

# INTERNAL AUDIT REPORT

Review of Actions - SAP Optimisation Project & Segregation of Duties  
June 2022



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## Conclusion

Our audit procedures were designed to provide assurance to management and the Gavi Board on the assessment and evaluation of the controls related to segregation of duties (SoDs) in the system and the status of issues identified in the Kroll Associates review and SAP Optimisation project.

Gavi started using SAP S4/ Hana in October 2019.

One year after Go-live, management embarked on the SAP optimisation project to drive more value out of the new system and associated end to end processes, and to further stabilize and improve and enhance organisational efficiency and effectiveness.

In addition, in the context of the new organizational structure and management in the Finance department and the implementation of SAP S4/HANA, Gavi requested Kroll Associates to review financial controls in place within the organisation and formulate recommendations aimed at remediating potential process and control weaknesses.

Through our audit procedures, we have confirmed that the issues raised, and recommendations provided in the SAP Optimisation project and the Kroll Associates internal control review are well understood and being effectively implemented to mitigate associated risks. Some medium risk rated action items which are still in progress and /or pending are summarised below.

### Summary of Key Audit Issues

Ref	Description	Rating*
<b>1.1</b>	<b>Descoped and “Parked” recommended actions arising from the SAP Optimisation project and other initiatives</b>	
	Consider implementing key recommended actions relating to SoD, Data ownership and those with moderate to high impact arising from the SAP Optimisation Project and other initiatives.	
<b>1.2</b>	<b>Risks associated with the inadequate Segregation of Duties in the system</b>	
	Finalise the SoDs review process to address the risks associated with the SoD conflicts in the system.	
<b>1.3</b>	<b>Controls related to Delegation of approval in SAP and the Vendor Master file</b>	
	Implement the recommendations related to delegation of approval in SAP and the vendor master file.	

\* The audit ratings attributed to each section of this report, the level of risk assigned to each audit finding and the level of priority for each recommendation, are defined in annex 2 of this report.

## 1 Background

Gavi started using SAP S4/ Hana in October 2019. SAP S4/HANA is a major strategic investment in significantly improving Gavi's financial management, thereby improving Gavi's effective management of portfolio support to countries and streamlining current processes and ways of working. Some of the objectives and key success criteria of the SAP S4/HANA are decrease in the time to execute finance processes, decrease in the number of manual interventions, enhanced system performance, reduction in the monthly and year end close time, and reduced risk and exposure. Some of the benefits which were expected to accrue to the organisation six months following implementation of the project were better decision making, decreased operating costs, integrating budget approval for PRs by embedding the budget in the process, removing need to keep separate records and reconciliation processes, mobile capabilities, and more valuable and accurate analysis and reporting.

It was against this backdrop that management embarked on the SAP optimisation project in September 2020 to drive more value out of the new system and associated end to end processes, to further stabilize and improve and enhance organisational efficiency and effectiveness.

In addition, in the context of the new organizational structure and management in the Finance department and the implementation of SAP S4/HANA, Gavi requested Kroll Associates to review financial controls in place within the organisation and formulate recommendations aimed at remediating potential process and control weaknesses. This was a follow-up assignment of the targeted review of controls pertaining to the purchase-to-pay and expense claims processes undertaken in 2018 (project Corentin) which focused on financial controls in the financial accounting and cash cycles.

### 1. Objectives and Scope

#### 3.1 Audit Objective

The objective of the audit was to assess and evaluate the controls related to segregation of duties (SoDs) in the system and the status of issues identified in the Kroll Associates review and SAP Optimisation project.

#### 3.2 Audit Scope and Approach

The audit focused on the segregation of duties (SoDs) in the SAP system and the status of issues identified in the Kroll Associates review and SAP Optimisation project.

The following key areas were covered in the audit:

- Status of issues which were to be remediated through the SAP Optimisation project.
- Data and process ownership definition and mapping for user access.
- Segregation of duties (SoD) and alignment to Gavi's Delegation of Authority policy; and
- Status of Application controls issues which were identified by Kroll associates and through the SAP Optimisation project.

We will continue to work with 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.

Head, Internal Audit

## Annexes

### Annexe 1 – Methodology

Gavi’s Audit and Investigations (A&I) audits are conducted in accordance with the Institute of Internal Auditors’ (“the Institute”) mandatory guidance which includes the definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of 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’ Practice Advisories, Practice Guides, and Position Papers are also adhered to as applicable to guide operations. In addition, A&I staff adhere to A&I’s standard operating procedures manual.

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

In general, the scope of A&I’s work extends not only to the 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.

### Annexe 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>	At least one instance of the criteria described below is applicable to the finding raised: <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>• Management attention is required as a matter of priority.</li> <li>• Fraud and unethical behaviour including management override of key controls.</li> </ul>
<b>Medium</b>	At least one instance of the criteria described below is applicable to the finding raised: <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> <li>• Management action is required within a reasonable time period.</li> </ul>
<b>Low</b>	At least one instance of the criteria described below is applicable to the finding raised: <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> <li>• Corrective action is required as appropriate.</li> </ul>