Gavi risk policy operational framework

November 2014

1.1 The risk policy will be operationalised through the development of a comprehensive risk management approach which will include a range of mechanisms, organisational structures and tools embedded across the Secretariat in the areas of 1) risk governance, 2) operational risk processes and controls, 3) risk monitoring and reporting, and 4) mitigation strategies for key risks, as illustrated in figure 1 below.

1.2 While several of these structures and processes are already in place, for example the risk register, others will be developed over the coming months and years as Gavi continues to formalise its risk management approach based on this framework.

Figure 1. Gavi risk management approach

1.3 Risk governance: The Gavi Board provides leadership on risk management and is ultimately responsible for determining Gavi’s risk philosophy, including risk appetite; validating that the Secretariat has established effective risk management processes; being appraised of the most significant risks and whether Alliance partners are responding appropriately; and reviewing Gavi’s portfolio of risks and ensuring that these risks are within Gavi’s risk appetite. The Gavi Secretariat is responsible for leading discussions with partners to translate risk appetite, as endorsed by the Board, into appropriate strategies and processes. It promotes a risk-aware culture, implements risk management processes, and communicates risks to the Gavi Board in a timely fashion. Secretariat staff members
are responsible for identifying, assessing, and managing risks in their daily work and for escalating risk management to appropriate levels when needed. As part of the changes in risk management implemented in 2014, the Secretariat is convening a Risk Committee chaired by the CEO and comprised of senior leadership from across the organisation. This committee will meet regularly to review key risks, oversee risk management processes and controls and follow-up on agreed risk mitigation actions. Collectively, this group will also lead efforts to reinforce a culture of risk awareness in the Secretariat. It will be supported by the newly formed Risk function (see below) and include senior leaders from across the Secretariat.

1.4 Mitigation strategies for key risks. The Secretariat is putting in place a dedicated process around mitigation of key risks. The role of the Risk Committee is to review indicators showing the evolution of critical risks, discuss risk exposure in the context of risk appetite as articulated in the risk policy, and monitor the implementation of mitigation strategies. For example, current key risks identified include: vaccine supply shortages; vaccine wastage in country; non-compliance with co-financing requirements; country graduation; data quality; and misuse of ‘cash-based’ support.

1.5 Operational risk processes and controls. Risk management and controls are embedded in processes and functions throughout the Secretariat and all operational processes will have elements of risk control within them so that operational risk management occurs each day as a matter of routine. Alliance partners also play an important role in risk management. The Business Plan process facilitates reporting on goals and objectives and a dialogue on related risks. The Secretariat and partners are looking to continually strengthen this process. Well-defined relationships with partners are key for better risk management, especially with regard to country-level risks. Work is underway in 2015 to clarify and better define the roles and responsibilities of partners generally and specifically with regard to risk management.

1.6 Risk monitoring & reporting. In addition to on-going monitoring and reporting of risks by Gavi Secretariat staff and by Alliance partners (for example through the Joint Appraisal process) Gavi uses the Risk Register to identify, track and ensure that mitigation strategies are in place and being monitored for key risks on a regular basis. The identification and reporting of risks after mitigation (residual risk) is a key element in the risk management process so that management and the Board are aware of both initial and residual exposures that the organisation faces.

1.7 Risk and change management implementation plan. The Secretariat is proposing various changes to strengthen organisation-wide capacity to manage risk and to enhance capabilities for risk management across teams, particularly at the country level as detailed in the recent AFC paper endorsed for Board decision in December 2014. These changes can be summarised as follows:
Ensuring key functions are appropriately structured in line with best practice. The Secretariat is proposing to structure its risk management and fiduciary oversight functions using the three lines of defence model\(^1\) recommended by the Institute of Internal Auditors. The Secretariat has used this model to clarify and delineate roles and responsibilities between teams, ensure effective checks and balances are in place and ensure all key risk-related functions are appropriately managed.

Enhancing Gavi’s processes and capabilities to manage risk, especially fiduciary risk, including:

(a) Ensuring grant management processes are rigorous, appropriately codified, and mindful of risk, including fiduciary risk

(b) Ensuring all staff understand their responsibilities related to fiduciary risk and have the capabilities, systems and tools they require to manage risk

(c) Ensuring key functions are adequately resourced

1.8 The changes also include a proposal to institute a dedicated risk function that will be responsible for coordinating risk management processes and for implementation of the Risk Policy. The risk function will report to senior management on the effectiveness of risk management practices, ensure alignment with Gavi’s risk policy and facilitate discussions on risk appetite in line with the policy. In addition, the risk function will follow-up on agreed risk mitigation activities, facilitate cross-team collaboration on risk and foster a culture of risk awareness and risk-aware behaviours in line with principles articulated in the policy. This unit – to be situated in the Policy & Performance department – will also manage the Gavi Risk Register.

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\(^1\) The 1st line of defence is the controls within the core business. In Gavi’s case, this is the Country Programmes department who have responsibility for day-to-day management of Gavi’s grants, working with countries and partners. The 2nd line of defence includes a number of functions which both support the 1st line and provide checks and controls over it. Currently, the key 2nd line functions in Gavi include Programme Financial Assessment (PFA) team, the Monitoring and Evaluation (M&E) team, the Finance department, the Legal Team and the Operations team. The 3rd line of defence is Internal Audit, which independently assesses performance of both the first and 2nd lines. Importantly, the 3rd line has an independent reporting line to the Board – as well as senior management – to ensure its independence.