p>	<p>expanded partners. In addition the PEF SOPs, should provide guidance on how and when differentiation should be applied and the handling of exceptions in the due diligence process of expanded partners.</p>	<p>risks of the partner are assessed, this process is formalised in the MSA agreement with the partner.</p> <p>In 2018 Procurement initiated a programme of financial sustainability due diligence across major partners and this is now in place for all new contracts. Also in 2018 Procurement established a relationship with a service provider for ongoing due diligence and controversy assessment and this is being continuously monitored across all existing partners.</p> <p>However the finding is acknowledged and the PEF team will work with Procurement to strengthen and expand due diligence across all partners.</p>			

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		<p>a) From our review of the process of due diligence for the four sampled contracts, we could not evidence how management undertook due diligence (financial health/capacity and controversy assessment) of the expanded partner (independent contractor) for the supply chain mapping in Haiti before signing of the contract.</p> <p>b) From our review of the three sample contracts that were extended, there is no evidence to show how the on-going due diligence process (controversy assessment) is being done.</p> <p>c) The PEF standard operating procedures do not provide guidance on how and when differentiation should be applied and the handling of exceptions in the due diligence process of expanded partners.</p>						
6.	Medium	<p><b>There is need to develop adequate reference and benchmarking information to facilitate the reasonableness review of contract fees</b></p> <p>The PEF process is still evolving since its introduction in 2016. We understand that the Secretariat</p>	Gavi may not be able to assess the reasonableness of contract fees charged and whether this represents the	Management should develop a database of contract fees for reference and benchmarking purposes during contract negotiation.	The PEF team has developed a benchmark for cost of expanded partners (country by country and institution by institution) and developed rules for the share of operating cost	<b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b>	Benchmark developed by 1 <sup>st</sup> July 2018	Addressed, pending verification by Internal Audit.

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		plans to increase the use of Expanded Partners to address supported countries in their technical needs in the current strategic period (2016 -2020). We confirmed during our discussions with management that there is currently no process of benchmarking the contract fees charged by the Expanded Partners (i.e. reasonableness check) and to ensure that Gavi obtains the best value for money.	best value for money.		as part of the total contract, for both renewal and new contracts.			
7.	High	<p><b>The process of contract performance management and performance evaluation of Expanded Partners should be enhanced.</b></p> <p>a) The quality of the deliverables defined in the contracts of the Expanded Partners should be enhanced.</p> <p>We observed that the deliverables defined in the contracts (Exhibits) for the three agreements reviewed (out of four) were very generic (just like the defined objectives) and without specific and measurable key performance indicators. This could be attributed to the limited expertise</p>	<p>1. Gavi may not be able to effectively assess the performance of the Expanded Partners</p> <p>2. Gavi may not be getting value for money</p>	<p>1. The performance criteria should be defined in the standard operating procedures.</p> <p>2. The deliverables defined in the contracts (Exhibits) should be SMART (specific, measurable, achievable, relevant/realistic and timely/time-bound).</p>	<p>The finding is acknowledged and the PEF team has developed 2019 planning and reporting guidance in four languages.</p> <p>In 2018, five countries had independent assessments of the effectiveness and efficiency of TCA undertaken.</p> <p>Additionally, an online EPI manager survey was held to derive perspectives from the respective EPI manager</p>	<b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b>	Guidance for milestones/ deliverables developed by June 2018 as part of the TCA guidance.	Addressed, pending verification by Internal Audit.



## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		at Gavi in this area (both technical and contracting) to effectively support the teams involved (Procurement, PEF and Country Support) when drafting the contracts.			on the TA provided by core and expanded partners. The findings are being addressed and the survey will be implemented on an annual basis. An external review of standardised performance management of TA and how TA will contribute to the Theory of Change will commence in Q1 2019.			
		b) The process of contract performance management of the Expanded Partners needs to be enhanced. The procurement regulations (clause 6.1) require performance criteria to be defined for all contracts. The Business owner (with support from the procurement team) is required to assess the supplier's overall performance to Gavi (clause 6.2) and the performance results should be taken into account in decisions of continuation or discontinuation of contracts, and future supplier contract	The decisions regarding continuation or discontinuation of contracts with expanded partners may not be based on their overall performance against agreed deliverables.	<ol style="list-style-type: none"> <li>1. Implement a process of performance evaluation of expanded partners in accordance with the procurement regulations (6.1, 6.2). The results should be documented and taken into account in decisions of continuation or discontinuation of contracts.</li> <li>2. Ensure the PEF standard operating procedures provide guidance on how and when differentiation</li> </ol>	Included in the contract closure criteria are indicators to review the effectiveness and efficiency of the expanded partners' performance in addition to milestones reporting.	<b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b>	Initiation of the independence evaluations by September 2018	Addressed, pending verification by Internal Audit.

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		<p>negotiations and awards.</p> <p>From our review of a contract which expired in December 2016 and the other three that were extended, there is no documentary evidence to show how the Expanded Partners' overall performance was assessed before extension of the contract or upon expiry of the contract in accordance with the procurement regulations.</p> <p>In addition, the PEF standard operating procedures do not provide guidance on how and when differentiation should be applied and the handling of exceptions in the process of assessing the overall performance of Expanded partners.</p>		<p>should be applied and the handling of exceptions in the process of assessing the overall performance of Expanded partners.</p>				
		<p>c) There is limited expertise within the PEF team to provide effective oversight of Expanded Partners regarding their contractual obligations and whether value for money has been achieved. In addition, we believe that having skills in immunisation, supply chain and financial management would add value to the process of negotiation of contract fees and</p>	<p>1. The oversight process of expanded partners may not be robust</p> <p>2. Gavi may not be obtaining value for money in the contract negotiation process.</p>	<p>Management should consider strengthening the immunisation, supply chain and financial management skills of the PEF team either through capacity building or insourcing.</p>	<p>The PEF team will bring more skills on board to negotiate and track performance of expanded partners. Executive Office already approved new headcount.</p>	<p><b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b></p>	<p>Recruitment completed Dec 2018</p>	<p>Addressed, pending verification by Internal Audit.</p>

## Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		performance management of Expanded Partners. This will also enable the PEF team to effectively engage the Country Support team (on behalf of the Gavi supported countries) regarding the Targeted Country Assistance needs requested and ensure that the deliverables (including reporting requirements) defined in the draft contracts are 'SMART'.						
8.	Medium	<p><b>The Standard Operating Procedures for identification, contract performance management and performance evaluation of the Expanded Partners should be reviewed</b></p> <p>Standard Operating Procedures aim to achieve efficiency, quality output and uniformity of performance, while reducing miscommunication and failure to comply with policies and regulations.</p> <p>a) From our review of the SoPs, we observed that the following procedures were not clear: (i) The role of the PEF team in the solicitation and sourcing of expanded partners. (ii) High level overview of the roles and responsibilities of the</p>	It may be difficult for users to comply with policies and regulations if the standard operating procedures are not clear and incomplete.	Management should review the standard operating procedures and ensure that the various key stakeholders are engaged and their feedback considered during the review process.	SOPs being re-written to ensure clarity and incorporate the findings of the audit.  Please refer to comments provided on issues 1-4 & 6-7 for additional details.	<b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b>	1 <sup>st</sup> May 2018	Addressed, pending verification by Internal Audit.

# Appendix 1: High and Medium Rated Detailed Findings & Recommendations

Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		<p>key teams (PEF, Country Support, Procurement and Finance) involved in the contracting and management of the Expanded Partners (including maintenance of key documentation related to expanded partners)</p> <p>(iii) The role of the Procurement team in conducting appropriate market research and benchmarking and in the selection process of the expanded partners.</p> <p>(iv) How and when differentiation should be applied and the handling of exceptions in the process of due diligence, reporting and assessing the overall performance of Expanded partners.</p> <p>b) We also observed the following:</p> <p>(i) Two key policies (Ethics and Conflict of Interest) related to the process of contract performance management and performance evaluation of the Expanded Partners have not been referenced in the PEF standard operating procedures</p> <p>(ii) Some clauses in the procurement regulations were</p>						

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		replicated in the standard operating procedures instead of being referenced (this would require the SOPs to be reviewed and approved each time changes are made to the Procurement Regulations).						
9.	Medium	<p><b>The maintenance of documentation related to the sourcing, contracting and management of the Expanded Partners needs to be improved</b></p> <p>From our review of the sampled contracts, we observed that the documents related to technical needs and requirements, sourcing, contracting (tender and analysis) and management of the Expanded Partners are not maintained in a central repository. Furthermore, it is not clear which team is responsible for retaining the documents related to the PEF processes reviewed during this audit. This can be attributed to the lack of clear roles and responsibilities of the various teams involved in this process as highlighted above. From our review of the Supply Chain Management contract for Haiti, we could not evidence any</p>	<p>1. Risk of loss of important information related to expanded partners.</p> <p>2. There may be lack of accountability and duplication of effort</p>	<p>1. Ensure that the relevant documents related to sourcing, contracting and management of the Expanded Partners are maintained in a central repository</p> <p>2. Ensure that the roles and responsibilities of the various teams involved in the process related to Expanded Partners are clearly defined in the PEF standard operating guidelines.</p>	As per the first recommendations, the PEF team will be systematically involved in any expanded partner contracting and will maintain the documentation for contracting of partners.	<b>Director, Strategy &amp; Performance, Head, Partnership Engagement Framework</b>	ASAP	Addressed, pending verification by Internal Audit.

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Issue No.	Issue Rating	Issue Description	Risk/Implication	Recommended Actions for Management	Management Comments	Action Owner	Target Completion Date	Status
		communication with the unsuccessful bidders as required by the Procurement Regulations.						

# Appendix 2: Summary of Performance Ratings and Distribution List

## 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
Director, Strategy, Funding and Performance
Head, PEF
Head, Procurement

## For Information

Title
Chief Executive Officer
Deputy Chief Executive Officer
Managing Director, Audit & Investigations
Managing Director, Finance & Operations
Executive Team
Director, Legal
Head, Risk