

INTERNAL AUDIT REPORT

Expense Claims, Reimbursements and Credit Card Management
November 2020



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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 key controls in the processes related to expense claims, reimbursements and credit card management.

We assessed the design and operating effectiveness of key controls and concluded that internal controls, governance and risk management practices are adequately designed and generally well implemented.

However, four medium risk rated issues were identified that may present a moderate risk to the achievement of the objectives as summarised below.

Summary of Key Audit Findings

Ref	Description	Rating*
1.1	Gaps in exceptions reporting	
1.2	Inadequate documentation and lack of compliance with various policies and procedures	
1.3	Delays in submission of expense claims	
1.4	Weaknesses in the travel management process	

** 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 findings

Through our audit procedures, we have noted improvements made in the review of the staff travel and claims expenditure and credit card management processes since the first review was done by our team. We have identified four medium risk issues as summarised below.

1.1 Gaps in exceptions reporting – opportunity for optimisation of claims expense exception tracking, analysis and reporting through the system

Significant manual work was done in checking individual expense claims transactions, which reduced the number of exceptions in claims submitted. Inadvertently, it gave the responsibility of initial claims review to expense claims team rather than the claimant and approver. There is an opportunity for the expense claims team to explore use of the mobile expenses system to flag and track exceptions for reporting as the system can indicate out of policy claims. This will allow the team to have focused checks on higher reputational risk expense claims and shift responsibility for review back to approvers.

The 2017 Employee Travel and Expenses Policy (TEP) (clause 7.8 - Expense Claim audits and exception reporting) states that reports detailing exceptions to policy will be provided to senior management on a regular basis. Except for reports on late submission of expenses, other exceptions to policy are not formally reported. We also noted that there were no expense claim analyses done.

1.2 Inadequate documentation and lack of compliance with various policies and procedures

The TEP-clause 7 requires Gavi to reimburse employees for expenses duly and properly incurred while on authorised company business, and which comply with the Policy and its guidelines. Through our audit procedures, we identified instances where expense claims paid and/or reimbursed amounting to CHF 34,630 were not supported by adequate documentation and/or were not in compliance with Gavi policies and procedures. For noncompliant expenses identified, CHF 1,551 was recovered from staff.

1.3 Delays in submission of expense claims

The timeline for accounting for expenses is not defined in the current Travel and Expense Procedures and Guidelines (TEPG) – August 2017. However, the credit card user agreement signed by all staff with a Gavi credit card contains the clause that expense reports must be submitted to the Finance Team promptly, where possible within 15 days of completion of the business trip. The guidelines are however in the process of being updated. There were also delays in submission of expense claims, despite various reminders and follow up by the Finance team. 177 out of the sampled 848 transactions (20%) were submitted late.

1.4 Weaknesses in the travel management process

With reference to the TEPG (clause 2.1.3), the travel management company is responsible for enforcing and ensuring the Gavi policy is applied to all employees; processing travel arrangements, including any changes, in a timely manner as per agreed terms. There were instances where (i) private deviation costs were not properly monitored resulting in the cost (CHF 716) being charged to Gavi (instead of personal expenses); (ii) the booking policy was not complied with; and (iii) there was no evidence of tracking of cancellations due to medical reasons (and therefore no evidence that these costs were claimed from Business Travel insurance).

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.

Audit and Investigations

2. Objectives and Scope

2.1 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.

2.2 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. 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 submitted and settled in MobileXpense (MBX) in the period 1 January 2019 – 30 April 2020. 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 credit cards (limited scope to employee credit cards).

The following areas were excluded from the audit scope:

- Procurement process: this process has been covered in a separate review;
- Payroll and employee benefits: these processes have a distinct risk profile and are not processed through mobile expense and therefore are considered separately in the Internal Audit risk assessment and annual planning process;
- Systems Applications and Products (SAP): A post implementation and segregation of duties will be covered in a separate review; and
- Review of the new travel system (CWT): Gavi's new travel system was rolled out in March 2020 hence it was not in effect during the period in the scope of this review. As a result, the audit assessed whether the design of the new travel system effectively corrected for any of the weaknesses identified in this report.

3. Background

A&I's review of expenses is done on a regular basis to mitigate against the risks associated with operational failure i.e., that expenditure is appropriately incurred, necessary, reasonable and consistent with Gavi's business needs and mission.

All staff travel and expense claims are paid and/or reimbursed through the MobileXpense system (MBX). Regarding the MBX system, a review is done by an independent auditor each year in accordance with International Standards on Assurance Engagement 3402, "Assurance Reports on Controls at a Service Organisation". The latest report (ISAE 3402) for the period 1 January to 31 December 2019 indicated that the controls related to the control objectives of the system were suitably designed and operating effectively except for one control around data retention which could not be validated due to an ongoing verification exercise. We placed reliance on this report.

Two prior internal audits were carried out by Audit and Investigations to review key controls of the expense claim and reimbursement process. These audits covered the four-year period 1 January 2015 to 31 December 2018, with the latest report being published in August 2019.

Management continues to make various improvements and strengthen controls on travel expenditure. As of March 2020, Gavi changed its travel provider and this is expected to bring about better visibility in the booking process as well as a more robust control mechanism. In addition, the Operations Team is in the process of updating the Travel and Expenses Policy and the Travel and Expenses Procedures and Guidelines.

Management has also put in place exceptions reporting for late submission of expense claims where reminders are being sent to staff whose claims are overdue. In addition, this year, the Operations Team has generated various manual reports

such as regarding “frequent travellers” and in case of “out of policy exceptions” which were shared with senior management within the team.

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.
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.

Rating	Implication
	<ul style="list-style-type: none"> 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.

Annex 3: Distribution

Title
Managing Director, Finance and Operations
Director, Operations
Head, Financial Services & Projects

For Information

Title
Chief Executive Officer
Deputy Chief Executive Officer
Managing Director, Audit & Investigations
Executive Team
Chief of Staff
Director, Legal
Head, Risk