

INTERNAL AUDIT REPORT

In-country Assurance Mechanisms
April 2025



Table of Contents

1.	Conclusion	3
2.	Executive Summary	4
3.	Background	7
4.	Objectives and Scope	8
5.	Annexes	9

1. Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the design and effectiveness of the key controls and processes related to in-country assurance mechanisms, as implemented through the Financial Management Risk and Assurance (FM&RA) approach. Financial management and fiduciary risk assurance are crucial in achieving Gavi's 5.0 mission to leave no one behind with immunisation. In line with this, the Gavi Secretariat developed a strategic approach for Fiduciary Risk Assurance and Financial Management of cash grants for Gavi 5.0 which was approved by the Board in June 2021. In this audit, we identified one high risk issue relating to governance and oversight arrangements over in-country assurance mechanisms and four medium risk issues as summarised below. To address the risks associated with these issues, the audit team raised six recommendations of which one was rated as high priority.

Summary of key audit issues

Ref	Description	Rating*
Governance and oversight arrangements over in-country assurance mechanisms		
2.2.1	Strengthen the reporting, oversight, and accountability arrangements for the funding to Alliance Partners included in the FM&RA fund	■
2.2.2	Consider including programmatic assurance in Gavi's risk assurance approach	■
Implementation and functionality of fiduciary assurance mechanisms		
2.2.3	Enhance differentiation in the roll out and implementation of the FM&RA approach	■
Monitoring arrangements over in-country assurance mechanisms		
2.2.4	Develop a comprehensive monitoring and evaluation framework for Gavi's Financial Management and Risk Assurance (FM&RA) approach	■
Design and implementation of Capacity Building Interventions		
2.2.5	Develop an overarching capacity-building framework for the Financial Management and Risk Assurance (FM&RA) approach	■

* The audit ratings attributed to each section of this report, the level of risk assigned to each audit issue and the level of priority for each recommendation, are defined in annex 3 of this report.

2. Executive Summary

2.1 Key achievements and good practices

FM&RA approach is aligned to Gavi's strategy

Financial management and fiduciary risk assurance are crucial in achieving Gavi's 5.0 mission to leave no one behind with immunisation as robust fiduciary risk management keeps the risk of misuse within the risk appetite defined by the Board. The introduction of Assurance Providers (APs) with responsibilities to oversee the strategic shift to use of country systems and to monitor activities of in-country implementers for the Secretariat has improved Gavi's direct support to countries in the area of financial management. Since Gavi does not maintain country offices, the APs act as its "eyes and ears" on the ground, especially in fragile and conflict-affected countries. By June 2024, 43 out of 58 eligible countries had the support of assurance providers.

Dedicated funding institutionalising a new strategic approach without diverting resources from programmatic investments

In the previous strategic period, a total of USD 93 million was utilised for fiduciary risk mitigation, technical assistance, capacity building, and Alliance Partner programme support costs (PSC) to support USD 1.8 billion of cash grants provided to countries, reflecting ~5% cost. The funding source was fragmented and mostly came from the PEF TCA, HSIS grants, and an additional funding envelope approved by the Board for fiduciary risk assurance¹, at times diverting resources away from programmatic investments and making it challenging for the Secretariat to systematically engage in capacity building to enable the use of government systems.

Partnerships and strategic initiatives to increase use of country systems

Gavi, IFAC, USAID and the Global Fund signed a Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration (MOSAIC) in June 2021. The vision of this collaboration is to enhance financial management systems as a catalyst for achieving sustainable health outcomes and impact. The mission is to enhance country ownership, demonstrate aid effectiveness, and improve efficiency, accountability, and transparency in the use of grant funds.

Additionally, there is a partnership between Supreme Audit Institutions (through AFROSAI-e) and Gavi, along with the Global Fund. The MOU, signed in June 2023, reflects the shared objective of Gavi and the Global Fund to strengthen the effectiveness of the external oversight system for public funds. An investment of USD 2.087 million (with Gavi contributing 50%) has been made to increase the number of Supreme Audit Institutions (SAIs) auditing Gavi grants from 10 to 35 by 2025.

Gavi and the Global Fund also signed an agreement on data disclosure and use in September 2023 to facilitate data sharing and avoid potential duplication in countries where they have the same implementation arrangements.

¹ During Gavi 4.0, a funding envelope was approved by the Board for fiduciary risk assurance (referred to as "Change 3 Facility"). This envelope covered part of the overall fiduciary risk assurance costs

Alignment with other donors on the goal to channel funds through government systems (especially Global Fund)

Gavi shares in-country Project Management Units (PMUs) with other donors, such as the Global Fund in the Democratic Republic of the Congo (DRC). It's also worth noting that in some countries, Gavi and the Global Fund use the same implementing partner or fiscal agent, albeit under two separate contracts. This approach reduces duplication and promotes sustainability.

Assurance plans aligned to overall transition plan in Nigeria

There is a documented Gavi Grants Fiduciary Assurance Plan for Nigeria which articulates the end-to-end risk in the grant portfolio of Nigeria. The plan is aligned to the Accountability Framework of the Nigeria Strategy for Immunisation and PHC System Strengthening (NSIPSS).

The plan articulates the fiduciary risk management approach adopted for Nigeria and the proposed financial management capacity building.

2.2. Summary of Issues

Through our audit procedures, we identified one high and four medium priority issues relating to the in-country assurance mechanisms processes.

High priority issue**2.2.1 Strengthen the reporting, oversight, and accountability arrangements for funding to Alliance Partners included in the FM&RA fund.**

Included in the FM&RA envelope approved by the Board in June 2021 for fiduciary risk assurance and capacity building is an amount of USD 91 million being funding to Alliance Partners for Programme Support Costs (PSC) for countries where funds are channelled through partners (mainly UNICEF and WHO). Through PSC the partners cover their administrative and management costs including fiduciary risk assurance. Though PSC for Alliance Partners constitutes 56% of the FM&RA envelope, Gavi does not have visibility regarding the use and impact of the USD 91 million, nor how much of the PSC has been used for assurance activities, as there are no reporting, oversight and accountability requirements in place. Given that the Gavi Secretariat does not receive any reports from the Alliance Partners on assurance activities undertaken, we were unable to independently confirm the extent to which the USD 26.2 million (total expenditure on PSC as of 30 June 2024) may have been used for fiduciary risk assurance and its impact in country. We also noted in some of the countries we sampled that though the Alliance Partners received PSC towards fiduciary risk assurance, Gavi incurred additional costs to engage Assurance Providers.

Consequently, Gavi may place reliance on Alliance Partners' assurance mechanisms without having visibility over how these are applied to Gavi funding, which may potentially lead to false assurance. Alternatively, Gavi may incur additional costs for assurance potentially leading to double assurance which is not efficient.

Medium priority issues**2.2.2 Consider including programmatic assurance in Gavi's risk assurance approach**

The FM&RA approach is focused on fiduciary risk, while the challenges noted in Gavi 4.0 covered both implementation capacity and financial management issues. Various countries have programmatic assurance needs, and Gavi has managed these needs inconsistently across countries, incorporating elements of programmatic assurance into some AP contracts, and by using monitoring agents funded by other funding sources in other countries.

As a result, programmatic risks in the areas of vaccine supply chain, demand generation, procurement, immunisation data, immunisation SIAs etc. may not be adequately monitored by the second line which could negatively impact achievement of programmatic objectives.

2.2.3 Enhance differentiation in the roll out and implementation of the FM&RA approach

The Terms of Reference (TORs) for APs showed minimal differentiation, regardless of the country's transition status, risk profile, or implementation arrangements; and the cost of assurance as a percentage of disbursed funds was significantly higher in some of the sampled countries.

Proper tailoring of the TORs of APs for the risks, grant sizes and country contexts in line with the assurance framework will further optimise Gavi resources leading to better achievement of programmatic objectives and better value for money.

2.2.4 Develop a comprehensive monitoring and evaluation framework for Gavi's FM&RA approach.

Gavi currently tracks only two indicators under the FM&RA approach relating to channelling funds through government systems. The PFM team has not yet developed indicators to measure the other key objectives of the FM&RA approach: effectiveness of fiduciary risk mitigation and the efficient funding of immunisation activities.

Development and tracking of additional appropriate indicators will enable senior management and the Board to provide effective oversight over all the objectives of the approach. Furthermore, the PFM team plans to undertake an independent evaluation to assess the design, implementation, and sustainability of the strategies and processes adopted.

2.2.5 Develop an overarching capacity-building framework for the FM&RA approach.

There is no specific guidance or framework to define the capacity-building interventions that should be funded through the approach. Without a comprehensive framework, the APs may not properly identify key capacity gaps during their financial assurance activities, so that they can be addressed. Discussions have begun to define this framework, and the PFM team is collaborating with the Global Fund to source capacity-building service providers.

3. Background

3.1 Financial Management and fiduciary risk assurance (Gavi 4.0)

In 2015, Gavi revamped its risk management and assurance functions with a "*three lines of defence*" model² with different roles as below:

- First line: understanding, monitoring and managing risk in core business activities and country programmes, including Country Programmes, Alliance partners, and implementing countries.
- Second line: providing specialist support and objective monitoring through control and oversight functions, including Risk, Programme Capacity Assessments (PCA), Grant performance monitoring, Finance, Operations, and Legal.
- Third line: conducting independent auditing of the first and second lines of defence to ensure effective risk management, including Internal Audit, Programme Audit, Whistle-blower facility, Investigations & Counter fraud.

These changes helped Gavi understand country-level fiduciary risk better, leading to the identification of weaknesses in country systems and their capacity to manage funds and implement Gavi programmes. In addition, Programme Audits uncovered increased misuse across Gavi grants. To mitigate these risks, funds were increasingly shifted away from government systems to Alliance Partners. As a result, during Gavi 4.0, less than a third of cash grants, including procurement, were channelled through government systems compared to almost two-thirds during Gavi 3.0. This created challenges in balancing fiduciary risk assurance, efficient funding of immunisation activities, and the strategic principle of building country capacity and ownership, central to Gavi's model.

In November 2018, Gavi's Board stressed the importance of channelling more funds through government systems, aligning with the Alliance's sustainability and country ownership model. To address this, the Board requested a more strategic approach to fiduciary risk management, emphasising a balance between using and building country systems while ensuring appropriate management of fiduciary risks. In response, the Secretariat relied on detailed country roadmaps and implemented solutions to increase the share of funds channelled through government systems from 25% in 2018 to 30% in 2020.

3.2 Strategic approach to Fiduciary risk assurance (Gavi 5.0)

The Secretariat developed a new strategic approach for Fiduciary Risk Assurance and Financial Management of cash grants for Gavi 5.0 which was approved by the Board in June 2021. This approach was deemed critical due to two main factors. Firstly, Gavi's ambition to reach zero-dose children and missed communities in Gavi 5.0 required new partnerships, increased funding at sub-national levels, and collaboration with local partners and civil society organisations with lower fiduciary risk assurance and weaker financial management capacity. This necessitated Gavi to adapt the approach to fiduciary risk management and be clear about the trade-offs while channelling funds outside of government systems. Secondly, the COVID-19 pandemic increased the risk of misuse, making proper risk mitigation even more crucial.

The approach has three main objectives: promoting timely and efficient funding of immunisation activities; building ownership and capacity; and ensuring fiduciary risk assurance and mitigation. These objectives are all aligned with the goal of achieving timely, efficient, and equitable management of Gavi grants by governments in line with the Gavi board's risk appetite.

To support this approach, the Gavi Board approved a funding envelope of \$164m allocated as follows:

- \$48 million for fiduciary risk assurance.
- \$25 million for financial management capacity building activities.

² [Gavi three lines of defense](#)

- \$91 million for partner programme support costs (PSC), divided into:
 - \$33 million for fiduciary assurance for channelling of Equity Accelerator Funding (EAF) through partners.
 - \$58 million for others partner PSC.

One of the shifts underpinning the new FM&RA approach were organisational changes, including the merging of Programme Finance and Programme Capacity Assessment Teams in 2021.

4. Objectives and Scope

4.1 Audit Objective

The objective of this audit, as approved by the Audit and Finance Committee (AFC) in 2023, was to provide independent assurance on the adequacy of the design and the operating effectiveness of the key controls in the processes related to in-country assurance mechanisms, as implemented through the Financial Management Risk and Assurance (FM&RA) approach.

4.2 Audit Scope and Approach

Our audit approach was risk based, 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 in this area.

Our approach included:

- Review of relevant documentation to understand and walkthrough the key processes, risks and mitigations.
- Assessment of the design of the key processes/controls that manage the key inherent risks.
- Testing (on a sample basis) the operationalisation of key processes.
- Assessment of the quality of implemented governance and risk management process; and
- Reporting on any observations, good practices and opportunities for improvement.

Our review covered the FM&RA approach's implementation between 1 January 2020 and 30 June 2024 and a sample of thirteen countries spread across various regions were selected for detailed reviews. Specific areas covered included a review of the countries' GMRs, PCA and MR reports, stage of transition, process of identification of assurance needs for the country and subsequent recruitment of an AP for the country, identification of capacity building needs, programmatic assurance needs, as well as other relevant reports.

The following key areas were reviewed:

- Governance and oversight arrangements over in-country assurance mechanisms;
- Monitoring arrangements over in-country assurance mechanisms;
- Operating effectiveness of fiduciary risk assurance mechanisms; and
- Implementation of capacity building interventions.

We will continue to work with Gavi management to ensure that these 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.

Director, Internal Audit

5. Annexes

Annex 1 – Acronyms

AFC	Audit and Finance Committee
AP	Assurance Provider
CDD	Country Delivery Department
CCDO	Chief Country Delivery Officer
CPD	Country Programmes Delivery
EAF	Equity Accelerator Funding
EPI	Expanded programme for Immunisation
FM&RA	Financial Management and Risk Assurance
GMR	Grant Management Requirements
HSIS	Health systems and immunisation strengthening
HSS	Health systems strengthening
KPI	Key performance indicator
MR	Monitoring Review
MoH	Ministry of health
PA	Programme Audit
PCA	Programme Capacity Assessment
PEF	Partners Engagement Framework
PFM	Programme Finance Management
PPC	Programme and Policy Committee
PSC	Programme Support Costs
SCM	Senior Country Manager
SAGE	Strategic Advisory Group of Experts on Immunization
SAI	Supreme Audit Institutions
SIA	Supplementary Immunisation Activities
TA	Technical Assistance
TCA	Targeted Country Assistance
TOR	Terms of Reference
UNICEF	United Nations Children's Fund
WHO	World Health Organization
UCS	Use of Country Systems
USD	United States Dollars

Annex 2 – 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 3 – Definitions: audit issue rating

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. Fraud and unethical behaviour including management override of key controls. <p>Management attention is required as a matter of priority.</p>
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. 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. <p>Management action is required within a reasonable time period.</p>
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. <p>Corrective action is required as appropriate.</p>