



**Report to the  
GAVI Alliance Board**  
18-19 June 2014

<b>Subject:</b>	<b>Internal Auditor's report</b>
<b>Report of:</b>	Simon Lamb, Managing Director of Internal Audit
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<b>Agenda item:</b>	11
<b>Category:</b>	For Information
<b>Strategic goal:</b>	Affects all strategic goals

**Section A: Overview**

**1 Purpose of the report**

- 1.1 The purpose of this report is to inform the Board on Internal Audit's activities and the conduct of the function.

**2 Recommendations**

- 2.1 This report is for information only.

**3 Executive summary**

- 3.1 This report sets out:
- (a) Progress to-date and further plans for the development of the Internal Audit function.
  - (b) Planned risk coverage in 2014 of GAVI processes and cash programmes.
  - (c) An update on past review work relating to country cash programmes.
  - (d) An outline of whistleblower activity in the year and the establishment of a reporting capability to facilitate reporting in the future.

**4 Risk implication and mitigation**

- 4.1 The report of the Internal Auditor relates to matters relevant to the assessment and management of risk in GAVI. There are no adverse risk implications of this report.

### **5 Financial implications: Business plan and budgets**

- 5.1 The report sets out proposals for additional headcount required to achieve a desirable level of risk coverage. This would require an additional three headcount covering both internal risks and those relating to cash programmes.

### **Section B: Content**

### **6 Development of the Internal Audit Function**

- 6.1 As reported to the Board last year, there are a number of essential components of an Internal Audit function which need to be established: an Internal Audit charter (in GAVI, the Internal Audit Terms of Reference), already established and approved by the Board; a comprehensive database of auditable activities; a risk assessment process; an audit planning process; and a means to track the resolution of audit issues raised. In the last year, substantive progress has been made and all these components are now established.
- 6.2 In addition the conduct of internal audit work has to be undertaken employing an audit methodology covering the planning, execution, documentation and reporting of audits; much of this work is also now complete.
- 6.3 November 2014 will mark the 5<sup>th</sup> anniversary of the establishment of the Internal Audit function and, consistent with International Professional Standards, an independent Quality Assurance Review will need to be undertaken. This is a broad review that will cover all the components described including audit execution but also will examine the positioning of Internal Audit within GAVI's overall governance arrangements and will include interviews with certain members of senior management, the Audit and Finance Committee, and the Board. It is intended that this will be undertaken late in the year.
- 6.4 In the course of the year, the Transparency and Accountability Policy (TAP) Team has been renamed as the Programme Fiduciary Oversight (PFO) Team. With the introduction of the revised TAP policy (as approved by the Board in November 2013), it is clear that the responsibility for programme execution in line with the policy sits with a number of GAVI functions, most notably Country Programmes (consistent with its stewardship role). In consequence, although the mission of the team is unchanged, it was felt appropriate to reflect its responsibilities in its title in terms of the role it undertakes rather than in terms of the execution of the TAP policy, on which it is now only one of a number of contributors.

### **7 Internal Audit and Programme Fiduciary Oversight Plans 2014, and Resourcing**

- 7.1 The Internal Audit Plan for 2014 was compiled using the newly introduced processes described above; it is attached at Appendix A. It incorporates three broad areas:
- (a) audits and reviews (being the on-going audits of GAVI's processes and activities);
  - (b) risk monitoring (being the on-going assessment and examination of key risks to the achievement of GAVI's overall mission);
  - (c) Internal Audit management (being interaction with management, the AFC, and the Board; special projects (namely, the establishment of the whistleblowing facility and preparation for the Quality Assurance Review); and the management of the function).
- 7.2 The Programme Fiduciary Oversight Plan for 2014 was compiled based on a risk assessment of the programmes operating in the 73 countries that GAVI supports; it is attached at Appendix B. This sets out the work expected to be undertaken: Financial Management Assessments (FMA); Monitoring Reviews; Cash Programme Audits (CPA); and a provision for the conduct of any investigatory work as necessary.
- 7.3 In 2013 the PFO team undertook 28 missions (of which 4 were audits); in 2014 the team is expected to undertake 34 missions (of which 10 are expected to be audits). The increasing number of audits reflects the maturing of the GAVI grant process and the fact that most countries have now undergone an FMA, and in future most of the PFO team's work will focus on the evaluation of cash programmes in-progress. This change was anticipated in discussion with the Board last June.
- 7.4 The resourcing of the Internal Audit and PFO teams, a mixture of permanent staff and consultants, is considered adequate in 2014 given the coverage set out in this year's plans. However, looking at the desired level of risk coverage required over a longer term cycle of five years, it is considered that additional resource will be required in 2015 and beyond – one additional headcount for Internal Audit (making two in total) and two additional headcount for PFO (making nine in total, including one support member of staff and the team's director). The supporting analysis has been discussed with the AFC who endorsed the proposed increases; these will now be taken forward for discussion with management as part of the GAVI budgetary process for 2015/16.
- 7.5 It is also noted that Bernardin Assiene, the Director of the PFO team, has announced his intention to leave GAVI, in July, for a role at the World Food Programme in Rome. The PFO Director role is a critical one for the team and the coverage of country programme risk, and a recruitment process was initiated immediately on his announcement. Plans for 2014

are being re-examined to determine if any of the intended coverage can be achieved through different means or could be postponed until 2015.

### **8 Programme Fiduciary Oversight, review update**

- 8.1 The AFC is routinely updated at each meeting on any material matters arising relating to the PFO team, particularly as it relates to potential misuse of GAVI funds. The cumulative amount of past misuse identified and agreed since the establishment of GAVI is \$7.8million; of this, approximately \$5.3m has been repaid already, with \$2.5 million outstanding. All outstanding amounts have been agreed by the respective countries for reimbursement.
- 8.2 In addition to these agreed situations, GAVI is finalising agreements on potential misuse with regard to certain country situations, on which the AFC and/or the Board has been previously briefed, as appropriate.

### **9 Whistleblower activity and the establishment of a reporting facility**

- 9.1 Internal Audit receives a number of whistleblower reports, both directly and indirectly, covering various aspects of GAVI's activities. Each is assessed and further investigatory work undertaken if considered appropriate. Certain reports received in the year have been useful in identifying potential areas of concern or validating existing concerns.
- 9.2 As discussed with the Board previously, it is intended to establish a web-based facility to enable any party, whether internal to GAVI or external, to report concerns anonymously and/or confidentially. A contract has been signed with a third party vendor to provide this service, and that is in the final stages of being established. It is scheduled to be operating in the course of this summer with a link from GAVI's home webpage, where it can be most easily found by any reporting party.

### **10 Organisational Independence of Internal Audit**

- 10.1 Professional standards require that the Internal Auditor must confirm to the Board, at least annually, the organisational independence of the internal audit activity. Having considered its functional structure and reporting lines, and the practical operation of internal audit in the course of the year, the Internal Auditor confirms there is appropriate independence to ensure the proper conduct of the function.

## **Section C: Implications**

### **11 Impact on countries**

- 11.1 This report includes a summary of the PFO's activities relating to cash programmes. Country reports are provided to Ministries of Health to facilitate the improvement of programme fiduciary processes and some implementation work will be necessary to achieve this.

### **12 Impact on GAVI stakeholders**

- 12.1 This report is intended to provide insight and assurance on the proper conduct of GAVI's Internal Audit function to relevant stakeholders.

### **13 Impact on Secretariat**

- 13.1 This report includes a summary of Internal Audit's planned activities. The execution of this will require engagement with and by Secretariat staff. Internal Audit reports will typically include recommendations to enhance processes and this will require follow up to implement by Secretariat staff.

### **14 Legal and governance implications**

- 14.1 There are certain legal considerations relating to the establishment of GAVI's whistleblower reporting facility, and the requirements of anonymous and confidential reporting. The Internal Auditor is working closely with GAVI's legal department on the set-up and operation of this facility.

### **15 Consultation**

- 15.1 GAVI management and the AFC has been regularly briefed and consulted on matters presented in this report. Ad hoc consultation has taken place with other parties on any relevant matters as they arise.

### **16 Gender implications**

- 16.1 None

## **Section D: Annexes**

Annex A: 2014 Internal Audit Plan, as approved by the AFC

Annex B: 2014 Programme Fiduciary Oversight Plan, as approved by the AFC

# Annex A: 2014 INTERNAL AUDIT PLAN (as approved by the AFC)

## 1. AUDITS AND REVIEWS

- Emphasis on evaluating financial flows particularly around the point of exit from the organisation, comprising audits of each of the following:
  - Management expenses
  - Credit card
  - Treasury: cash release (grants, vendor payments)
  - Investments: asset movements, purchases and sales
- Procurement processes – following introduction of revised policy and associated procedures
- Ear-marking of donor funds
- Due diligence processes around new, non-sovereign donors

## 2. RISK MONITORING AND RESPONSE

**RISK MONITORING OF KEY INITIATIVES WITH POTENTIAL RISK IMPACT - prospect for further audit or other review. Key initiatives include:**

- Strategy development and associated risk assessment and management.
- Grant Application and Monitoring and Review (GAMR).
- Supply chain strategy.
- Supplementary Immunisation Allowances (SIAs) (campaigns).

# Annex A: 2014 INTERNAL AUDIT PLAN (continued) (as approved by the AFC)

## 2. RISK MONITORING AND RESPONSE (continued)

**LIAISON WITH, AND OVERSIGHT OF, COUNTRY FIDUCIARY OVERSIGHT FUNCTION.** Provide insight on the programs and activities carried out by GAVI's grant recipients and partners based on the Country Fiduciary Oversight workplan.

**WHISTLEBLOWER ACTIVITY, INTERNAL AND EXTERNAL.** Follow through on in-coming whistleblower reports: monitor reports received; undertake initial assessment; extend into due diligence as appropriate; investigate/audit as necessary.

**FOLLOW-THROUGH** on recommendations raised in previous internal audit reports (track and ensure appropriate execution).

**AD HOC** – responding to emerging events and management requests, ensuring there is capacity available to respond to changing circumstances and risk

## 3. INTERNAL AUDIT MANAGEMENT ACTIVITIES

**GOVERNANCE** Board, AFC and other committee participation and support, and other stakeholder interaction

**MANAGEMENT INTERACTION** Management support and other interaction

### WHISTLEBLOWER SET-UP

- Establish processes for reporting of whistleblower activity.
- Introduce reporting facility through third-party vendor.
- Promote facility as appropriate.

**PREPARATION FOR QUALITY ASSURANCE REVIEW (QAR) IN THE LAST HALF QUARTER OF 2014**

## Annex B: 2014 PROGRAMME FIDUCIARY OVERSIGHT PLAN (as approved by the AFC)

<b>Financial Management Assessment, FMA</b>	<ul style="list-style-type: none"> <li>• Djibouti</li> <li>• Sao Tome &amp; Principe (grant application expected)</li> <li>• Uzbekistan</li> <li>• Anticipate possibility of 3 further FMAs – based on country applications</li> </ul>	
<b>Monitoring review, MR</b>	<ul style="list-style-type: none"> <li>• Azerbaijan</li> <li>• Burkina Faso</li> <li>• Burundi</li> <li>• CAR</li> <li>• Chad</li> <li>• CIV</li> <li>• Comoros</li> <li>• DRC</li> </ul>	<ul style="list-style-type: none"> <li>• Ethiopia</li> <li>• Kyrgyzstan</li> <li>• Madagascar</li> <li>• Malawi</li> <li>• Niger</li> <li>• Nigeria</li> <li>• Sierra Leone</li> </ul>
<b>Cash Programme Audit, CPA</b>	<ul style="list-style-type: none"> <li>• Bangladesh</li> <li>• Bolivia</li> <li>• Cambodia</li> <li>• Guinea</li> <li>• Nigeria</li> </ul>	<ul style="list-style-type: none"> <li>• Pakistan</li> <li>• Sri Lanka</li> <li>• Togo</li> <li>• Vietnam</li> <li>• Yemen</li> </ul>

Plan will flex according to changing circumstances. Provision has been made through consulting budget to undertake any follow-up investigation as necessary.