



Report to the GAVI Alliance Board

7-8 July 2011

Subject:	Annual internal audit report
Report of:	Cees Klumper, Director of Internal Audit
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Agenda item:	15
Category:	For Information
Strategic goal:	Alliance operations

Section A: Overview

1. Purpose of the report

- 1.1 To inform the Board about Internal Audit's first year-and-a-half of operations since inception in November 2009.

2. Recommendations

- 2.2 This report does not contain any recommendations for the Board. It is for information only.

3. Executive summary

- 3.1 Internal Audit ('IA') has settled in well within the Secretariat. Working relationships are good and recommendations are generally followed up with sufficient priority.
- 3.2 IA reports to both the CEO and the Board. In IA's view, so far, this reporting arrangement has worked well and has not led to an impairment of the function's independence.
- 3.3 The current staffing level (one FTE) is deemed to be sufficient to be able to effectively carry out IA's mandate. This is reviewed on an ongoing basis. Furthermore, the Board's decision (pursuant to agenda item #09 "Cash Programme Risk Management") is being sought as to whether the Transparency and Accountability Policy team ('TAP'), that currently reports to Internal Audit on an interim basis, will be placed within Internal Audit permanently. Should the Board approve this recommendation, then Internal Audit's headcount would increase to 6 FTE as TAP currently has an approved headcount of 5 FTE.

- 3.4 IA has been involved in a wide range of areas over its first year-and-a-half of operations. The most significant are as follows:
- (a) Reviewed GAVI's measures to mitigate the risk of misuse in its cash support programmes. IA's conclusions and recommendations are contained in a separate paper (# 09);
 - (b) Was closely involved in each case of suspected misuse of funds, including visits to countries together with the TAP team and, usually, the Country Responsible Officer to officially start investigations; consultation with Secretariat management on relevant decisions; and communications with governments, in-country partners and other stakeholders;
 - (c) Related to item (b), performed a review of the Secretariat's handling of information that ultimately led to the decision to suspend funding and perform an investigation into misuse of funds in Mali;
 - (d) Provided management with advice on the establishment of a leading-practice general risk management process;
 - (e) Provided assurance to the Board as to the completeness of management's Risk Register;
 - (f) Acted as the liaison for external audits of the Secretariat, most notably the comprehensive audit performed during 2010 by the French Cour des Comptes as well as an audit performed by the European Court of Auditors;
 - (g) Liaised with GAVI's external audit firm, KPMG, on their audit of the annual financial statements;
 - (h) Stayed abreast of developments pertaining to the Health Systems Funding Platform;
 - (i) Performed audits of the Secretariat's control environment and of the 2010 business planning and budgeting process;
 - (j) Reviewed selected information provided to the Board and to the Audit and Finance Committee with a view to assessing whether it was 'fit for purpose';
 - (k) Investigated two internal staff complaints;
 - (l) IA was routinely consulted on the development of new, and updating of existing, Secretariat Policies and Procedures;
 - (m) Established good working relationships with counterparts at the Global Fund, UNICEF, The World Bank, and the World Health Organization. Additionally, met with peers at a number of other related organisations and participated in several networks and forums, such as the annual

Conference of International Investigators, to exchange experiences and best practices;

- (n) Interacted with donor representatives on risk management issues of interest to them;
- (o) In April, 2011, assumed temporary responsibility for the TAP team. A recommendation as to the permanent organisational positioning of this team is included in paper # 09, as referred to under points 3.3 and 3.4 (a) above.

4. Context

- 4.1 This is the first summary report issued to the Board by IA since its establishment in November of 2009.
- 4.2 Throughout the year, the Director of IA maintains contact with the Chair of the Audit and Finance Committee through regular calls. Also, IA is present at each committee meeting and usually presents an update.
- 4.3 IA presented to the GAVI Alliance Board on various topics in its meetings in June 2010, November/December 2010 and at its retreat in April 2011.

5. Next steps

- 5.1 IA intends to conduct audits, or be otherwise appropriately involved, in at least the following areas during the upcoming year:
 - (a) Audit of either a Secretariat department or a cross-Secretariat process, in consultation with the CEO;
 - (b) The further development of the Health Systems Funding Platform;
 - (c) The newly established performance management function, including management information;
 - (d) How GAVI follows up on the findings and recommendations stemming from the external evaluations it receives from time to time;
 - (e) Vaccine procurement, distribution and management in-country;
 - (f) Continued involvement in the review and update of Secretariat policies; the response to current and any new cases of suspected misuse of funds; and review of information provided to the Board and its committees.
- 5.2 As regards disclosure of IA's reports, so far, IA's reports have not been made publicly available. Following the decision, in early 2011, to increase

transparency around cases of potential misuse of funds, IA has decided to propose that IA reports as well as TAP's investigative reports be made publicly available. It is suggested that the principles around publishing such reports would be incorporated in GAVI's access to information policy which is currently being developed and will be presented for review through the appropriate governance mechanisms in due course.

6. Conclusions

- 6.1 IA has settled in well at the Secretariat; management appropriately responds to IA's recommendations; IA is appropriately staffed to carry out its mandate with sufficient independence and is involved in a broad range of areas.

Section B: Implications

7. Impact on countries

- 7.1 Because this is an information-only paper without suggested actions, there is no impact on countries. So far, IA's impact on countries has been minimal.

8. Impact on the Business Plan / Budget / Programme Financing

- 8.1 There are no actions proposed in this paper with an impact on the business plan, budget or programme financing.

9. Risk implications and mitigations

- 9.1 As Internal Audit's 'core business' is to provide independent assurance about GAVI's management of risk, all matters contained in this report have a bearing on risk mitigation.

10. Legal implications

- 10.1 There are no issues contained in this report that have legal implications.

11. Consultation

- 11.1 Internal Audit as a matter of standard procedure consults with Secretariat managers and staff and frequently is consulted by the Secretariat on a variety of matters.

12. Gender equality implications

- 12.1 There are no issues contained in this report that have gender equality implications.

13. Implications for the Secretariat

- 13.1 In order for Internal Audit to be able to do its work, Secretariat management and staff have to, from time to time, make themselves available in the context of audits and other activities. Internal Audit receives sufficient cooperation to be able to do its work.