Guidelines on Financial Management and Audit Requirements

Contents

1. Introduction ................................................................................................................................................. 3
2. Key changes to financial management and audit requirements ......................................................... 3
3. Financial reporting timetable (in line with fiscal cycle) ...................................................................... 4
4. Scope.......................................................................................................................................................... 4
5. Legal framework for financial management arrangements .................................................................. 5
6. TAP Policy ................................................................................................................................................ 5
7. Accounting systems ................................................................................................................................. 6
8. Accounting policy ..................................................................................................................................... 7
9. Budgeting and budgetary systems .......................................................................................................... 7
9.1. Budgeting principles............................................................................................................................ 7
9.2. Budget allocation and reprogramming ............................................................................................... 8
10. Use of funds ............................................................................................................................................. 8
10.1. Eligibility .............................................................................................................................................. 8
10.2. Principle of value-for-money ........................................................................................................... 9
10.3. Sustainability ...................................................................................................................................... 9
11. Procurement ........................................................................................................................................... 9
12. Reporting ................................................................................................................................................ 10
12.1. Periodic financial reports .................................................................................................................. 10
12.2. Financial statements ........................................................................................................................ 10
12.3. Exchange rate ..................................................................................................................................... 11
13. Pooled funding ....................................................................................................................................... 11
14. External audit ............................................................................................................................................ 11
1. Introduction

This document provides guidance on financial management and audit requirements for Gavi Health Systems and Immunisation Strengthening (HSIS) support. The guidance is applicable with immediate effect for reporting periods commencing on or after 1 January 2017. Reporting of expenditures will henceforth be through the Gavi country portal. These requirements will be subject to review and further change over time.

Gavi’s guidelines on reporting and renewals in 2017 for all types of support are available at: www.gavi.org/support/renew/. Additional guidance on reporting and renewals is available on the country portal, accessed at: https://portal.gavi.org/.

For any questions on these guidelines please contact countryportal@gavi.org, your Gavi Senior Country Manager (SCM), or your Programme Finance focal point.

2. Key changes to financial management and audit requirements

- **New Gavi budget template** has been developed for all applications.
  Key points:
  - Gavi budget template is mandatory for all applications from 2017 onwards (except common funding mechanisms, if using different framework)
  - One cost framework developed

- **New reporting template and reporting guideline released** – see Annex 3.
  Key points:
  - Financial reporting should follow the country fiscal cycle
  - Reporting template format mandatory for grants starting 2017 onwards
  - Transitional provisions apply

- **New audit guideline** for use in the audit of Gavi grants.
  Key points:
  - Clarifies Gavi requirements to achieve improvement in quality and effectiveness of audit
  - Provides a standard Terms of Reference for auditor engagement
3. Financial reporting timetable (in line with fiscal cycle)

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<thead>
<tr>
<th></th>
<th>Periodic</th>
<th>Annual</th>
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</thead>
<tbody>
<tr>
<td>Periodic Financial</td>
<td>Default every 6 months, due 45 days after period end</td>
<td>Due 3 months after end of fiscal cycle</td>
</tr>
<tr>
<td>report*</td>
<td></td>
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<tr>
<td>Financial statements*</td>
<td>N/A</td>
<td>Due 3 months after end of fiscal cycle</td>
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<tr>
<td>Audit report</td>
<td>N/A</td>
<td>Due 6 months after end of fiscal cycle</td>
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*In most cases the two reports will be one and the same, unless otherwise required by local law, rules, regulation requesting a regulatory format for the financial statements.

4. Scope

In accordance with the IHP+ principles of national ownership, countries are encouraged to manage Gavi funds using their own country systems. However, Gavi retains a set of high level principles under which funds should be managed, known as the Transparency and Accountability Policy (TAP) available here: www.gavi.org/library/gavi-documents/policies/transparency-and-accountability-policy which has been in place since 2009 (amended in January 2014).

Gavi has also developed a number of additional operational level financial management guidelines presented in this document. These guidelines cover all forms of Health Systems and Immunisation Strengthening (HSIS) grants.¹

Countries should apply these guidelines with immediate effect for reporting periods commencing on or after 1 January 2017. Earlier uptake of the guidelines is encouraged. However, countries are not expected to make retroactive changes to current year budgets or significant immediate changes to financial management systems in response to these guidelines. In dialogue between the Gavi Secretariat and each country there should be a discussion around the level of compliance and challenges to achieve it. In any areas where a country is not compliant, a plan to reach full compliance should be discussed, planned and documented as agreed. For example, if the requirement to deliver an audit report within six (6) months of the period end cannot be met, a justification and concrete plan to achieve full compliance within an agreed timeframe may be acceptable.

¹ HSIS includes health system strengthening (HSS), performance payment, vaccine introduction grants (VIGs), operational support for campaigns, operational support for Human Papillomavirus Vaccine (HPV) demonstration projects, product and presentation switch grants, and transition grants. It is also relevant for reporting on closed funding windows including ISS, injection safety, and CSO type A and type B, CCEOP.
Where there is an inconsistency between these guidelines and country systems, Gavi will discuss with the country which approach should be adopted and articulate agreement in the Grant Management Requirements (GMR), which is part of the Partnership Framework Agreement (PFA).

5. Legal framework for financial management arrangements
The umbrella grant agreement for a country is the Partnership Framework Agreement (PFA). This governs the relationship between Gavi and the country and covers all HSIS grants. It provides the general terms and conditions which apply to all Gavi grants. Accompanying the PFA, when applicable, is a Grant Management Requirements (GMR) annex (Annex 6) which also applies to all HSIS grants. This sets out any country or grant specific requirements which may amend or clarify standard terms in the PFA. For example the PFA requires an annual external audit for every grant whereas the GMR may provide for a Gavi no-objection to the selected auditor. When a new proposal or renewal request for funding is approved, a Decision Letter provides an annual confirmation of the variable terms of each individual grant, such as grant length, budget and activities being funded.

After agreement on the GMR, continued disbursement to the country is dependent on, but not limited to, the following:

- Adhering to the principles of Gavi’s TAP and implementing and complying with the GMR provisions;
- Instigating suitable fiduciary discipline and procedures, through continuous budgetary ownership and accountability and maintaining an ongoing and regular review of expenditure against budget;
- Timely submission of interim and annual financial statements in line with the provisions of the PFA, as amended by the GMR;
- Ensuring annual external audits relating to Gavi grants are executed according to the provisions of the PFA as amended by the GMR; and
- Overall compliance with Gavi’s Terms and Conditions set out in the PFA.

6. TAP Policy
The TAP requires the country and implementing entities of all programmes financed by Gavi funds to maintain financial management systems acceptable to Gavi. A country or an entity’s financial management arrangements are considered acceptable to Gavi if its budgeting, financial management, accounting, internal controls, financial reporting and auditing arrangements adhere to the following:

- Are capable of correctly and completely recording all transactions and balances relating to the programme;
- Delegate authority and responsibility for budgetary ownership and project management;
- Instigate fiduciary discipline and accountability for expenditure against budget on an ongoing basis;
- Facilitate the preparation of regular, timely and reliable financial reports;
- Safeguard the programme’s assets; and
- Are subject to auditing arrangements acceptable to Gavi.

In countries where fiduciary assessments have revealed capacity concerns or heightened fiduciary risk, the country shall put in place alternative funding mechanisms and fiduciary arrangements (e.g. Alliance Partners, fiduciary agents, Programme Management Unit; the Alliance Partners being the default option). However, Gavi will aim to prioritise country systems where possible and encourage countries to build long term capacity, and in particular, established and disciplined financial and budgetary management capacity.

All countries or implementing entities that receive direct financial support from Gavi must undergo a Programme Capacity Assessment (PCA)\(^2\), tailored to the country circumstances. The PCA, conducted by an external contractor appointed by the Gavi Secretariat, will consider whether programme management and fiduciary processes and systems provide reasonable assurance that the grant resources will be used for intended purposes. A PCA will be conducted every three (3) to five (5) years. Additionally for grant renewals, a PCA may be undertaken if there is a significant change in the programmatic and/or financial management arrangements compared to the original grant.

### 7. Accounting systems

Funds will be managed according to agreed budgets in a transparent and accountable manner, with financial records and accounts meeting national requirements for budgeting, financial management, accounting, internal controls, reporting and auditing. Gavi funds should be incorporated in the national budget.

Minimum requirements for the accounting systems used to manage Gavi grants funds are not prescribed. However, reference to Gavi’s current assessment tools\(^3\) provides a good guide as to the basic expectations of the accounting systems to be deployed.

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\(^2\) *The Programme Capacity Assessment (PCA) was launched in 2016 and supersedes the previous Financial Management Assessment (FMA). The PCA provides a broader scope to include programme management as well as financial considerations.*

\(^3\) *The assessment tools may be made available on request.*
8. Accounting policy
Gavi grants are generally accounted for under the cash or modified cash accounting basis. The most common modification to cash accounting is that relating to advances to third parties, including between different levels of government. Gavi encourages countries to account for advances and expense them only when they are supported by proper reports of expenditures, so as not to overstate actual grant expenditures incurred. Advances should not be simply regarded as expenditure as soon as funds are disbursed. The balance of un-expensed funds should include both cash/bank balances and advances unaccounted for. Additionally a separation should be made between the two. Significant advances for procurement should also be treated as advances until the delivery of the goods and services.

9. Budgeting and budgetary systems
The country shall maintain budget management systems in accordance with the provisions of Gavi’s TAP for direct financial support.

9.1. Budgeting principles
- Gavi only supports health interventions which are directly or indirectly linked to immunisation outcomes;
- Budgets funded by Gavi should be reflected within national budgets;
- Unit costs should be based on existing national policies;
- The budget (through a narrative) should demonstrate a strong link between inputs, outputs and outcomes;
- The budget should be clearly presented with precise definitions and sources of data (qualitative and financial), plus well explained assumptions and costing methods;
- Budgets should be consistently presented and enable comparison of costs over time;
- Budgets should support Gavi’s sustainability objectives by demonstrating that any recurrent expenditures will be absorbed by domestic or other funding sources over time as the country moves towards transition;
- Budgets should reflect an appropriate balance between key priority areas as reflected in the funding proposal narrative;
- Budgets should include not only costs for programme activities, but also take into consideration any relevant income expected to be generated through activities and on
programme assets
d. Best estimates for anticipated miscellaneous revenues should also be reflected in the budget when requesting funding; and

- Gavi budgets are finalised in U.S. dollars.

A new Excel budget template has been developed by Gavi; it covers all HSIS grants. For any other cash grant type, guidance should be obtained from the Gavi Secretariat on which budget template to employ. The use of the Gavi budget templates is mandatory for all types of cash support.

9.2. Budget allocation and reprogramming
Gavi allows some flexibility in reallocating budgets. In the case of HSS grants, countries may currently reallocate (indicatively) up to 25% of the total grant amount or a maximum of US$10m, whichever is lower (presuming there is no change to grant objectives). Reallocations should be endorsed by the Coordination Forum, communicated to the Senior Country Manager (SCM), and reviewed by the Gavi High Level Review Panel (HLRP) during annual reporting. Budget changes above 25% of the total grant amount or US$10m, or changes to the objectives and strategic focus of the HSS grant will require completion of the Reprogramming Application form and will be reviewed by the Independent Review Committee (IRC). As part of the HSIS framework, residual funding from VIG, Ops costs, and product switch grants can be reallocated into HSS grants through an updated operational budget and work plan, and following the same approval and review process as HSS reallocation. Funding cannot be reallocated from HSS grants to other types of support. The operational steps to implement these principles are contained in Annex 3.

10. Use of funds
10.1. Eligibility
Cash disbursed to grantees must be used solely to fund Gavi’s programme activities and eligible expenditures in line with the activities and budget set out in the approved application, and as specified in the grant Decision Letter and Gavi budget. Gavi funds shall be subject to oversight by the in-country Coordination Forum (ICC/HSCC or equivalent).

Any ineligible expenditures charged to the grant must be repaid to Gavi. Ineligible expenditures are those expenses incurred which have been found to be not compliant with the signed grant agreement and/or the appropriate financial and procurement procedures of the implementer/grant.

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4 These include but are not limited to the following: income from interest-bearing bank accounts, exchange rate gains, revenue from the sales of health products, microloan interest and any other service fees planned to be received.
10.2. Principle of value-for-money
Gavi wishes countries to achieve as much ‘health-for-the-money’ as possible. Gavi funds should be used efficiently to achieve maximum value-for-money and, as such, Gavi adopts the principle that its funds should pay for the reasonable cost of an activity, but no more. If an amount is expended on an activity above such reasonable cost, Gavi would reserve the right to deem such expenditure ineligible for funding.

10.3. Sustainability
Gavi funds are designed to support countries over a period of time, but ultimately the country should transition away from Gavi funds and support itself. Therefore a consideration of Gavi support, as reflected in the requested budget mix, is the extent to which the funded activities are sustainable in the future.

Of particular interest is the extent of use of recurrent costs which may be less sustainable in the future. HSS grants may be used to support such costs (including human resource remuneration and transport costs) only when there is a clear justification, including a strong link to coverage and equity outcomes. Grants including recurrent costs shall include plans for the government to increasingly cover and sustain these costs as appropriate for the country context. Preparatory transition and Accelerated transition countries are discouraged from using HSS grants for recurrent costs.

Annex 1 includes a number of more detailed budget guidance notes.

11. Procurement
All procurement activities required for Gavi programmes and financed by Gavi shall be conducted in the most transparent, fair and efficient manner, and ensure value for money in accordance with the national procurement requirements, or any other procurement procedures agreed upon between Gavi and the recipient as reflected in the PFA.

In addition to the routine financial reporting required by Gavi, based on a risk assessment by Gavi Secretariat, countries may also be requested to report back against the procurement plans presented with the application.
12. Reporting

12.1. Periodic financial reports
Financial reporting should be aligned to the country's fiscal cycle. Countries receiving Gavi HSIS support shall prepare periodic financial reports for each grant, and which will be comparable with the agreed budget. The default requirement is a report every six (6) months. The expenditure statement within the financial report, if not in the exact same format, should agree or reconcile with the expenditure statement in the financial statements for the same period. The balance of income over expenditures cumulatively should be reconciled with the cash and advances balances and the reconciliation(s) shown in the report.

Financial reporting from 2016 onwards, takes place through the Gavi country portal. Financial reports are part of the reporting package in the country portal. Interim reports are required 45 days after the period end, annual reports three (3) months after the period end, and the annual audited financial statements six (6) months after the period end.

For further information on specific reporting requirements, as well as the re-budgeting cycle, refer to the guideline included as Annex 3.

12.2. Financial statements
The country shall provide grant-specific financial statements of Gavi support. In general each audit of the financial statements shall cover the period of one (1) government fiscal year of the country, commencing with the fiscal year in which the first payment was made under the Gavi support. When the grant starts in the middle of a country’s fiscal year, an audit to the current fiscal year end is only required if the implementation period exceeds six (6) months. Where the period is less than six (6) months, the first period of audit may be extended to include the following fiscal year’s results, giving a maximum period under the first audit of 18 months. The financial statements must include a statement of expenditure against approved budget which agrees in total with the expenditure statement in the financial report – in most cases the two will be one and the same.

5 The Gavi country portal is open to users for reporting and renewals and is open all year round, allowing countries to time the submission of financial reports, statements and audit reports to align with their fiscal cycles. More information on the country portal and how to access it can be found on the Gavi website.

6 If funds are being channelled through a pooled funding mechanism the Financial Statements would not be grant-specific as such – they would cover the broader workplan and budget being funded by the entire pool.

7 See Annex 3 – Guidance for financial reporting and annual re-budgeting.
12.3. Exchange rate
Gavi budgets are finalised in U.S. dollars and reporting is also required in U.S. dollars. As parts of grant expenditure are likely to be incurred in local currency, the grant could be exposed to significant currency risks.

Additional detailed guidelines are provided in Annex 3.

13. Pooled funding
Gavi accepts pooled funding in general, and understands that it represents a special case with specific considerations for budgeting, reporting and assurance. The financial pre-requisites for Gavi to accept pooled funding are:

- The budget being funded by the pool is comprehensive and, within it, the immunisation-related activities which Gavi would have funded separately in a discrete budget, are directly or at least indirectly identifiable;
- The reporting of expenditures against the budget provides a sufficient level of visibility that the budget has been followed, or reasons are provided as to any changed focus;
- The financial statements of the pool should clearly state the disbursements received from Gavi in the period; and
- The TAP policy and, as far as possible, all other requirements in terms of financial management and systems, apply regardless that the funding is being channelled through a pool. Any exceptions should be discussed with the Secretariat.

14. External audit
An annual external audit is required for each grant. The external audit for Gavi support to the country shall be performed by independent external auditors (Office of Auditor General or private auditing firms) with suitable qualifications and experience that are acceptable to Gavi and in line with the terms of reference provided by Gavi and agreed with the country\(^8\).

A standard audit terms of reference is provided in Annex 4 of these guidelines.

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\(^8\) See Annex 4 – External audit guidelines for Gavi cash support.
Annexes

Annex 1: Detailed budget guidelines
Annex 2: Budget review checklist
Annex 3: Guidance for financial reporting and annual re-budgeting
Annex 4: External Audit guidelines for Gavi cash support