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Subject	<b>Report from Audit and Investigations</b>
Agenda item	<b>13</b>
Category	<b>For Information</b>

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## **Section A: Executive Summary**

### **Context**

The Managing Director, Audit and Investigations (A&I) is required, under A&I's Terms of Reference approved by the Board, to report to the Board at least annually and to confirm to the Board at least annually the organisational independence of A&I.

### **Questions this paper addresses**

- How has A&I fulfilled its Terms of Reference in 2023, to provide an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal control to the organisation's governing body and senior management?
- How does A&I plan to undertake its 2024 activity and are resources adequate?
- Does A&I report to a level within the organisation that allows the activity to fulfil its responsibilities? Can A&I confirm the necessary organisational independence?

### **Conclusions**

A&I has provided risk-based and objective assurance, advice and insight to the governing body and senior management and has assessed probity in 2023. A&I has continued the trend for executing more audits which began in 2022 in response to elevated and continuing risks and has geared up with increased resources to provide the accountability and counter-fraud services which would be reasonably expected in the context of Gavi 5.1 and moving towards Gavi 6.0. A&I has facilitated the Audit and Finance Committee in executing its responsibility to oversee, review and monitor the operation of the A&I function, in support of the Board's oversight responsibilities.

A&I has prepared, and the Audit and Finance Committee has approved, a work plan for 2024. The 2024 plan, which is resourced in the Secretariat budget, provides appropriate audit assurance over Gavi-funded activities in programme countries and over Secretariat activities, and appropriate investigative and counter-fraud services.

A&I reports to the Board, effecting this through routine reporting to the Audit and Finance Committee, and to the CEO, and this reporting arrangement allows the activity to fulfil its responsibilities. A&I confirms the necessary organisational independence.

## **Section B: Audit and Investigations Report**

### **1. 2023 Audit and Investigations activity**

- 1.1 A&I reports regularly to the Audit and Finance Committee (AFC) on the status of its workplan achievement and brings all significant issues arising from its work to the attention of the AFC. In this way A&I facilitates the AFC in executing its responsibility to oversee, review and monitor the operation of the A&I function, in support of the Board's oversight responsibilities.

#### ***Secretariat-focused audits (internal and thematic/cross-cutting audits)***

- 1.2 A&I's internal and thematic audit work brings recommendations for improvement in governance, risk management and control processes in the Secretariat. Key audit areas discussed with the AFC in 2023 included targeted country assistance under the Partners' Engagement Framework, IT project management, prevention of sexual exploitation, abuse and harassment, and grant applications development, review and approval. A&I regularly reports to the AFC on management's implementation of audit recommendations.

#### ***Country-focused audits (programme audits)***

- 1.3 A&I's programme audit work assesses whether Gavi support, including cash, vaccines and related supplies, have been used as intended to provide value for money, considering both financial and programmatic aspects. Programme audits bring recommendations to implementing governments for improvement in governance, risk management and control over their implementation of Gavi-funded programmes. In 2023, A&I began regular reporting to the AFC on governments' implementation of audit recommendations.
- 1.4 Many programme audits result in determinations of misuse and the need for reimbursement - which is a key principle in ensuring accountability and that Gavi can provide assurance on the proper use of donated resources. The final determination for reimbursement is made by the Country Programmes Delivery department in liaison with A&I, and it is they who manage the repayment process with the countries. The recovery rate against the schedule of reimbursement remains high at 92%. Gavi has determined that no waiver of committed repayments will be allowed, consistent with the principle that Gavi must be made whole on any identified misuse.
- 1.5 Since 2009, the total misuse identified through A&I's work is US\$ 45.2 million of which US\$ 39.3 million had been repaid as at the end of August 2023. Of the US\$ 5.9 million outstanding, US\$ 3.4 million is overdue, which Country Programmes Delivery is following up on. This analysis is routinely updated and presented in detail to the AFC. Following through on misuse ensures that accountability is maintained at country level; the Secretariat continues to insist on 100% recovery.

### ***Investigation and counter-fraud***

- 1.6 A&I's 2023 investigation/counter-fraud plan, approved by the AFC in October 2022, foresaw a gradual gearing-up of the function from a single person to a team of four by 2024, in order to be able to deliver the accountability and counter-fraud services which would be reasonably expected in the context of Gavi 5.1 and moving towards Gavi 6.0. In accordance with the plan, two Senior Manager investigators started work in September 2023. A further Senior Manager counter-fraud expert role will shortly be advertised.
- 1.7 A&I continued throughout the year to advise on or conduct investigative activity in the Secretariat and in implementing countries and to address outstanding issues from earlier investigations where needed.
- 1.8 Preventive counter-fraud work in 2023 included development of a structured methodology to identify and address fraud risks with an initial focus on in-country programmes and piloting of this in two countries. Furthermore, the function reviewed Gavi's suite of policies and procedures around ethics, investigations, disciplinary procedures, retaliation and other related areas, in support of Secretariat excellence.

### ***Whistleblower reporting***

- 1.9 The confidential whistleblowing reporting lines operate to receive reports from staff across the Gavi Alliance and third parties with relevant concerns. Any matters may be raised through the reporting facilities relating to financial or programmatic misuse, or other misconduct generally (including sexual exploitation, abuse and harassment). Reports received have been treated according to the Board-approved Whistleblowing Policy, and where appropriate in coordination with the oversight functions of Alliance partners. The AFC receives regular updates on reports received and the follow-through in both open and closed sessions depending on the sensitivity of the matter in hand.

### ***Gavi Alliance Audit and Investigations Terms of Reference***

- 1.10 Audit and Investigations' Terms of Reference, which set out the purpose, authority and responsibility of the A&I function, require a periodic assessment and were last updated by the Board, on the recommendation of the AFC, in December 2022. A&I has reviewed the Terms of Reference and concluded that they continue to be adequate to enable A&I to accomplish its objectives. This matter is on the AFC's agenda for 4 December 2023, with no proposed changes at this time.

## **2. Audit and Investigations Plan 2024**

- 2.1 The AFC approved the 2024 Audit and Investigations Plan at its October 2023 meeting.

### ***Audit plan***

- 2.2 The audit plan will provide assurance in response to elevated and continued risks in programme countries, through maintaining the current coverage of Gavi implementing countries via programme audits, and through audits addressed to the Gavi Secretariat with a strong programmatic focus and encompassing key Secretariat risks. COVAX and COVID-19 vaccine deployment is fully integrated throughout the audit plan.
- 2.3 The plan continues audit's strategic direction for 2023-2025 to consolidate and continue strengthening foundations and existing practices in the two audit functions; ensure the right audit capabilities; and further build the function to provide adequate audit services for management, AFC and the Board in view of Gavi's current and expected future risk profile.

### ***Investigations/counter-fraud plan***

- 2.4 The investigations and counter-fraud plan envisages appropriate investigative responses to allegations of fraud and misconduct in Gavi-supported programmes and within Gavi, and counter-fraud activities both in implementing countries and in the Secretariat.
- 2.5 The plan continues investigation/counter-fraud's strategic direction agreed in 2022 and started in 2023, to build and provide the accountability and counter-fraud services which would be reasonably expected in the context of Gavi 5.1 and moving towards Gavi 6.0.

### ***Resourcing the plan***

- 2.6 A&I has discussed the resources needed to implement the 2024 plan with the CEO and the AFC. The necessary resources are included in the Secretariat's 2024 budget.
- 2.7 In October 2022 the AFC reviewed A&I's strategy to 2025 and approved A&I's 2023 plan, foreseeing completion of the consolidation and strengthening of the audit and investigation/counter-fraud functions in 2024, with the necessary resources including three new audit roles and one new investigation/counter-fraud role in 2024.
- 2.8 Following an increase in 2021 and 2022 with the addition of COVAX resources, overall audit resources reduced in 2023, albeit to higher levels than before the pandemic, reflecting a post-pandemic right-sizing and consolidation and considering continued heightened risks. Audit resources in US\$ terms for 2024 are slightly below the level of the overall audit 2023 resources, stabilising the audit functions at the current right-resourcing given the risk profile. Within these resources, two of the three new audit roles foreseen will be filled in 2024. One of these two roles will be filled on a temporary basis and the third new audit role has been put on hold, with resources for expert consultants nevertheless enabling implementation of the 2024 plan.

2.9 Investigation and counter-fraud resources, following an increase in 2023, are being further enhanced and by 2024 the function will be fully resourced with the recruitment of the Senior Manager counter-fraud expert.

### **3. Independence**

3.1. The A&I Terms of Reference, and the Standards of the Institute of Internal Auditors, require the Managing Director, A&I to confirm A&I's organisational independence at least annually to the Board. A&I reports to the Board, effecting this through routine reporting to the Audit and Finance Committee, and to the CEO. Having considered the operation of A&I in practice and its reporting structures, I conclude that the reporting arrangement allows the activity to fulfil its responsibilities and I confirm to the Board the organisational independence of the A&I function.

#### **Additional reference materials online:**

[Gavi Alliance Audit and Investigations website](#)