

# INTERNAL AUDIT REPORT

**Health Systems Immunisation  
Strengthening process**

**July 2020**



## Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the adequacy and effectiveness of the key controls in the key processes related to Health System and Immunisation Strengthening (HSIS).

Gavi's funding to supported countries through Health System and Immunisation Support accounts for over 90% of cash disbursements to Gavi supported countries. Since 2011 to September 2019, Gavi has disbursed approximately US\$1.9 billion in HSIS support to countries, with the figure rising to US\$ 2.173 billion as at 30 October 2020. The Health System and Immunisation Strengthening (HSIS) Support Framework was developed and approved in 2016. It defines the principles and essential requirements for HSIS support to Gavi supported countries for the 2016 to 2020 strategic period in order to achieve strategic, catalytic, transparent and accountable HSIS investments.

The audit focused on specific processes: implementation of the HSIS framework, updating of operational budgets and work plans, the disbursement process (focusing on subsequent disbursement) and the reporting process for HSS indicators.

Through our audit procedures, we have confirmed that the key risks associated with HSIS are understood and are being effectively managed. However, we have identified control weaknesses related to subsequent cash disbursement, updating and approval of updated budgets and implementation of the HSIS framework and reporting as summarised below.

## Key Internal Audit Issue Summary

Issue Description	Rating
<b>Implementation of the HSIS Framework</b>	
There is a need to update the Health System and Immunisation Strengthening (HSIS) Support Framework and related operational guidelines	M
There is need for a governance mechanism for the A,B and C model	M
There is need for clarity on roles and responsibilities based on the A, B and C classification	M
<b>The Disbursement process</b>	
There is need to enhance controls regarding subsequent cash disbursements to Gavi supported countries	H
<b>Updating of Operational Budgets and Work Plans</b>	
There is need to enhance controls around the process for updating and approval of updated budgets	M
<b>The Reporting process</b>	
There is need to enhance quality and use of information reported to Gavi to support decision making and ensure that appropriate linkages are made between the reported programmatic and financial information	M

## Contents

Summary of Findings	4
Appendix 2: Summary of Performance Ratings and distribution list	5

# Summary of Findings

Our audit identified one high rated and six medium-rated issues. A summary of the key issues is provided below.

## **There is a need to update the Health System and Immunisation Strengthening (HSIS) Support Framework and related operational guidelines to ensure that they are fit for purpose.**

While the HSIS support framework was approved by the Board in 2016, the implementation of the framework was not fully achieved as certain aspects of the framework could not be implemented as previously planned. For example, HSIS support to countries was not consolidated, guidelines for funding for Civil Society Organisation's engagement were not established and the mechanisms to ensure that technical support is fully aligned to HSIS support are not fully effective.

## **The A, B and C classifications by the technical advisory teams within Gavi needs to be approved at the appropriate governance levels to ensure that operational risks are accepted at the corporate level. These classifications should be appropriately communicated to all internal stakeholders to ensure linkages to the appropriate assurance mechanism.**

While this classification has been in place since 2016, this classification has not been approved by the various governance teams within Gavi. Consequently, there was no corporate ownership of this model and no governance mechanism in place to oversee implementation of this model. This has resulted in the lack of differentiation in approach of the assurance mechanisms as defined by the three lines of defence model. Moreover, except for the HSIS team, roles and package of services of the other technical teams for example programme finance, have not yet been clarified.

## **There is need to enhance controls regarding subsequent cash disbursements to Gavi-supported countries**

Gavi defined Standard Operating Procedures on Cash Disbursements with the latest version approved in June 2017. These guidelines describe the process for the initiation, preparation, approval and execution of cash grant disbursements to Gavi-supported countries or 3rd party recipients. We

noted that details of cash balances and absorption are not consistently included in the disbursements. There is limited understanding and use of the forecasting tool. We also noted delays in disbursement of grant funds. Additionally, there is a need for due diligence on banks used for Gavi funds to countries at the start of a grant and continuously at defined periods to ensure that they are endorsed by the relevant ministries of Finance in Gavi supported countries.

## **Enhance controls around the processes for updating and approval of updated budgets**

Reallocations are defined as changes in the budget amounting to 25% of the total grant amount or a maximum of US\$10 million, whichever is lower. However, there is lack of clarity on how the 25% limit is interpreted against the original approved budgets and the last working version held by the country support team. There is no documented trail for changes and approvals of changes to the budgets.

## **There is need to enhance quality and use of information reported to Gavi to support decision making and ensure that appropriate linkages are made between the reported programmatic and financial information.**

While there is a significant improvement in submission of financial reports with a 95% compliance rate in 2018, there is no indication of review of this information for quality and use for decision making. At corporate level, there is also an opportunity to further use the information received to carry out further analysis that would be useful in informing future investments.

## **Background**

Gavi's funding to supported countries through Health System and Immunisation Support accounts for over 90% of cash disbursements to Gavi supported countries. For the period January 2016 to September 2019, a total of US\$918 million had been disbursed. There was approx. US\$ 302 million which related to approvals not yet disbursed as at 30 September 2019 (*the updated disbursements as at 30 October 2020 is US\$ 1.327 Billion*). Since 2011 to September 2019, Gavi has disbursed approximately US\$1.9 billion in HSIS support to countries, *with the figure rising to US\$ 2.173 billion as at 30 October 2020.*

## **Audit Approach**

# Summary of Findings

We adopted a risk-based audit approach informed by our understanding of Gavi's business, governance, risk management processes and internal control systems as well as our assessment of the risks associated with the audit area.

Our audit approach included obtaining and review of relevant documentation, process walkthroughs, assessing the design of controls, testing a sample to determine the operating effectiveness of controls and assessing the quality of governance and risk management processes for the key processes within the HSIS framework.

## Audit Objective

The audit objective was to assess the adequacy and effectiveness of the key controls in the key processes related to HSIS.

## Audit Scope

The audit scope covered the key controls in the HSIS processes as included in the HSIS Support Framework which was approved in 2016. The review mainly focused on the period from July 2016 to 30 June 2019 based on a sample of countries.

The scope of the audit took into account previous reviews and ongoing projects linked to the HSIS processes as listed in the Annex to the audit announcement letter.

The following key areas were reviewed:

- Implementation of the HSIS framework;
- Updating of operational budgets and work plans (including reallocations and reprogramming);
- The disbursement process (focusing on subsequent disbursement); and
- The reporting process for HSS indicators.

Throughout the audit, the team was cognizant of the work initiated by the Gavi management teams through the six workstreams that are supporting the operationalisation of Gavi 5.0. A number of issues had been raised and recognized in these workstreams and as a result, specific areas are scoped out for this review.

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

# Appendix 1: 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
Thabani Maphosa, Managing Director, Country Programmes
Pascal Bijleveld, Director, Country Support
Alex de Jonquières, Director, Health Systems & Immunisation Strengthening
David Powell, Head, Programme Finance

## For Information

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