

# INTERNAL AUDIT REPORT

**Internal Audit of Recent Changes to Procurement Manual  
(Procurement Manual, 2023)**

**April 2025**

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## 1. Conclusion

Our audit procedures were designed to assess the impact of recent changes made to the Procurement Manual on value for money, transparency, and impartiality in the procurement of goods and services, and provide assurance to management and the Gavi Board on the design and operating effectiveness of key controls related to these changes.

The audit covered the review of the following four changes, that were assessed as having a more significant impact on Gavi's reputation if the design and operating effectiveness of key controls was to be ineffective or unsatisfactory: the Best Bid Waiver process, Cooperation with International Organisations process, Cumulative Amounts process (removal of 12-month limitation when issuing new contracts), and the process of handling Pro Bono Goods and Services.

We recognise that management has recently made these amendments to the Procurement Manual (effective as of 1 March 2023) to formalise existing practices and to make the Gavi procurement process more agile. However, the process still requires major improvement for proper management of risk and to ensure alignment with the risk appetite of the organisation and to support strategic priorities.

We have identified issues and developed recommendations to address the issues (either as separate actions or in combination and alignment with recommendations from the 2023 audit of Procurement).

Remediation has been agreed on these issues and the resolutions are in the course of implementation by management.

## 2. Background

Procurement at Gavi involves the acquisition of goods and services. This includes the complete set of activities and processes to support tendering, contracting, performance management of suppliers and the full procure-to-pay requisition chain.

The last audit of the procurement process covered activities in the period from 1 January 2021 to 31 January 2023. Since then, some changes have been made to the Procurement Manual, which became effective in March 2023. Additionally, management is developing a more robust procurement oversight framework, which is being operationalised through the Secretariat management sub-group of the Senior Leadership Team (SLT).

## 3. Objectives and Scope

### 3.1 Audit Objective

The objective of this audit was to assess the impact of the more significant changes which were made to the Procurement Manual in March 2023 on value for money, transparency, and impartiality in the procurement of services and materials.

### 3.2 Audit Scope and Approach

This audit focused on both secretariat-facing and country-facing procurement activities in the period from 1 April 2023 to 11 October 2024, with specific emphasis on the operationalisation of the more significant changes which were made to the Procurement Manual in March 2023. The following changes were in scope:

- Best Bid Waiver (section 4.3.1 viii): section added which allows the Tender Evaluation Committee to award contracts to bidders who are not ranked first.
- Cooperation with international organisations (section 2.4): section added which allows Gavi to use or rely on tender process and results of other organisations.
- Cumulative amounts (section 4.10.2): section amended to remove the 12-month limitation on consideration of cumulative award amounts when issuing new contracts with similar scope of work to the same vendor.
- Pro Bono Goods and Services (section 4.5): new section included on engaging via pro bono services and the risks and advantages of pro bono contracts.

The following areas were out of scope (i.e., either they have been covered in other audits or have a distinct risk profile):

- Procurement planning and strategy

- POs involving grant agreements related to cash disbursement
- Accounts payable process

We will continue to work with management to ensure that the issues observed in the audit 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.

Director, Internal Audit

## 4. Annexes

### Annex 1 - Methodology

Gavi's Audit and Investigations (A&I) audits are conducted in conformance with the Global Internal Audit Standards of the Institute of Internal Auditors. These Standards constitute 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' Global Guidance is also adhered to as applicable to guide operations. In addition, A&I staff adhere to A&I's Audit Manual.

The principles and details of 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 our auditors to provide high quality professional work, and to operate efficiently and effectively. They help safeguard the independence of the A&I's auditors and the integrity of their work. The Audit Manual contains detailed instructions for carrying out audits, in line with the appropriate standards and expected quality.

In general, the scope of A&I's work extends not only to the Gavi 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 issue 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 very likely and the mitigations put in place do not mitigate the risk.</li> <li>Fraud and unethical behaviour including management override of key controls.</li> </ul> <p>Management attention is required as a matter of priority.</p> |
| <b>Medium</b> | <p>At least one instance of the criteria described below is applicable to the issue 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> </ul> <p>Management action is required within a reasonable time period.</p>                                                                                                                                  |
| <b>Low</b>    | <p>At least one instance of the criteria described below is applicable to the issue 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> </ul> <p>Corrective action is required as appropriate.</p>                                                                                                                                                                                                                                                                                                                       |