Memorandum on Kenya Programme Audit report

The attached Gavi Audit and Investigations report sets out the conclusions on the recently concluded programme audit of the Kenyan Expanded Programme of Immunisation (KEPI). The audit was conducted between September 2015 and March 2016 and covered programme activity in the period 1 July 2009 to 30 June 2015.

The report Executive Summary (pages 2 to 4) sets out the key conclusions (the details of which are set out in the body of the report):

1. There is an overall rating of Partially Satisfactory (page 2) which means that "Internal controls, financial and budgetary management processes were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entity".
2. 17 issues were identified, mainly caused by non-compliance with the Government of Kenya's own guidelines as well as Gavi's Transparency and Accountability Policy (page 2).
3. Key issues were identified in the following areas (page 3): vaccine supply management; budgeting and financial management; expenditure and disbursements; and procurement.
4. Key findings were that:
    a) There were questioned expenditures (relating to unsupported or inadequately supported expenditure) of US$1.6 million (table 3.1 page 3).
    b) There were balances held of Gavi funds not utilised and not reprogrammed of US$0.25 million (table 3.2 page 4).
    c) There were 0.73 million doses of pneumococcal vaccine not accounted for (table 3.3 page 4).

The results of the programme audit have been discussed and agreed with the Kenyan Ministry of Health and they have agreed to remediate the identified issues. Specifically, in a letter of 14 June 2016, they have agreed that:

- The questioned expenditures will be reimbursed (4a) above).
- The unused programme funds held at the National Treasury will be repaid (4b) above).
- The National Vaccines and Immunisation Programme was able to reconcile and account for the unaccounted for 0.73 million doses of pneumococcal vaccine (4c) above).

In addition, the Ministry of Health indicated that there had been improvements to certain of the stock management weaknesses identified in the audit.

Gavi will follow through with the Ministry of Health to agree the timing of the committed reimbursements, to validate the reconciliation undertaken, and to review the improvements made to assess whether they are responsive to the issues identified in the audit

KENYA

GAVI Secretariat, Geneva, Switzerland

Final Audit Report – 02 May 2016

Table of Contents

1. Executive Summary 2
2. Objectives and Scope of the Audit 5
3. Background 5
3.1. Introduction 5
3.2. Good Practices 6
3.3. Key challenges 6
4. Detailed findings 7
4.1. Vaccine Supply Management 7
4.1.1 Records for Vaccine stocks not properly maintained 7
4.1.2 Vaccine stores not well managed 9
4.2. Budgeting and Financial Management 12
4.2.1 Commingled funds and unutilised balances 12
4.2.2 Non-compliant budget execution and monitoring 14
4.2.3 Financial reporting and audit requirements not met. 15
4.3. Expenditure and Disbursements 16
4.3.1. Reported expenditure not fully supported 16
4.3.2. Accounting records not properly maintained 17
4.3.3. Imprests not fully retired 18
4.3.4 Salary payments not in accordance with national regulations 19
4.4. Procurement 20
4.4.1 Lack of procurement planning 21
4.4.2 Procurement supporting documents not available 22
4.4.3 Tendering non transparent, non-compliance with the national procurement act 23
4.4.4 Bid documents were not credible 25
4.4.5 Contracts awarded to bidders that did not meet evaluation criteria 27
4.4.6 Insufficient evidence that items procured were delivered to the end users 28
4.4.7 Fixed assets register not maintained 31
4.4.8 Other irregularities in procurement records 31
Annex 1 – Transactions for which supporting documents were not on file 33
Annex 2 – Table References 36
Annex 3 – Definitions of Ratings and Recommendation Priorities 37
Annex 4 – Classification of expenditure 38
Annex 5 – Audit Procedures and Reporting 39

1. Executive Summary

Between September 2015 and March 2016, the Audit and Investigations team (the Audit team) conducted a programme audit of Gavi funding that contributed towards the Government of Kenya's Expanded Programme of Immunisation (KEPI).

The audit covered the Kenya Ministry of Health management of Immunisation Services Support (ISS) and Health Systems Strengthening (HSS) funds during the period from 1 July 2009 to 31 June 2015. During the four year period reviewed, the overall Gavi-related expenditure reported by the country totalled KSHS 459,455,586 (USD 5,427,902).

The table below shows a summary of expenditure reported as well as amounts reviewed for the period covered by the audit (i.e. 1 July 2009 to 31 June 2015). The Programme Audit achieved a total overall coverage of 61% of the expenditure reported, as follows:

Table 1: Summary of expenditure reviewed during the audit

Programme	Amounts disbursed (USD)	Expenditure (USD)[1]	Expenditure Reviewed (USD)
Immunisation Services Support (ISS) & Vaccine Introduction Grants (VIGs)	443,500	433,621	334,695
Health Systems Strengthening (HSS)	4,072,000	4,994,281 [2]	2,952,079
Total	**4,515,500**	**5,427,902**	**3,286,774**

Audit rating

The Audit team assessed the Kenya Ministry of Health (MoH) management of Gavi funds as **partially satisfactory**, which means that "internal controls, financial and budgetary management processes were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entity". The table below summarises ratings for each of the categories reviewed:

Table 2: Summary of audit rating by programme audit classification:

Category	Audit Rating
Vaccine Supply Management	Partially satisfactory
Budgeting and Financial Management	Partially satisfactory
Expenditure and disbursements	Unsatisfactory
Procurement	Unsatisfactory
Overall rating	**Partially satisfactory**

Key issues

The programme audit raised 17 issues, which were mainly caused by non-compliance with the Government of Kenya's own guidelines as well as Gavi's Transparency and Accountability Policy (TAP). The risk rating for the various issues is summarised in Annex 3.

[1] Expenditure incurred in Kenya Shillings is translated at average rate of 1 USD to 84.647 Shillings (between 1 July 2009 and 31 June 2015).
[2] Expenses reported in the period were funded by cash balances held at 30 June 20090 as well as disbursements from Gavi to Kenya after 1 July 2009.

To address these issues, the Audit team made 20 recommendations, of which 8 (or 40%) were rated as of critical priority, which means that "action is required to ensure that the programme is not exposed to significant or material incidents. Failure to take action could potentially result in major consequences, affecting the programme's overall activities and output."

Among the high priority issues noted in this report, the most significant ones are presented below:

Vaccine Supply Management	Stock records at the central vaccine warehouse were not kept up to date, with the last recording made four months prior to the audit. These records were adjusted without support documentation and inaccuracies were not investigated. Stock issuance at all stores visited did not follow "first expiry first out" principle as inventory records were not kept by expiry date and/or batch number. (Refer to issues 4.1.1 and 4.1.2).
Budgeting and Financial Management	The ISS programme was not recorded in the Government of Kenya's printed estimates (i.e. the national budget) or subjected to established budget monitoring and financial management procedures. The HSS programme was part of Government printed estimates, however it too was outside of the Ministry of Health's budget monitoring and financial control procedures. Disbursements to districts were not tracked to ensure full accountability (Refer to issues 4.2.1 and 4.2.2).
Expenditure and disbursements	The Ministry of Health was unable to provide supporting documentation for USD 631,943 (being total for HSS USD 596,389 and ISS USD 35,554) expenditure reported between 2009 and 2013. National accounting guidelines on the use of cash books, bank reconciliations and advances ledgers were not consistently followed. (Refer to Issues 4.3.1, 4.3.2 and 4.3.3).
Procurement	There were inconsistencies and incomplete information with respect to procurement processes and transactions associated. The Ministry of Health did not provide complete documentation for the procurement of KSH 97,234,030 (USD 972,340) goods and services. Further, tender documents and proof of delivery for items procured under the HSS programme was incomplete. (Refer to issue 4.4.2, 4.4.3, and 4.4.4).

The table below summarises amounts questioned by the Audit team because adequate documentation accounting for how the funds were used was not on file:

Table 3.1: Summary of questioned amounts:

Category	Amount (US$)	Report Reference
Unsupported expenditure – HSS grant	596,389	4.3.1
Unsupported expenditure – ISS grant	35,554	4.3.1
Inadequately supported expenditure (procurement)	972,340	4.4
Total	**1,604,283**	

Table 3.2: Balances remaining in Kenya at end programmes:

Category	Amount (US$)	Report Reference
Balance on Vaccine Introduction Grant for Pneumococcal	193,000	4.2.1
Balance on HSS grant	61,748	4.2.1
Gavi fund balances still held in Kenya	**254,748**	

Table 3.3: Vaccine stocks not accounted for:

Category	Doses	Report Reference
Pneumococcal vaccine unaccounted for	**735,400**	4.1.1

2. Objectives and Scope of the Audit

Objectives

In line with the Programme legal agreements and Gavi's Transparency and Accountability Policy, the main objective of a Programme Audit is to ensure that the funds are spent in accordance with the agreed terms and conditions and that resources are used for the intended purposes.

In addition, the Programme Audit also assessed the adequacy of the control processes regarding the reliability and integrity of financial, managerial and operational information, the effectiveness of operations, the safeguard of assets, and compliance with respective national policies and procedures.

Scope

The scope of review under this Programme Audit was the period 1 January 2008 until 30 June 2015[3], and covered income received, expenditures incurred, procurement activities as well as vaccine supply management at national, provincial and district level. In respect of the time passed since some of the earlier transactions, greater emphasis was placed on the period 1 July 2009 and thereafter. The review was performed at central level and included visits to the Meru and Kisumu Provinces.

The table below illustrates Gavi's cash disbursements to the Government of Kenya over the past 15 years.

Table 4: Gavi total disbursements (non-vaccine support) to MOH

Grant type	Year disbursed in USD					
	2001 - 2007	2008	2009	2010	2011-2015	Total
HSS		5,831,000	0	4,072,000	0	9,903,000
ISS	4,217,180		0		0	4,217,180
Vaccine Introduction Grant	100,000		0	443,500	0	543,500
Total disbursed	**4,317,180**	**5,831,000**	**0**	**4,515,500**	**0**	**14,663,680**

3. Background

3.1. Introduction

Since 2013, the Kenya constitution has devolved political power and governance to two levels of government, National and 47 newly created and semi-independent counties that are led by elected Governors and 1,450 ward representatives with clearly defined functions. Health including Immunisation service delivery is a devolved function with national government procuring vaccines and providing oversight for standards and quality through legal and policy development and enforcement. The EPI programme is currently supported technically and financially by a number of partners, including WHO, UNICEF, CHAI, and USAID/JSI/MCSP, as well as Gavi.

Gavi provides significant financial and in-kind vaccine support to the immunisation program. At 30 September 2015, Kenya had received USD 391,807,902 of support of which cash grants totalling USD 26,178,992[4] was to cover the operational costs for a Measles-Rubella campaign, and support the introduction of new vaccines: Pentavalent, Yellow Fever, Pneumococcal conjugate vaccine (PCV),

[3] Expenses incurred from Gavi funding to Kenya's Ministry of Health were reported up to the financial year-end 30 June 2013
4 USD 11,515,312 through partners and USD 14,663,680 directly to Ministry of Health.

Rotavirus and Injectable Polio Vaccine (IPV), and the Human Papilloma Virus (HPV) demonstration project. Since 2011, these funds have been managed by UNICEF.

3.2. Good Practices

A number of good practices were noted with regards to the environment within which the Kenya Expanded Programme on Immunisation (KEPI) is implemented:

- An Integrated Financial Management Information System (IFMIS) had been introduced over the last two years to strengthen commitment control;
- Several legislative instruments provide a framework for financial management and fiscal oversight, including: Public Finance Management Act 2012; the Fiscal Management Act 2009, and Public Procurement and Disposal Act (2005);
- The Constitution provides for two independent appointments: the Auditor-General (Article 229) and a new post, the Controller of Budget (Article 228), both of whose appointments are approved by the National Assembly to whom they will report; and
- With support from several donors (e.g. KFW, UNICEF and CHAI) KEPI had procured cold chain equipment which enabled the country to ensure adequate cold chain capacity in 290 sub-county (then district) stores, equip several HFs with refrigerators for expansion of immunisation services and rollout of continuous temperature monitoring devices in all immunising health facilities

3.3. Key challenges

Following devolution of health services to the counties, in financial year 2013/ 2014 funds for vaccine procurement (including Gavi co-financing) were devolved to counties which did not yet have capacity for vaccines procurement. This resulted in the country delaying settlement of Gavi co-financing requirement in 2013. In 2014, the funds for co-financing were kept at national level, but were used to instead pay for traditional vaccines, so again the country defaulted on its co-financing payment. The country also delayed in meeting MOH/UNICEF Vaccine Independent Initiative agreement. Annual Work Plans developed by most county teams are not adequately funded due to diminished prioritisation of immunisation by county governments.

There have also been several operational challenges in maintaining adequate supplies across the supply chain, in part due to a lack of clarity on roles and responsibilities at the Central and County Government level.

4. Detailed findings

4.1. Vaccine Supply Management

	Audit Rating
Guidelines for vaccine management were in place, however provisions for warehouse management, and stock recording were not followed. Stock records at the central vaccine warehouse were not kept up to date. The records were adjusted without support documentation and inaccuracies were not investigated. Stock issuance at all three stores visited did not follow 'first expiry first out' principle as inventory records were not kept by expiry date and/or batch number.	**Partially Satisfactory**

4.1.1 Records for Vaccine stocks not properly maintained

As per the KEPI Vaccine Management Guidelines of 01 February 2002, all movements of vaccines transactions should be recorded in the Vaccine Stock Ledgers, and each and every transaction should be entered in a separate row so that the running balance at the end of the transaction will be known and documented. Furthermore, a vaccine destruction form should be filled for every batch and lot of vaccine to be discarded.

The Audit team reviewed the stock records of the Central Depot in Nairobi, the Regional Depots in Kisumu and Meru, and observed significant shortcomings in record keeping. When reviewed by the audit team, stock records (vaccine transactions and balances) in the Vaccine Stock Ledgers and the web-based Stock Management Tool were incomplete and inaccurate. In addition, the following internal control shortcomings were observed:

- There were significant delays in transcribing vaccine movements from the vouchers (issuances and receipts). For example, as of 04 September 2015, the "real time" manual records at the Central Depot had not been updated for three months since June 2015. As a consequence, there was no systematic sequential recording of the movements. In addition, the subsequent retrospective updating of these ledgers in September 2015 resulted in inaccurate stock balances and some negative stock balances occurred (which in practice is physically impossible) due to errors;
- There was no process to reconcile the Vaccine Stock Ledger (which maintained a "real time" balance) with the web-based Stock Management Tool (which was updated based on the respective ledger entries). There were large variances between both records of 15-20% of some vaccine balances, and it was concluded that neither set of records was accurate.
- In general, the Central Depot issuance notes were mainly signed by the storekeeper with no evidence that the vaccines have been received and quantities checked at the reception point or by the transporter;
- There were several unsupported stock transactions: (a) Vaccines disposals: the Central Depot was unable to retrieve disposal documentation from 2012 and before. It was self-reported that 104,400 doses of Pentavalent were disposed of in January 2015 due to close vial expiry, however respective documentation on this disposal was not maintained on file; (b) Vaccine issuances: the Central Depot was not able to provide any issuance notes prior to 2015;

- The vaccine physical stock counts were not documented. The quantities counted were recorded in the Stock Ledgers replacing the running balance without supporting documentation. Though on several occasions inventories identified significant discrepancies, there was no documented follow up, explanation, approval or report thereon. The Audit team's review of the Pentavalent and PCV10 Stock Ledgers at the Central Depot showed that for the period November 2013 to September 2015, 735,400 doses of PCV10 were written out of the respective ledgers and 427,850 doses of additional Pentavalent were written into the ledger without any basis. Refer to annex 2, Tables 15 and 16 for details.

Cause

- Insufficiently detailed procedures for stock recording and reporting, inadequate oversight procedures, supervision and a general lack of awareness of existing procedure and rules to follow.
- Human error – the staff may not have sufficient discipline and technical knowledge in record keeping.
- Very limited staff presence in stores.

Risks/ Effects

A failure to implement robust procedures for recording and keeping track of movements resulted in incorrect vaccine balances. Without reliable vaccine balances, the Ministry of Health is not in position to reliably forecast vaccine requirements which may impact on procurement planning.

Recommendation 1 (Critical)

The MOH should provide additional appropriately qualified staff at the central Vaccine Warehouse. Staff should be provided Standards Operating Procedures (SOPs) with clear roles and responsibility. A senior staff of KEPI should be responsible for monitoring compliance to the SOPs.

Management comments

Agree with the recommendation. The Head, National Vaccine and Immunisation Programme is responsible for these actions:

- *The ministry has already started the process of identifying appropriate staff to manage the national and all the nine regional depots, to be completed by June 2016.*
- *Staffs to be provided with standard operating procedures with clear roles and responsibilities by March 2016.*
- *To strengthen forecasting, training for all county logisticians started in February and expected to be completed by 31 March 2016.*

Recommendation 2 (Essential)

- Ministry of Health should implement its plan to further upgrade and disseminate the Stock Management Tool so as to make it fully functional at central and regional level. There should be a process to ensure that the tool correctly reflects transactions recorded in the Vaccine Stock Ledgers and that both sets of records are regularly reconciled.
- The KEPI team should urgently investigate the unexplained difference of PCV10 stock which is missing from the Central Depot. It should also prepare and provide a summary of all of the receipts of PCV10 at the regional level, and reconcile this to each and every issuance from the

Central Depot, to determine if the missing stock at national level is simply a recording error, or whether some other cause is due to the missing stock.

Management comments

It is true the Ministry of Health should implement its plan to further upgrade and disseminate the Stock Management Tool so as to make it fully functional at central and regional level. The Ministry of Health is in the process of expanding the use of stock management tool to cover not only the regional level but also all the counties and sub counties. This process, which is a rapid result initiative by the Ministry targeting to cover all counties, started in February and expected to be completed by 30 June 2016. The Head, National Vaccine and Immunisation Programme is responsible for implementation.

The variance of PCV10 arose due to poor recording which is being addressed by the Logistician, National Vaccine and Immunisation Programme. The reconciliation is to be completed by 30 May 2016.

4.1.2 Vaccine stores not well managed

According to the KEPI Vaccine Management Guidelines of February 1st, 2002, vaccines at all levels should be managed in such a manner as to ensure accountability, minimise wastage and reduce the incidences of overstocking or understocking. Furthermore, in accordance with the Partnership Framework Agreement signed with Gavi on 24 November 2014, the Government shall maintain all risk property insurance on vaccines and vaccine related supplies.

During its visit of the Central Depot in Nairobi, the Regional Depots in Kisumu and Meru, and various health facilities in the counties of Kisumu and Meru, the Audit team observed various non-compliance with the KEPI Vaccine Management Guidelines or vaccine management best practices:

- There is no evidence that the "First Expired, First Out" principle is applied systematically at all levels. There is no formalised and documented system to track current stock balances per expiry dates and/or batch numbers. Furthermore, at the Central Depot, the expiry dates and batch numbers at issuance of vaccines are not recorded, and in all visited depots there is no stock card on the fridges with balances of vaccines per expiry dates and/or batch numbers that would assure the oldest vaccines would be issued first;
- At the Regional Depot level, there is no minimum stock level defined (as per Guidelines) or applied in practice; this led to various stock-outs in Kisumu Regional Depot where health facilities were not provided with required vaccines when coming to the Depot to get supplied (see list below):

Table 5: Stock-outs documented at Kisumu Regional depot

Vaccine	Stock-out period
Measles	In November 2014
Measles	From 5 May to 3 July 2015
Rotavirus	From 28 August 2014 to 16 January 2015
BCG	From 20 November 2014 to 16 January 2015
BCG	From September to December 2012*
PCV	From October to 5 December 2012
PCV	From 2 to 16 August 2012

**a BCG stock-out was mentioned in APR 2012*

- The cold room temperature in Kisumu Regional Depot, was not monitored from September 24 to 28, as per Guidelines which specify should be twice daily. No other gaps in monitoring temperature were noted from the Audit team's sample visits to two other cold room sites.
- At the Central and Kisumu Depots, instead of the use of shelves to allow proper air circulation, vaccines boxes were stacked in multiple layers up to 6 foot high.
- Vaccine stocks were not insured at National and regional level for protection against potential losses such as fire or theft.
- Finally, the storekeepers were not consistently aware of the contents of the Vaccine Management Guidelines and none of three individuals interviewed were able to provide the guidelines on request.

Causes

The KEPI Vaccine Management Guidelines issued in 2002 and are dated and did not seem commensurate with the responsibility and value of the vaccines under management. The Effective Vaccine Management (EVM) Assessment conducted in Kenya in November 2013 reported the need to update the vaccine management guidelines and standard operating procedures as a key recommendation.

Risks/ Effects

A failure to adhere to good practices in storing and managing vaccine raises the risk of wastage due to expiration or improper storage.

In the absence of insurance, accidents and disasters would result in significant financial loss. In meetings with the Ministry of Health it was mentioned that the Government of Kenya self-insures all its assets, however no documentation was provided. The vaccines provided by Gavi to Kenya still remain without insurance cover.

Recommendation 3 (Critical)

The Ministry of Health should obtain insurance cover for vaccine inventory held at all major warehouses against theft and fire.

Management comments

We agree with the recommendation and wish to clarify that all Government of Kenya Assets are self-insured by the Government.

The Central Vaccine Depot in Kitengela currently has 24 hour armed security supplied by Kenya National Police Service. Responsibility for implementing this action lies with the Head, National Vaccine and Immunisation Programme (NVIP).

Recommendation 4 (Essential)

The Ministry of Health should review and update its stock accounting procedures as part of the KEPI Vaccine Management Guidelines also as contained in the EVM Improvement Plan. The revised Guidelines or procedures should have clear roles and responsibilities in the management and

recording of stock at central, provincial and district levels. In respect of the fact that vaccines are a time and temperature sensitive product, the following aspects should be clarified:

- Roles and responsibilities for the vaccine supply chain management since the devolution;
- The physical stock take procedures including oversight by senior officers; follow up and documentation of discrepancies, and write-offs and write-ups authorised at the appropriate level of management;
- Recording of vaccine issuances to be supported by the issuance notes and the confirmation from the reception point that vaccines actually arrived and quantities are accurate; and
- Filing system to be standardised and strictly complied with to ensure completeness and accuracy of the documentation.
- Review of the process for receiving vaccines at central level and distribution to all subnational levels so as to minimise the impact of stock-outs by defining suitable stock buffers, minimum reorder levels;
- Tracking of vaccine expiry dates through a system that record expiry dates and batch numbers at reception and issuance of vaccines to and from Central, Regional and County levels;
- Applying the “First expired, First Out” principle, with only exceptions for vaccines with adverse indicators on their Vaccine Vial Monitor ; and
- Comprehensive guidance on the safe storage of vaccines – for example vaccine vial monitor checks, temperature control guidelines and the use of shelving.;
- Responsibility for oversight, supervision and monitoring compliance to the guidelines

Management comments

The Head, National Vaccine and Immunisation Programme (NVIP) is responsible for implementing the following actions by 30 June 2016:

- *Review and update Standard Operating Procedures (SoPs) for vaccine management.*
- *Update vaccine management guidelines to align them with the new stock management process that is web based. Staff are currently undergoing training on the web based Stock Management Tool.*

4.2. Budgeting and Financial Management

	Audit Rating
The ISS programme was not recorded in the Government of Kenya's printed estimates or subjected to the established budget monitoring and financial management procedures. In contrast, although the HSS programme was part of national printed estimates, its financial management was outside of the Ministry of Health budget monitoring and financial control procedures. Disbursements to districts were not tracked to ensure full accountability	**Partially Satisfactory**

It has been approximately five years since Gavi last transferred additional programme funding to Kenya's immunisation programmes directly through Government of Kenya (GOK) – since then it has funded other cash-based programming (vaccine introduction grants, MR campaign operational costs and HPV cash grants) but via UNICEF.

As at September 2015, the audit team noted that:

- Out of an approved ceiling of USD 6,420,320, USD 2,203,140 (34%) was not disbursed against the ISS programme because the Ministry of Health failed to meet Gavi's requirements, including providing audited financial statements on past expenditures;
- Whereas the country submitted HSS applications to Gavi in 2013 and 2014, these applications were not successful as the Country did not respond to Independent Review Committee (IRC) queries quickly and satisfactorily; and
- While the EPI Manager actively assumed a coordination role, overall involvement for senior responsible individuals on the programme was less evident in respect to oversight, including the budgeting process, performance and monitoring of activities, and ensuring the accuracy and completeness of financial reporting.

Going forward, should Gavi funding to the government resume, such programmes should receive both a commensurate level of prominence and active engagement from senior management.

4.2.1 Commingled funds and unutilised balances

On 14 Sept 2000, the MoH requested permission to receive its ISS grant funding directly in a commercial bank account in the name of "MoH – KEPI" instead of through National Treasury. KEPI explained that at the time of the request, it was concerned that because the National Budget included a single budget envelope for donor funds, the lack of traceability via Treasury might lead to the ISS funds not being used according to agreement. The commercial bank account comingled donors' funds from several sources, all of which were associated with immunisation activities.

During the period 2002 to 2010 three Vaccine Introduction Grants (VIG) were paid into the same bank account, as follows:

Table 6: Vaccine introduction grants transferred by Gavi to Kenya.

Grant type	Purpose	Funds received (USD)	Date Gavi disbursed:
VIG	Pentavalent	50,000	11 Feb 2002
VIG	Yellow Fever	50,000	11 Feb 2002
VIG	Pneumococcal	443,500	04 Aug 2010
Total:		**543,500**	

Not all of the VIG funds were spent and the Audit team was informed that USD 193,000 of the Pneumococcal grant, was not yet disbursed from Treasury with the funds never being credited to the EPI programme's bank account. Further, as at Q2 2015, there was an unspent balance of USD 61,748 remaining from the HSS programme at bank.

On two occasions, Gavi funds were lent to other donor funded programmes at the MOH's behest, to cover a shortfall in liquidity, as follows:

- In May 2009, the Ministry of Public Health and Sanitation borrowed KSH 7,643,200 from KEPI funds to pre-finance Emergency Polio Campaign activities funded by UNICEF (and WHO), in anticipation of outstanding funding due from UNICEF Kenya, that was repaid two weeks later; and
- In September 2009, the Division of Vaccines and Immunisation borrowed KSH 2,810,250 from KEPI funds to pre-finance National Measles Vaccination Campaign activities funded by WHO Kenya. The loan from KEPI funds was only paid back three years later in August 2012.

There was no evidence on file indicating that Gavi ever gave its consent for KEPI to borrow Gavi funds to pre-finance other programmes' activities.

Further, the cash book for the commercial bank account failed to separately identify and track the source and use of the various donors' funds, instead all of the comingled funds were effectively treated as the same.

Cause

To expedite programmatic priorities and overcome cash-flow shortfalls of non-Gavi activities, fiduciary responsibility for Gavi funds were disregarded. The primary records did not transparently separate and account for the use of various donors immunisation funds, which were comingled in the one commercial bank account.

Risks/ Effects

Some of Gavi's funds were not available or may not have been used for the intended purposes. An amount of USD 254,748 is in question.

Recommendation 5 (Critical)

All Gavi funds at the Ministry of Health should be kept in a dedicated bank account and not commingled with other monies. The Ministry of Health should ensure that Gavi funds are used for the purpose intended and contained in approved work plan. Approval of Gavi Secretariat should be obtained before making any changes to work plans.

Management comments

It is true that GAVI ISS funds were channelled through the MOH KEPI account instead of National Treasury as provided for by Public Finance Management Act (PFM). However with effect from the year 2012 the Account has been maintained solely for GAVI funds. Similarly the management has made it clear that all changes to work plans will be approved by GAVI secretariat in addition with the ICC as is the standard practice. The Head, National Vaccine and Immunisation Programme and Senior Chief Finance Officer (Ministry of Health) will be responsible for implementing these actions.

4.2.2 Non-compliant budget execution and monitoring

Under the government Financial Management Regulations and Procedures, donor funding for each fiscal year should be approved by parliament and published in printed estimates. Also, each implementing department is required to maintain a vote book to control expenditures and commitments charged against each activity in the approved printed estimate. However:

- The ISS grant was not presented in the printed estimates and as a consequence was not covered by the Government of Kenya financial oversight mechanisms.
- For the HSS the grant, a vote book was only maintained for the fiscal year 2011/2012 but not for the other four years of the programme. No vote book was maintained for the ISS grant.

Cause

The ISS grant was managed by KEPI outside the formal Ministry of Health financial management systems which include oversight monitoring as well as audit.

Risks/Effects

The Ministry of Health did not effectively monitor budget execution to ensure that activities were undertaken when they were planned. Consequently, activities planned for two fiscal years i.e. 2008 to 2010, were in fact implemented over a four-year period.

In the absence of a vote book system, the Ministry of Health did not monitor accounting for KSH 316,281,850 disbursed to districts under the HSS grant. Although documentation was collected from districts, the returns were never reconciled to advances issued.

Recommendation 6 (Essential)

For future cash programme funding from Gavi, the Ministry of Health should ensure that:

- Planned annual disbursements are accurately reflected in the printed estimates;
- Printed estimates are accurately reflected in the Ministry's vote book;
- Expenditure should be reported against the Gavi agreed budget, with explanations for all material variances;
- Senior management of the Ministry regularly reviews the programmatic and budget execution and takes prompt action to rectify any deviations;
- The vote book should be reviewed and reconciled monthly to expenditure returns and financial statements.

Management comments

It is true that there was poor planning and monitoring of the budget execution especially for funds that were disbursed to districts. For GAVI ISS this was made worse by the fact that funds were not covered in the printed estimates. The project will be monitored by the Project Management Unit (PMU) which includes senior management at the Ministry. The Head, National Vaccine and Immunisation Programme and Senior Chief Finance Officer (Ministry of Health) will be responsible for implementing these actions.

4.2.3 Financial reporting and audit requirements not met.

The Ministry of Health did not meet its obligations under the Partnership Framework Agreement (PFA) with the Gavi to submit Annual Progress Reports (APRs) and Audit Reports timely. For the period during which the HSS programme was implemented i.e. between June 2008 and July 2013, audit reports were only submitted for two financial years 2008 and 2010. Furthermore the APRs submitted between 2011 and 2013 were incomplete and did not contain programmatic and financial data related to the HSS program.

In addition, the financial figures contained in the APRs submitted for 2008 to 2010 could not be traced to any financial statements or the cash book of the HSS program. No satisfactory explanation was provided to the Audit team for how the figures reported in APR were arrived at. Also, the reported figures in APR were in USD currency but documentation was not available in support of the rate of foreign exchange applied.

Furthermore, the Audit team identified that the APRs were not endorsed by Health Sector Coordinating Committee as required by Gavi reporting guidelines.

Finally, the Audit team ascertained that the ISS Project Financial Statements prepared by KEPI from financial year 2009/2010 onwards, included income and expenditure which related neither to the ISS grant nor to Gavi. Specifically, between 2009/2010 and 2012/2013 inclusive, expenditure attributable to Multi-nutrient Initiative, World Vision, WHO and UNICEF was reported in the ISS Project Financial Statements. As a result of the funds being comingled, the KENAO could not issue an audit opinion on the respective ISS financial statements for these four financial years, thereby failing to meet Gavi grant conditions in effect since January 2009.

The issue with the accounting records relating to the comingled donor funds is discussed further under section 4.3.2 of this report.

Risk / Effect

Programmatic decisions taken based upon the APRs may have been incorrect or sub-optimal since the figures reported in the financial reports provided to Gavi were not reliable. Similarly draft (unaudited) financial statements for ISS funds were not accurate, as all of the comingled funds were reflected, instead of just Gavi funds.

Recommendation 7 (Critical)

Going forwards, expenditure statements should be prepared on a monthly and quarterly basis for review by senior management within the Ministry of Health. Further, financial reports should be prepared on a six monthly basis, and annual audit reports conducted. Both should be submitted to Gavi as per the agreed timelines.

Management comments

It is true that GAVI reports were not submitted on monthly basis for review by senior management. However with the introduction of Integrated Financial Management System (IFMIS) in public sector reports will be available real-time. Similarly all funds captured in the printed estimates have to be examined and audited by Auditor General. The Head, National Vaccine and Immunisation Programme and Senior Chief Finance Officer (Ministry of Health) will be responsible for implementing these actions.

4.3. Expenditure and Disbursements

	Audit Rating
The Audit team identified significant departures from the Government of Kenya's national guidelines for accounting. Further, supporting documentation for expenditures of USD 631,943 was not available and there was a lack of accountability on the purpose that the corresponding funds were used for.	**Unsatisfactory**

4.3.1. Reported expenditure not fully supported

The Government Financial Management Act of Kenya requires:

- Proper financial and accounting for all funds drawn from the Consolidated Fund[5] (Section 18 (2) b).
- Preservation periods of 10 years for principal ledgers and cash books and 5 years for payment vouchers (Section 23.4.2).

For expenditure of Gavi funded ISS and HSS programmes, the integrity of the financial records was weak. There was no voucher numbering system to tie supporting documentation to cash receipts and disbursements. While cheque numbers help to match transactions between bank records, cash book and cheque register, in contrast the same cheque numbers were infrequently replicated on purchase vouchers, encashment memos or other substantiation. As a consequence it was not possible to fully reconcile transactions in the cash book to bank statements.

Based on the Audit team's review of transactions since July 2009, documentation such as payment vouchers, invoices, and receipts could not be provided for KSH 63,194,269 (USD 631,943). This amount consisted of 59,638,917 (USD 596,389) relating to the HSS programme and KSH 3,555,352 (USD 35,554) relating to the ISS programme. Refer to Annex 1, Tables 11 and 12 for details, respectively.

Cause

Financial records were not properly prepared, maintained and archived.

Risks/Effects

In the absence of suitable supporting documentation, the Audit team could not obtain assurance that related reported expenditures were used for the purpose given in accordance with the signed agreement between the Government of Kenya and Gavi. An amount of USD 631,943 is in question.

Recommendation 8 (Critical)

The Ministry of Health should ensure that expenditure of Gavi funding is properly documented with purchase vouchers, receipts and other substantiation. Complete and accurate books of account including ledgers, and cash books should be maintained and clearly referenced to expenditure vouchers.

Management comments

[5] GAVI grants were disbursed directly to National Treasury, and managed through the Government of Kenya Consolidated Fund.

It is true that most of the accounting documents were not properly kept especially for expenditures incurred at the district levels. Most of the Records were kept at district levels and with creation of many districts from the year 2002 most records could not be easily traceable from the current districts. Under the new funding mechanisms the National level will be responsible for record keeping for all Gavi funds and more specifically (unit of Vaccines and Immunization services) UVIS. Similarly with the Integrated Financial Management Information System (IFMIS) records will be available for purposes of expenditure tracking. The Head, National Vaccine and Immunisation Programme (NVIP); Senior Chief Finance Officer (MOH); Head, Account Unit – MOH; Internal Auditor – MOH, and Office of the Auditor General of Kenya are responsible for implementing this recommendation

4.3.2. Accounting records not properly maintained

The Financial Regulations and Procedures of the Government of Kenya require that a cash book is to be written up, balances daily and checked by a senior officer daily. Bank reconciliation should be prepared at least monthly.

However, for both ISS and HSS grants overseen by KEPI and Community Health departments within the Ministry of Health, financial transactions were not recorded in a ledger in accordance with the government chart of accounts. Without such a ledger being maintained, the Ministry of Health was unable to prepare reports analysed by nature of the expenditure.

For the ISS programme, KEPI did not retain separate cash books, cheque registers and accounts for each of distinct programme or grant under management, and Gavi monies were comingled with other donors' funds. The cash book was not routinely reconciled to corresponding bank transactions. Bank charges were never recorded in the cash book, which resulted in expenditure being systematically understated in the annual ISS Project Financial Statements.

For the HSS programme, bank reconciliations were not performed for the months between periods June 2008 to May 2010 and July 2011 to June 2013. The cash book for the HSS grant had material errors (i.e. KSH 11.3m) from June 2009, which were not corrected until the time of the Gavi audit in September 2015. Further, although expenses were incurred between 1 July and 30 September 2013, no entries were recorded in the cash books after 30 June 2013.

The Audit team noted that all activity on the ISS programme effectively ended from June 2013, with only a small balance of funds left on account.

Risks/ Effects

In the absence of suitable accounting records being maintained as required by Government regulations there was a lack of accountability for how Gavi funding was used.

Recommendation 9 (Essential)

- Any future programme funding from Gavi should be managed in accordance with the Financial Regulations and Procedures of the Government of Kenya.
- Senior management of the Ministry should extend its fiduciary oversight to reviewing and attesting on the completeness and accuracy of financial reporting on Gavi programmes.

Management comments

It is true as earlier stated that GAVI ISS funds were off budget and hence not subjected to all Provisions of Public Finance Management Act (PFMA). We commit that all GAVI funds will be captured in the printed estimates. The office of Chief Finance Officer (CFO) at the ministry level will be responsible for the implementation of this task which will subject funds to fiduciary and legislative controls.

4.3.3. Imprests not fully retired

The Financial Regulations and Procedures of the Government of Kenya requires that:

- Temporary Imprests are settled within 48 hours after returning to duty station;
- In event of an imprest holder failing to account of surrender the imprest on the due date, the imprest is to be recovered in full from the salary of the defaulting individual;
- The accountant in-charge of imprests maintains an imprest register, and does not grant advances to individuals with outstanding imprests;

The Audit team noted delays in settling cash advances on the HSS grant for up to 275 days. 63 out of 65 imprest transactions reviewed were not recorded and subsequently reconciled in the Imprest Folio Register as required. Warrant forms used for processing advances were not filled with the necessary information on the applicant's outstanding imprest, instead the field provided was left blank. Further, only one out of 65 of the transactions reviewed was supported by a field report documenting what activities were performed.

Risks/Effects

Non-compliance with controls for timely and effective management of imprests after returning from field trips may to amounts not being fully justified by staff..

Recommendation 10 (Essential)

Financial regulations and procedures for managing imprests should be followed and specifically:

- All advances should be recorded in the Ministry's imprest register;
- Within 48 hours after returning to the duty station, outstanding imprest amounts not settled should be deducted from staff salaries; and
- Adequate documentation supporting all advances should be retained on file, as required.

Management comments

It is true that most of the Imprests and cash advances were surrendered after the period of 48hrs especially GAVI ISS and more so for Disbursements made to districts. This is regrettable and won't be repeated in future funding. However we wish to report that all documentation accounting for full advances are available for further review. At the time of audit these were not well referenced but we have since done so. The Head, National Vaccine and Immunisation Programme, (NVIP) and Project Accountant, National Vaccine and Immunisation Programme (NVIP) will be responsible for implementation when Gavi funds are disbursed to Government of Kenya.

4.3.4 Salary payments not in accordance with national regulations

The Financial Regulations and Procedures of the Government of Kenya requires that salaries for all officers other than casuals and works-paid staff should be processed through a central computer payroll for the Ministry/Department concerned.

Community Health Workers were hired as part of the HSS grant and a total of KSH 133,902,268 (USD 1.3m) was paid between 1 July 2009 and 30 Sept 2011. The payroll was maintained and paid by the Community Health Department, including the HSS Programme Team, with payments processed by the Project Accountant instead of through the central payroll as required by national Regulations.

The salary payments had several errors: (i) several salary payments were returned to the bank account as unreceived and these payment exceptions (i.e. mismatches) were not investigated; (ii) some staff were missed from the monthly payroll as evidenced by arrears subsequently paid each month. No documents were maintained or were available to explain the basis for the arrears paid.

The HSS Programme team did not maintain records for start and termination dates of the Community Health workers, and the basis for adding and removing individuals from the payroll was not documented.

Further, from the payroll sample reviewed, one individual did not have a personnel file, with no record of his appointment and was not on the project's list of community health workers.

Risks/Effect

Weak internal controls over the staff salaries may result in ineligible payments to persons not part of the HSS programme.

Recommendation 11 (Essential)

Future staff payments funded from the Gavi programme should be managed through the Ministry of Health's human resources system and computerised payroll.

Management comments

Future application to Gavi will not include a human resource component

4.4. Procurement

	Audit Rating
Procurement transactions were poorly documented. There were inconsistencies and incomplete information relating to the selection of suppliers, bid evaluation, award of contracts and delivery of goods. The Ministry of Health did not provide complete documentation for the procurement and delivery for up to KSH 97,234,030 (USD 972,340). Procurement related internal controls were ineffective and did not provide assurance on transparency and value for money.	**Unsatisfactory**

The Public Procurement and Disposal Act of Kenya (Procurement Act) sets out standards for the procurement and disposal by public entities. It also requires the procuring entity to keep records for each procurement for at least six years after contracts are entered into.

This section of the report covers procurement of supplies under the Health Systems Strengthening (HSS) funding to the Ministry of Health. The HSS programme was managed by the Division of Community Health Services (CHS), which also the procuring department. HSS programme funds were used to procure data reporting tools (household registers, health delivery log books, community health manuals and chalkboards) and two-wheel vehicles (bicycles and motorcycles). A sample of 17 transactions for a total value of KSH 173,392,530 were selected for audit. Sample transactions comprising 37% of the total expenditures incurred during the period was selected by the Audit team i.e. FY 2009 to FY 2012.

Procured items which were reviewed were sourced from five tenders. Except for the motorcycles, the tenders were broken down in lots and were awarded to multiple vendors.

See tables 8 and 9 below, for details.

Table 8: Value of items procured during the period covered by the audit.

Procured item	Amount KSH	Amount USD[6]	Ref # (see Table 9 below)
Data reporting tools	65,907,000	659,070	1, 2, 5
Motorcycles	23,962,500	239,625	4
Bicycles	7,364,530	73,645	3
Total	**97,234,030**	**972,340**	

Table 9: Summary of the procurement transactions reviewed for the period Dec 2010-Feb 2012

#	Tender/ Contract number & Vendors	Procured item	Total Amount (KSH)	Total Amount (USD)
1	MPHS/DHPS/001/2010-2011 - 2 Suppliers awarded contracts	– Service Delivery log Books – Household registers – Chalk Boards	13,725,000	137,250
2	MPHS/DPHS/010/2010-2011 - 3 Suppliers awarded contracts	– Summary Sheets – Household registers – Chalk Boards	18,302,000	183,020

[6] Amounts translated using average 2015 exchange rate of KSH 100 to 1 USD

#	Tender/ Contract number & Vendors	Procured item	Total Amount (KSH)	Total Amount (USD)
3	MPHS/DPHS/016/2010-2011 - 2 Suppliers awarded contracts	– Unisex Bicycles – Gents Bicycles	7,364,530	73,645
4	S/69109 - 1 Supplier awarded a contract	– Motor cycles, Trail (151-180 cc)	23,962,500	239,625
5	MPHS/DPHS/RT/Level one tools/021/2011-2012 - 6 Suppliers awarded contracts	– Health community curriculum – Health Facilitator's Manual – Trainee's Manual – Summary Sheets – Service delivery log books – Household registers – Chalk Boards	33,880,000	338,800
	Total		**97,234,030**	**972,340**

4.4.1 Lack of procurement planning

Section 20 (1) of the national Procurement Act requires each procuring entity to prepare an annual procurement plan.

However, there was no procurement planning process in place for the HSS programme. More than 15% of the grant awarded was used for the procurement of identical and frequently used consumables, including data reporting tools, but these items were procured in a sporadic manner. For example, a 2010 tender procured data reporting tools which were delivered in December 2010, but was followed only two months later by a separate tender process for similar items launched in February 2011. Given that the USD 9.9 million programme funds were timely disbursed in two evenly-spaced tranches in 2008 and 2010, there was no financial constraint preventing the proper planning and scheduling of procurements.

In addition, there was a cost difference in the unit price of some goods procured under two successive tenders, with a significant reduction in the price paid from the second tender.

Risks/ Effect

Opportunities for obtaining value for money were foregone on frequently purchased consumables, which were bought without preparing a procurement plan. Such a plan would help to identify potential for economies of scale and to negotiate favourable pricing terms based on the possibility of repeat orders.

Recommendation 12 (Essential)

In implementing Gavi supported programs in future, procurement plans should be prepared annually, approved by the appropriate authority within the procuring entity and shared with Gavi.

The procurement plan should correspond to the approved budget and deviations from the approved budget should be subject to approval as stipulated in the national regulations and Gavi grant conditions.

Management comments

It is true that GAVI HSS did not use a structured Procurement plan to implement its activities which could have improved the Ministry's performance financially and help in achieving the desired goals of the project. This is a highly regrettable and in future the Ministry will prepare and adhere to a well-structured Procurement plan.

This will be made easier with the use of the Integrated Financial Management Information System (IFMIS) which integrates Procurement Plans, Budgets and actual spending of resources under one platform.

The Project Coordinator, National Vaccine and Immunisation Programme, (NVIP), and Project Procurement Officer, National Vaccine and Immunisation Programme, (NVIP) will be responsible for implementing these recommendations when Gavi grants are next disbursed to Government of Kenya.

4.4.2 Procurement supporting documents not available

Section 45 (1) of the Procurement Act requires a procuring entity to keep records for each procurement for at least six years after the resulting contract was entered into.

The procurement-related supporting documentation reviewed by the Audit team was incomplete. Many documents were stored in multiple locations and were comingled with other unrelated procurement documents. Primary documents supporting various stages of the procurement process were not provided to the auditors for review:

Table 10: Summary of procurement transactions

Tender	Missing documents
– MPHS/DHPS/001/2010-2011 – MPHS/DHPS/010/2010-2011 – MPHS/DPHS/016/2010-2011 – MPHS/DPHS/021/2011-2012	– Procurement Plan – List of registered tenderers – Tender register – Evidence of communication with bidders – Evidence of distribution of the procured items to the provinces. (e.g. distribution schedule, receipt confirmation by the provinces, transportation arrangements for the distribution etc.)
– Contract # S/69109	– Delivery note from the vendor – Acknowledgement of receipt of motorcycles by Ministry of Roads – Inspection report upon receiving goods – Evidence of the registration of the motorcycles – Evidence of distribution of the motorcycles to the provinces
– MPHS/DHPS/001/2010-2011 – MPHS/DHPS/010/2010-2011	– Purchase requisition – Ministerial Tender Committee (MTC) approval for use of restricted tendering before using that procedure – Explanation for using restrictive tendering – Tender evaluation report
– MPHS/DPHS/016/2010-2011	– Bids were resubmitted but no documentation on the retendering – Inspection report
– MPHS/DHPS/010/2010-2011	– MTC approvals – Bid evaluation report

Tender	Missing documents
– MPHS/DPHS/021/2011-2012	– Delivery notes from the suppliers – Goods receipt/acknowledgement voucher – Goods completion/inspection certificate – Contracts – Purchase orders – Payment Vouchers

Risks/ Effects

In absence of the primary documentation, the validity of the procurement process and the contract award could not be confirmed.

Recommendation 13 (Essential)

Going forward, a complete file should be maintained for each tender.

The procuring entity should ensure that the every procurement/tender file is complete with procurement plan, procurement initiation, approvals, evidence of bid advertisement/invitation, bid submitted, tender document, communication with the bidders, bid register, bid opening, bid evaluation, contracts, purchase orders, delivery notes, inspection certificates, distribution details, and Payment.

The requirements mentioned here are not exhaustive, and therefore the procuring entity is recommended to comply with Section 45 (2) of its national Procurement Act. The Act also prescribes that complete records are to be retained for each procurement.

Management comments

It is true that most of the Procurement documents were not properly kept especially Primary document. This was so because all ministry's Procurement document s were stored in a common warehouse hence making it difficult to locate documents relating GAVI HSS.

Currently the Ministry is able to maintain all Procurement documentation properly and avail them for perusal on a real time basis by using the Integrated Financial Management Information System (IFMIS).

The Project Coordinator and Accountant at National Vaccine and Immunisation Programme, (NVIP), will be responsible for implementing these recommendations when Gavi grants are next disbursed to Government of Kenya

4.4.3 Tendering non transparent, non-compliance with the national procurement act

The Procurement Act (the Act) allows for restrictive tendering on an exceptional basis if specific conditions are met, otherwise open competitive tendering is required.

Four out of five tenders reviewed by the Audit team used the restrictive tendering method. None of these restricted tenders fully met the eligibility criteria set out in the Act. In addition, the supplier

awarded a sixth tender under Contract # S/69109 for motorcycles, was pre-selected by the Ministry of Public Works and therefore the supplier selection procedure were not within the scope of the audit.

Shortcomings identified in four out of five restricted tenders were as follows:

- The restricted tendering procedures required the invitation of tenders from at least ten vendors selected from a standing list of registered vendors. This list is updated annually. However, there was no evidence that the vendors invited to tender were drawn from the standing list maintained by the Ministry of Health.
- Per Section 29 (1) of the Act, before the start of the tendering procedure the procuring entity is required to: (i) record in writing the reasons for applying the restrictive tendering method; and (ii) obtain written approval from the tender committee. In all cases, there was no documentation explaining why the restricted tendering method was followed. Only two out of the five restricted tenders included the required approval from the Ministerial Tender Committee (MTC);
- Section 29 (3) (b) of the Act, when the open or restricted tendering methods are used, all communication between procuring entity and the bidders should be in writing. However the Audit team was not provided with any documentation or records of any communication having been exchanged between the respective procuring entities and the bidders[7].
- Section 43 (1) of the Act - defines conflicts of interest and prohibits participation of the members of the procuring entity if he/she is conflicted. However, no procedure was in place in order to solicit and record any such conflicts of interest; and
- Section 73 (2) (b) of the Act - the use of restricted tendering is capped at a total value of KSH 20,000,000 above which open tendering method must be followed. However although tender "MPHS/DPHS/021/2011-2012" was budgeted to cost KSH 34,000,000, restricted tendering method was followed.

On the "MPHS/DPHS/021/2011-2012" tender, Community Health Services commented that since the value of each lot was below the threshold, section 73 (2) (b) did not apply. However, the Audit team noted that all the lots were part of the same tender, the lots consisted of homogeneous items, and all the vendors had bid for all of the lots.

Finally, the audit team noted that under the restricted tendering, the same vendors were repeatedly invited to bid and awarded contracts under different tenders.

Risks / Effects

The use of restricted tendering without meeting the criteria prescribed by the Procurement Act has the risk of excluding qualified vendors that may be willing to offer competitive pricing.

The frequent use of restricted tendering along with the fact that the same set of vendors were repeatedly invited to bid and contracted, presents a risk that selected vendors may have been favoured, undermining competition.

Recommendation 14 (Essential)

[7] Not applicable to the procurement of the motorcycles as this contract was pre-signed by the Ministry of Public Works.

Procurements with Gavi funding should strictly follow a competitive process as outlined in Kenya's Procurement Act and evidenced by complete documentation.

Management comments

The Ministry agrees with the recommendation and GAVI HSS regrets not fully complying with the procurement Act, this might have been due to misinterpretation of some clauses. The Ministry promises that this will never happen again.

The Ministry of health through treasury has also over the years acquired highly qualified and competent staff to advice on procurement matters. The Integrated Financial Management Information System (IFMIS) also strengthens the Controls around procurement and use of public Funds as it is engineered towards transparency and fairness.

The Project Coordinator, Accountant and Procurement Officer at National Vaccine and Immunisation Programme, (NVIP), will be responsible for implementing these recommendations when Gavi grants are next disbursed to Government of Kenya

Recommendation 15 (Essential)

The procuring entity should put in place a process requiring any of the committee members involved in the review, evaluation or award of contracts, to declare and register their conflicts of interest. Such conflicts of interest should be duly considered and approved, else the respective member should remove himself from the process.

Management comments

It is true the Ministry of Health should put in place a process requiring any of the committee members involved in the review, evaluation or award of contracts, to declare and register their conflicts of interest. As earlier stated, the Ministry of Health has acquired qualified procurement personnel and currently all procurement committees are appointed by the Principal Secretary on advice of this able team.

The Project Coordinator, Accountant and Procurement Officer at National Vaccine and Immunisation Programme, (NVIP), will be responsible for implementing these recommendations when Gavi grants are next disbursed to Government of Kenya.

4.4.4 Bid documents were not credible

When bidding for tenders, suppliers were required to provide supporting documentation which established their legal status and existence including: Personal Identification Number (PIN); Value Added Tax (VAT) certificate; and Tax Compliance (TCC) certificates. A unique Personal Identification Number (PIN) is issued by the national tax authority for each tax payer.

However some of the bid documents that were submitted by the winning bidders did not appear genuine. When the Audit team highlighted the shortcomings in these documents to individuals from Community Health Services (CHS) which were involved in the procurement, they concurred and

agreed that some of the document presented were likely to be false. They explained that at the time of the procurement they had not noticed the inconsistencies in the bidding documentation.

The audit team identified the following specific lapses:

- One of the supplier presented separate bid documentation with two different PINs, whereas the number issued by the tax authority is always unique to each such entity;
- Tender #001/2010-2011 – the PIN mentioned in the TCC and in the VAT certificate, provided one of the respective supplier, was different.
- Tender #010/2010-2011 – the PIN mentioned in the TCC and in the PIN Certificate, provided in two separate suppliers' respective sets of bid documentation were different.
- For Tenders #001/2010-2011 and #021/2011-2012, the same supplier provided a different PIN in the associated TCC in each set of bid documentation.
- Tender #010/2010-2011 – the TCC provided by one supplier did not contain details on the PIN details. The CHS staff involved in this procurement, agreed that a TCC must always mention the PIN details, as it is the only way to correctly identify the tax paying entity and the validity of the corresponding certificate.
- Tender #016/2010-2011 – the business registration certificate and PIN certificate supplied by one of the suppliers related to a proprietorship business and thus the PIN was issued under the proprietor's name. However, this contradicted with the respective tax compliance certificate which referred to the PIN as issued under the business' name.
- Tender #021/2011-2012 – the business name registration certificate provided by one of the suppliers indicated that this was a sole proprietorship entity. Therefore the corresponding VAT registration certificate provided should have been issued to the same individual and proprietor, however it instead mentioned the business name and not the proprietor.
- Tender #021/2011-2012 – the TCC provided by one of the suppliers (already referred to above) did not have certificate serial number, effectively undermining the credibility of the certificate.
- Tender #016/2010-2011 – the format and sequencing of the TCC serial number as provided by two of the suppliers were significantly different from the standard accepted format as used by the TCC issuing authority; and
- Tender #021/2011-2012 – the TCC provided by six of the winning bidders under this tender were inconsistent with each other in terms of template/format:
    - The format of one TCC provided by one of the suppliers was inconsistent from the others as it did not include a subtitle;
    - The TCC provided by two other suppliers both had an identical subtitle, namely: "commissioner for domestic taxes-Domestic Revenue"; and
    - The TCC provided by three other suppliers all included a separate identical subtitle, namely: "commissioner of support services".

Risks / Effects

As controls to establish the credibility of bidders were overlooked, there are risk that tenders were awarded to companies that did not have the experience and competence to fulfil the awarded contracts.

Recommendation 16 (Essential)

The procuring entity should ensure that members appointed for evaluation of the bids are well versed with the regular tender documents and are able to identify any anomalies in bid documents.

Management comments

It is true the Ministry of Health should ensure that members appointed for the evaluation of bids are well versed with regular tender documents. Currently all procurement committees comprises of highly qualified staff appointed by the principal secretary. The Ministerial Tender Committee of Ministry of Health is responsible for implementing this recommendation.

4.4.5 Contracts awarded to bidders that did not meet evaluation criteria

In accordance with the Act bids were evaluated in three stages, i.e. preliminary, technical and commercial.

The preliminary evaluation stage involved checking that the bids: (i) included the required statutory documents[8]; (ii) were complete and clearly established the identity, location and status of the bidding firms; and (iii) complied with the delivery conditions.

The technical evaluation stage involved ensuring that all bids that were assessed as responsive in the preliminary stage, also met all of the technical specifications as stipulated in the tender.

Finally, the commercial evaluation stage involved comparing the bid prices for the technically qualified bids, so as to recommend the lowest priced, technically qualified bid for contract award.

However, while evaluating the bids the committee ignored some criteria set out in tender documents, resulting in some non-qualified bidders being awarded contracts. Some of the criteria which were overlooked included: incomplete bids; non-submission of statutory documents; bid prices incorrectly captured in bid evaluation; and technical specifications not being met.

Some illustrations of these same shortcomings are outlined below:

- Some winning bids did not include the required statutory/documentation stipulated by the tender, but were nonetheless evaluated as responsive, technical evaluated and ultimately awarded contracts. For instance:
    - Tender #001/2010-2011 – supplier PIN certificate not provided.
    - Tender #016/2010-2011 – supplier VAT registration certificate not provided.
    - Tender #016/2010-2011 – for two suppliers Manufacturer's authorisation not provided. Also for one of these suppliers the manufacturer's literature and product specifications not provided.
    - Tender #021/2011-2012 - one supplier VAT registration certificate not provided. Another supplier's PIN registration certificate not provided.
- Tender #016/2010-2011 – contracts were awarded to suppliers whose bids fell short of the specified technical requirements. For example one supplier for the "unisex bicycle" who did not meet the technical specifications criteria was evaluated as responsive. However this suppliers' sample photo provided clearly was not valid, its materials were non-specified, and a complete set of technical specifications was missing. In contrast, for the same tender similar

[8] According to the Tender, statutory documents constituted certificates of PIN, VAT, Tax Compliance and Incorporation.

suppliers whose bids were correctly evaluated as "unresponsive" contained the same identical weaknesses;
Tender #021/2011-2012 – one supplier was evaluated as "unresponsive" citing that the TCC was missing, however the relevant TCC was on file;
Tender #001/2010-2011 – the bid opening report contained the following errors: (i) the bid-prices were not correctly reflected in the report[9]; (ii) six bids were identified, but this list of suppliers was contradicted, as another supplier's bid submission was later identified in the same report; and (iii) only one out of five tender opening committee members duly signed the register, even though all five members were listed on the opening register sheet.

Risks / Effects

If bid submissions are not correctly evaluated against the tender documentation and specifications, the contract award might not provide value for money, by selecting the best qualified supplier to deliver quality products at an equitable price.

Recommendation 17 (Essential)

The Procuring entity should ensure that the individuals appointed to respective tender evaluation committees with the responsibility for bid evaluation – are suitably qualified, objective and have the adequate expertise to properly evaluate bids in compliance with the national Procurement Act.

Management comments

It is true the Ministry of Health should ensure that the individuals appointed to respective tender evaluation committees are suitably qualified and have adequate expertise which might have not been the case earlier i.e. during GAVI HSS procurement operations but currently the Ministry has highly competent staff appointed to this committees by the Principal Secretary.

4.4.6 Insufficient evidence that items procured were delivered to the end users

Data reporting tools were purchased for the provincial District Health Offices to use. However there was insufficient documentation on file evidencing that the goods were delivered by the suppliers and distributed to the users at district level.

In relation to the procurement of data reporting tools, the Audit team noted the following:

- For tender #001/2010-2011, the tender documents did not mention the point of delivery for the goods, although this was clearly an important factor in suppliers' being able to calculate a suitable price bid in their submission. Similarly, CHS staff involved in the procurement could not explain how suppliers were informed as to where to deliver the goods.
- For three tenders: #001/2010-2011, #010/2010-2011 and #021/2011-2012:
    - The MoH staff responsible for the procurements gave contradicting statements of where the procured items were delivered. Initially, it was stated that "deliveries were to be done by the suppliers straight to the provinces," However the supplier's delivery notes cited Nairobi as the delivery location. Later the MOH's statement was changed to "goods were first to be delivered to a store at Kenyatta hospital in Nairobi, for inspection at the

[9] However, as per the tender evaluation report the contract was awarded to the lowest bidder.

Community Health Services Hall. The suppliers were then to return to the store and transport the goods for distribution to the provinces."

- There was no documentation on file in support of the receipt and movement of the items procured and delivered via the Kenyatta store. Similarly, there was no documentation evidencing subsequent distribution to the provinces;
- The goods receipt voucher/acknowledgement (form S-13) was signed off by a CHS staff who also had a central role in the same procurement. Responsibility for procuring and receiving goods are incompatible duties, and should not be delegated to the same individual as this undermines internal control.
- There was no documentation on file confirming the appointment of a team responsible for inspection of the goods.
- Tender #021/2011-2012 – primary documents in support of the delivery of the goods were not on file. There were no: (i) delivery notes from the suppliers; (ii) no completion/inspection certificates; and (iii) no goods receipt voucher (form S-13).

The majority of two-wheel vehicles procured were intended for the use by the provinces with the District Health Offices to have taken delivery of such items. KSH 23,962,500 (USD 239,625) was charged to the Gavi account for procurement of motorcycles. Tender documents stipulated that the procured goods were to be delivered to the districts, however insufficient documentation was on file such as distribution lists or goods received notes to demonstrate that the intended beneficiaries received the motorcycles.

In addition, CHS also procured a large number of motorcycles and bicycles using the Economic Stimulus programme (ESP) monies, ultimately funded by the government of Kenya. Some of the documentation provided to the Audit team during its review of HSS procurement transactions, concerned the ESP programme and was unrelated to the Gavi programme.

In relation to the procurement of bicycles (tender #016/2010-2011), the Audit team noted the following:

- The documents indicated that the bicycles purchased with Gavi funds were to be inspected by the Ministry of Roads. However, the respective inspection report was not on file;
- Similarly, bicycles were also procured under the ESP national programme, which was not supported by Gavi. The inspection reports issued by Ministry of Roads for these bicycles was not transparent and did not clarify which programme funds were used;
- On 27 June 2011 the MoH wrote and requested the Ministry of Roads to carryout inspection of the bicycles purchased with Gavi funds. The letter indicated that the bicycles had already arrived in the country. This was contradicted the Supplier's delivery note which indicate that the bicycles were only delivered on 30 June 2011.
- Goods receipt voucher (form S-13) was signed off by a CHS staff who had a central role in the procurement. Responsibility for procuring and receiving the goods was incompatible, and should not have been delegated to the same individual.
- There were no evidence on file, evidencing the distribution of the bicycles to the provinces. None of the bicycles were available in Nairobi for physical verification by the Audit team.

In relation to the procurement of motorcycles (Contract #S/69109), the Audit team noted the following:

- According to staff at the Ministry of Health, the motorcycles were delivered to the Ministry of Roads for inspection. However there were no records on file evidencing receipt by the Ministry of Roads.
    - Acknowledgement of delivery of motorcycles by the districts were incomplete and inconsistent in terms of the various formats of documentation presented and the documentation was not transparent and did not clarify whether the deliveries related to motorcycles funded by the ESP or the Gavi programme.
    - No documentation was on file providing details on how the Gavi-funded motorcycles were distributed, such as the respective vehicles' registration and the quantity supplied to each province.
    - The Audit team was provided with a summary listing in hardcopy entitled "Gavi Motorcycles and Bicycles" and an electronic file entitled "Gavi totals". Both documents detailed a list of motorcycles and bicycles procured using GAVI funds, the motorcycle registration numbers and locations where items were distributed. However other than this summary, CHS was not able to provide any primary source documentation, such as the registration certificates and motorcycles receipts signed by the districts. Both summary listings were prepared in a generic format, rather than the normal MOH format and template.
    - The MoH transport officer provided a partial assortment of 29 registration certificates (log books) for the motorcycles. However these registration certificates all indicated that the vehicles were registered in May 2012. This conflicted with the respective counter-receipt delivery notes, which indicated that the motorcycles were delivered 11 months earlier in July 2011.

Risks / Effects

In the absence of credible and complete documentation, the audit team was unable to verify that bicycles and motorcycles funded by Gavi were purchased and delivered as intended. The total procurement amount questioned is KSH 97,234,030 (USD 972,340).

Recommendation 18 (Critical)

The Ministry of Health should follow up and identify the location and status of all assets procured with Gavi funding.

Management comments

It is true that GAVI funded procurement of Assets which were distributed to selected districts with low immunization coverage. Some of the items were received by Provinces for onward distribution to selected districts. In the new arrangement under the new constitution the provinces and districts were replaced by counties and sub counties. Staffing was greatly affected as a result of devolution of health services in terms of deployment as well as physical offices. The ministry is currently mapping out the location of Assets before despatching a team to selected sites for verification.

The Project Coordinator and Accountant of the Health Systems Strengthening Project are responsible for implementing these recommendations by 30 June 2016.

4.4.7 Fixed assets register not maintained

A central fixed asset register was not maintained for the HSS programme and there was no information about the location and current status of the motorcycles and bicycles purchased with Gavi funds.

Risks / Effects

The absence of asset register undermines the traceability of the asset, and what is the current status and use of the assets. There is a risk that the assets may have been put to use for non-Gavi purposes.

Recommendation 19 (Critical)

An updated fixed asset register for these items should be maintained. A copy of the register could be shared with the Gavi Secretariat for information. The register should be kept up to date in future with any future asset purchases.

Management comments

It is true that the ministry did not maintain separate Fixed Asset Register for GAVI HSS project. Procurements were done at the ministry headquarter with Assets and items procured being recorded in the Ministry Register .However the process of identifying project Assets has commenced with a view of creating an Asset Register for the project by 30th June 2016.This is due to a number of changes that have taken place including high staff turnover in procurement and Finance sections.

The Project Coordinator and Accountant of the Health Systems Strengthening Project are responsible for implementing these recommendations by 30 June 2016.

4.4.8 Other irregularities in procurement records

For tender MPHS/DHPS/001/2010-2011[10], the Audit team noted the following:

- Contracts were retroactively signed with two vendors: Supplier A on 22 December 2010 and Supplier B on 11 January 2011. Both vendors delivered their goods prior to contract, i.e. deliveries by Supplier A on 22 November 2010 and by Supplier B on 6 December 2010. Similarly, Supplier B was paid on 16 December 2012, also before the contract date.

For contract S/69109, the following was noted:

- Prior to contract, procurements should be initiated by the respective head of procurement in the form of a memo, and this memo should be approved by the Permanent Secretary. However, in this case the purchase order was issued to the supplier on 4 February 2010, before obtaining the necessary approval from the Permanent Secretary (done on 16 December 2010); and before obtaining recommendation for award from the Ministerial Tender Committee (done on 2 February 2011).

For contract MPHS/DPHS/RT/Level one tools/021/2011-2012, the following was noted:

- Two separate payments on this tender were recorded in the cash book, but the amounts were not in the bank statement. The payments were: KSH 4,480,000 to Supplier C; and KSH

[10] Supply of Chalk Boards, services delivery log books and household registers all together purchased for KSH 13,725,000 (approx. USD 137,250)

4,950,000 to Supplier D. However, the Audit team observed that the bank statement recorded a payment of KSH 9,430,000 to an anonymous supplier[11] on 19 March 2012. This single payment was arithmetically equal to the sum due to these same two suppliers. It remains unexplained why this single payment was made against contracts for services for two different suppliers.

For contract MPHS/DPHS/016/2010-2011, the following was noted:

- Tender Opening Committee and Tender Evaluation Committee were appointed by the MoH to open and evaluate the tenders. However, the technical specification and the evaluation of the tender was carried out by the Ministry of Roads. It is unclear why a tender evaluation committee was appointed by the MoH.

Risks/ Effects

Where the documentation for procurement processes is inconsistent, it is possible that due process could have been influenced in favour of awarding contracts to specific suppliers.

Recommendation 20 (Critical)

Any procurements of goods or services should be undertaken by the Ministry's procurement department and should be in full compliance with Government procedures, in particular with respect to appointment of tender committees, registering and opening bids, contracting with bidders and payment of bidders in line with contract terms and upon verification of deliveries.

Management comments

Future grants will be managed in compliance with the Public Procurement and Disposal Act. The IFMIS has an inbuilt e-procurement system that ensure documentation and controls. Procurement Processes will be reviewed by the Ministry's Internal Audit

The Project Coordinator, Accountant and Procurement Officer at National Vaccine and Immunisation Programme, (NVIP), as well as Internal Auditor of Ministry of Health will be responsible for implementing these recommendations when Gavi grants are next disbursed to Government of Kenya.

[11] The bank transaction details did not include vendor name(s).

Annex 1 – Transactions for which supporting documents were not on file

Table 11 – HSS Program:

Date	Payee	Description	Amount (KSH)
01.07.2009	Transfer to counties	Transfer to counties	1,402,538
01.08.2009	Salary August 09	Salary	5,209,723
01.10.2009	Mark Technologies	Technology	53,500
01.10.2009	Commissioner VAT	VAT	8,560
01.12.2009	James Macheria	Accountant	700,000
01.12.2009	James Macheria	Accountant	599,795
01.02.2010	Transfer to Countier	Transfer to counties	1,833,280
01.06.2010	Salaries	Salary	6,000,128
01.08.2010	James Macheria	Cash drawing	158,000
21.01.2011	NSSF	Salary	306,800
21.01.2011	PAYE	Salary	2,139,028
21.01.2011	NHIF	Salary	490,880
09.02.2011	Nicky Omondi	Cash drawing	34,000
06.05.2011	Imprests	Imprest	105,000
06.05.2011	Nicky Omondi	Cash drawing	105,000
08.06.2011	Dormy Enterprises	Printing	560,000
25.08.2011	Imprests	Cash drawing	65,000
01.09.2011	PAYE	Salary	14,000
30.09.2011	NHIF	Salary	137,280
30.09.2011	NSSF	Salary	171,600
30.09.2011	PAYE	Salary	594,118
23.01.2012	Imprests	Cash drawing	175,000
03.02.2012	Toyota Kenya	Transport	38,348
17.02.2012	Chief Mechanical Officer	Transport	265,000
28.02.2012	AM Enterprises	Procurement	4,410,000
28.02.2012	Conier Limited	Procurement	455,000
05.03.2012	Toyota Kenya	Transport	18,250
18.04.2012	Pacific Blue Limited	Procurement	4,880,000
23.04.2012	Quentin	Printing	10,600,000
30.04.2012	Morven Kester	Printing	4,560,000
09.05.2012	Kimlen	Printing	4,950,000
09.05.2012	Sonitech	Technology	4,480,000
23.05.2012	Migwena Supplies	Printing	349,980
23.05.2012	Kajenje Enterprises	Printing	299,970
01.06.2012	Toyota Kenya	Transport	39,300
09.06.2012	Flexfield Enterprises	Printing	460,000
09.06.2012	Kenyia Printers	Printing	470,340
26.06.2012	Toyota Kenya	Transport	40,090
26.06.2012	Toyota Kenya	Transport	19,409
26.06.2012	Limma Stationers	Printing	480,000
26.06.2012	Kenya Shell Ltd	Transport	500,000
26.06.2012	Kenya Shell Ltd	Transport	500,000
26.06.2012	Mube General Suppliers	Printing	480,000
26.06.2012	Alcore General Supplies	Printing	480,000
	Total		**59,638,917**

Table 12 – ISS Program:

Date	Payee	Amount (KSH)
19/01/2011	KEPI MOH Siaya	8,000
01/12/2010	Christopher Malala	182,342
03/12/2010	Pamela A. Ochieng	116,148
15/12/2010	Alex Ndegwa Mutua	342,510
15/12/2010	Syephen Maina Mwangi	43,152
10/01/2011	Manager SCBK	550,700
13/01/2011	Beatrice K. Oulo	204,000
17/01/2011	KEPI PMO Coast	182,000
14/01/2011	KEPI PMO Nairobi	501,500
28/04/2010	Lydia W. Kirika	460,000
10/05/2010	Pamela A. Ochieng	443,000
18/05/2010	Kenvash Hotel Ltd	522,000
Total		**3,555,352**

Table 13: Procurement transactions without adequate evidence of delivery

#	Tender/ Contract number & Vendors	Procured item	Total Amount (KSH)	Total Amount (USD)
1	MPHS/DHPS/001/2010-2011 - 2 Suppliers awarded contracts	– Service Delivery log Books – Household registers – Chalk Boards	13,725,000	137,250
2	MPHS/DPHS/010/2010-2011 - 3 Suppliers awarded contracts	– Summary Sheets – Household registers – Chalk Boards	18,302,000	183,020
3	MPHS/DPHS/RT/Level one tools/021/2011-2012 - 6 Suppliers awarded contracts	– Health community curriculum – Health Facilitator's Manual – Trainee's Manual – Summary Sheets – Service delivery log books – Household registers – Chalk Boards	33,880,000	338,800
	Total		**65,907,000**	**659,070**

#	Tender/ Contract number & Vendors	Procured item	Total Amount (KSH)	Total Amount (USD)
Printing Materials				
1	MPHS/DHPS/001/2010-2011 -2 Suppliers awarded contracts	– Service Delivery log Books – Household registers – Chalk Boards	13,725,000	137,250
2	MPHS/DPHS/010/2010-2011 - 3 Suppliers awarded contracts	– Summary Sheets – Household registers – Chalk Boards	18,302,000	183,020
3	MPHS/DPHS/RT/Level one tools/021/2011-2012 - 6 Suppliers awarded contracts	– Health community curriculum – Health Facilitator's Manual – Trainee's Manual	33,880,000	338,800

#	Tender/ Contract number & Vendors	Procured item	Total Amount (KSH)	Total Amount (USD)
		– Summary Sheets		
		– Service delivery log books		
		– Household registers		
		– Chalk Boards		
	Total		**65,907,000**	**659,070**
Bicycles				
1	MPHS/DPHS/016/2010-2011	– Unisex Bicycles	7,364,530	73,645
	-2 Suppliers awarded contracts	– Gents Bicycles		
Motorcycles				
4	S/69109	– Motor cycles, Trail (151-180 cc)	23,962,500	239,625
	-1 Supplier awarded a contract			
Total			**97,234,030**	**972,340**

Annex 2 – Table References

Table 14: Illustration of delays in settling imprests advanced to staff

Payee	Date of imprest issuance	Date of settling imprest	Delay in days
Staff member 1	06/09/2010	08/06/2011	275
Staff member 2	20/01/2011	16/06/2011	147
Staff member 2	20/01/2011	06/06/2011	137
Staff member 3	21/02/2011	13/05/2011	81
Staff member 4	21/02/2011	13/05/2011	81

Table 15: Summary of unexplained PCV 10 vaccine write-offs (source: Stock ledger entries)

Date	Stock count	Balance as per ledger	Difference
31/07/2015	1,047,000	1,190,000	-143,000
12/11/2014	201,200	357,800	-156,600
07/01/2014	1,224,000	1,849,200	-625,200
14/11/2013	532,000	342,600	189,400
Total			**-735,400**

Table 16: Summary of unexplained pentavalent vaccine write-ups (source: Stock ledger)

Date	Counted stock	Balance per ledger	Difference
10/12/2014	603,000	170,150	432,850
10/12/2014	-		
01/07/2014	2,602,000	2,607,000	-5,000
Total			**427,850**

Annex 3 – Definitions of Ratings and Recommendation Priorities

A. AUDIT RATINGS

The Gavi Programme Audit team's assessment is limited to the specific audit areas under the purview and control of the primary implementing partner administrating and directing the programme of immunisation. The three audit ratings are as follows:

- **Satisfactory –** Internal controls and risk management practices were adequately established and functioning well. No high-risk areas were identified. Overall, the entity's objectives are likely to be achieved.

- **Partially Satisfactory –** Internal controls and risk management practices were generally established and functioning, but needed improvement. One or more high- and medium-risk areas were identified that may impact on the achievement of the entity's objectives.

- **Unsatisfactory –** Internal controls and risk management practices were either not established or not functioning well. The majority of issues identified were high risk. Hence, the overall entity's objectives are not likely to be achieved.

B. CATEGORIES OF PRIORITISATION RATING

The prioritisation of the recommendations included in this report includes proposed deadlines for completion as discussed with the Ministry of Health, and an indication of how soon the recommendation should implemented. The urgency and priority for addressing recommendations is rated using the following three-point scale, as follows: Critical – Essential – Desirable.

Annex 4 – Classification of expenditure

Adequately supported – Expenditures validated on the basis of convincing evidence (evidence which is sufficient, adequate, relevant and reliable) obtained by the auditors during the carrying out of their mission on the ground.

Inadequately supported – This covers two sub-categories of expenditure:

a) Purchases: This is expenditure for which one or more of the essential items of documentary evidence required by the country's regulations on procurement are missing such as procurement plan, tender committee review, request for quotation, invoice, contract, purchase order, delivery note for goods and equipment, pro-forma invoice, the final invoice, etc.

b) Programme activity: This is expenditure where essential documentation justifying the payment is missing. This includes but is not limited to travel without a travel authorisation, lack of a technical report or an activity report showing completion of the task, signed list by participants. Lack of the same documents to support liquidation of advances/floats given for meetings/trainings/workshops etc.

Irregular Expenditure – This includes any deliberate or unintentional act of commission or omission relating to:

a) The use or presentation of documents which are inaccurate, incomplete/falsified/inconsistent resulting in the undue use or payment of GAVI funds for activities, or the undue, withholding of monies from funds granted by GAVI,

b) The embezzlement or misappropriation of funds to purposes other than those for which they were granted.

Ineligible expenditures – Expenditure which does not comply with the country's programme/grant proposal approved by GAVI or with the intended purpose and relevant approved work plans and budgets.

Annex 5 – Audit Procedures and Reporting

Audit procedures

Using risk-based audit procedures, the audit included an analysis of reported expenditure (in the Annual Progress Reports or any other periodical financial reports), inquiry/ discussions, computation, accuracy checks, reconciliation and inspection of records/ accounting documents and the physical inspection of assets purchased and works performed using grant funds.

The following procedures were carried out:

- Review of the Financial Management arrangements for the programmes, focusing on the control procedures e.g. appropriation and approval, segregation of duties, roles and responsibilities, reconciliation, verification of delivery of goods and services, invoice verification, retirement of advances controls and imprest;
- Review of the arrangements for managing the bank accounts, including tracing withdrawals and transfers from the programme and designated accounts to determine that they are for eligible expenditures for the programmes;
- Verification, on a sample basis, of procurement undertaken to ensure that the applicable policies and procedures are strictly adhered to and that transparency and value for money is maintained;
- Review of the mechanism for channelling cash advances from the MoH to the various budget management centres at the various levels (regional and district) to ensure that there are adequate internal controls in place to timely liquidated such advances;
- Undertaking field visits to regions and districts to review flow of funds and to determine whether principal activities took place according to the work plan/ schedule of cash advances;
- Visit to the central, regional and district stores to ensure that stock management procedures are being well implemented;
- Physical verifications, on a sample basis, to check the actual delivery of goods, works and services purchased as per the source documents;
- Review of expenditure and identifying expenditures which are not eligible for funding from Gavi programme funds.

Reporting

At the end of the audit, key findings were discussed with the senior management team at the Kenya Ministry of Health on 1 October 2015 and a presentation which contained a summary of these findings was shared.