

Memorandum on the Republic of Angola's Programme Audit report

The attached audit report sets out the conclusions on the programme audit of Gavi's support to the Government of Angola's immunisation programmes as managed by the Ministry of Public Health (MOH).

This audit was conducted by Gavi's programme audit team between March and May 2018. It reviewed two introduction grants for vaccines against PCV13 and Rotavirus paid in 2013 directly to the MOH by Gavi and which were expended between 2013 and 2017. Select vaccine management processes were also reviewed. The final audit report was issued to the Angola MOH on 28 February 2019.

The audit report's Executive Summary (pages 3 to 6) 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 identified were high risk. Hence, the overall entity's objectives are not likely to be achieved".
2. Twelve issues were identified relating to inadequate governance, oversight and operations, and non-compliance with the Partnership Framework Agreement. The key findings were:
 - a. The governance mechanisms were not sufficiently robust to ensure that Gavi cash grants were executed appropriately;
 - b. Absence of complete and accurate books of accounts at both central and regional levels, inadequate budget follow-up and insufficient reporting;
 - c. Non-compliance with applicable national procurement legislation and procedures, resulting in the EPI being unable to demonstrate the transparent and effective bidding of suppliers of goods and services (page 4);
 - d. Unsupported, inadequately justified, irregular and ineligible expenditures, totalling US\$ 448,319 of questioned expenditures (page 6); and
 - e. Non-compliance with earliest expiry first out vaccine management principles as well as discrepancies in the vaccine stock registers at the national vaccine store, putting at risk the shelf-expiry of some US\$ 783,000 worth of vaccines, primarily financed by sources other than Gavi (page 6).

In 2019, the results of Gavi's programme audit have been agreed verbally with the MOH.

The Gavi Secretariat continues to work closely with the MOH to obtain a written commitment to remediate the identified issues and to reimburse the US\$ 448,319 of questioned expenditures.

Geneva, November 2019

REPUBLIC OF ANGOLA

Gavi Secretariat, Geneva, Switzerland
(hereinafter Gavi)

Final audit report – February 2019



1. Executive Summary

1.1. Audit ratings by category and finding

Section*	Finding	Risk*	Page
4.1	Governance and organisation		14
4.1.1	Lack of internal controls and human resource management in the EPI unit.	■	14
4.1.2	Inadequate filing and archiving systems for expenditure justification	■	16
4.1.3	Disregard for annual external audit requirements	■	17
4.2	Accounting and budgetary oversight		19
4.2.1	Lack of general and analytical accounting	■	19
4.3	Financial management		21
4.3.1	Lack of treasury accounting and tools to reliably monitor the use of funds sent out to cover programme costs	■	21
4.3.2	Lack of reliable information on the balance of unused funds from grants to introduce PCV13 and Rotavirus vaccines	■	23
4.4	Fixed assets management		24
4.4.1	Mechanisms to monitor fixed assets assigned to the EPI and manage their maintenance are ineffective	■	24
4.4.2	EPI equipment acquired with Gavi support is uninsured	■	26
4.5	Procurement		27
4.5.1	Non-compliance with the regulatory framework governing procurement	■	27
4.6	Expenditures and disbursements		29
4.6.1	Results from the audit of expenditures	■	29
4.7	Vaccine supply management		32
4.7.1	Stock handling procedures – risk of shelf-expiry	■	32
4.7.2	Recurring stock record-keeping weaknesses	■	35

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 **12** recommendations, of which **6 (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 resulted in questionable expenditures totalling **USD 448,319**, specifically:

- **USD 63,377** of customs duties ineligibly paid with Gavi grant funds (section 1.4.1) ;
- **USD 384,942** of programmatic expenditures for which justification was either incomplete or incoherent (section 1.4.2).

* 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

From an operating standpoint, the lack of a procedures manual covering administrative, accounting and financial management disseminated within both the Expanded Program on Immunisation Section (EPI) and the National Public Health Directorate (NPHD) has resulted in a liberal interpretation of internal control modalities over grant implementation at each level in the public health structure. Programme resources can neither be controlled nor appropriately managed in the absence of clear guidance. As a result, control functions are generally weak or disregarded, exacerbated by a lack of clear segregation of roles and responsibilities between EPI and NPHD agents tasked with governance duties.

The audit also found filing and archiving systems within the EPI had failed, leading to a considerable number of programme expenditures either undocumented or partially documented. As such, the EPI was unable to produce a complete and accurate set of accounting records or financial statements. In response to this situation, the external audit firm prepared the 2013 and 2014 financial statements for the VIG-PCV13 and VIG-Rota programmes. The same consultants subsequently issued audit opinions on their own financial statements, transgressing professional auditing standards of independence and objectivity.

Accounting and budgetary oversight

The accounting records of the EPI could not accurately and timely report on the amounts, completeness and nature of programme expenditures, nor could they reliably report on actual expenditure against budget/activity plan.

Failure to maintain books of account is not in compliance with either generally accepted accounting principles or with the Angolan Ministry of Public Health's (MoH) own requirements.

Financial management

The audit identified that treasury management tools could not guarantee reliable, complete, real-time recording of cash flows. The traceability of EPI funds deployed throughout the public health structure could therefore not be guaranteed and there was no consolidated reporting, either by donor or by programme, on available funds across the various bank accounts. This situation is compounded by government's devolution of power in which there is currently no clear delimitation of responsibilities across the various layers of the public health structure.

This was notably illustrated by the lack of follow-up on the determination, reallocation and/or redeployment of undisbursed funds when VIG-PCV13 and VIG-Rota programmes were concluded.

Fixed assets management

A nationwide cold chain inventory was undertaken in 2017. However, the results of this work were not incorporated into a fixed assets register to routinely update on the status of available EPI assets across the country.

The EPI was unable to provide formal evidence of insurance coverage or government's ability to cover any financial losses sustained from the misplacement, destruction or degradation of assets acquired with Gavi support.

In two municipalities visited by the audit team, maintenance (preventive and remedial) and the replacement of obsolete cold chain equipment were impeded by a lack of formal needs assessment and budget determination.

Procurement

All USD 534,792 of EPI procurement using Gavi VIG-PCV13 and VIG-Rota grants which the audit team selected and tested did not comply with all elements of public procurement legislation regulating the public sector's purchasing of goods and services. Insufficient documentation throughout the procurement process means that the EPI is unable to demonstrate the transparent and effective bidding of suppliers of goods and services.

Annex 6 to this report concludes on the audit work carried out on procurement.

Expenditures and disbursements

A lack of referential materials pertaining to the commitment of funds and expenditure justification, combined with insufficient training and a lack of rigour in applying suitable procedures and controls, gave way to diverse and heterogeneous practices throughout those structures which benefitted from VIG-PCV13 and VIG-Rota programme grants.

The audit team tested USD 1,162,326 of programme expenditures and concluded that a total of USD 329,522 was questionable, comprising unjustified, inadequately justified, irregular and ineligible expenditures.

Annexes 4 and 5 to this report conclude on the expenditure tests carried out.

Despite two levels of review and approval, respectively by the EPI and the Administrative and Financial Services (AFS) of the NPHD, a further USD 55,420 of expenditures using Gavi-funded programmes were unjustified and, as such, not available for examination during Gavi's audit mission (see section 1.4.1 in this report).

Vaccine supply management

Gavi's audit team undertook targeted site visits to assess the EPIs ability to effectively manage and distribute vaccines through its primary storage sites. The national and DPS Luanda depots are modern and capable of handling an increase in the volume of vaccines and dry goods. However, delays in commissioning a second positive temperature cold room at the national depot have challenged both available cold chain capacity and logistics personnel, increasing the risk of vaccine expiry.

In the two municipalities visited by the audit team, obsolete refrigerators and inadequate means of transportation are exposing the vaccine cold chain to a high risk of disruption.

While formal procedures exist, these were unable to prevent the following administrative management errors from occurring in all vaccine depots visited by the audit team, notably:

- Vaccines due to expire during 2019 were deposited in sub-national depots while vaccines worth approximately USD 783,000 due to expire in May and July 2018 were still being stored at the national depot (see section 1.4.2 in this report), suggesting that “earliest expiry first out” principles are not being followed.
- An analysis of stock management tool (SMT) computer files available from the audit period highlighted unreconciled discrepancies between end of year stock balances and balances brought forward into the following year, as well as input errors and inconsistencies in batch numbers and expiry dates.
- Incompletely maintained manual stock registers, or inaccurate or missing content.
- Physical stock counts not undertaken on a regular basis, or insufficiently documented.

1.4. Financial impact of the audit findings

1.4.1. Customs duties ineligibly paid with Gavi grant funds

Article 15 of the Partnership Framework Agreement states that « The Government shall use its reasonable efforts to set up appropriate mechanism to exempt from duties and taxes all purchases made locally and internationally with Gavi funds ». In 2014, VIG – Antirovirus funding served to purchase, import and install cold rooms through a Luanda-based company. The EPI unit was unable to demonstrate having used its reasonable efforts to obtain exemption from customs duties attached to this import.

In view of the above finding, the customs duties totalling **USD 63,377** were assessed as ineligible. Given that the VIG - Antirovirus programme has ended, this amount has been added to total questionable expenditures.

1.4.2. Questionable expenditures

Tables 1.a and 1.b hereafter summarise expenditures questioned by the audit team, respectively by category of audit finding and by programme. The above determination of questionable expenditures is based on the comprehensive results of audit testing as summarised in annexes 4 to 6 to this report.

Table 1.a – Questionable expenditures summarised by programme, expressed in USD:

Programme	Expenditures tested by Gavi	Expenditures questioned	Proportion of grant expenditures questioned
VIG - PCV13	444,434	169,106	38%
VIG - Antirovirus	717,892	160,416	22%
TOTAL USD	1,162,326	329,522	28%

Annex 3 to this report describes and defines the criteria by which expenditures tested and questioned by the Gavi audit team as shown in table 1.2 are categorised.

Table 1.b – Questionable expenditures summarised by audit finding, expressed in USD:

Category of questionable expenditures	VIG-PCV13	VIG - Rotavirus	TOTAL	Proportion of grant expenditures questioned
Unsupported expenditures	28,482	64,930	93,412	8%
Inadequately justified expenditures	113,540	84,706	198,246	17%
Irregular expenditures	26,500	0	26,500	2%
Ineligible expenditures	584	10,780	11,364	1%
TOTAL USD	169,106	160,416	329,522	28%

Table 2 – Total questionable expenditures summarised by programme including those identified by the EPI unit as unsupported, expressed in USD:

Programme	Gavi grant	Supported expenditures per EPI	Unsupported expenditures per EPI	Expenditures questioned by Gavi audit	Total expenditures questioned
VIG-PCV13	858,500	837,520	20,980	169,106	190,086
VIG-Antirotavirus	882,500	848,060	34,440	160,416	194,856
TOTAL USD	1,741,000	1,685,580	55,420	329,522	384,942

The records used to monitor both funds deployed and justification of expenditures, maintained jointly by the EPI and AFS of the NPHD for the programmes audited, reported USD 55,420 of unsupported expenditures. This amount is added to the USD 329,522 of expenditures questioned (see Table 1.b) by the Gavi audit team.

Questionable expenditures over the course of the audit period amounts to **USD 384,942** (See Table 2).

1.4.3. Vaccine doses stored in the national depot nearing shelf-expiry

The below table summarises vaccine doses that were identified in the national depot's SMT file shelf-expiring less than three months after the audit mission completion date. A visit of the national depot cold rooms confirmed the expiry dates and highlighting over-stocking of certain vaccines, in particular Antirotavirus. This situation was in part caused by late payment of the government's 2016 co-financing.

Table 3 – Vaccine doses stored in the national depot nearing shelf-expiry:

Vaccine	Shelf expiry date	Number of doses	Approximate value in USD ¹
Measles (VAR)	May 2018	223,000	60,000
Antirotavirus (Rota)	May	57,700	152,000
Antirotavirus (Rota)	July 2018	215,250	566,000
Tuberculosis (BCG)	July 2018	34,000	5,000
TOTAL		529,950	783,000

Antirotavirus vaccines expiring in May and July 2018 were co-financed to a lesser degree by Gavi and primarily by the government. The other vaccines identified in Table 3 were wholly financed by the government.

A detailed review of the SMT file by the Gavi audit team also revealed that vaccine batches expiring after the shelf-expiry dates in the above table had already been shipped out from the national depot, disregarding "earliest expiry first out" principles². Failure of the national depot's logistics personnel to follow this fundamental vaccine stock management practice is likely to cause the loss of significant quantities of vaccines.

Upon completing its mission, the Gavi audit team urged the MoH to expedite the shipment and administration of vaccines that are due to expire soon and to diligently report any manifest vaccine losses in SMT.

¹ USD values are determined using the purchase price that UNICEF invoiced at the time the vaccines were acquired.

² This principle is defined in chapter 3.1 *Políticas e objetivos* of the Standard operating procedures for vaccine and cold chain management published by the NPHD in December 2016.