



INSPECTION GÉNÉRALE DES FINANCES
PUBLIC AUDIT OFFICE
REPUBLIC OF CÔTE D'IVOIRE



**INVESTIGATION INTO FINANCIAL IMPLEMENTATION OF THE
GAVI HSS PROGRAMME (FIRST TRANCHE)
BY THE MINISTRY OF HEALTH AND PUBLIC HYGIENE
(2009–2010)**

INVESTIGATION REPORT

June 2012

CONTENTS

DEFINITIONS	3
I – EXECUTIVE SUMMARY	5
II - SUMMARY OF ANOMALIES	9
III - GENERAL OBSERVATIONS	11
IV- CONCLUSION	16

DEFINITIONS

The following definitions of terms used may help the reader better understand the present report:

1. **DAF: (Direction des Affaires Financières)** Directorate of Financial Affairs

2. **DIPE: (Direction de l'Information, de la Planification et de l'Evaluation)**

Directorate of Information, Planning and Evaluation

3. **FMA: Financial Management Assessment**

4. **HSS: Health Systems Strengthening**

5. **IGF: (Inspection Générale des Finances)**

Inspectorate-General of Finances (Public Audit Office)

6. **ISS: Immunisation Services Support**

7. **MHPH: Ministry of Health and Public Hygiene**

8. **TAP: Transparency and Accountability Policy**

9. **TFP: Technical and Financial Partners (WHO, UNICEF, etc.)**

10. **TOR : Terms of Reference**

11. **Justified expenditure:**

Justified expenditure is expenditure which has been validated by the investigators on the basis of documentary evidence (i.e. sufficient, appropriate, pertinent and credible information), obtained as a result of the investigations conducted in the course of their mission.

12. **Unjustified / Unvalidated expenditure:**

This is expenditure which was rejected by the investigators due to incomplete or inconclusive documentation.

13. **Non-eligible expenditure:**

Expenditure not complying with the country's proposal or with the intended purpose of the proposal.

14. Undocumented expenditure:

This covers two sub-categories of expenditure:

- *Undocumented 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: invoice, contract, purchase order, delivery note for goods and equipment, etc. In the specific case of Health Systems Strengthening (HSS) it can also include the absence of a pro-forma invoice vouching for the transparently competitive nature of the procurement process, the final invoice, etc.*
- *Undocumented programme activity: this means expenditure where essential documentation justifying the payment is lacking. For HSS, this may mean travel without a mission order, lack of a technical report, of an activity report evidencing the completion of the task, of a list of presences signed by participants, etc.*

15. Unjustified disbursements:

This is the release of funds without the corresponding documentary justification, and in particular the difference between amounts withdrawn from the bank and made available to the programme and the amount justified by the available documents.

16. Fraud/Irregularity:

In expenditure, includes any deliberate or unintentional act of commission or omission relating to:

- *The use or presentation of documents which are inaccurate, incomplete or falsified, resulting in the undue use or payment of GAVI funds for activities, or the undue withholding of monies from funds granted by GAVI,*
- *The embezzlement or misappropriation of funds to purposes other than those for which they were granted.*

I. EXECUTIVE SUMMARY

SUMMARY

GAVI Alliance has supported the Government of the Republic of Côte d'Ivoire since 2001 through its Immunisation Services Support (ISS) programme. The scope of support widened in 2008 with the granting of cash support for Health Systems Strengthening (HSS). The total amount approved for ISS for the period 2001-2012 was USD 6,586,001, of which USD 3,819,500 has already been disbursed from GAVI to the Country. For HSS, the total amount approved for the period 2008-2012 is USD 8,644,927 of which USD 1,790,000 has been disbursed so far from GAVI to the Government of Republic of Côte d'Ivoire. The country has also received an allocation for the introduction of new vaccines totalling USD 288,500.

In accordance with GAVI Alliance's Transparency and Accountability Policy (TAP), a Financial Management Evaluation (FMA) was conducted in Côte d'Ivoire from 6 to 17 September 2010. This assessment related essentially to identifying and examining financial management procedures in the healthcare sector generally, and as they related in particular to the management of GAVI funds for the ISS and HSS programmes. The assessment concluded that financial management of the HSS programme failed to comply either with GAVI's own Transparency and Accountability Policy or with the terms of the country proposal document agreed between GAVI and the Government of Côte d'Ivoire

Following the FMA, its main conclusions were presented to a meeting held in the cabinet office of the Minister of Health and Public Hygiene on 17 September 2010, attended by the Inspectorate-General of Finances. On 8 October 2010, the Interim CEO of GAVI Alliance wrote to the Inspectorate, recalling that the weaknesses and anomalies detected by the FMA could, given the lack of any financial control over HSS funds, constitute areas of fiduciary risk for GAVI funds. The GAVI Secretariat accordingly requested the Inspectorate General of Finances to open an investigation into the budgetary implementation of GAVI HSS funds, in accordance with the discussions held and commitments given at the meeting of 17 September 2010.

In view of the political situation obtaining in Côte d'Ivoire in late 2010 and the consequent lack of visibility for the efficacious implementation of GAVI Alliance's support, on 21 January 2011 the GAVI Secretariat suspended all cash support payments in Côte d'Ivoire and requested the Minister of Health to suspend temporarily the use of funds deposited with the Public Treasury Bank for all programmes benefiting from cash support from GAVI Alliance. As the situation evolved over the course of 2011, the Interim CEO of GAVI Alliance wrote to the Minister of Health on 20 July 2011, lifting the suspension of ISS funds. However, in view of the weaknesses and anomalies detected by the FMA, financing for HSS would remain suspended until completion of the investigation, this constituting one stage in the FMA which would be concluded with the signature of an *Aide-mémoire*.

A total of FCFA 811,317,500 was granted to the country as the first tranche of the HSS programme. Expenditure commitments in 2009 and 2010 totalled FCFA 642,573,523, and the investigation covered the totality of those commitments.

The investigation was conducted by the Ivorian Inspectorate-General of Finance jointly with GAVI's TAP department, in accordance with the Terms of Reference drafted by the IGF and notified to the Ministry of Health on 24 February 2012, with the following stated objectives:

- identification of non-eligible expenditure not falling within the programme's stated objectives as set out in the initial country proposal document of May 2008 validated between GAVI and the Government of Côte d'Ivoire;
- audit of the proper justification of expenditure covered from GAVI HSS funds, from the economic and programme points of view (intended purpose of the programme) and a full audit of required documentation for internal control in accordance with national regulations

or customary usage in the Republic of Côte d'Ivoire, specifically those for similar programmes and other FTPs;

- verification of the transparency of procurement procedures involving GAVI HSS funds, where the FMA had identified significant indications of irregularities.

The investigation proper included a number of stages, and in particular:

- meetings with the Directorates of Information, Planning and Evaluation (DIPE) and of Financial Affairs (DAF), and specifically with their Directors and with the staff of DIPE's Administration and Finance Unit;
- meetings with the successive managers of the HSS programme;
- a general examination of the management operations environment, and of the procedures in force in DIPE;
- an evaluation of the supervisory environment in DIPE;
- collection of all the documents and information needed for the investigation, in particular, GAVI HSS financial statements, bookkeeping documentation, terms of reference and reports on the various activities carried out, as made available to the investigators by the DIPE;
- handwriting, graphological, fiscal and legal scrutiny of the documents relating to programme activities;
- Verification of documents on the premises of certain service providers, in order to validate documented information;
- Collection by the IGF of written testimony from certain individuals recorded as having benefited from daily allowances and/or fuel allowances paid out of GAVI funds;
- Holding of a contradictory meeting with the Ministry of Health (DIPE and DAF) on 2 and 3 May 2012, during which explanations and additional documents were submitted to the investigators. Examination of those documents has allowed certain rejected items of expenditure to be accepted on the basis of documentary proof. Minutes were drafted on conclusion of these meetings, listing the final total of expenditure items rejected as anomalous and accepted as such by all those present at the meeting. The minutes were signed jointly on 3 May by the DIPE, the HSS programme management, GAVI and the IGF.
- Submission to the DIPE of a draft version of the report for the department's written comments.

The principal constraint on the investigation was the DIPE's submission of additional documents throughout the inquiry, despite the IGF's requests that the totality of the documentation justifying expenditure should be submitted at the outset. This constraint affected the time take for field work and lengthened the investigation.

OUTCOME

The total amount of expenditure examined on completion of the investigation was **FCFA 642,573,523 (USD 1,324,894¹)**. Anomalies, fraud and irregularities totalled **FCFA 227,561,531 (USD 469,200)**, broken down as follows:

- non-eligible expenditure (18%): FCFA 40,641,704 (USD 83,797);
- fraud and irregularities identified as such (70%): FCFA 159,201,529 (USD 328,252);
- undocumented expenditure (11%): FCFA 26,605,298 (USD 54,856);
- unjustified disbursements (1%): FCFA 1,113,000 (USD 2,295).

The IGF and GAVI Alliance offer their thanks to all Officials in the Ministry of Health and Public Hygiene who contributed to the satisfactory completion of the present investigation.

¹ Exchange rate used: US\$1 = 485 FCFA (Source Oanda, 30/04/2012).

II. SUMMARY OF ANOMALIES

A- NON-ELIGIBLE EXPENDITURE

Total non-eligible expenditure by year for the entire HSS programme is as follows:

Table 1: Non-eligible expenditure (in FCFA)

Years	2009	2010	TOTAL
TOTAL	12,215,408	28,426,296	40,641,704

B - FRAUD AND IRREGULARITIES

Totals for fraud and irregularities identified as such, by year, are as follows:

Table 2: Fraud and irregularities (in FCFA)

Years	2009	2010	TOTAL
TOTAL	109,720,365	49,481,164	159,201,529

C - UNDOCUMENTED EXPENDITURE

Total undocumented expenditure by year is as follows:

Table 3: Undocumented expenditure (in FCFA)

Years	2009	2010	TOTAL
Undocumented purchases	8,548,298	320,000	8,868,298
Undocumented programme activity	8,777,000	8,960,000	17,737,000
TOTAL	17,325,298	9,280,000	26,605,298

D - UNJUSTIFIED DISBURSEMENTS

Total unjustified disbursements by year are as follows:

Table 4: Unjustified disbursements (in FCFA)

Years	2009	2010	TOTAL
TOTAL	1,113,000	—	1,113,000

III. GENERAL OBSERVATIONS

Our investigation into implementation of the GAVI HSS programme for 2009 and 2010 leads us to conclude that the internal control system of the Directorate for Information, Planning and Studies of the Ivorian Ministry of Health, the body responsible for management of GAVI support for HSS, is not satisfactory and suffers from structural failings which unless appropriate measures are taken will allow numerous irregularities to occur.

a) General remarks

- No payments have been made from GAVI HSS funds for the programme since August 2010. This has been confirmed from subsequent bank statements. At an early stage the investigation noted the misappropriation of FCFA 108 million from the GAVI HSS account held at the Treasury Bank, resulting from a third-party computer exploit. The IGF immediately notified this to the Minister of the Economy and Finance. Appropriate measures were taken, permitting the GAVI HSS account to be credited with the amount misappropriated, and – to the satisfaction of the investigating team – the Minister took all the necessary steps to deal with the problem, including the arrest of all third parties implicated in the misappropriation.
- Using the payment orders submitted (each being linked to a specific activity), the investigators were able to identify imputation errors between activities in the summary statements of expenditure for 2009: activity 1.8 (“Support to HR Dept in drafting standards documents and Healthcare HR management tools”) was understated by FCFA 4,100,125 and activity 1.18 (“Supervisory training”) overstated by FCFA 4,100,125 compared with the vouchers submitted.

Similarly, fuel purchases in 2009 (Payment orders for FCFA 40 million and 15 million) were incorrectly apportioned between the various activities (and thus recorded in the summary statements) when compared with the vouchers, with the result that certain amounts were overstated for some activities and understated for others. This is why the fuel expenditure analysis for 2009 has been set out in separate tables, to take account of the true breakdown by activity as established by the vouchers submitted.

Finally, the totals shown in the summary statements correspond to the totals paid out (except for the unjustified payments, see Para. E below), however, the various errors reflect a lack of discipline in compiling the summary statements which is damaging to the keeping of a satisfactory audit trail.

Investigations brought to light various categories of anomaly, which can be set out as follows:

b) Non-eligible expenditure

DIPE engaged in non-eligible expenditure totalling **FCFA 40,641,704** for 2009 and 2010.

The following cases of non-eligible expenditure were identified and can be cited as examples:

- The investigation noted that in most cases the GAVI HSS programme pays VAT on the purchase of goods and services. In practice, most invoices paid from GAVI funds are tax inclusive. But VAT should be paid from the government’s counterpart as its contribution to each project, and suppliers’ invoices should be paid net of tax. VAT paid from GAVI funds reduces the resources available for implementation of the programme and represents revenue to the State. This is unacceptable for welfare healthcare financing. The amount of VAT paid from GAVI funds totals to FCFA 34,751,704.
- Another category of non-eligible expenditure identified by the investigators is the payment of fees to the programme manager. On numerous occasions a monthly fee of FCFA 145,000 was paid to the GAVI HSS programme manager; this is neither customary with GAVI nor

provided for in the country proposal. Expenses and fees of personnel responsible for programme management are borne from the Government counterpart funds. The total amount identified for 2009-2010 was FCFA 1,740,000.

c) Irregular and/or fraudulent expenditure

The DIPE incurred expenses marred by fraud or irregularity.. Broadly, the investigators distinguished two types of such expenditure:

- ***Irregularities / fraud in the procurement of goods and services***

- In numerous cases evidence could not be found that a transparent process for competitive offers had been used in procurement using GAVI funds. In practice, the investigation did not find any pro-forma invoices from suppliers in the files; this is in breach of the provisions of the Côte d'Ivoire *Code des marchés publics* (public procurement code) set out in Decree 2009–259 of 6 August 2009. The code provides that for expenditure below the threshold for tendering, *'the manager must conduct an informal competition by obtaining at least three offers, in order to make an efficient economic choice'*. An earlier provision (Official Journal of the Republic of Côte d'Ivoire, 27 December 2005), had already required that *'the contracting authority shall make use of competition to ensure that the price and terms offered are the most advantageous'*.

Tests conducted on certain procurement dossiers during the FMA mission of September 2010 showed that all dossiers contained a pro-forma invoice. These pro-formas had been felt to be of doubtful authenticity, leaving the suspicion of a sham competition designed to favour the supplier finally selected. During the investigation of March–April 2012, there weren't any pro-formas found in the same dossiers. The Director of DIPE explained that DIPE's offices had been ransacked during the political upheavals in Côte d'Ivoire of 2011. The investigators did not find this explanation credible: it is inconceivable that pillagers should have rifled each dossier with a view to extracting just one pro-forma invoice having no market value. The systematic absence of these documents points to their having been weeded from the dossiers in the wake of the FMA, which had noted their more than dubious authenticity, in order to hinder the investigation.

- The investigators noted instances of sub-optimal management of GAVI HSS resources. For example, very substantial over-pricing was noted for the purchase of motorcycles. The 33 motorcycles ordered from the supplier had a pre-tax unit price of FCFA 1,059,322. The IGF requested from the supplier other invoices for the same item sold to other customers during the same period. All of the five invoices submitted showed prices significantly lower than that invoiced and paid from HSS programme funds. The highest pre-tax price noted was FCFA 635,593, representing a difference of FCFA 423,729 for each motorcycle (67% overcharge). This is not acceptable.
- Similarly, the IGF noted regular recourse to a supplier of computer and office equipment (without there being any evidence of transparent competition with other suppliers, see above) who in certain cases acted simply as an intermediary, with consequent unjustified overcharging. For example, on 14 October 2009 this supplier ("Supplier A") issued an invoice for FCFA 19,749,778 tax inclusive for the supply of a photocopier, air-conditioners and a safe, which was accompanied by a delivery note countersigned by a member of the DIPE Administration and Finance Unit. Following IGF inquiries with Supplier B (who supplied goods to DIPE's direct supplier²), it became apparent that the photocopier in question was purchased by Supplier A on 11 November 2009 and

² The photocopier's guarantee certificate, found in the dossier, was issued by Supplier B.

delivered direct to the DIPE on 12 November. Supplier B's delivery note was signed by the same DIPE staff member, who thus could not have been unaware of the item's true price. Study of the dates shows that the invoice and delivery note dated 14 October, issued by Supplier A and signed by DIPE, were a fiction, since at that date the photocopier had still to be delivered. The difference between the invoices issued by Supplier B (FCFA 3,652,200 pre-tax) and Supplier A (FCFA 10,740,600 pre-tax) comes to FCFA 7,088,400, an unacceptable overcharge of 194%. The manoeuvre resulting in this overcharge was entirely within the knowledge of the DIPE, whose staff signed every document relating to the contract.

The foregoing facts point to conspiracy to defraud implicating at least Supplier A and DIPE's Administration and Finance Unit. The fraud resulted in substantial overcharging for equipment purchased out of GAVI funds.

Similarly, six air-conditioners were invoiced at FCFA 432,900 each, pre-tax, whilst the usual market price is under FCFA 200,000 tax inclusive. This is yet another unacceptable overcharge.

- This same supplier also participated in public invitations to tender (for contracts worth in excess of FCFA 30 million). The firm was selected for one of them, its offer being the lowest (FCFA 22 million, against 24 million and 32 million for the other bidders). Nevertheless, the amount of the contract signed and invoiced was FCFA 36,900,000. This amount was accepted by the tender committee to use up the totality of the earmarked funds, in exchange for an increase in the quantities ordered. The Supplier's final invoice, however, was for the original number of articles as in the offer priced at FCFA 22 million. It was the unit price of the articles, rather than their number, which was increased to reach the total of FCFA 36.9 million. This is unacceptable.

This manifest irregularity also illustrates the inadequacy of controls before payment of invoices, where this fraudulent manoeuvre escaped detection.

These occurrences reveal irregularities suggesting collusion between the owner of this firm, which has neither premises nor trading stock, the beneficiary of numerous supply contracts awarded by the DIPE and, at the very least, the Administration and Finance Unit of DIPE. As a result of these observations the investigators have expressed reservations about all invoices issued by this supplier.

- ***Irregularities / fraud relating to programme activities***

In this sub-category, the irregularities / fraud are typified by:

- Lack of a mission report or activity report vouching that any activity in fact took place;
- Payment of perdiems at a rate exceeding those proposed by the Technical Committee, and overstatement of the number of days claimed vis-à-vis the true duration of the activity;
- The production of perdiem claim forms which are undated, signed by individuals who did not take part in the activities and whose names do not figure in the lists of participants, and bearing the names of individuals who do not acknowledge that they received perdiems or signed the claim forms;
- The production of falsified fuel claims, completed in particular by individuals who state that they did not receive the claimed amounts and filled in the forms at the request of the DIPE Administration and Finance Unit;

- The production of duplicate claim forms to justify two distinct expenses claims;
- The claiming of perdiems for different reasons by the same individual for the same period.

Irregular and fraudulent expenditure totals **FCFA 159,201,529**.

d) Undocumented expenditure

This type of expenditure accounts for 11% of total identified anomalies, and relates to undocumented procurement and programme activities. Such expenditure typically lacks the essential documentation attesting to the transparency of the incurred expenses (final invoice, pro-forma invoices from several suppliers, etc.) or showing that the activity actually took place at all (notably mission reports). Another feature is partially incomplete per diem claim forms, e.g. lacking participants' names (thus making it impossible to cross check that the correct amounts were claimed), mission date or duration not completed, etc.

The anomalies brought to light illustrate insufficient internal control of claims for per diems and mission expenses. There is no document attesting to the reality of the missions for which allowances were claimed, notably as regards their claimed duration.

As an example, the investigation noted the payment of 30 days' mission expenses to DIPE staff when both the payment order and the report on the activity in question quoted the mission as lasting from 11 to 18 March 2009, i.e. eight days. The mission report itself also quoted the mission as lasting from 11 to 18 March 2009.

Undocumented expenditure identified by the investigation totalled **FCFA 26,605,298**.

e) Unjustified disbursements

The Directorate of Information, Planning and Studies was unable to justify certain items of expenditure. The greater part of this total (which remains marginal compared with the other categories of anomaly) corresponds to the difference between the total paid out from the GAVI HSS account and the total of payment orders submitted by the DIPE.

Unjustified expenditure totalled **FCFA 1,113,000**.

IV. CONCLUSION

Implementation of the GAVI HSS programme in 2009 and 2010 is not compatible with GAVI's Transparency and Accountability Policy and did not satisfy the elementary rules of good management. The investigation revealed that a significant part of expenditure was incurred in anomalous circumstances which failed to meet the standards of transparency required for the use of GAVI HSS funds. The anomalies noted resulted in sub-optimal use of the resources made available to the Government of the Republic of Côte d'Ivoire, to the detriment of the country's healthcare system.

The revealed anomalies are due to failure of the internal control system established by the DIPE, the body responsible for management of GAVI HSS support. The control system shows structural weaknesses, mainly the lack of a financial controller. The financial management system initially planned for the management of GAVI HSS funds was never implemented. The Director of the DIPE has rejected all responsibility, and on numerous occasions throughout the investigation has denied being responsible for management of the HSS programme. This is not acceptable, and conflicts with the provisions set out in the country proposal document. The DIPE does not, in its present form, offer the necessary guarantees of satisfactory management of GAVI Alliance funds, and appropriate remedial action must be taken by the Government of the Republic of Côte d'Ivoire.

The recommendations of the September 2010 Financial Management Assessment must be implemented urgently to remedy the inadequacies noted. In accordance with GAVI's Transparency and Accountability Policy, the principal recommendations establishing the framework for financial management of GAVI funds will be set out in an *Aide-mémoire*, to be signed jointly by the Government of the Republic of Côte d'Ivoire and GAVI Alliance.

Finally, the Government of the Republic of Côte d'Ivoire must commit to reimburse to the GAVI Alliance all non-eligible, unjustified and undocumented expenditure, and all expenditure identified as irregular or fraudulent, in order that implementation of the GAVI HSS programme be resumed as soon as possible.