

SIERRA LEONE

Audit of Health Systems Strengthening (HSS) Support Disbursed in the period 2008-2010

GAVI Secretariat, Geneva, Switzerland

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List of abbreviations

APR	Annual Progress Report
AWPB	Annual Work Plan and Budget
CMO	Chief Medical Officer
CSO	Civil Society Organisation
DFR	Director of Financial Resources
DPI	Directorate of Planning and Information
DPs	Development Partners
DSA	Daily Subsistence Allowance
EPI	Expanded Programme on Immunization
FBO	Faith Based Organisation
FM	Financial Management
FMA	Financial Management Assessment
FO	Finance Officer
FY	Financial Year
GoSL	Government of Sierra Leone
GFATM	Global Fund for AIDS, Tuberculosis and Malaria
HSS	Health Systems Strengthening
HSCC	Health Sector Coordination Committee
HSSG	Health Sector Steering Group
HTF	Health Task Force
IA	Internal Audit (or)
ICC	Inter-Agency Coordination Committee
IFMIS	Integrated Financial Management Information System
IPIU	Integrated Programme Implementation Unit
IRC	Independent Review Committee
MOHS	Ministry of Health and Sanitation
MoFED	Ministry of Finance and Economic Development
NCB	National Competitive Bidding
NGO	Non-Governmental Organisation
PS	Permanent Secretary MoHS
PFM	Public Financial Management
RCH	Reproductive and Child Health
ToR	Terms of Reference
UNICEF	United Nations Children's Fund
WB	World Bank
WHO	World Health Organisation

I. Context and objectives of the audit

The GAVI Alliance has been supporting Sierra Leone since 2001 through direct funding of vaccines and cash-based support for Immunisation Services Support (ISS), starting 2001, and Health Systems Strengthening (HSS), starting 2008. To date, a total amount of US\$ 23,153,000 has been disbursed to the Government of Sierra Leone for vaccines, whilst US\$ 4,122,000 has been disbursed for HSS, ISS and Vaccine Introduction cash grants. In addition, Sierra Leone applied for new support for HSS funds through the Health Systems Strengthening Platform (HSFP) amounting to US\$ 5,400,000 for the period of 2012-2014 which is under final consideration.

Sierra Leone's HSS grant proposal for 2008-2009 was approved in 2007 for US\$ 2,214,820. Disbursements were made of US\$ 1,154,000 in 2008 and US\$ 530,750 in 2010, US\$ 1,684,750 in total.

The GAVI Alliance with the World Bank and the Global Fund undertook a joint Financial Management Assessment (FMA) from 1 to 14 March 2012. During this joint FMA, a limited review of financial management arrangements on the GAVI cash programmes has also been performed and a number of issues have been identified with respect to the HSS programme. No further disbursements have been made since the notification of the FMA of March 2012.

As a follow up to that joint FMA, and given the seriousness of the internal control weaknesses identified and the lack of availability of substantiating documentation, the Deputy Chief Executive Officer of the GAVI Alliance notified the Minister of Health and Sanitation of the need for an additional audit of the HSS cash programme in a letter of 27 September 2012. GAVI conducted that review in the period 22 to 26 October 2012. On 25 October 2012 a debriefing meeting was held under the chairmanship of the Chief Medical Officer of the Ministry of Health and Sanitation (MoHS), attended by senior officials of the Ministry and a representative of the World Health Organization (WHO) in Sierra Leone. During this meeting, the GAVI team informed the participants of the serious concerns on misuse of GAVI funds that it had found.

Following the communication of the first draft audit report to the MoHS, a follow-up visit was organized by a GAVI team in Sierra Leone on 9 to 10 January 2013 to discuss the initial findings, to examine any new elements that were not considered during the primary audit, and to agree on the next steps.

II. Executive summary

The GAVI Transparency and Accountability Policy Team (TAP) has conducted an audit from 22-26 October 2012 of the HSS cash support to Sierra Leone, as a follow-up to the FMA of March 2012. This report has two objectives:

- 1) It sets out the results of the analysis performed to assess the extent of misused funds that GAVI disbursed in 2008 and 2010.
- 2) It presents the results of the control evaluation to assess the effectiveness of the policies and procedures in place to ensure appropriate stewardship and disbursement of GAVI-provided funds.

It should be noted that no further disbursements to Sierra Leone were made after the notification that the FMA of March 2012 was to take place.

Assessment of extent of misused funds

Regarding the determination of misused funds, incomplete information has been maintained to substantiate programme expenditures and the nature of the issues identified shows that the requirements of GAVI's Transparency and Accountability Policy have not generally been applied.

The analysis performed during the execution of the audit revealed indications of misuse which were then estimated at approximately US\$ 1,140,000. A team from the GAVI Secretariat conducted a further review in Sierra Leone in January 2013 to discuss the preliminary findings of the draft audit report, to review any new information from the Ministry of Health and Sanitation, to finalize the audit and to agree future steps.

During this review, additional documents were provided by the MoHS which were reviewed by the audit team. The team considered that there was sufficient, credible documentation to substantiate a further, approximately US\$ 617,000 of expenditures. Consequently, the determination of misused funds was finalised as follows:

- a. **Undocumented expenditures (US\$ 202,756).** These mainly relate to central and district level supervision and workshops, supported only by incomplete or inconclusive documentation. Typically only the disbursement request for the payment of an advance is available, but no subsequent administrative or financial justification exists, nor has any technical report been provided to the audit team in relation to the activities for which the disbursements were made.

Further details on the undocumented expenditures are set out in Section IV, Budget Execution – Internal Controls p. 11-14.

- b. **Unjustified disbursements (US\$ 171,016)** i.e. cash withdrawals without any supporting documentation (being the difference between the total withdrawals of HSS funds from the programme bank account and the value of substantiated supporting documentation provided by the Programme).

Further details on the unjustified disbursements are set out in Section IV, Budget Execution – Internal Controls p. 11-14.

- c. **Overcharged procurement (US\$100,872).** The procurement of three ambulances initiated by the Procurement Unit of the MoHS in late 2010 was found not to represent value for money. These vehicles have been acquired at a unit cost of US\$ 75,200 which is approximately 80% higher than the price for the same item procured through UNICEF in 2009.

Further details on the overcharged procurement are set out in Section IV, Budget Execution – Internal Controls p. 11-14 and Procurement, p. 15-17.

- d. **Diversion of programme assets (US\$43,386).** At least 14 motorcycles of the 35 procured and intended to be delivered to peripheral health units, according to the HSS proposal, have not been supplied to the intended beneficiaries and instead were provided to individuals who are not entitled to them.

Further details on the diversion of programme assets are set out in Section IV, Accounting – Asset Management, p. 18.

- e. **Other irregularities totalling US\$ 5,273:** Documentation to substantiate programme expenditure was not credible.

Further details on these irregularities are set out in Section IV, Budget Execution – Internal Controls, p. 11-14.

The final amount of irregularities as determined by the audit is US\$ 523,303. For a break-down of funds disbursed to Sierra Leone, classified by issue identified, refer to Annex 2.

Assessment of controls

Regarding the controls assessment, the review revealed significant internal control deficiencies in the HSS programme which have created the circumstances in which it was not possible to ensure the proper use of GAVI-provided funds. These weaknesses highlight issues of ownership, transparency and accountability in relation to the financial management of GAVI HSS funds within the MoHS. These are summarised below:

1. Absence of clear accountability in the financial management of the programme and, in particular, the non-involvement of the Directorate of Financial Resources of the MoHS;
2. Poor programme management oversight;
3. Lack of basic book keeping and weak records management;
4. Lack of supporting financial and programmatic documentation in relation to programme expenditure;
5. Lengthy and poor value-for-money procurement;
6. Weak internal financial controls;

7. Unsubstantiated and weak external audit work with technical deficiencies in its conduct, including the absence of a documented audit file.

Findings are described in detail in Section III, Assessment of the control procedures for the management of HSS funds.

Section V, Summary of recommendations, importance and target date, describes an action plan for the remediation of the identified control weaknesses.

The resumption of grant disbursement will occur when the commitment to reimburse misused funds has been received and there has been substantial remediation of the deficiencies identified sufficient to ensure effective control over any future disbursements.

III. Assessment of the control procedures for the management of HSS funds

The table in this section summarises the procedures in place for the management of GAVI HSS funds. It is presented in a tabular format with a brief description of existing arrangements for which issues have been identified, a risk rating (using the scale low, moderate, substantial and high) and suggested actions to mitigate the risk.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
Planning, Budgeting and Coordination/Oversight	According to the June 2007 HSS proposal of Sierra Leone, the then-Health Task Force (HTF), Chaired by the Chief Medical Officer (CMO), was responsible for the overall programme monitoring and oversight. The Directorate of Financial Resources, which was identified as the unit responsible for managing and disbursing the funds, was to meet quarterly with the HTF to discuss implementation plans, share information and communicate matters relating to the project to all stakeholders involved in this programme. Under this arrangement, the CMO is responsible for approving all disbursements using GAVI HSS funds in addition to being one of the signatories on the bank account. The Directorate of Planning and	No evidence was found of the effective oversight of the HSS programme by the HTF. Its role seems to have been confined to the proposal design and sign-off of Annual Progress Reports for the GAVI Secretariat. In terms of planning and budgeting, no detailed implementation work plan could be obtained which would provide further detail on how program execution would occur to fulfil for the high level GAVI objectives/activities set out in the HSS proposal from 2007. The absence of detailed annual planning and budgeting does not permit effective monitoring to review the performance and progress of the programme, neither by the Ministry nor by the Oversight Committee. In particular, the Directorate of Financial Resources MoHS has not assumed effective responsibility for the financial	H	The MoHS should establish detailed Terms of Reference (ToR) for the HSSG and include oversight of GAVI cash grants in these ToR. Given the importance of the HSSG and the need for strong authority, the chairmanship of this oversight committee should move from the CMO to the Minister of Health and Sanitation or Deputy Minister. Before the start of each GoSL financial year, the MoHS should prepare an Annual Work Plan and Budget (AWPB) outlining all of the GAVI HSS-funded activities in Sierra Leone in sufficient detail to permit effective monitoring of the programme. This AWPB is to be submitted to the HSSG for review and approval, with a copy to GAVI. The Minister of Health has indicated to GAVI in February 2013 that in line with

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	Information has the responsibility to coordinate the programme implementation and to collect reports from implementation parties for final reporting to both the HTF and to GAVI. UNICEF, WHO and UNFPA as members of the HTF have the responsibility to monitor the implementation of GAVI HSS activities to ensure that the activities supported are fully integrated in the 10-year RCH plan for sustainability. Since 2011, the Health Sector Steering Group (HSSG) is responsible for coordination and oversight of the HSS Grant. It is the second-highest strategic decision-making body in the sector. It is also chaired by the CMO and its membership includes development partners, NGOs, FBOs, CSOs as well as directors and managers in the MoHS. The HSSG reviews new applications for GAVI programmes, endorses Annual Progress Reports and receives updates on implementation of GAVI HSS activities.	management of GAVI cash grants. While in-country partners, namely WHO and UNICEF, consider that the HSSG has recently been meeting regularly and is a more inclusive forum than the former HSCC, no meeting minutes were on file nor was there other evidence that the HSSG meets on a regular basis and appropriately oversees the GAVI HSS programme. Furthermore, given the weaknesses outlined below, especially the lack of appropriate documentation and regular accounting and reporting, the effectiveness of financial management and the oversight over the GAVI HSS funds cannot be assured. Overall, the arrangements for planning, budgeting, coordination and oversight are considered insufficient.		the recommendation of the March 2012 FMA of the health sector in Sierra Leone, an Integrated Program Implementation Unit (IPIU) will be established in the MoHS and will be in charge of managing all grants in the health sector. Once this new arrangement becomes effective and is seen to be sound, the IPIU should assume responsibility for the financial management of GAVI cash grants. A procedure manual should be established which should clearly describe the financial management arrangements, responsibilities, authorities and internal controls of the IPIU.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
Budget Execution - Funds flow, banking arrangements	Funds are disbursed by GAVI to the dedicated US\$ Special Account held at a commercial bank. Authorized joint signatories to this account are the Chief Medical Officer and the Permanent Secretary MoHS. The DFR is intended to be responsible of managing the GAVI bank account. Regarding the disbursement of funds from the Central level to the sub-national level, in accordance with the initial 2007 HSS proposal, requests for funds by implementers were intended to be made to the Director of Planning and Information, who would forward the request to the Director General Medical Services and Director General Management Services for endorsement. Endorsed requests would be submitted to the Director of Financial Resources for payment into the account of the implementer.	The DFR's involvement in the execution of the HSS phase 1 programme budget is not evidenced, contrary to the provisions of the HSS proposal. This role has until now been mainly played by the DPI who has the primary responsibility for implementing the HSS programme.	H	In line with the recommendation over the coordination mechanism, the future IPIU will take full responsibility for the financial management of the GAVI HSS programme including budget execution and funds management.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
Budget Execution - Internal Controls	<u>Disbursement process</u> There are intended to be two levels of control for budget execution: <u>The control performed by the DPI:</u> According to the HSS proposal of March 2007 and the process described during the audit, the Director of Planning and Information (DPI) receives requests for disbursement. He ensures that the activity is one of the planned activities and that the requests do not exceed the amounts in the plan. Once completed, he endorses the request and forwards it to the CMO and the PS for approval. <u>The control performed by the Director of Financial Resources:</u> Upon receipt of the approval the DFR ensures that the activity is in the plan and the amount requested does not exceed the amount budgeted for the activity. He then makes payment directly into the account of the implementing unit/agency. Suppliers are directly paid from the GAVI Special Account whereas funds for activities implemented directly by DPI (typically quarterly meetings or	Our audit noted that the two levels of control over budget execution are not functioning effectively as set out in the programme proposal. The activity of the DPI is the only control that has been established, and as such the DFR is absent from the control of the HSS programme's budget execution. Except for a technical report relating to the results of the supervision exercise, no detailed supporting documentation, (such as lists of persons receiving the DSA including their signature, or the mission order with proof of visit to the location with fuel receipts) has been requested by DPI from the other directorates or districts. DPI reportedly collects supporting documentation for own funds attribution. Controls in place over payments are not effective to prevent payment to local suppliers being made to off-shore bank accounts, which is contrary to Sierra Leone law. For example, our review of the purchase of three ambulances (see the section on Procurement p. 17 for more detail) identified a payment of US\$ 96,000 to a local supplier being	H	The MoHS should require as a standard procedure that all recipients of advances (directorates, districts etc.) provide a technical activity report together with a detailed financial liquidation report to the HSS Finance Officer within two months of the activity including full supporting documentation (such as fuel invoices, lists with per diem recipients including their sign-off confirming receipt of per diems, mission orders with proof of visit to the locations of travel, and supplier invoices for any external purchases). No additional advances should be given to a recipient in case the prior advance has not been satisfactorily liquidated and accounted for under the supervision of the IPIU Finance Director. All disbursement requests should be audited and validated by the IPIU Finance Director, prior to final payment authorization by the officers with authority. The MoHS should ensure that appropriate controls over payments are in place and working effectively, to

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
	supervision) are transferred to the DPI operational account. On a quarterly basis, the Directorate of Planning and Information, in addition to attributing funds to itself, advances funds to other directorates of the Ministry (such as Directorates of Primary Health Care, Hospital and Laboratory Services, Reproductive and Child Health Care) intended to cover fuel and Daily Subsistence Allowances (DSA) during the supervision exercise. Similar quarterly advances are made to each of Sierra Leone's 13 districts, for outreach and supervision. The new HSS proposal (submitted in 2012) states that the MoHS plans to amend the above process, involving the Director of Financial Resources MoHS and Internal Audit MoHS, as follows: "Upon receipt of the approval the Director of Financial Resources will also ensure that the activity is in the plan and the amount requested does not exceed the amount for the activity. He will then make payment directly into the account of the implementing unit/agency. Once the department has implemented the	made to a bank account in the Gambia. The audit of October 2012 initially identified the following during the review of the supporting documentation of expenditures executed: • <u>Undocumented expenditures of US\$ 442,078 mainly relating to central and district level supervision and workshops</u>, supported only by incomplete or inconclusive documentation. Typically essential documentation justifying the effective occurrence of the programmatic activity was lacking. In particular, no technical report has been provided nor evidence demonstrated that the beneficiaries have travelled in-country to conduct the supervision activities. There is no procedure or documented guideline to cover the supporting documentation for each type of		ensure payments to suppliers are made to the supplier's bank account in the country of the supplier's registration only.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
	activity they will submit a report together with liquidation for the funds they have used. The returns from the district will be forwarded to the internal audit department to ensure that funds have been used for the intended purpose and is well accounted for.”	advance/activity. • <u>Unjustified disbursements, i.e. cash withdrawals without any supporting documentation, totalling US\$ 556,487</u> Subsequently, following the review of additional documentation provided during a follow-up to Sierra Leone on January 9 and 10, 2013, <u>the undocumented expenditure that remains unexplained is US\$ 202,756 and the disbursements that remain unjustified remain is US\$ 171, 016.</u> Other irregularities in documentation justifying expenditures of US\$ 5,273 have been identified. This documentation contains anomalies and has been rejected. For a detailed break-down of funds disbursed to Sierra Leone, classified by issue identified, please refer to Annex 2. The review of all 2011 bank reconciliations for the Special Account		The IPIU Finance Director should ensure that bank reconciliations are prepared

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	<u>Bank account reconciliations</u> The EPI Finance Unit (staffed by one Finance Officer and one Accounting clerk) performs monthly bank reconciliations of the GAVI US\$ Special Account. The Finance Officer (FO) signs those as preparer and the EPI Manager signs as reviewer. For the DPI operational account, bank reconciliations have reportedly been performed by the DPI Finance Officer prior to his leaving.	has identified that the sign-off of these bank reconciliations are consistently back-dated (i.e. the bank reconciliation page is signed on a date prior to the printing date of the corresponding bank statement). The DPI Finance Officer left the Directorate in the third quarter of 2011 and has not yet been replaced. Since his departure, no reconciliations of the DPI operational account are prepared and no bank reconciliations for the DPI operational account have been provided to the audit team. The new HSS application foresees only limited changes to improve accountability, mainly with a stronger involvement of the Director of Financial Resources in the authorization of payments and liquidation of advances. As the proposed mechanism is not substantially different from the one reviewed, the proposed changes are not considered sufficient to ensure overall sound financial management arrangements.		monthly, on a timely basis (before the end of the following month), for both the GAVI US\$ Special Account and the DPI operational account. The bank reconciliations should be submitted to him for review and validation, and also to the Director DPI and, for the GAVI Special Account, to the EPI Manager.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
Procurement	Procurement of general goods/services is performed by the MoHS Procurement Unit as required by the 2004 Public Procurement Act and the 2006 Public Procurement Regulations. The Procurement Unit MoHS is staffed by three Procurement Officers, two administrative support staffs and headed by a Procurement Manager. It is responsible for (non-medical) procurement of the MoHS including GAVI HSS. The procurement process is as follows: 1) The unit requiring the goods/services submits a request signed by the Programme Manager to certify the necessity of the activity/purchase and the Permanent Secretary provides final authorization for the purchase to be made. 2) Below a set threshold (US\$ 50,000) a certain number of quotations (at least three) are obtained from various suppliers that can provide the goods and services. 3) The Procurement Unit prepares a technical evaluation and suggests a	While no procurement plan has been provided, based on the limited documentation available, key procurements within the current HSS programme included the following: <u>a) Solar lighting for district hospitals for approximately US\$ 110,000, initiated in 2008</u> Delivery and installation of this 2009 procurement has only been finalized in 2011, highlighting the lengthy procurement process resulting in programme implementation delays. The 2007 HSS proposal did not include the procurement of such equipment. Whilst this procurement is not regarded as efficient or effective, there is no indication of misuse. <u>b) Five vehicles, five ambulances and 35 motorcycles for US\$ 458,408 procured through UNICEF supply division Copenhagen in 2009.</u> <u>c) Three ambulances, for which the procurement was initiated in 2010, for a total of US\$ 225,600.</u> The selected local supplier priced the Toyota 4x4 ambulances at US\$ 75,200	H	Given the high risks as well as the lengthy current procurement process and until satisfactory measures are implemented by the MoHS to ensure an effective value-for-money procurement function and practices, procurement of equipment and works using GAVI funds should be performed through UNICEF.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
	supplier. 4) The Procurement Committee then reviews and approves the supplier selection. Conclusions are signed by the committee, which typically has five members including the Head of the Procurement Unit, the head of the initiating department, the Head of Finance (Director of Financial Resources), the Chief Medical Officer and the Permanent Secretary (as Chairman). For goods/services to be procured in excess of the threshold of US\$ 50,000, national competitive bidding (NCB) is required and above US\$ 100,000 international competitive bidding. NCB, in addition to the above process, requires the following: - bid advertising in a national newspaper - review of detailed bidding documents (item description and technical specifications) by the Procurement Review Committee prior to issuance - sealed bids and scheduled bid opening in the presence of the Procurement Committee and bidders - bid evaluation and decision taking by	each, for a total cost of the three ambulances of US\$ 225,600. The same item was purchased in 2009 from UNICEF which priced an ambulance at US\$ 41,576 (including freight, handling, insurance and inspection) which for three ambulances would have cost a total of US\$ 124,728. The amount paid therefore was US\$ 100,872 higher than could have been achieved using previously-obtained prices. As mentioned earlier, the debit advice on file for a partial payment of US\$ 96,000 indicates that payment has been made to the ambulance supplier's bank account at a foreign bank in Banjul, The Gambia.		

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
	the Procurement Review Committee A successful procurement process results in a purchase order (signed by the Procurement Manager and PS). Goods are typically delivered to the Procurement Department (the receipt is acknowledged jointly by a Procurement Officer and representative from the initiating department) and the receipt of services is confirmed by the initiating department.			
Accounting - Staffing arrangements, policies and procedures	The Directorate of Financial Resources, according to the HSS proposal, is intended to have the primary responsibility for the financial management of the grant, including accounting and reporting. However, the accounting for GAVI HSS is performed by the DPI Finance Officer. Accounting for the GAVI HSS programme is performed on a cash basis and, in the absence of a specific FM manual, generally follows the accounting policies and procedures of the GoSL. However, as the IFMIS which the GoSL is currently deploying does not yet include donor funds, accounting is performed outside	The DPI Finance Officer position is still <u>vacant (since quarter 3, 2011)</u>. The audit team noted that nobody else effectively assumed responsibility to account for and report on HSS expenditure. The DFR has not been involved until now in accounting and reporting on the HSS programme. The audit team did not obtain any HSS expenditure list. It became clear that no such listing is kept on an on-going basis. An HSS expenditure listing is prepared only for the GAVI APR process, i.e. once a year, based on the GAVI US\$ account bank statements.	H	The IPIU Finance Director should ensure an experienced Finance Officer is assigned to account for and report on HSS expenditures. This Finance Officer shall keep a HSS expenditure list which is updated on an on-going basis.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
Accounting - Asset Management	the main system on spreadsheets, and payments are made directly by the MoHS and not through the central payment system operated by the Office of the Accountant General. The recording and management of assets is adequately described under the GoSL 2007 Financial Management Regulations. However, these do not require a fixed asset registry.	The audit came to the conclusion that <u>no expenditure list</u> exists for HSS and kept up-to-date on an on-going basis <u>No fixed asset register</u> is maintained. According to the initial HSS proposal, 35 motor bikes, including helmets, were supposed to be provided to the PHU staff (i.e. at district level). The list however indicates that of 35 items, at least 14 motor bikes have been provided to non-programme related beneficiaries, which is not compliant with the initial proposal. This represents <u>a total amount of US\$ 43,386 of ineligible expenditures.</u> This finding illustrates the absence of control over the distribution and receipt of fixed assets, the general lack of transparency and the insufficient supervision of the programme implementation. It also raises questions on the effectiveness of the HSSG oversight committee.	S	The HSS Finance Officer should establish a fixed assets register for assets purchased using HSS funds, showing as a minimum: - acquisition date, - cost, - item description, - quantity and - location This asset register should include all fixed assets bought with HSS funds since the inception of the programme.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
Financial Reporting	On an annual basis, the EPI Finance Officer and the DPI Finance Officer prepare financial statements to be able to fill in the Annual Progress Report for endorsement by the HSSG and subsequent submission to GAVI.	The audit did not obtain any evidence that the programme prepares the annual financial statements forming the basis for the annual audit report. Also, it confirmed that no periodic reports comparing budgets with the actual expenditure are prepared, showing a lack of supervision by the Director of Financial Resources. This also leads to the question of the extent to which the HSSG can effectively assume its oversight role.	S	The HSS Finance Officer should prepare on a quarterly basis, basic management accounts showing 'budget vs. actual' expenditures in a format that permits effective and efficient review and oversight of GAVI-supported activities, as well as annually, the HSS financial statements. These quarterly reports and the annual financial statements should be submitted to the IPIU Finance Director and the Programme Manager for review and validation as well as to the HSSG for further discussion during the committees' meetings (see also the section on Planning, Budgeting and Coordination above), with a copy to GAVI.
Internal Audit	The Internal Audit unit at the MoHS is composed of three staff auditors and one Head of Audit. The 2012 audit plan for the IA unit within MoHS, according to its preamble, covers "areas of maximum risk that require the attention of the Permanent Secretary for assurance" and, more specifically, "areas related to internal controls, compliance with policies and regulations, effective and efficient use of resources and	The current staffing of the IA unit within MoHS appears to be under-resourced, as the Head of IA considers that two additional auditors would be needed to execute the 2012 audit plan and adequate office equipment (such as computers, printers, photocopiers, vehicles etc.) in working condition is not available. The last draft audit report issued and obtained by the assessment team in March 2012, relates to audit	H	IA MoHS should include the periodic review of GAVI funded activities in its annual work plan. Consequently, GAVI-provided funds should be subject to internal audit reviews at central as well as at sub-national levels (typically district level) to ensure compliance with the applicable financial regulations and provide further assurance that funds are subject to adequate oversight and used for their intended purpose.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
	governance processes.” By mandate, the scope of Internal Audit should cover all funds endowed to the GoSL/MoHS. The 2011 APR submitted to GAVI in May 2012 sets out that liquidation from districts is forwarded to Internal Audit MoHS to ensure that funds have been used for the intended purpose and are accounted for appropriately.	work undertaken in September 2011 which suggests the limited work schedule that IA at MoHS is able to undertake with existing resources. <u>Donor funded projects have not been reviewed by IA so far</u> and for 2012, only one such review, a quarterly review on the fund utilization within the Global Fund Malaria Control, TB and Leprosy programmes, was planned. Evidence that IA was involved in reviewing liquidations received from districts, as described in the 2011 APR, has not been received during our audit. In conclusion, Internal Audit of the MoHS does not cover GAVI financial management arrangements, resulting in a high risk for the management and oversight of GAVI funds.		IA should perform ad-hoc spot checks of key activities (while they are on-going) and be involved in the liquidation of advances (for central level and district activities), verifying the completeness, authenticity and accuracy of the supporting documentation. To enable IA to perform this, MoHS might allocate a small amount of the HSS programme funds to IA for travel-related costs.
External Audit	The external audit of GAVI HSS programme is performed by a local private audit firm.	The audit team was unable to obtain sufficient supporting documentation to substantiate HSS expenditures from the beginning of the programme. This raises	H	The current external auditor should no longer be considered for any audit of GAVI funds. Future audits should be undertaken based on Terms of

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
	This firm has been providing the audit coverage for the programme years 2008 onwards. The audit opinions from 2008 to 2011 were unqualified.	the question of how the external auditor could have performed reasonable diligence and drew the positive conclusion he did in his work when there was such incomplete supporting documentation. The team reviewed the external audit reports (2008-2011) and interviewed the external auditors. This raised concerns regarding the capacity and capability of the auditors to execute their audit work to an appropriate standard. The team noted, for example, that in the 2009 report the external auditor mistakenly interchanged the total budget with the programme expenditure which would mislead any reader of the financial statements. In addition, the method used to select the audit firm raises concerns. The team was unable to obtain any evidence that the selection of the auditor has been conducted in a transparent and competitive way and was informed that the audit firm was simply regularly appointed by the EPI Finance Officer. This is further evidence of the absence		Reference provided by GAVI. The audit should be performed using an independent audit firm having a successful experience in undertaking audits for international development partners, and chosen through a transparent and competitive bidding process.

Area	Brief description of existing arrangements	Detailed findings	Risk Rating	Recommendation
		of effective oversight of the programme. It is also noted that the budget allocated to the external audit is very small compared to the size of the programme expenditure to be covered: US\$ 1,000 in 2011 (and no dedicated budget for the years 2008 to 2010) to cover the three year implementation of a US\$ 5.4 million programme with a scope including both central and district activities. The new HSS proposal includes an audit fee of only US\$ 4,000. The budgeted fee needs to be of a size to ensure that an audit can be conducted to satisfactory levels of quality consistent with professional standards.		

IV. Opinion and conclusion

The overall level of risk faced by the GAVI HSS programme in Sierra Leone is High, and improved controls and other safeguards are necessary to ensure that the HSS support to Sierra Leone results in meaningful and effective programme execution.

The audit work performed indicates that the MoHS had not established the key controls set out in the programme's proposal nor established policies, procedures, guidelines and safeguards to ensure that the management of GAVI HSS grants complies with the GAVI Transparency and Accountability Policy. In addition, the audit shows the very high exposure of this grant to misuse as demonstrated by the extent of irregularities identified.

It is requested that the Government of Sierra Leone commit to reimburse to the GAVI Alliance all non-eligible, unjustified and undocumented expenditure, and all expenditure identified as irregular. The resumption of grant disbursement will occur when the commitment to reimburse misused funds has been received and there has been substantial remediation of the deficiencies identified sufficient to ensure effective control over any future disbursements.

The amount of such items identified in the audit is US\$ 523,303.

V. Summary of recommendations, importance and target date

Component	Risk Rating	Description of the recommendations	Importance	Target date
Planning & Budgeting and Coordination/Oversight	High	The MoHS should establish detailed Terms of Reference (ToR) for the HSSG and include oversight of GAVI cash grants in these ToR. Given the importance of the HSSG and the need for strong authority that could engage the responsibility of all parties, the chairmanship of this oversight committee should move from the Chief Medical Officer to the Minister of Health and Sanitation or Deputy Minister.	Critical	Immediately
		Before the start of each GoSL financial year, the MoHS should prepare an annual work plan and budget (AWPB) outlining all of the GAVI HSS funded activities in Sierra Leone, in sufficient detail to permit effective monitoring of the programme. This AWPB should be submitted to the HSSG for review and approval, with a copy to GAVI.	Essential	At least 2 months before the start of each FY
		The future IPIU should assume responsibility for the financial management of GAVI cash grants. A procedure manual should be established which should clearly describe the financial management arrangements, responsibilities, authorities and internal controls of the IPIU.	Critical	Once operational
Budget Execution – Internal Controls	High	The MoHS should ensure that appropriate controls over payments are in place and working effectively, among other to ensure payments to suppliers are made to the supplier's bank account in	Essential	Immediately

		the country of the supplier's registration only. The MoHS should require as a standard procedure that all recipients of advances (directorates, districts etc.) provide a technical activity report together with a detailed financial liquidation report including full supporting documentation (such as fuel invoices, duly signed-off list of per diem and mission orders with proof of visit by the location travelled to, supplier invoices for any external purchases) to the HSS Finance Officer within 2 months following the completion of the activity. No additional advances should be given to a recipient in case the prior advance has not been satisfactorily liquidated and accounted for under the supervision of the IPIU Finance Director.	Critical	Immediately
		All disbursement requests should be reviewed and validated by the IPIU Finance Director, prior to final payment authorization by the Officers with authority.	Essential	Starting with next payment
		The IPIU Finance Director should ensure that bank reconciliations are prepared monthly on a timely basis (before the end of the following month), and they should be signed-off for approval by duly authorized officials.	Critical	Immediately
Procurement	High	Given the high risk as well as the lengthy current procurement process and until satisfactory measures are implemented by the MoHS to ensure an effective value-for-money procurement function and practices, procurement of equipment and works using GAVI funds should be performed through UNICEF.	Critical	Immediately

Accounting / Staffing arrangements,policies and procedures	High	The IPIU Finance Director should ensure an experienced Finance Officer is assigned to account for and report on HSS expenditures. This Finance Officer shall keep a HSS expenditure list which is updated on an on-going basis.	Essential	Immediately
Accounting / Asset management	Substantial	The HSS Finance Officer should establish a fixed assets register for assets purchased using GAVI HSS funds, showing as a minimum : - acquisition date, - cost, - item description, - quantity and - location This asset register should include all fixed assets bought with GAVI HSS funds since the inception of the programme.	Essential	before end 2013
Financial reporting	Substantial	The HSS Finance Officer should prepare basic management accounts on a quarterly basis and annual financial statements showing budgets vs. actual expenditures in a format that permits effective and efficient review and oversight of GAVI activities, These quarterly reports and the annual financial statements should be submitted to the IPIU Finance Director and the Programme Manager for review and validation, as well as to the HSSG for further discussion during the committees' meetings (see also section Planning, Budgeting and Coordination above), with a copy to GAVI.	Essential	From 2013 FY
Internal Audit	High	Internal Audit of the MoHS should include the periodic review of GAVI funded activities in its annual work plan. Consequently, GAVI funds shall be subject to internal audit reviews at central as well as at sub-national level (typically district level) to ensure compliance with the applicable financial regulations and provide further assurance that funds are subject to adequate oversight.	Essential	From 2013 FY

		IA should perform ad-hoc spot checks of key activities (while they are on-going) and be involved in the liquidation of advances (for central level and district activities), verifying the completeness, authenticity and accuracy of the supporting documentation.	Essential	From 2013 FY
		In order to enable IA to perform the above, MoHS might allocate a reasonable amount of the HSS programme funds to IA for travel related costs.	Desirable	From 2013 FY
External Audit	High	The current external auditor should no longer be consulted for any audit of GAVI funds. Future audits, should be undertaken based on Terms of Reference provided by GAVI. The audit should be performed using an independent audit firm, having a successful experience in undertaking audits for international development partners, and chosen through a transparent and competitive bidding process.	Critical	Immediately

Scale and Importance of recommendation

Critical

A Critical recommendation significantly reduces the exposure to fiduciary risk and acts as a deterrence control.

Essential

An Essential recommendation reduces the fiduciary risk and enhances the working procedures.

Desirable

A Desirable recommendation enhances the working procedures

VI. Annexes

- **Annex 1 – Summary analysis**

(Figures in US\$)

Undocumented expenditures	202,756
Unjustified disbursement	171,016
Procurement of three ambulances (poor value for money)	100,872
Diverted motorcycles	43,386
Other irregularities	5,273
Total	523,303
Disbursements from GAVI	1,684,750
Misuse relative to disbursements	31%