

# Memorandum on the Republic of Guinea-Bissau's Programme Audit report

The attached audit report sets out the conclusions on Gavi Secretariat's Programme Audit of the Government of Guinea-Bissau's immunisation programmes as managed by the Ministry of Public Health.

The audit was conducted in December 2017 and February 2018. It reviewed the period from 1 January 2014 to 30 September 2017. The scope of the audit covered the Ministry of Public Health's management of grants supporting its Health Systems Strengthening (HSS), Measles Rubella (MR) operational costs and vaccine supply management. The final audit report was issued to the Ministry of Public Health on 11 February 2019.

The audit report's Executive Summary (pages 3 to 8) 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 Unsatisfactory (page 3) which means that "Internal controls, and risk management processes were either not established or not functioning properly. The majority of issues or anomalies identified represent a critical level of risk. Hence, the overall objectives of the audited entity were not likely to be achieved".
2. 14 issues were identified which stemmed from inadequate programmatic governance and oversight. These weaknesses were further compounded by repeated failures to comply with applicable State legislation and Gavi's Transparency and Accountability Policy (page 3).
3. Key findings (pages 4 to 5) were that:
  - a. The governance and oversight mechanisms over Gavi cash grants were unsatisfactory;
  - b. Flawed procurement processes, including organisational units failing to comply with the applicable public procurement policies;
  - c. Programmatic expenditures totalling US\$ 272,969 of were categorised by the audit team as unsupported, inadequately justified, irregular and ineligible (page 6);
  - d. Inadequate systems were in place to monitor the programmatic advances and resultant liquidation;
  - e. The national vaccine store's stock records were incomplete and inaccurate, resulting in some Gavi-supported vaccines being unaccounted for lost, or shelf-expiring (page 8); and
  - f. Sub-national site visits undertaken by the audit team identified significant weaknesses in the management and handling of vaccines and the underlying stock records.

The results of the programme audit were discussed and agreed with the Minister of Public Health, with a commitment to remediate the identified issues. Specifically, in a letter of on 28 February 2019, the Minister committed to reimburse the full amount of US\$ 272,969 requested by Gavi.

Gavi Secretariat continues to work with the Ministry of Public Health to ensure the above commitments are met.

Geneva, March 2019

# REPUBLIC OF GUINEA-BISSAU



**Gavi Secretariat, Geneva, Switzerland**

(hereinafter Gavi)



**Final audit rapport – February 2019**

## 1. Executive Summary

### 1.1. Audit ratings by category and finding

Section*	Finding	Risk*	Page
<b>4.1</b>	<b>Governance et organisation</b>		<b>15</b>
4.1.1	The strategic role inherent to the ICC is yet to be restored	■	15
4.1.2	The EPIs internal control systems and human resource management practices are fragile	■	17
4.1.3	Failure to meet the requirement for an annual external audit	■	19
<b>4.2</b>	<b>Budgetary and accounting oversight</b>		<b>20</b>
4.2.1	Lack of general and analytical accounting	■	20
<b>4.3</b>	<b>Financial management</b>		<b>22</b>
4.3.1	Lack of cash accounting and reliable tracking of cash advances	■	22
4.3.2	Lack of reliable determination of cash advances and fund balances across the various EPI programmes	■	24
<b>4.4</b>	<b>Fixed assets management</b>		<b>26</b>
4.4.1	Mechanisms to monitor fixed assets assigned to the EPI and manage their maintenance are ineffective	■	26
4.4.2	EPI property acquired with Gavi support is uninsured	■	28
<b>4.5</b>	<b>Procurement</b>		<b>29</b>
4.5.1	Non-compliance with the regulatory framework governing procurement	■	29
<b>4.6</b>	<b>Expenditures and disbursements</b>		<b>31</b>
4.6.1	Funding requests and reported expenditure are frequently identical in amount	■	31
4.6.2	Expenditures questioned through audit testing	■	32

Section*	Finding	Risk*	Page
<b>4.7</b>	<b>Vaccine supply management</b>		<b>34</b>
4.7.1	Flaws in the physical security of storage facilities and vaccines	■	34
4.7.2	Recurrent anomalies and weaknesses in stock record-keeping	■	36
4.7.3	Weaknesses in vaccine waste collection and disposal practices	■	39

### 1.2. Overall audit opinion

For the period under review, the Audit Team assessed that the management of Gavi's support by the MOPH was overall **unsatisfactory**, which means that internal controls and risk management processes were either not established or not functioning properly. The majority of issues or anomalies identified represent a critical level of risk. Hence, the overall objectives of the audited entity were not likely to be achieved.

In order to mitigate the risks associated to the above-cited findings, the audit team has made **14** recommendations, of which **7 (50%)** were rated as essential, requiring implementation of a remedial action plan (as outlined in annex 6 to this report).

The tests undertaken during the audit on the justification of programmatic expenditure resulted in questionable expenditure totalling **150 420 329 FCFA (272 969 USD)**, as explained in section 1.4.1 hereafter.

\* The audit rating attributed to each category, the risk assessment rating for each audit finding as well as the priority rating of recommendations are defined in annex 2 to this report.

### 1.3. Detailed summary

#### ***Governance and organisation***

In addition to the political instability and cabinet reshuffles which encumber both development programme implementation and the long-term effectiveness of public policies, the State's insufficient contribution to the public health sector budget has rendered the Expanded Programme on Immunisation Directorate (EPI) highly dependent on financial and human resources from outside technical partners and donors.

The Inter-agency Coordination Committee (ICC) who, in principal, would be tasked with setting out the strategic direction and approving EPI management's mandate and action plans, was unable to make available to the audit team minutes from meetings held over the period covered by this audit. The ICC had not met regularly and, in recent years, had experienced declining commitment from its members' representatives. Deprived of enthusiasm and ownership for its duties, the ICC ultimately failed to achieve its purpose due primarily to terms of reference that lacked clarity and precision, as well as an agenda which focused on micromanaging routine operations to the detriment of strategic and structural exchange.

On a more operational level, the absence of an Administrative, accounting and financial management procedures manual, purportedly distributed within both the EPI and the General Directorate for Health Systems Administration (DGASS), opens the way to a liberal interpretation of the internal control procedures to be implemented at each level of the health pyramid. Devoid of any oversight standards, there was no guarantee that programmatic resources would be managed with rigor and diligence. As a result, control functions are broadly weak or even absent, further compounded by a lack of clear demarcation of roles and responsibilities across the officers in charge of the EPIs governance functions. In addition to the deficient procedural and organisational framework, the audit found that record-keeping failed to comply with generally accepted standards on accounting and the provisions of the Partnership Framework Agreement between Gavi and the Ministry of Public Health of Guinea-Bissau (MPH).

#### ***Budgetary and accounting oversight***

The design and content of the Excel spreadsheets which the EPI employs to track Gavi's financial support renders it impossible to determine a precise cash balance, to distinguish between natures of expenditure and to compare the actual expenditures against budgets and annual activity plans. This has notably resulted in the EPIs inability to reliably track both the reallocation of uncommitted funds from various programmes and the multiple instances of budget reprogramming.

The audit noted that the value of expenditures reported as justified was invariably identical to budgeted amounts, with no under or over-budget variance. Numerous arithmetic errors were identified in the Funding Authorisation and Certification of Expenditure (FACE) forms that the EPI prepares and sends to the WHO.

The audit identified several cases of comparable goods and services whose stated unit price had doubled, tripled or even quadrupled over a matter of months. The audit also identified overtly copious budgets to cover fuel costs and vehicle rental, without reasoned explanation. In this context the audit questions the EPIs value-for-money principles, the authenticity of certain expenditure justification and the effectiveness of detect controls.

#### ***Financial management***

The audit noted an absence of financial management tools with which to monitor cashflow completeness real time. As such, the traceability of cash flows across the different bank accounts in use for Gavi-funded programmes cannot be guaranteed and there is no consolidated view of cash flow status across all bank accounts, whether by donor or by programme. This significantly impeded audit procedures.

The management of Gavi-funded cash advances to Regional Health Authorities (DRS) for a total of about US \$ 0.4 million (and the identification of any outstanding balances) are directly under the fiduciary control of the WHO. As a result, the financial implementation reports produced by the beneficiaries are decentralised and, contrary to those reports produced by the EPI, are not subject to control by the Administrative and Financial Department (DAF) of DGASS within the MPH.

#### ***Fixed assets management***

A review of the fixed asset management system reveals an absence of a complete inventory register listing all EPI assets at all locations across the country. Although the audit welcomes the completion of an inventory in September 2016 at the EPI and a complete inventory exercise of the cold chain of the EPI in mid-2017, the results will have to be centralised and reprocessed within a complete capital register, then this register kept up-to-date within the EPI.

The EPI was unable to attest as to the existence of insurance coverage, or that the State had budgeted or provisioned for any financial risk owing to the loss, destruction or deterioration of assets acquired by way of Gavi funds.

A lack of formal tracking of needs and insufficient budget availability have undermined the effective management of (preventive and curative) maintenance and impeded the replacement of defective equipment.

**Procurement**

In monetary terms, most purchases during the period audited were made directly by the WHO or through providers known to the WHO. Those purchases made directly by the EPI during the period audited did not reach the thresholds where the Central Public Procurement Unit is required to be involved, instead they required a so-called “simplified bid”, which consists in soliciting pro-forma invoices from at least three separate suppliers. Although three pro-forma invoices were provided for each of the purchases tested by the audit team, the selection processes and criteria as well as the selection committee minutes were not formalised by the EPI, who was unable to explain such transparency and traceability deficiencies.

These practices do not comply with the fundamental principles of public procurement, undermining the EPIs ability to attain the best value-for-money. Based on this non-compliance with existing regulations, the audit team questioned all purchases tested; i.e. 22,995,000 FCFA (38,191 USD) which have been incorporated into the inadequately justified expenditure conveyed in section 1.4.1 in this report.

**Expenditures and disbursements**

Despite two levels of review and approval of expenditures funded through Gavi support to the EPI, 94,371,578 FCFA (USD 171,528) were unsupported, and were therefore unavailable for review during the audit. Since 2017, the monitoring of advances and expenditures has improved.

Of a total of CFAF 239 623 391 (USD 425 608) of expenditures tested, the audit questioned a total amount of CFAF 56 048 751 (USD 101 441) (see details in section 1.4.1 in this report).

The detailed findings from the programmatic expenditure testing are presented in table 5 below.

**Vaccine supply management**

Physical stock management at the national vaccine store requires improvements, notably to address risks related to the physical condition of electrical installations and the absence of fire-fighting equipment.

Weaknesses have also been noted in the administrative management of stock at the national vaccine store. More specifically, the analysis of vaccine stock records maintained over the course of the period audited revealed significant inventory carryover errors from one year to the next, as well as significant vaccines losses through damage or expiry.

In addition, subnational site visits undertaken by the audit team revealed numerous weaknesses in the physical and administrative management of vaccines and reliability of stock records (for example, incomplete inventory records containing data errors and omissions, irregular and insufficiently documented physical inventory checks, lack of developmental supervision).

## 1.4. Financial impact of the audit findings

### 1.4.1. Questionable expenditure

Tables 1.a and 1.b below summarise expenditures questioned by the audit team, respectively by category of audit finding and by programme.

This determination of questionable expenditure is based on the detailed results of the audit testing undertaken and as represented in annex 4 to this report.

Table 1.a – Questionable expenditure summarised by audit finding, expressed in FCFA and translated into USD using the exchanges rates disclosed in section 2.4 in this report:

Category of audit finding	Questionable expenditure	Questionable expenditure as a percentage of expenditure tested	Detailed findings (report section)
Unsupported expenditures reported by the EPI	94 371 578 <i>171 528</i>	39%	4.6.2
Upon completion of Gavi's audit, some of the expenditures tested were questioned for the following reasons:			
Unsupported expenditures	10 625 373 <i>20 615</i>	4%	4.6.2
Inadequately justified expenditures	39 094 307 <i>69 187</i>	16%	4.6.2
Irregular expenditures	4 941 221 <i>8 987</i>	2%	4.6.2
Ineligible expenditures	1 387 850 <i>2 651</i>	1%	4.6.2
<b>TOTAL</b>	<b>FCFA</b> <i>USD</i> <b>150 420 329</b> <i>272 969</i>	<b>63%</b>	

The records employed to monitor both programmatic funds advanced and the justification of expenditures, jointly maintained by the EPI and the DGASS, reported 94 371 578 FCFA (171 528 USD) of expenditure as unsupported. Without evidence that these expenses effectively occurred within the framework of the programmatic activities, these expenditures are wholly questionable.

This amount is added to those expenditures questioned upon completion of Gavi's audit testing, amounting to FCFA 56 048 751 (USD 101 441), of which 10 625 373 FCFA (USD 20 615) had been reported as justified but for which no justification could be produced by the EPI.

As a result, expenditures questioned over the period audited total CFAF 150 420 329 (USD 272 969).

Notwithstanding the unsupported expenditures reported by the EPI, annex 3 to this report describes and defines the criteria by which expenditures tested and questioned by the audit team are categorised.

Table 1.b – Questionable expenditure summarised by programme, expressed in FCFA and translated into USD using the exchanges rates disclosed in section 2.4 in this report:

Programme	Expenditures tested	Questionable expenditures	Proportion of expenditure questioned
HSS	90 681 742 <i>178 881</i>	58 880 060 <i>116 148</i>	65%
Men-A	106 079 755 <i>173 8818</i>	48 598 514 <i>79 661</i>	46%
VIG-PCV13	0 <i>0</i>	15 301 754 <i>30 185</i>	*
VIG-IPV incorporating VIG-Rota expenditure	42 861 894 <i>72 846</i>	27 640 000 <i>46 976</i>	64%
<b>TOTAL</b>	<b>FCFA</b> <i>USD</i> <b>239 623 391</b> <i>425 608</i>	<b>150 420 329</b> <i>272 969</i>	<b>63%</b>

\* The VIG-PCV13 programme was not part of the audit scope (see explanations under table 5 in this report), accordingly questionable expenditures identified above correspond entirely to unsupported expenditures as reported (Table 1.a) by the EPI and the DGASS.

### 1.4.2. Undisbursed programme funds

Table 2 below, compiled based on the audit team's work, summarises the balances of unused (undisbursed) grants for each programme, their reattribution to other programs and the undisbursed balances remaining as at September 30, 2017 (end of audited period).

Table 2 – Summary on the reattribution of undisbursed funds by programme expressed in FCFA and translated into USD using the exchanges rates disclosed in section 2.4 in this report:

Programme	Implemented by	Funding made available to the EPI (FCFA)	Undisbursed funds before reattribution (FCFA)	Undisbursed funds before reattribution (USD)	Reattribution (USD)	undisbursed balances remaining as at 30/09/17 (USD)
HSS	EPI and WHO	246 076 359	25 972 762	51 234	149 042	200 276
Men-A	EPI and WHO	360 794 495	21 369 532	35 028		0
VIG-PCV13	EPI	33 689 712	7 104 257	14 014		0
VIG-Rota	EPI	0	58 839 000	100 000		0
VIG-PCV13	EPI	58 839 000	0	0		0
<b>TOTAL</b>		<b>699 399 566</b>	<b>113 285 551</b>	<b>200 276</b>		<b>200 276</b>

Note that the EPI was unable to provide documentation evidencing that requests the reallocation of outstanding program funds had been submitted to and formally approved by Gavi (see section 4.3.2. *Lack of reliable determination of cash advances and balances across the various EPI programs* in this report).

### 1.4.3. Vaccines expired, perished or lost without explanation

The table below summarises the differences in the number of doses of vaccines recorded at year-end close and subsequent year-end opening identified by the audit team during their review of Stock Management Tools (SMTs) maintained by the national vaccine store between 2015 and 2017.

Table 3.1 – Discrepancies in stock balances identified at the national vaccine store between 2015 and 2017:

Routine vaccines	Discrepancies in stock balances (number of doses)
DTC-HepB-Hib	-6 060
PCV-13	-31 342
Rota-liquid	0
Yellow fever	-5 320
<b>TOTAL doses</b>	<b>-42 722</b>
<b>Value in USD*</b>	<b>-162 483</b>

The table below summarises the number of doses of vaccines identified in the stock management tool (SMT) as lost or expired at the national vaccine store, without explanation or reconciliation from the EPI, between 2015 and 2017.

Table 3.2 – Closed vial vaccines lost or expired at the national vaccine store between 2015 and 2017:

Routine vaccines	Identified as lost or expired (number of doses)
DTC-HepB-Hib	6 000
PCV-13	3 844
Rota-liquid	3 862
Yellow fever	2 950
<b>TOTAL doses</b>	<b>16 656</b>
<b>Value in USD*</b>	<b>32 526</b>

\* USD values are determined based on the UNICEF purchase price in the year in which the vaccines were acquired.