

# INTERNAL AUDIT REPORT

Expense Claims, Reimbursements and Credit Card Management  
April 2024



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## 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 processes of expense claims, reimbursements, and credit card management in the period from 1 January 2021 to 31 October 2022.

Gavi has the responsibility of ensuring that all expenses incurred are reasonable, appropriately incurred, necessary, and consistent with its business needs and mission. To achieve this, policies and internal controls have been implemented which enforce the principles and requirements to be followed by all individuals incurring expenses on behalf of Gavi. All staff travel and expense claims are paid and/or reimbursed through the MobileXpense system (MBX).

We assessed the design and operating effectiveness of key controls and concluded that internal controls, governance, and risk management practices are adequately designed and well implemented. However, some medium risk rated issues were identified regarding timely submission and settlement of expense claims and enhancement of credit card procedures as summarised below.

## Summary of Key Audit Issues

Ref	Description	Rating*
<b>1.1 Submission and Settlement of Expense Claims</b>		
	Ensure that expenses are accounted for on a timely basis	
<b>1.2 Credit Card Management</b>		
	Enhance/update the credit card management procedures	
<b>1.3 Travel Booking, Travel Activity, and Reporting</b>		
	Optimise the CWT booking system to analyse travel booking and activity trends, enhance reporting and compliance to policies	
<b>1.4 Expensing/accounting for unrecoverable amounts</b>		
	There is no clear guideline regarding expensing or write off of unrecoverable amounts	

\* 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 four medium risk issues as summarised below:

### 1.1 Submission and Settlement of Expense Claims

Ensure that expense claims are accounted for on a timely basis.

The Gavi employee travel & expense policy and procedure guidelines state that expense claims must be submitted within 15 days of completion of travel. For non-travel items, claims must be submitted within 15 days of the date when the expense was incurred.

Through our audit procedures, we noted significant delays in the submission and settlement of expense claims. For the period under review, a total of 527 expense claims transactions amounting to CHF194,025 were settled more than six months after the expenditure was incurred. This is despite the fact that reminders were sent out and follow-up done by the Finance team. In addition, though the policy prescribes that expenses which have been significantly delayed by concerned staff should be recovered from them via payroll, this was not done.

Management may not be able to detect erroneous and/or fraudulent transactions on a timely basis if expenses are not accounted for and settled on time.

### 1.2 Credit Card Management

Enhance/update the credit card management procedures

The Treasury team manages the process of issuance of corporate credit cards. The Gavi procurement manual states that individual credit cards should be issued to staff who are expected to travel more than twice a year. The procurement manual is complemented by the credit card procedures document which sets out the process of management of corporate credit cards including approval of new cards, cancellation of cards and the preparation of credit card reconciliations. These procedures were last updated in April 2018.

According to credit cards' activity reports provided by the Treasury Manager, about 11% of the active credit cards (i.e., 18 out of 168 credit cards) had not recorded any activity over the past three years (including the period after the travel embargo). There is need to enhance the credit card management process to ensure that corporate credit cards are only issued to staff who need them in the course of their duties.

Having a significant number of cards which are not in active use increases the exposure to the organisation given that any unauthorised transactions on them may take long to be detected by the cardholders. In addition, Gavi may be incurring unnecessary maintenance costs for these cards.

### 1.3 Travel Booking, Travel Activity, and Reporting

Optimise the CWT booking system to analyse travel booking and activity trends, enhance reporting and compliance to policies

The operations team has access to the advanced booking report on the Carlson Wagonlit Travel (CWT) booking platform/system. This advanced booking report provides details on trends in travel booking including deviations from the policy e.g., extent of compliance with the requirement to book tickets at least 15 days in advance of travel.

Early booking of tickets increases the chances of obtaining better rates. In addition, it helps the travel team to plan ahead and to manage workload better.

There was no set frequency for producing and reviewing the advance booking report for insights on travel trends and compliance with policy. In addition, quarterly travel activity reports were not issued to management in 2022 (last quarterly activity report was issued in Quarter 2 2021). Reporting was put on hold due to resourcing challenges and the need to prioritise travel following the disruptions caused by the pandemic.

Better optimising the data analytics aspect of the CWT booking system would enable insights on travel booking and activity, policy compliance and trends and how to realise economy and efficiency in the process.

### 1.4 Expensing/accounting for unrecoverable amounts

There is no clear guideline regarding expensing and write off of unrecoverable amounts

A small long outstanding amount (CHF11,191) relating to 2018 and 2019 cancelled flight tickets had not been reimbursed by the previous travel agent and was expensed in 2021 after efforts to recover the amount from the airline failed. This highlighted the fact that the Finance team has not defined clear guidelines regarding the approval process of expensing or writing off unrecoverable amounts.

According to the Finance team, this was an exceptional situation which is unlikely to recur and as such does not warrant the time and effort required to develop guidelines on what constitutes an irrecoverable amount and the approval process for expensing or writing off the same.

Therefore, we are not making a recommendation at this time as the risk has been accepted by the Director, Finance and Chief Accounting Officer.

## 2. Background

A&I's review of expenses is done on a regular basis to ensure that any operational risks in the process are properly mitigated, i.e., that expenditure is appropriately incurred, necessary, reasonable, and consistent with Gavi's business needs and mission.

Management updated the Travel and Expense Policy (version 6.5) and Employee Travel and Expense Procedures Guidelines (version 1.5). Both versions became effective in September 2022. The Gavi Board Travel Policy (version 4), effective 1 January 2019, was in place at the time of the audit (this policy was subsequently updated in June 2023).

A new travel agency, Carlson Wagonlit Travel (CWT) was onboarded in March 2020 to provide travel support and improve the overall travel process at Gavi. Their consolidated travel platform, 'myCWT', enables Gavi's employees to book travel online, on mobile or through dedicated onsite travel service agents. Traveller profiles for all staff and authorised consultants are created when they join Gavi.

All staff travel and expense claims are paid and/or reimbursed through the MobileXpense system (MBX). A review of the MBX system is done by an independent auditor each year in accordance with the International Standards on Assurance Engagement 3402, "Assurance Reports on Controls at a Service Organisation". The latest report (ISAE 3402) for the period 1 January 2021 to 31 December 2021 indicated that the controls related to the control objectives of the system were suitably designed and operating effectively. The A&I Internal Audit team placed reliance on this report.

## 3. Objectives and Scope

### 3.1 Audit Objective

The audit objective was to assess the operating effectiveness of the key controls in the processes related to expense claims and reimbursements, and credit card management, to ensure that expenditures were appropriately incurred, necessary, reasonable, and consistent with Gavi's business needs and mission.

### 3.2 Audit Scope and Approach

We adopted a risk-based audit approach informed by our assessment of the system of internal controls. This audit focused more significantly on substantive testing (i.e., validation of expenses transactions) of expense claims submitted and settled in MobileXpense (MBX). The testing was designed to assess the operating effectiveness of the key controls as well as compliance with relevant policies.

The scope of this audit covered expense claims (including a sample-based review of the expenses of the CEO, DCEO and other members of senior management) submitted and settled in MobileXpense (MBX) in the period 1 January 2021 to 31 October 2022. In particular, the audit covered the following key processes:

- Submission and approval of travel requests;
- Submission of expense claims by travellers;
- Review and approval of expense claims by line managers and Finance; and
- Review of the management of individual corporate credit cards issued to employees (buyers and events cards were not in scope).

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

Director, Internal Audit

## Annexes

### Annex 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.

### Annex 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 highly 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.</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>