

Memorandum on the Republic of Guinea's Programme Audit report

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

The audit was conducted by Gavi's programme audit team between May 2017 and June 2018. It reviewed the period from 1 January 2014 to 30 April 2017. The scope of the audit covered the MOHs management of Gavi grants supporting its Health Systems Strengthening, post-Ebola Recovery Plan, various Expanded Programme on Immunisation programmes and select vaccine management processes. The final audit report was issued to the Guinea MOH on 25 June 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 identified were high risk. Hence, the overall entity's objectives are not likely to be achieved".
2. Nineteen 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. Unsupported, inadequately justified, irregular and ineligible expenditures, totalling US\$ 1,809,232 of questionable expenditures (page 6);
 - d. Non-compliance with applicable national procurement regulations and procedures, totalling US\$ 224,161 of questionable procurements (page 7); and
 - e. Inappropriate vaccine management procedures at the national vaccine store, as well as gaps and errors in vaccine stock registers across several levels of the supply chain, contributing in part to the shelf-expiry of some doses of Gavi-supported vaccines (page 8).

Based on the draft audit report findings which were formally presented by Gavi on 28 December 2018, the MOH mandated its Inspector General to review the supporting documentation and expenditures associated with Gavi's financial support. In its report dated 8 May 2019, the Inspector General endorsed Gavi's audit conclusions.

The results of Gavi's programme audit were then discussed and agreed with the MOH. In a letter dated 12 July 2019, the MOH committed to remediate the identified issues and to reimburse the US\$ 2,033,393 of questioned expenditures and procurements, as determined by Gavi, in several instalments from 2020 through to 2022.

In September 2019, the MOH updated the status of implementation of audit recommendations, as reflected in management's action plan under Annex 13 to the full audit report.

The Gavi Secretariat continues to work with the MOH to ensure the above commitments are met.

Geneva, November 2019

REPUBLIC OF GUINEA

Gavi Secretariat, Geneva, Switzerland

(hereinafter Gavi)

Final audit report – June 2019

1. Executive Summary

1.1. Audit ratings by category and finding

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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 **19** recommendations, of which **13 (68%)** 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:
15,237,003,953 Guinean francs (1,809,232 US dollars) of programmatic expenditures; and
1,789,898,383 Guinean francs (224,161 US dollars) of procurement as described respectively in sections 1.4.1 and 1.4.2 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

During its programme execution, the Expanded Programme on Immunisation (EPI) was governed by a Simplified Procedures Manual which was insufficiently detailed and incomplete. As such procedures, operational guidelines and review and approval requirements were subject to interpretation, while the level of documentation required to justify treasury transactions and key programmatic expenditures was undefined.

Accounting and budgetary oversight

The audit team noted: (i) missing treasury management guidance, notably resulting in the comingling of funding from all partners and for all programmes on a single bank account under management of the Administrative and Financial Services of the Ministry of Public Health; (ii) a lack of treasury management tools preventing the complete and timely recording of transactions.

The traceability of the movement of funds across national, regional and district level bank accounts was weak, while oversight of advances (and by analogy the determination of undisbursed funds) at the subnational levels was neither effective nor adequately formalised.

Fixed assets management

A review of the fixed asset management system across the national and subnational EPI functions reveals the absence of a procedures manual to govern periodic physical inventories designed to ensure the completeness and existence of fixed assets recorded in the register. The lack of a reliable, central record adversely affects an efficient management of fixed assets across the country, including those financed by Gavi. While the audit acknowledges both the weekly review which assesses the operational effectiveness of cold chain equipment and the nationwide physical inventory carried out at the end of 2016, the fixed assets register had not been updated and completed with these results. Furthermore, the physical inventory had yet to be extended to other EPI fixed assets.

Finally, in the absence of any insurance or contingency to cover the loss of programme assets, the country's financial risk exposure is absolute in the event of the loss of a fixed asset.

Procurement

Legislation governing procurement are not adequately understood by personnel involved in procurement and are not adequately implemented.

The audit identified seven (7) procurements totalling 1.2 million Guinean francs (nearly US\$ 0.2 million) which did not comply with public procurement legislation, specifically the designation of an appropriate procurement function and single sourcing of suppliers in cases where limited tendering applied.

For 565 million Guinean francs (US\$ 66.5k) of procurement over the audit period, the fundamental principles of public governance and transparency could not be asserted because of insufficient procurement documentation.

Expenditures and disbursements

The Gavi audit team notably identified a lack of guiding principles for the required levels of justification of expenditures incurred during vaccination campaigns, as well as for the verification and review of such expenditures, including criteria to assess the suitability of documentation supporting the use of financial support made available to subnational levels.

828 expenditures totalling 13.3 million Guinean francs (approximately US\$ 1.6 million) were audited. Of these, 12 million Guinean francs (approximately US\$ 1.5 million) of expenditures was assessed as questionable by the audit team.

A further 3.2 million Guinean francs (approximately US\$ 0.3 million) of stated expenditures was unsupported and as such could not be audited. This brings total questionable expenditures to 15.3 million Guinean francs (approximately US\$ 1.8 million).

Vaccine supply management

The reliability of health data across the country is a major concern which the Ministry of Public Health continues to work on improving, with support from the Alliance partners, by implementing established action plans. During the period audited, the data quality deficiencies adversely affected vaccine demand forecasting – notably Pentavalent over recent years – resulting in the cumulative build-up of stock on hand.

At the national depot, physical stock management practices for both vaccines and dry goods was assessed as satisfactory – including some best practices – despite the degraded buildings, constrained storage capacity and ageing cold rooms, all challenging the handling of vaccine stock. In addition to Gavi's commitment through the CCEOP grant to provide 848 solar refrigerators for installation across Guinea, the construction of a new national depot at a more suitable location, increasing storage capacity in the Regional Health Directorates and optimising the supply chain are all paramount in order to safeguard the supply chain and guarantee the dependability of the cold chain.

It is worth highlighting that vaccination material is regularly held back by customs upon its arrival in the port of Conakry. The Ministry of Public Health is encouraged to promptly normalise import formalities to avoid future stockouts of syringes and needle safety boxes.

Most weaknesses identified by the audit team relate to a lack of rigour in the administrative management of stock at every level of the supply chain. This finding underlines the need to urgently produce and disseminate a comprehensive normalised operating procedures manual accompanied by developmental supervision. At the national depot, logistical oversight and administrative stock management are assigned to a single staff member, resulting in an excessive concentration of tasks and levels of dependence preventing an adequate segregation of the duties of data input and verification. This situation contributed to several input errors, some significant, not being identified in data recorded in the Stock Management Tool (SMT) over the audited period. In particular, the shelf expiry of over 700,000 doses of vaccines against Meningitis-A and approximately 70,000 doses of Pentavalent approaching shelf expiry identified by the audit team are plausibly the result of insufficient record-keeping rigour and segregation of input and review duties as they pertain to SMT which contributes to estimate vaccine needs and ordering for the entire country.

Subnational site visits undertaken by the audit team (see section 2.3 hereafter) revealed numerous recurrent weaknesses in the administrative management of vaccines and in particular a lack of rigour in the maintenance of reliable stock records (for example, incomplete inventory records containing data errors and omissions, irregular and insufficiently documented physical inventory checks, lack of documented procedures and inadequate developmental supervision). These weaknesses must continue to be addressed given that they adversely impact the overall quality of vaccination data and contribute to increasing the risk of stock outs or the loss of vaccines.

1.4. Financial impact of the audit findings

1.4.1. Questionable expenditures

Tables 1.1 and 1.2 hereafter summarise expenditures questioned by the audit team, respectively by category of audit finding and by programme.

Table 1.1 – Questionable expenditures summarised by programme, expressed in **Guinean francs** and translated into US\$ using the exchanges rates disclosed in section 2.4 in this report:

Programme	Total expenditures	Expenditures tested	Audit coverage	Expenditures questioned upon completion of the audit	Proportion of expenditures questioned	Unsupported expenditures identified by the EPI
Men-A	7,235,334,307	4,181,719,269	57.8%	4,142,759,269	99.1%	(16,874,776)
Ebola EPI Recovery Plan	16,671,392,325	7,239,394,808	43.4%	6,369,934,308	88.0%	1,879,010,870
NVS-IPV	3,146,181,072	1,056,153,940	33.6%	822,237,100	77.9%	93,749,140
HSS1	1,858,548,780	835,431,690	45.0%	732,151,690	87.6%	1,213,127,353
Guinean francs	28,911,456,484	13,312,699,707	46.0%	12,067,082,366	90.6%	3,169,921,587
US\$	3,465,046	1,635,548		1,490,820		318,412

The records used to monitor both programmatic funds advanced and the justification of expenditures reported 3,169,921,587 Guinean francs (US\$ 318,412) of expenditures 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 12,067,082,366 Guinean francs (US\$ 1,490,820), of which 24,703,841 Guinean francs (US\$ 3,068) had been reported as justified but for which no justification could be produced by the EPI.

A negative balance of unsupported expenditures (e.g. Men-A) occurs when EPI records monitoring funds advanced and the justification of expenditures report total expenditures in excess of total funds advanced for a programme.

Table 1.2 – Questionable expenditures summarised by audit finding, expressed in **Guinean francs** and translated into US\$ using the exchanges rates disclosed in section 2.4 in this report:

Category of questionable expenditures	Expenditures questioned	Proportion of expenditures questioned	Detailed findings (report section)
Unsupported expenditures	24,703,841 <i>3,068</i>	0.2%	4.5.1 a.
Irregular expenditures	1,797,875,611 <i>216,106</i>	11.8%	4.5.1 b.
Ineligible expenditures	87,869,334 <i>10,656</i>	0.6%	4.5.1 c.
Inadequately justified expenditures	10,156,633,580 <i>1,260,990</i>	66.6%	4.5.1 d.
Sub-total – expenditures questioned upon completion of Gavi's audit	12,067,082,366 <i>1,490,820</i>	79.2%	
Unsupported expenditures identified by the EPI	3,169,921,587 <i>318,412</i>	20.8%	4.5.1 e.
TOTAL QUESTIONABLE EXPENDITURES	Guinean francs US\$	15,237,003,953 <i>1,809,232</i>	100%

Aside 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 Gavi audit team as shown in table 1.2 are categorised.

The above determination of questionable expenditures is based on the comprehensive results of audit testing as summarised in annex 9 and developed in annex 10 to this report.

Questionable expenditures over the course of the audit period amounts to **15,237,003,953 Guinean francs (US\$ 1,809,232)**.

1.4.2. Questionable procurement

The audit selected and tested fifteen (15) procurements undertaken by the EPI, valued at 2,641 million Guinean francs (US\$ 324,439) in total. Most of these transactions were questionable, either because of a disregard for procurement legislation, or because the procurement documentation was incoherent. Table 2 below summarises the procurements questioned by Gavi's audit team by each category of audit finding.

Table 2– Summary of questionable procurement, expressed in **Guinean francs** and translated into US\$ using the exchanges rates disclosed in section 2.4 in this report:

Category of audit finding	Expenditures questioned upon completion of the audit	Proportion of total procurement tested	Detailed findings (report section)
Disregard for procurement legislation	1,225,137,405 <i>157,620</i>	48.6%	4.4.2.
Incoherent procurement documentation	564,760,978 <i>66,541</i>	20.5%	4.4.3.
TOTAL	Guinean francs <i>US\$</i>	69.1%	
	1,771,898,383 <i>224,161</i>		

Questionable procurement over the course of the audit period amounts to **1,771,898,383 Guinean francs (US\$ 224,161)**.

1.4.3. Vaccines expired, perished or lost without explanation

In 2015, the EPI undertook a vaccination campaign against Meningitis-A. At the beginning of 2017, the national vaccine store was still in possession of 21% of the total quantity of vaccines ordered for the campaign, i.e. 711,980 doses, expiring in May 2017. According to the Stock Management Tool (SMT) files, the national vaccine store shipped the entire amount of remaining stock in April and May 2017, mostly to two government services. There was no trace of an order having been placed. Expired vaccines are not guaranteed to be effective.

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 SMT files maintained by the national vaccine store between 2015 and 2017¹.

Table 3.1 – Net discrepancies in stock balances identified at the national vaccine store between 2015 and 2018:

Routine vaccines and dry goods	Net discrepancies in stock balances (number of doses or syringes)
Penta	-71,720
Men-A	-32,050
IPV	-195,775
YF	75,915
TOTAL in doses	-223,630
ADS 0,5ml (syringes)	-2,612,555
Total in US\$²	475,073

¹ Year-end 2017 balances were compared with 2018 opening balances given that this information was available at the time the audit work was undertaken during May and June 2018.

² Amounts quoted in US\$ are calculated using the historical purchase price earmarked by UNICEF for Gavi.

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)
Pentavalent	339,620
IPV	38,780
YF	154,770
TOTAL doses	533,170
Value in US\$²	745,284

Upon completion of the audit fieldwork, Gavi's audit team strongly encouraged the Ministry of Health to work on improving the quality of public health data across the country. Such data serves as a determinant for both future vaccine requirements and to validate the accuracy and completeness of vaccine and dry good stock movements throughout the health system's supply chain.