

FOREWORD and update April 2014

The fieldwork for the Cash Programme Audit (CPA) in Indonesia was carried out in January/February 2013, and the final report was issued to Indonesia in July 2013.

The report overall concluded that there was no evidence of financial irregularities and that the Ministry of Health of Indonesia has put in place the majority of control procedures outlined in the respective programme's proposal and the Aide-memoire resulting from GAVI's Financial Management Assessment.

This notwithstanding, GAVI determined that US\$ 625,000 out of a total of \$ 1,582,000 for the self-procurement of vaccines and safety boxes (for HepB vaccine in 2007) was instead spent on the improvement of immunisation services. While GAVI will continue to make every effort to ensure that funding is used for the purpose it was provided for, in this case, it considered that the funds were used consistent with GAVI's objectives.

This CPA has identified a number of additional areas where programme processes and controls could be strengthened so as to enhance the overall internal controls and programme oversight, as summarized in the report's executive summary and the section setting out the recommendations. Consistent with standard practice, GAVI will continue to monitor the implementation of all recommendations set out in the CPA.

INDONESIA

Cash Programme Audit Report

HSS, CSO type B and NVS for self-procurement

2008 - 2012

GAVI Secretariat, Geneva, Switzerland

FINAL – July 26, 2013



Table of Contents

List of Abbreviations	3
I. Context, objectives, scope and methodology of the mission	4
II. Executive Summary	5
III. Key actors involved in the financial management of GAVI cash grants	7
IV. Assessment of the control procedures for the Management of GAVI GAVI CSO, HSS and NVS funds for self-procurement	10
V. Follow-up on Financial Management Assessment Recommendations and Aide Memoire Implementation	34
VI. Opinion and Conclusion	39
VII. Summary of recommendations, importance and due date	40
VIII. Annexes.....	43
<i>Annex 1: List of persons met, January 28 – February 13, 2013</i>	<i>43</i>
<i>Annex 2: Organisation structure.....</i>	<i>44</i>
<i>Annex 3a: Funds flow and bank accounts since August 2012</i>	<i>45</i>
<i>Annex 3b: Funds flow and bank accounts before August 2012.....</i>	<i>46</i>

List of Abbreviations

APR	Annual Progress Report
CHP	Center for Health Promotion (Directorate of MoH)
CDC	Communicable Disease Control (Directorate at MoH)
CM	Commitment Maker
CPA	Cash Programme Audit
CSO	Civil Society Organisation
BPKP	Badan Pengawasan Keuangan Dan Pembangunan Institution performing the External Audit of GAVI funds
DHO	District Health Office
DIPA	Budget Execution Authorisation document
DPs	Development Partners
EPI	Expanded Programme on Immunisation
FMA	Financial Management Assessment
FO	Finance Officer
FY	Financial Year
GoI	Government of Indonesia
HSS	Health Systems Strengthening
HSCC	Health Sector Coordinating Committee
ICC	Inter-Organization Coordinating Committee
IRC	Independent Review Committee
ISS	Immunisation Services Support
MoF	Ministry of Finance
MoH	Ministry of Health
NMCH	Nutrition, Maternal and Child Health (Directorate of MoH)
NGO	Non-Governmental Organisation
NRA	National Regulatory Authority
NVS	New and underused Vaccines Support
OAG	Office of the Auditor General
PFM	Public Financial Management
PHO	Provincial Health Office
PIM	Project Implementation Manual
PIU	Project Implementation Unit
RKAKL	Detailed cost break down (accompanying budget, i.e. DIPA)
SIQMH	Surveillance, Immunisation, Quarantine and Matra Health (Directorate of MoH)
UNICEF	United Nations International Children’s Emergency Fund
TAP	(GAVI’s) Transparency and Accountability Policy
TT	Technical Team
WB	World Bank
WHO	World Health Organisation

I. Context, objectives, scope and methodology of the mission

The Government of Indonesia through the Ministry of Health (MoH) has been receiving cash based support from GAVI since 2002 for Immunisation Service Support (ISS), Health Systems Strengthening (HSS), Vaccine Introduction Grant (VIG), and Civil Society Organizations (CSOs), as well as New Vaccine Support (NVS) for the self-procurement of vaccines.

All countries receiving cash support from GAVI (CSO, HSS, ISS, Operational Support, Vaccine Introduction Grants and any other future cash programmes) should be subject to Cash Programme Audits (CPA) during the life cycle of the grants.

The primary objective of a CPA is to ensure that the funds are spent in accordance with the terms and conditions agreed with GAVI and that the resources are being used for intended purposes.

This CPA reviewed cash disbursements made by GAVI to Indonesia in the years 2008 to 2012, totalling US\$ 17,166,500 including US\$ 11,684,000 for HSS, US\$ 3,900,500 for CSO Type B and US\$ 1,582,000 for NVS self-procurement.

Using tailor made audit programmes, procedures used within the CPA included: analysis of reported expenditure (in the APRs or any other periodic reports), inquiries/discussions, computation, accuracy checks, as well as comparison and inspection of records/accounting documents.

II. Executive Summary

The GAVI Transparency & Accountability Policy Team (TAP) has conducted a Cash Programme Audit of the HSS, CSO Type B and NVS for self-procurement cash support provided to Indonesia from 28 January - 13 February 2013.

Our audit work revealed the following main issues:

1. Grant Coordination and Oversight

- **Insufficient programme oversight by the Health Sector Coordinating Committee (HSCC):** the HSCC meets irregularly, key GAVI in-country partners (WHO, UNICEF) seems to have little weight in the decision making process and no evidence could be obtained of their involvement in key decisions such as the reduction by the country of the number of doses of HepB vaccine to be procured, or the set-up of staffing arrangements for project implementation including the payment of allowances/salary top-ups to key Ministry's officials and salaries to PIU's staffs.

2. Budget Execution

- **No formal bank reconciliations**, comparing the respective bank book/general cash book with the relevant bank statement, are prepared.
- **A substantial number of Ministry's and PIUs staffs receive allowances/salary top-ups or salaries in relation to implementation of GAVI cash programmes**, in particular HSS, **resulting in a situation where 80 % of the originally budgeted management cost (as per the 2007 HSS proposal submitted to GAVI) has already been absorbed**, while expenditure related to activity implementation is 30 % only. This poses an issue of efficiency in the program implementation.
- **The current control**, based on sample verification of supporting documentation, **to validate the financial reporting submitted by CSOs** in order to identify unsupported expenditures is **not fully effective**.

3. Procurement of Vaccines

- **Related to GAVI NVS funds provided in 2009 for vaccine and safety boxes self-procurement, only 1,200,000 doses of Hep B vaccine** instead of 1,951,500 doses funded by GAVI **and no safety boxes were procured**. The savings made by the country and estimated at US\$ 625,000 were utilized at the sole discretion of the Ministry to support the EPI operational expenditures. The Audit team did not receive evidence that GAVI in-country partners and, more largely the ICC, were associated in such an important decision.

4. Accounting and Financial Reporting:

- An amount of IDR 809, 470,914 (approx. US \$ 88,000) related to GAVI HSS had not been accounted for at the time of the 2011 external audit. The reimbursement of this amount to the respective GAVI programme bank account in several instalments indicates that **GAVI**

funds have initially been used for non-GAVI activities as they were apparently not available for immediate reimbursement.

Apart from the deficiencies outlined above, this audit did not find evidence of financial irregularities.

III. Key actors involved in the financial management of GAVI cash grants

1 Ministry of Health (MoH)

1.1 Director General of Disease Control and Environmental Health (DC&EH) - Project Manager

The Director General of Disease Control and Environmental Health has been appointed Project Manager for GAVI support and thus is accountable for all aspects of GAVI fund management. The Project Manager is responsible for establishing the implementation structure, defining guidelines for programme implementation and reviewing the Annual Progress Report provided to GAVI. The Director DC&EH is also a member of the HSCC.

1.2 Director Surveillance, Immunisation, Quarantine and Matra Health (SIQMH) - Authorized Project Manager

The Director SIQMH has been designated Authorised Project Manager for all GAVI cash programmes and thus supports the Project Manager in ensuring that project implementation proceeds as planned and coordinating the daily activities undertaken by the Programme Managers. The Director SIQMH is also a member of the HSCC.

1.3 Programme Manager HSS and Programme Manager CSO

Each GAVI cash programme has a Programme Manager responsible for carrying out the agreed activities (in accordance with the budget, cost-breakdown and Plan of Action). The respective Programme Managers are also responsible for developing work procedures and the monitoring and control of activities. Within Indonesia's PFM system, the Programme Manager is the Programme's "Authorised Budget User". The Programme Managers are also member of the HSCC.

1.4 Task Manager HSS and Task Manager CSO

Each GAVI cash programme has a Task Manager responsible for ensuring on a daily basis that the agreed activities are implemented. The Task Manager issues the respective monthly reports, for submission to the Programme Manager and ultimately the Project Manager.

1.5 Finance Unit

Within each line ministry's spending unit, a finance unit is responsible for financial control and approval of payments. Key roles within the finance unit are as follows:

- The *Commitment Maker* is the officer carrying out the daily task of verifying planned expenditure against the budget and cost breakdown and provide the administrative authorisation of budget spending
- The *Assistant Treasurer* is the officer appointed to perform the duties of Treasurer within an implementing unit and he reports to the Treasurer of the spending unit.
- The *Treasurer* of a spending unit is the officer appointed to receive, store, pay out, administer and account for funds.

1.6 The “GAVI Secretariat”

The so-called “GAVI Secretariat” is the project implementation unit for GAVI cash programmes regrouping staff under the overall supervision of the Authorised Project Manager and, for HSS, the Task Manager HSS.

Its role is to provide general administrative support to the Authorised Project Manager and the Programme Managers in the areas of planning and budgeting, budget execution, monitoring and evaluation as well as accounting & financial reporting. At provincial level, for HSS, it is supported by 3 officers per province.

1.7 The Provincial Health Offices (PHO)

The Head of a PHO is responsible for health services within one of Indonesia’s 33 provinces. The Provincial Assistant Treasurer assists the Head of PHO in all activities pertaining to the health sector within provinces and among other prepares the monthly provincial reporting on GAVI HSS funds. Activities funded by GAVI HSS and GAVI CSO are implemented in 5 provinces (West Java, South Sulawesi, Banten, Papua and West Papua)

1.9 District Health Offices (DHO)

The Head of a DHO is responsible for health services within one of Indonesia’s 440 districts. Activities funded by GAVI HSS and GAVI CSO are implemented in selected districts of the 5 provinces (West Java, South Sulawesi, Banten, Papua and West Papua). The Head of a PHO monitors the performance of DHOs of his territory.

1.10 Technical Team (TT)

The Technical Team, composed of 14 members from the MoH and chaired by the Head of Planning and Budget (MoH) serves as an advisory body to the HSCC, providing advice and technical direction to the programmes.

2 Health Sector Coordinating Committee (HSCC)

The membership of the HSCC consists of representatives of the Ministry of Health, Ministry of Finance, Ministry of Home Affairs and National Planning Board, international health partners and CSO representatives.

Initially established to provide the necessary endorsements for the GAVI HSS and CSO application the HSCC was chaired at that time by the Director of Health and Community Nutrition at the National Planning Board (Bappenas - see below).

Now it provides a forum in which general health issues can be discussed between all interested parties and is chaired by the Secretary General of the Ministry of Health. The Inter-Agency Coordinating Committee (ICC), before a separate body, has merged with the HSCC beginning of 2011 in order to avoid duplication as ICC and HSCC membership was similar.

For a schematic representation of key actors within the MoH as well as the HSCC and TT, please refer to **Annex 2**.

3 Ministry of Finance

According to Indonesia's financial regulations, the Directorate General of Treasury within the Ministry of Finance (MoF) is responsible for approving bank accounts in which funds granted to the government are held. On an annual basis, the MoF requests each GAVI cash programme to provide an expenditure reconciliation supported by the respective bank statement. In addition, before signing off the APR, the MoF requires GAVI cash programme accounts to be audited by BPKP (see below).

4 The National Planning Board (Bappenas)

The National Planning Board is the national apex body within the Government of Indonesia which is responsible for coordinating, guiding and leading the planning of all development projects including health at the national level. It is also responsible for reviewing the annual work plans prepared by line ministries. The Director Community Health and Nutrition (Bappenas) chaired the HSCC during the GAVI HSS and CSO application development and provided leadership and policy direction to the overall planning process.

5 The Auditor General of Indonesia (BPK)

The Auditor General's Office is Indonesia's Supreme Audit Institution, mandated to audit all public finances. The annual BPK audit is primarily an audit of financial statements of the ministries and is considered not fitting enough to GAVI needs, consequently BPKP (see below) - though nominally the internal auditor of government – has been designated by the Government (pursuant to the FMA performed in 2010) to perform the external audit for GAVI funds provided to Indonesia.

6 Internal Auditor of the Government- BPKP

BPKP as overall internal auditor of the GoI is mandated to perform inter-ministerial (performance and financial) audits. It is independent from the MoH and has no reporting requirements to the MoH but reports directly to the president. As advised by the GAVI FMA, the external audit of GAVI cash programmes is performed by BPKP.

IV. Assessment of the control procedures for the Management of GAVI CSO, HSS and NVS funds for self-procurement

The table in this section summarises the procedures in place for the management of GAVI HSS and CSO Type B funds as well as NVS funds for self-procurement. 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.

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
Grant Coordination and Oversight	<p><u>Planning and budgeting</u> Since 2010, GAVI funds have been included in the MoH budget (DIPA). In 2010, the budget related to all GAVI funds was regrouped in the department of CDC and since 2011, each component is included in the budget of the respective spending unit, namely the Center for Health Promotion for CSO; Nutrition, Maternal and Child Health Department for HSS and EPI for NVS.</p> <p>Since 2012, planning and budgeting is a bottom-up process with districts preparing operational plans, submitting them to the respective Provincial Health Office (PHO). The PHO's review and consolidate the district plans and forward them to the central MoH, which appraises and consolidates the provincial and central plans, finally - once matched with the MoF's budget ceilings - resulting in the approved budget, the "DIPA". This budget</p>	<p><u>Planning and budgeting</u> Planning and budgeting arrangements are deemed appropriate.</p> <p><u>Coordination and oversight</u></p> <p>Issues identified: - Insufficient oversight The Terms of Reference for the HSCC (see 2007 HSS proposal) include the following:</p> <p><i>"5. Assist in mobilizing internal and external resources from various sources, including GAVI, and ensure proper use of these resources. 10. Supervising and monitoring the implementation of the GAVI-HSS and GAVI-CSO activities, to ensure future HSS initiatives are integrative and complementary; 11. Oversee and review the preparation of Annual Progress Reports to the GAVI Alliance on the outcomes of HSS and other support."</i></p> <p>However, in practice, the HSCC meets irregularly and mainly operates as a Committee of MoH senior staffs.</p>	Substantial	<p><u>Coordination and oversight</u> The MoH should take the following actions:</p> <p>- Amend the Terms of Reference (ToR) of the HSCC to clearly include the following elements of oversight into the role of the HSCC:</p> <ul style="list-style-type: none"> • Review and approval of annual budget and activity plan. • Review of quarterly financial reporting and implementation progress • Review and approval of staffing arrangements and salary related costs. • Review and discussion of the annual external audit report. • Review and discussion of internal audit reports (to the extent available) 	<p>We agree</p> <p>Comments for point 1 – 3, as follows: In the project management structure GAVI grants, has been appointed technical team. The Technical Team is responsible for the work and report the results to the HSCC, according to the job description established by decree of the Minister of Health</p> <p>Comments for HSSC meeting at least quarterly: the technical team meeting is part of the HSCC meeting . Technical issues have been discussed at the level of the technical</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>document is accompanied by a cost breakdown (the “RKAKL”), detailing costs per activity. For example, for a planned training, the RKAKL contains the number of participants, number of days, estimated transport cost, daily allowances, conference hall rental, and hotel accommodation.</p> <p>The DIPA (supported by the RKAKL) represents the limit of authority to commit expenditures and as well as to ultimately make payments.</p> <p><u>Coordination and oversight</u></p> <p><i><u>Arrangements as per approved proposal</u></i> <i>A Technical Team (TT) composed of senior staff of the Directorates of the MoH (MCH, CDC) is responsible for the HSS programme coordination, the allocation of budget, monitoring of activities and the reporting to the HSCC.</i></p> <p><i>The Health Sector Coordinating Committee (HSCC) provides the overall supervision and oversight of the programme and approves the interim and annual reporting. The HSCC also reviews and endorses the Annual</i></p>	<p>Health and key GAVI in-country partners (WHO, UNICEF) seems to have little weight in the decision making process and their involvement is mainly evidenced by their endorsement and signature of the APR to GAVI and the support in the GAVI proposals design process. This insufficient involvement in the GAVI programmes’ oversight appears to be evidenced by the absence of records showing, for example, that the decision to lower the number of doses of HepB vaccine procured in 2009 (see section vaccine procurement below) and the decisions over the staffing arrangements for project implementation and authorisation of salaries and top-ups (see section allowances below) were a participatory process involving GAVI and other health partners.</p> <p>Risks/possible impact:</p> <ul style="list-style-type: none"> - Increased risk of funds being used for purposes other than the ones approved by GAVI. - Harmonisation between donors in term of project staffing / incentives may not be achieved - Coordination may not be effective 		<ul style="list-style-type: none"> - Ensure the HSCC meets at least quarterly <p><u>External Audit and follow up on audit recommendations</u></p> <ul style="list-style-type: none"> - Ensure any future audits (starting with the audit of programme year 2013) are performed in accordance with Terms of Reference to be provided by GAVI to ensure appropriate scope and level of detail. 	<p>team while meeting appropriate job description from Tim HSCC HSCC is only set policy in establish the annual progress report (APR), providing advice and guidance to the management of grant (as the meeting of the technical team, providing support for the implementation of cross-sector coordination and international agency) .</p> <p>Comments regarding external audit start 2013 We agree</p> <p>Audit 2012 has been done in March – May 2012 by BPKP in accordance with current regulations that include with program performance.</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p><i>Progress Report (APR) to GAVI. It is composed of representatives of the MoH, MoF, Ministry of Planning (MoP), Representatives of CSOs, and representatives of AusAid, USAID, WHO and UNICEF. The HSCC meets at least on a quarterly basis and each meeting results into minutes which are communicated to GAVI with the APR.</i></p> <p><i>For ISS and NVS, the ICC (Inter-Agency Coordination Committee) provides the oversight of these two immunisation related programs. Its composition is almost similar to that of the HSCC. It is also supposed to meet at least quarterly.</i></p> <p>The HSCC and TT are constituted in an annual decree by the Minister of Health, defining their role and as well as the members.</p> <p>Since beginning of 2011, the ICC is no longer existing as a separate body, as it has been merged with the HSCC.</p> <p><u>External Audit and follow up on audit recommendations</u></p> <p>The external audit is performed by BPKP (as agreed in the Aide Memoire). Upon</p>	<p>leading to a duplication of efforts and reduced programme efficiency & effectiveness.</p> <p><u>External Audit and follow up on audit recommendations</u></p> <p>Based on the work done, external audit arrangements and follow-up of the external auditor on audit findings appear satisfactory. In addition, the grant management has established a process to follow-up on the implementation of audit recommendations, which is deemed adequate.</p>			

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>receipt of the audit report, the Authorised Project Manager requests all Programme Managers to take action in relation to the audit recommendations and provide a reply including supporting documentation, if applicable. The respective feedback is then collated by the Authorised Project Manager and provided to BPKP for review and inclusion in the final audit report, if applicable.</p>				
<p>Budget Execution – incl. funds flow & banking arrangements</p>	<p>In general, budget execution for all GAVI programmes follows government systems.</p> <p>In addition to standard government regulations, the HSS programme is governed by a Project Implementation Manual (PIM; developed following the 2010 GAVI FMA), made available to personnel involved in the management of GAVI HSS funds at central, provincial and district level. Currently, the HSS PIM is in process of being updated in line with the HSS reprogramming.</p> <p>Similarly, a CSO PIM has been established for the CSO programme (at MoH level) and separate PIM's have</p>	<p>Issues identified:</p> <ul style="list-style-type: none"> - Interest earned on GAVI funds is not added to GAVI programme funds but absorbed by the Ministry of Finance, in line with national financial regulations. <p>Risks/possible impact:</p> <ul style="list-style-type: none"> - Interest earned on programme funds is diverted to other purposes instead of being leveraged for achieving GAVI programme objectives. <p>Except for the above, based on the work done, controls to ensure that income is recorded timely and accurately are in place and working effectively.</p>	<p>Moderate</p>	<p>Not applicable. As GAVI's TAP foresees that <i>"Funds must be managed within accounts that meet national legal requirements for auditing, accounting and procurement"</i>, this audit acknowledges that interests earned on GAVI funds are submitted to the MoF, as per national regulations.</p>	<p>There is no previous agreement related procedures in this recommendation. Since Grant accounts have been registered in the MoF, the implementation must follow national regulations.</p> <p>For the future, it should be included in the MoU.</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>been developed by each CSO to govern their internal processes as relating to GAVI support provided to them by the Center for Health Promotion, MoH.</p> <p><u>a) Income</u></p> <p><i>Bank account</i> Funds transferred from GAVI to Indonesia for all programmes (CSO, HSS etc.) are received in the GAVI dedicated bank account at Mandiri bank, registered with the MoF, and as set out in the Aide Memoire.</p> <p><i>Interest</i> Prior to 2012, interest income on GAVI funds was recorded monthly when paid by the bank into the respective bank account (main bank account, HSS bank account and CSO bank account) and submitted regularly to the MoF as per the financial regulations of Indonesia requiring that all interest income on funds held in bank accounts approved by the MoF, related to programmes included in the budget (DIPA) and executed through government systems, be submitted to the national Treasury. Since 2012, the respective bank directly submits the interest earned on</p>				

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	<p>government bank accounts to the MoF, so the interest earned is no longer visible in the programme's bank accounts.</p> <p>Currency conversion As the main account is denominated in Indonesia Rupees (IDR), funds disbursed by GAVI are directly translated from USD to IDR upon receipt, at the prevailing rate on the day of receipt. Expenditure is typically in local currency only (main type of costs are daily allowances and transport cost for meetings, trainings and similar).</p> <p>Recording The Treasurer CDC records income in the general cash book (general ledger) and the bank book (sub-ledger) upon receipt, as notified by the bank, based on the bank statement. Accounting records are independently reviewed by the Commitment Maker (also see section Accounting & Financial Reporting) on a monthly basis.</p>				
	<p><u>b) Cash and bank</u> For a schematic representation of the fund flow and bank account, please refer</p>	<p>Issues identified: - No formal bank reconciliations, comparing the respective bank</p>	Substantial	The MoH should take the following actions:	As per MoF regulation the respective (Assistant) Treasurer is the custodian

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>to Annex 3a and 3b.</p> <p>All bank accounts in which GAVI funds are held (with the exception of a remaining balance in the NMCH bank account used for HSS prior to the opening of a separate GAVI HSS bank account in August 2012) are dedicated, i.e. contain only GAVI funds.</p> <p><u>Joint signatories</u> to the respective bank accounts are as follows:</p> <p>GAVI main account (CDC) at Mandiri bank No. 123-00-0413505-1: Treasurer and Commitment Maker</p> <p>GAVI HSS account (since August 2012) at BNI bank, No. 02562 87694 Any 2 of the following 3 persons: Programme Manager HSS, Treasurer and Commitment Maker.</p> <p>GAVI CSO account (since April 2011) at BNI bank, No. 02181 64768: Programme Manager CSO and Commitment Maker.</p> <p>In addition, each of the 5 provinces receiving GAVI HSS funds has a</p>	<p>book/general cash book with the relevant bank statement, are prepared.</p> <p>Risks/possible impact:</p> <ul style="list-style-type: none"> - Unauthorised bank transactions may not be detected in a timely manner - Erroneous accounting entries in the general cash book/bank book may not be identified and corrected timely <p>Quantification:</p> <p>Our review identified that the HSS bank book was not in line with the HSS bank account balance as at December 31, 2012. Further follow-up established that the HSS bank book contains transactions from 2 different bank accounts in which HSS funds are held, the NMCH bank account and the GAVI HSS bank account.</p> <p>For the main account (CDC) and CSO account, the bank balance as at December 31, 2012 was in line with the respective bank book.</p> <p>The existing segregation of duties in relation to the authorisation of expenditure, recording of expenditure</p>		<ul style="list-style-type: none"> - Ensure formal bank reconciliations, comparing the respective bank book/general cash book with the relevant bank statement, are performed on a monthly basis. They should be provided for review and sign-off to a duly authorised official independent from the treasurer, and subsequently kept on file. - Ensure a separate bank book is maintained in relation to each bank account. 	<p>of cash and responsible for recording transactions in the accounting records (including the bank book), which are independently reviewed by the Commitment Maker on a monthly basis and also signed off by authorized budget.</p> <p>For the future, it will be reconciliation if there is consent of the Bank for the implementation of this.</p> <p>That the treasurer already has a bank book as a record of income and expenditure through the bank.</p>

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	<p>dedicated bank account. As per government regulations, joint signatories to the provincial GAVI HSS bank accounts are the Head of PHO and Treasurer PHO.</p> <p>The respective (Assistant) Treasurer is the custodian of cash and responsible for recording transactions in the accounting records (including the bank book), which are independently reviewed by the Commitment Maker on a monthly basis.</p> <p>On an annual basis, each GAVI cash programme provides an expenditure reconciliation report supported by the respective bank statement to the MoF for verification.</p>	<p>and custody of cash is considered appropriate (please also see the disbursement process described in section c. non-salary expenditure)</p> <p>Except for the above issue identified, based on the work done, controls over cash and bank are in place and working effectively.</p>			
	<p><u>c) Non-salary expenditure</u></p> <p><u>Disbursement process:</u> Indonesia's PFM system, foresees the involvement of the following officials in payment execution:</p> <ul style="list-style-type: none"> - Authorised Budget User (Programme Manager) - Commitment Maker (CM) - Treasurer or Assistant Treasurer 	<p>The existing segregation of duties in relation to the disbursement process is considered appropriate.</p> <p>Based on the work done, controls to ensure that non-salary expenditure has occurred, is eligible and accurately recorded are in place and working effectively.</p>	Low	None.	

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>Activity requests established by the respective Task Manager (or the Head PHO for provincial activities) are transmitted to the Programme Manager (of the component, i.e. Secretary of the DG of NMCH for HSS or Director Center for Health Promotion for CSO) who, after verification by the Commitment Maker, that the activity was in the budget and detailed cost breakdown, approves the request. An activity request may cover a quarterly planning cycle or be activity specific.</p> <p>For payments to CSO's, the CM also verifies whether the request is in line with the contract concluded by the MoH with the respective CSO.</p> <p>Based on the authorised activity request, the Assistant Treasurer prepares a cheque, which is then jointly signed by 2 authorised bank signatories (for the authorised bank signatories for each account, please refer to section b. cash & bank) and allows one of the following possibilities:</p> <ul style="list-style-type: none"> - withdrawal of cash for central level activities (HSS or CSO) - bank transfer of funds to PHO (for HSS 				

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	<p>support)</p> <ul style="list-style-type: none"> - bank transfer of funds to a CSO (for CSO) - cheque payment of a supplier (in case of procurement – see section on procurement below). <p>The documents to be collected to support expenditure for different types of activities (such as meetings, trainings, purchase of minor consumables) are clearly spelled out in the PIM.</p> <p>For both HSS and CSO funds spent at the MoH central level, the main activities incurred are training and meetings, typically supported by:</p> <ul style="list-style-type: none"> - an official invitation letter to all participants; - daily attendance signed off by participants; - mission orders countersigned at each destination to certify the travels; - receipts for daily allowance & transport cost signed off by treasurer and recipient; - an activity report; - expenditure/booking voucher signed off by Commitment Maker and Assistant Treasurer. 				

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>Amounts are paid in line with the the cost standards issued by the MoF (updated yearly) and the budget/detailed cost break-down for the activity. As these cost standards which define the authorised rates, also for meetings and in-country travel,represent upper limits, the actual amounts paid may be lower.</p> <p>The funds are provided directly by the HSS / CSO Assistant Treasurer during the training/meeting in the respective location (instead of being provided prior to the activity). Consequently, only participants duly certified by the Assistant Treasurer receive their allowances and this reduces the risk of payment to ghost participants.</p>				
	<p><u>d) Allowances</u> The organisation structure for project implementation (please see Annex 2) is defined through: 1) An annual decree by the Minister of Health, appointing a Project Manager, an Authorised Project Manager and a Programme Manager for each component (HSS, CSO, ISS) 2) An annual decree by the Minister of Health, defining the HSCC and TT as well</p>	<p>Issues identified: - The number of persons receiving allowances or salaries in relation to the implementation of GAVI cash programmes, and particularly HSS is substantial as compared to GAVI programmes of similar size in other countries. The payment of allowances and salaries is not linked to performance in the project implementation.</p>	Substantial	The MoH should take the following actions: - Submit an overview of the organisation structure specifying positions, names of current incumbent, status (Government employee or contractual staff), amount of allowance or salary to the HSCC for review and endorsement, in the presence of DP officials. Provide meeting	We disagree with the finding details (for HSS 80% of the originally Budgeted management costs (as per the 2007 HSS Submitted proposal to GAVI) have already been Absorbed, while expenditure related to activity implementation is 30% only).

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>as its members</p> <p>3) An annual decree by the Authorised Project Manager defining the organisation structure of the “GAVI Sekretariat” (including Task Managers HSS and CSO) and appointing the Head of PHO as programme managers at provincial level.</p> <p>In total, 58 persons (28 Government employees and 30 contractual staffs) are currently involved in the management of GAVI funds and the implementation of GAVI activities. Government employees, in addition to their standard role within the government systems, take on responsibilities for GAVI activities and receive monthly allowances. Contractual staffs are fully dedicated to GAVI activities and receive a monthly salary.</p> <p>The amount of allowances for government employees and the salaries for contractual staffs are defined in (at least) annual decrees issued by the Project Manager, in line with the guidance provided by the MoF Cost Standards of the respective year. For the contractual staffs, the decrees act as their contractual engagement by the</p>	<p>- For HSS, 80 % (\$ 665,408) of the originally budgeted management costs (\$ 838,822 as per the 2007 HSS proposal submitted to GAVI) have already been absorbed, while expenditure related to activity implementation (\$ 7,241,019), is 30 % only (compared to a total of \$ 24,827,249 budgeted as per the 2007 HSS proposal submitted to GAVI).</p> <p>- No evidence could be obtained that the organisation structure/staffing as well as allowances/salaries have been discussed and authorised by the HSCC</p> <p>- Segregation of duties appears to be insufficient in the process of authorization of allowances: In one case, the beneficiary of a salary top-up (government employee) defined the amount of his own allowance.</p> <p>Risks/possible impact:</p> <p>- There is a risk of going concern with the implementation of the HSS programme once the Ministry will run out of management cost budget. Alternatively if the Ministry decides to reallocate a portion of activities’ budget for the payment of the heavy administrative structure, this will</p>		<p>minutes and attendance list of the respective HSCC meeting to GAVI.</p> <p>- Ensure the allowance self-defined by the government employee is reviewed and approved by an independent authorised official, possibly the Minister of Health.</p>	<p>- We need clarification related this finding that total GAVI HSS funds received for Phase I is equal to 76,126,195,800 IDR . The Expenditure of GAVI HSS funds (Phase I) as follows:</p> <p>- Expenditure for Activity in 2009 up to December 2012 is 62,248,469,977 IDR)</p> <p>- Expenditure for Management Cost in 2009 up to December 2012 is 7,119,018,167 IDR</p> <p>- Percentage of total of expenditure used for Management Cost amounted 9.35% only (please find attachment of details of realization of GAVI HSS Funds for Phase I)</p> <p>- According to MoH has</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>MoH.</p> <p>Payment of allowances depends on both the entitlement as per the Decree, and the role vis-à-vis the management/implementation of GAVI activities. Salaries to contractual staffs are paid based on the applicable Decree and the monthly timesheet describing the key activities performed during the month, and which is reviewed and approved by an authorized official (the coordinator GAVI “HSS Sekretariat”, the Executive Secretary “GAVI Sekretariat” at the CDC, or the Task Manager CSO, respectively).</p> <p>The disbursement process itself is similar to the process for non-salary expenditure (see section c above) and involves both the Commitment Maker and the Assistant Treasurer. Payments are made in cash.</p>	<p>automatically reduce the resources available for the activities, thus lowering the impact of this programme.</p> <ul style="list-style-type: none"> - The insufficient segregation of duties in the authorization of allowances poses an issue of internal controls of this category of expenditures. - Allowances/salaries may not be commensurate with rates and practices in programmes funded by other development partners <p>Except for the above, based on the work done, controls to ensure that salary expenditure has occurred, is eligible and accurately recorded are in place and working effectively.</p>			<p>regulations that the decision-making authority within the Ministry of Health has been delegated to the relevant authorities for approval technically. In this case the GAVI by the Director General of Disease Control and Environmental Health. It is already established in the regulations of the Ministry of Health Nr. 128/MENKES/SK/III/2013 dated March 15, 2012 regarding Management Team of GAVI Grant.</p> <p>- Please see management comments of component of Grant Coordination and Oversight.</p>
	<p><u>e) Advances</u></p> <p><i>Payment of advances to CSOs</i></p> <p>Funds to CSOs are transferred according to the yearly contract, typically in 4 instalments. According to the established process, unspent balances</p>	<p>CSO</p> <p>Issues identified:</p> <ul style="list-style-type: none"> - The current control, based on sample verification of supporting documentation, to validate the financial reporting submitted by CSOs in order to identify unsupported expenditures is 	Substantial	<p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Investigate the gap between reported expenditures and supporting documentation related to the July 11-18 2012 	<p>a) We have investigated the gap between reported expenditures and supporting financial</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>remaining at the respective CSO at year-end are to be refunded to the GAVI CSO bank account.</p> <p>Financial staff at the CHP maintains a spreadsheet showing instalments paid vs. expenditure at CSO level.</p> <p>Liquidation of instalments paid to CSO's The reporting by the respective CSO to the CHP at the MoH on programme implementation includes a financial report supported by detailed supporting documentation (such as receipts, daily attendance list for meetings/training etc.) and activity reports (1 by type of activity).</p> <p>Payment of advances to provinces (HSS) Funds are transferred to provinces quarterly based on the activity plan (amount = funds needed for the next 3 months of activities minus fund balance remaining from prior quarter). At year end, any remaining fund balance is to be refunded to the (central) GAVI HSS account. Thus provincial advances are fully cleared after year end only.</p> <p>Financial staff keeps an excel advance</p>	<p>not fully effective.</p> <p>Risks/possible impact:</p> <ul style="list-style-type: none"> - Unsupported expenditure is not detected, resulting in overpayment and ultimately in GAVI funds not being used for their intended purpose. <p>Quantification:</p> <ul style="list-style-type: none"> - Within the sample of 6 transactions at CSO level reviewed, we identified 2 activities performed by IBI which were not fully substantiated by supporting documentation: <ul style="list-style-type: none"> a) Training of Community Health Workers (CHWs), July 11- 18, 2012 in Enrekang district: <ul style="list-style-type: none"> - Amount without supporting financial documentation IDR 21,600,000 (US \$ 2,413) out of a total amount for the same activity of IDR 52,200,000 (US \$ 5,831) b) Community Health Workers meetings, November 1- 19, 2012, in Luwu Timur district: <ul style="list-style-type: none"> - Amount without supporting financial documentation IDR 195,000 (US \$ 22) out of a total amount for the same 		<p>Training. In case it is confirmed that these expenditures are not substantiated, the MoH should request a reimbursement from IBI.</p> <ul style="list-style-type: none"> - The CSO PIU should be warned to strengthen the verification and validation of financial reports received by CSOs. Namely the CSO PIU needs to ensure that a clear audit trail, linking the financial supporting documentation provided by the CSO's in binders with respective line items in the financial report, is established. Recapitulative schedules, summarising the amounts in each binder and filed as cover sheet in the binder may help to achieve this. 	<p>documentation of IBI related to the Training of Community Health Workers in July 11-18, 2012 in Enrekang district and we agree with the recommendations. MOH had given a reprimand and asked IBI to return the funds that do not have financial supporting documents. IBI had agreed to refund. (Please find attached the refund documentation IDR 21,600,000 from IBI).</p> <p>b) We have investigated the supporting financial documentation of IBI in Community Health workers Meetings, November 1-19, 2012 in Luwu Timur district. Our examination found that supporting financial documentations of total amount IDR 21,450,000 for</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>register on transfers made to vs. expenditure at provincial level and ensures remaining balances are refunded timely.</p> <p>Liquidation of advances to provinces (HSS) Full financial supporting documentation¹ is provided by the respective province together with their monthly financial report to the “GAVI HSS Secretariat”. The financial staff reviews the report against all (i.e. 100%) of the supporting documentation and follows-up with the respective province in case of any discrepancies.</p>	<p>activity IDR 21,255,000 (US \$ 2,374)</p> <p>Except for above, a process to track advances provided to CSOs is in place and is deemed to operate effectively.</p> <p>HSS Our sample review did not reveal any exceptions. Thus, based on the work done, a process to track HSS advances is in place and controls to ensure that expenditure (related to advances given) has occurred, is eligible and accurately recorded are in place and are working effectively.</p>			<p>this activity were complete (110 pieces of receipt). We have rechecked all supporting financial documentations and found one piece of supporting financial documentation for IDR 195,000 was tucked among the other financial report. We did not ask IBI to return for IDR 195,000. We have attached all the supporting financial documentations (110 pieces of receipt) .</p> <p>c) Comments for statement in the executive summary number 2 that said “The current control, based on sample verification of supporting documentation, to validate the financial reporting submitted by</p>

¹ Please see sections “non-salary expenditure” and “allowances” for details on typical supporting documentation

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
					<p>CSOs in order to identify unsupported expenditures is not fully effective” : For the next, we will be more thorough for examining financial supporting documentations of CSOs. We will use control method by examining all supporting documentations and we will also define deadlines for CSOs submitting financial report in order to be able to examine more effective.</p>
<p>Procurement of vaccines</p>	<p>Government procurement in Indonesia, including drugs and vaccines, is governed by Presidential Decree 54 issued in 2010, establishing the method to apply for each instance of procurement as well as the conditions for competition (open tender, restricted bidding, exclusivity, etc.).</p> <p>To be eligible for any national procurement drugs & vaccines must have a registration number from the</p>	<p><u>Past NVS procurement</u> As per the decision letter dated 24 August 2007, an amount of US \$ 1,582,000 had been granted to Indonesia for the procurement of 1,951,500 doses of HepB monodose vaccine and 21,675 safety boxes. The related funds were transferred to Indonesia in 2009.</p> <p>Issues identified: - Based on the documentation availed</p>	<p>Moderate</p>	<p><u>Past NVS procurement</u> As cash provided for NVS self-procurement has been used for purposes other than the ones intended by the NVS grant, GAVI could consider as per its policies to seek reimbursement of US \$ 625,000 from Indonesia. However, given that the audit has confirmed that the balance of NVS funds were utilised by the country’s EPI division for</p>	<p>For future, we will be conduct meeting related self-procurement.</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>Food and Drug Administration (NRA) of Indonesia. Procurement of vaccines is undertaken by the Directorate of Pharmacy, based on an estimation of needs prepared by the EPI division (MoH), based on the number of infants to be vaccinated for the coming year. Final quantities to be procured are adjusted by the stock on hand, based on an inventory count (in cold chain facilities throughout the country at central, provincial, district and Puskesmas levels) required for all vaccine procurements.</p> <p>A key tool within the procurement process of drugs and vaccines is the indicative price list publicly released each year by the MoH. All manufacturers intending to supply the GoI provide their indicative price and the cost structure of their drugs and vaccines, to an Independent Committee for analysis. This Committee of Experts takes into consideration a number of cost factors like the cost of ingredients, manufacturing cost, overheads, storage and shipping costs, and discusses both the cost elements and the proposed selling price, before issuing its final</p>	<p>to the audit mission, only 1,200,000 doses of Hep B vaccine were procured instead of 1,951,500 doses, thus reducing the quantity approved by GAVI by 751,500 doses, which is an important deviation from the agreed plan.</p> <ul style="list-style-type: none"> - No safety boxes have been procured with the funds provided by GAVI. - In the 2009 APR, Indonesia did not report on the number of doses of HepB doses purchased and based on the evidence obtained, the ICC has not been involved in the decision of lowering the number of doses. - At the contrary of the APR guidelines, requiring separate accounting and reporting for each of GAVI's cash programmes, the remaining of NVS funds were co-mingled with the ISS funds. <p>Risks/possible impact:</p> <ul style="list-style-type: none"> - GAVI NVS funds may be used for their purposes other than intended, ultimately reducing the impact of GAVI's NVS programme -Lack of transparency in reporting on 		<p>immunisation related expenditures, it can be envisaged that GAVI waives the reimbursement of the portion of NVS funds not utilised for the procurement of HepB vaccines and safety boxes.</p> <p><u>Future GAVI NVS funds provided for self-procurement:</u></p> <p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Report transparently to GAVI the quantities and prices of the vaccines purchased with NVS funds, supported by the relevant documentation, namely documentation on the entire procurement process including minutes of decision meetings, purchase orders, invoices and proof of vaccine delivery. - Provide plans to GAVI for the usage of expected savings (arising for example from a lower actual vaccine price than the one used by GAVI to calculate the grant) and seek GAVI's endorsement for 	

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>recommendation to the MoH, which in turn issues its Annual Indicative Price List for each drug and vaccine.</p> <p>Once this price list is published, the MoH issues a public notice of the annual needs of all reference drugs and vaccines for the coming year and opens the tender process. All suppliers and manufacturers can bid or make direct offers, with an aim to be competitive vis-à-vis the indicative price list.</p> <p>For vaccines, there is only one approved supplier – Biofarma - a state-owned company, which thus has the monopoly of supply of traditional vaccines to Indonesia (unless there is a case of emergency with incapacity to supply). Biofarma has to undergo a competitive tender which is totally open and publicised on Internet, even though as a sole supplier, there are generally no bidding competitors. On each specific procurement, notwithstanding the existence of the Annual Indicative Price List, the MoH undertakes additional negotiations with Biofarma to obtain an additional discount.</p>	<p>vaccine procurement and NVS fund usage increases the risk of utilisation of funds for non-approved expenditures.</p> <p>Quantification:</p> <p>- The value of vaccines and safety boxes not purchased after consideration of the effect of exchange rate are estimated at US\$ 625,000, which is the balance of NVS funds that was further transferred and co-mingled with ISS funds.</p> <p><u>Future NVS Procurement (pentavalent vaccine)</u></p> <p>For the specific procurement of pentavalent vaccine, a number of steps are yet to be completed and as such, the final pricing though indicated for budgeting purposes, is not yet agreed upon by the MoH and Biofarma. Also, the pentavalent vaccine has not yet received the national approval by the NRA and is not yet listed in the 2013 Indicative Price list publicised by the MoH. Nevertheless, this audit has received indications, following the discussions with both the EPI Manager and the Director of Pharmacy, that a significant reduction in price compared</p>		<p>the utilisation plan of such savings.</p>	

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>A tender committee is always set by the Ministry to discuss each purchase of vaccines from Biofarma. Minutes of meetings are signed off by all participants and filed.</p> <p>Biofarma directly delivers vaccines to the 33 provinces of the country. The provinces supply the districts which in turn supply the health centers or Puskesmas.</p>	<p>to the budgeted price at UNICEF rate would be achieved at the end of the negotiation process with Biofarma.</p> <p>An initial calculation by the audit team with the EPI Department establishes the total savings on GAVI funds at circa US \$ 3.5 million and at US \$ 0.7million for the GoI.</p>			
<p>Procurement of goods & services (non-vaccine procurement)</p>	<p>Government procurement in Indonesia, is governed by Presidential Decree 54 issued in 2010, defining the procurement method (open tender, restricted bidding, single source, etc.) depending on monetary thresholds etc.</p> <p><u>Key steps in the procurement process of goods & services include the following:</u></p> <ul style="list-style-type: none"> - Issuance of request for procurement by Commitment Maker (based on instruction of Authorised Budget User) to Procurement Unit MoH - Publication of request for tender - Issuance of bidding documents; - Question and answers session with potential suppliers prior to bid submission; 	<p>Only limited procurement of non-vaccine materials has been planned within the GAVI HSS programme, which focusses mainly on community mobilisation, capacity improvement, partnerships with NGO's and operational research.</p> <p>The largest procurement of goods performed within HSS so far, is the printing of the Maternal and Child Health (MCH) book and related materials (approx. US \$ 440,000).</p> <p>Our audit work confirmed that applicable procurement regulations have been strictly adhered to and value for money has been obtained.</p>	Low	None.	

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<ul style="list-style-type: none"> - Submission of bids by potential suppliers and bid opening in presence of the Procurement Committee (recording of price and verification of completeness of bids submitted); - Full evaluation of valid bids by the Procurement Committee (review of price, technical and legal documents); - Decision of contract award by Commitment Maker based on short list of 3 suppliers provided by Procurement Committee following evaluation; - Establishment of contract with selected supplier. 				
Accounting and Financial Reporting	<p><u>Accounting</u> Accounting transactions are recorded manually by the Assistant Treasurer in a spreadsheet. Indonesia’s financial year is in line with the calendar year, i.e. covers January 1 to December 31 each year and accounting is performed on a cash basis.</p> <p>The following accounting records, kept up-to-date on an on-going basis, are maintained:</p> <ul style="list-style-type: none"> - General cash book (general ledger) - Advance register (sub-ledger) - Petty cash book (sub-ledger) - Bank book (sub-ledger) 	<p><u>Accounting Issue identified:</u></p> <ul style="list-style-type: none"> - An amount of IDR 809, 470,914 (approx. US \$ 88,000) related to GAVI HSS had not been accounted for at the time of the external audit by BPKP (finding 1 in 2011 external audit report). The reimbursement of this amount to the respective GAVI programme bank account, recommended by BPKP, has been done in a total of 4 instalments, supporting the assumption that the funds have initially been used for non-GAVI activities as they were apparently not available for immediate 	Moderate	<p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Transfer any GAVI HSS funds remaining in the NMCH bank account to the dedicated GAVI HSS bank account - Ensure no GAVI funds are “borrowed” for non-GAVI activities without prior written approval from GAVI. - Ensure appropriate supervision of financial personnel involved in financial management of GAVI cash programme funds, especially treasurers, to avoid recurrence of 	<p>-The GAVI HSS funds amount of IDR 809,470,914 has been transferred with details as follows:</p> <ul style="list-style-type: none"> a. 2 Feb 2012: IDR 50.000.000 b. 8 Feb 2012: IDR 59.475.000 c. 20 Feb 2012: IDR 475.618.800 d. 16 April 2012: IDR 195.900.000 e. 1 May 2012: IDR 28.475.034

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>On a monthly basis, these accounting records are printed and signed-off by the Assistant Treasurer (as preparer) and the Commitment Maker (as reviewer).</p> <p><u>Financial Reporting</u></p> <p>Interim Reporting HSS Provinces report back to the Central MoH monthly, providing a budget realisation report, signed off by Head of PHO the and PHO treasurer, including full supporting documentation such as activity reports, receipts, signed off attendance lists for training/meeting etc.</p> <p>On a monthly basis, the Task Manager HSS prepares an overall activity report, summarising the progress made in terms of activities and expenditure, which is signed and officially transmitted by the Programme Manager HSS to the Authorised Project Manager.</p> <p>Annual Financial Statements HSS Monthly, the financial staff reviews the</p>	<p>reimbursement.</p> <p><u>Further follow up during this CPA mission identified the following root causes:</u></p> <ul style="list-style-type: none"> - A disagreement between the Treasurer of NMCH department (responsible treasurer in 2010) and the new GAVI HSS Assistant Treasurer (responsible treasurer for 2011) resulting in a situation where the former treasurer tried to force the handover by providing the cash to the new treasurer, who however refused to record the 2011 opening balance without a formal handover document. - The co-mingling of GAVI HSS funds with funds from other sources in the NMCH department's bank account (prior to the opening of the dedicated GAVI HSS bank account in August 2012) leading to a situation where GAVI HSS funds have apparently been used for non-GAVI activities. <p>Risks/possible impact:</p> <ul style="list-style-type: none"> - Increased risk of incomplete/inaccurate accounting records - Increased risk of funds being used for purposes other than intended 		<p>described issues.</p>	<p>and it's already implemented in 2012. (Please see attachment of the Bank Statement)</p> <p>- In the future, we will use GAVI funds for GAVI activities only and we ensure that any GAVI HSS funds remaining in the NMCH bank account has been transferred to the dedicated GAVI HSS bank account.</p>

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>transactions of the prior month and based on the text description in the general ledger and the related entry in the budget, allocates each transaction to a GAVI HSS activity or the respective support cost category. Based on this, beginning of the following year, the staff prepares the annual financial statements, which are signed off by the Authorised Project Manager (Director Surveillance, Immunisation, Quarantine and Matra Health) as well as the Commitment Maker (of the DG Disease Control & Environmental Health).</p> <p>Interim Reporting CSO Each CSO reports back to the CHP on the prior instalment received in line with the payment schedule defined in the contract (for example as in 2012 payments to IBI and Konsorsium have been made in 3 instalments, 3 financial reports have been received). Financial reports are supported by full financial supporting documentation (such as receipts, signed-off attendance lists for training/meeting etc.), as well as by separate activity reports (one by type of activity).</p>	<p>Except for the above, based on the work done, controls to ensure the accuracy and completeness of accounting records are in place and working effectively.</p> <p><u>Financial Reporting</u> Based on the work done, regular financial reports are prepared to report to the programme's stakeholders of the MoH on programme implementation progress. Annual financial statements submitted in the APR to GAVI are adequately supported by detailed accounting records.</p>			

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	<p>On a monthly basis, the Task Manager CSO prepares an overall activity report, summarising the progress made in terms of activities and expenditure, which is signed and officially transmitted by the Programme Manager CSO to the Authorised Project Manager.</p> <p>Annual Financial Statements CSO In order to prepare the financial statements, the financial staff adds up the MoH expenditure from the cash book and the CSO level expenditure (as reported on in the financial reports received from the respective CSO). The annual CSO financial statements are signed off by the Authorized Project Manager (Director Surveillance, Immunisation, Quarantine and Matra Health) as well as the Commitment Maker (of the DG Disease Control & Environmental Health).</p>				
Fixed Asset Management	Major procurement of fixed assets has neither taken place nor is planned within the current GAVI HSS and CSO proposals. In addition, as Indonesia, due to its status as graduating country, is unlikely to be entitled to re-apply for	Not applicable	n/a	Not applicable	

Component	Description of existing arrangements	Detailed findings	Risk Rating	Recommendations	Management Comments
	GAVI cash programmes in the future, fixed asset management has not been reviewed further.				

Risk Level **Definition**

Low Represents a situation where the functioning of the element of the financial management system broadly reflects GAVI minimum standards and there is routine compliance with the majority of controls within the system.

Moderate Represents a situation where the functioning of the element of the financial management system broadly reflects GAVI minimum standards, although there may be some gaps or inefficiencies. There is basic compliance with controls within the system but regular exceptions occur.

Substantial Represents a situation where the functioning of the element of the financial management system falls short of GAVI minimum standards in a number of areas and/or there are numerous and/or material weaknesses in compliance with many of the controls within the system.

High Represents a situation where the functioning of the element of the financial management system shows a significant divergence from GAVI minimum standards and/or there is widespread lack of compliance with many of the controls within the system.

V. Follow-up on Financial Management Assessment Recommendations and Aide Memoire Implementation

Component	Recommendation	Implemented ? (based on review performed)	Comments / observations
Strengthening programme coordination and management	<p>1. Within 3 months of the effective date of this Aide Memoire, the Secretariat of Integrated Immunization Program of MoH shall submit to the GAVI Alliance Secretariat a plan, as approved by the Health Sector Coordinating Committee (HSCC), for improved interaction between the responsible Directorates of the MoH and the Secretariat of Integrated Immunization Program of MoH as well as the HSCC, to liaise with, and pursue, actions agreed to by respective officials in the MoH for programme implementation. For example, for HSS activities, the authorization, agreement and active participation of three Directorates is required before activities are implemented. This solution may include, but not be limited to, the creation of forward action plans, based on a revised approach to planning and budgeting (see section 2 below) for HSS activities which are then discussed at regular coordination meetings with Directorate managers.</p>	YES	<p><u>Feedback provided by the country November 22, 2011</u> <i>This requirement has been inserted in the revised Project Implementation Manual (PIM) which has been endorsed by the HSCC in a HSCC meeting on April 25, 2011. The Manual has been issued by the Project Manager (Project Manager Decree dated September 16, 2011).</i></p> <p><u>GAVI comment</u> PIM content indicates that core elements around project organisation have been included: funding allocation framework; GAVI project management; project planning and budgeting; GAVI project budget execution. OK.</p>
Planning, budgeting and coordination	<p>2. The MoH shall bring GAVI funds into the GoI state budget preparation process by completing, during the financial year 2010/11 and in subsequent financial years, the process of registration of GAVI funds with the Directorate General of Debt Management, MoF. The MoF's relevant regulatory framework provides an inherent facility for grants to be brought on state budget at any time within the course of the ongoing financial year and will result in issuance of the budget execution authorization by DIPA (Dokumen Isian Pelaksanaan</p>	YES	<p><u>Feedback provided by the country November 22, 2011</u> <i>a) For 2011, GAVI funds have been included in the budget of each "satker" (EPI Unit, DG of Nutrition and MCH, and DG Health Promotion); DIPA per May 5, 2011.</i></p>

Component	Recommendation	Implemented ? (based on review performed)	Comments / observations
	<p>Anggaran/ Budget Execution Authorization Document), thereby making GAVI funds visible to the internal and external controls including scrutiny by the Inspectorate General of MoH, BPKP (Badan Pengawasan Keuangan dan Pembangunan/ Government Internal Auditor Office) and BPK (Badan Pemeriksa Keuangan/ Supreme Audit Institution of Indonesia). As a result, GAVI funds shall follow the MoH planning process and be monitored by the MoH's Bureau of Planning and Budgeting. It is expected that GAVI support will have been included in the revised DIPA 2010 issued by Ministry of Finance and will be included in the DIPA in subsequent years.</p>		<p><i>b) The audit for FY 2010 was completed and BPKP has issued its audit report dated 8 June 2011.</i></p> <p><u>GAVI comment</u> OK.</p>
Disbursement of funds	<p>3. Within 3 months of the effective date of the Aide Memoire and prior to any disbursements being made by GAVI, MoH shall provide written confirmation to the GAVI Alliance Secretariat that it has obtained the approval of the Ministry of Finance, in accordance with GoI regulations which require that funds transferred directly to the MoH, shall be placed in a bank account approved by the Ministry of Finance. The bank account details are included in Section 13 of this Aide Memoire.²</p>	YES	<p><i><u>Feedback provided by the country November 22, 2011</u></i></p> <p><i>The bank account used for GAVI funds has been registered and approved the MoF as stated in a letter dated June 15, 2010.</i></p> <p><u>GAVI comment</u> OK.</p>
	<p>4. Further disbursements of GAVI cash grants to provincial and district health offices shall be through the above MoF approved central bank account in the name of the MoH and use electronic transfers to banks at provincial and district level. Transfers in the form of cash to provinces and districts shall not be used. For CSO grants, the MoH, Health Promotion Department under General Directorate of Community Health shall continue to transfer funds electronically to</p>	YES	<p><i><u>Feedback provided by the country November 22, 2011</u></i></p> <p><i>GAVI fund disbursement is conducted through the bank account as stated in point 3 (above), while the funds for Province and District Health Offices are disbursed via bank transfer. The GAVI</i></p>

²Bank account 123-00-0413505-1, named "Bendahara BLN Ditjen PPM&PL" at Mandiri bank

Component	Recommendation	Implemented ? (based on review performed)	Comments / observations
	CSOs based on budgets and requests based on the original proposal received from the implementing CSOs and as approved by the Head of Health Promotion Department, MoH. Funds disbursement to provinces and districts will be reported on a regular basis to, and monitored by, the HSCC.		<p><i>fund disbursement is reported monthly based to HSCC via the Secretary General of MoH.</i></p> <p><u>GAVI comment</u> CPA mission confirmed that disbursements to provinces are made by bank transfer. OK.</p>
Accounting and reporting	5. Within 3 months of the effective date of this Aide Memoire, the Head of the Secretariat of Integrated Immunization Program of MoH and the Budget authorised user shall jointly submit to the GAVI Alliance Secretariat written confirmation that a qualified and experienced accountant to assist for the financial management of all GAVI cash grants to Indonesia has been appointed.	YES	<p><u>Feedback provided by the country November 22, 2011</u> <i>GAVI Secretariat MOH (SKIPI GAVI) has recruited a qualified and experienced accountant: Mr. Riri Chaidir, as per March 2011.</i></p> <p><u>GAVI comment</u> A qualified and experienced accountant has been recruited and is in place. OK.</p>
	6. In addition, the Secretariat of Integrated Immunization Program staff of MoH and staff responsible for, or involved in, the financial management of GAVI supported programmes at provincial and district levels shall undergo basic training in financial management, to include budgeting, accounting and book-keeping, internal control and financial reporting. Within 3 months of the effective date of this Aide Memoire, the Head of the Secretariat of Integrated Immunization Program of MoH and the Director of Surveillance, Immunisation, Quarantine and Matra Health shall submit a training plan and an allocation of resources to training to the HSCC	YES	<p><u>Feedback provided by the country November 22, 2011</u> <i>At the central and provincial level, all the treasurers have been trained in financial management and some have been certified by the MoF.</i></p> <p><i>Some of the responsible staffs at district level has been trained in financial management and the rest will be trained.</i></p>

Component	Recommendation	Implemented ? (based on review performed)	Comments / observations
	for its review and approval as evidenced in the minutes of its meeting. This may also be a joint initiative with BPKP which has already offered to provide advice and training.		<u>GAVI comment</u> "On-the-job" training has been done, as described above. More substantial finance management training, certificated, will be undertaken and should be completed by mid-2013. OK.
Internal controls and internal audit	8. ³ Within 3 months of the effective date of this Aide Memoire, the Secretariat of Integrated Immunization Program of MoH shall submit to the GAVI Alliance Secretariat a financial management manual which details financial management arrangements for planning, budgeting, accounting, internal control, financial reporting, internal and external audit of MoH and which is in keeping with existing GoI financial rules and regulations, in particular Government Regulation 60/2008 on Government Internal Control System.	YES	<u>Feedback provided by the country November 22, 2011</u> <i>Financial Management Manual content and details have been included in the revised PIM (see point 1).</i> <u>GAVI comment</u> OK.
	9. Bringing GAVI funds 'on budget' will ensure that they are within the purview and scope of the Inspector General of Internal Audit of the MoH and, where relevant, the BPKP. The Secretariat of Integrated Immunization Program of MoH shall ensure that the Inspector General of the MoH includes the GAVI funds in the 2010 (and subsequent audit plans covering the duration of GAVI support to the GoI) Action Plan for internal audit. The scope of internal audit will be extended, based on an assessment of risk by the Inspector General, and, where appropriate, the BPKP, to GAVI activities at provincial and district level.	YES, but to be monitored	<u>Feedback provided by the country November 22, 2011</u> <i>As GAVI fund has been allocated in the DIPA it is automatically an object to be audited by the Inspectorate General of MoH. The audit process for the FY 2010 activities at the central, provincial and district level has been conducted by BPKP (see point 2).</i>

³ Paragraph 7 of the Aide Memoire does not contain any specific requirements but re-emphasizes points made under 1, 5, and 6.

Component	Recommendation	Implemented ? (based on review performed)	Comments / observations
			<u>GAVI comment</u> OK.
Independent audit	10. Within 3 months of the effective date of this Aide Memoire and prior to further disbursements of cash grants, the Secretariat of Integrated Immunization Program of MoH shall submit to the GAVI Alliance Secretariat a full management response (in English) to the recent audit conducted by BPKP on the financial accounts produced for years 2008 and 2009.	YES	<u>Feedback provided by the country</u> <u>November 22, 2011</u> <i>Full management response (in English) had been submitted via e-mail on January 25, 2011.</i> <u>GAVI comment</u> OK.
	11. Within 3 months of the effective date of this Aide Memoire and prior to further disbursements of cash grants, the Secretariat of Integrated Immunization Program of MoH shall confirm in writing to the GAVI Alliance Secretariat that the independent audit of all GAVI supported programmes for the current financial year and any future financial years shall be undertaken by BPKP.	YES	<u>Feedback provided by the country</u> <u>November 22, 2011</u> <i>The audit for FY 2010 was completed and BPKP had issued its audit report dated June 8, 2011 (see point 2).</i> <u>GAVI comment</u> OK.
	12. The MoH Secretariat shall obtain annual independent audit reports, within 6 months of the financial year end, for each CSO that receives cash support and provide copies of these to the GAVI Alliance Secretariat.	YES	<u>Feedback provided by the country</u> <u>November 22, 2011</u> <i>Audit of CSO's receiving GAVI funds has been included in the audit conducted by BPKP.</i> <u>GAVI comment</u> OK.

VI. Opinion and Conclusion

The overall level of risk faced by the GAVI cash programmes in Indonesia is **Moderate to Substantial**, and a number of recommendations will need to be implemented in order to strengthen the controls and improve the efficiency in the programme implementation.

The audit work performed indicates that the MoH has put in place the majority of key controls outlined in the respective programme's proposal as well as the ones outlined in the FMA Aide-memoire.

VII. Summary of recommendations, importance and due date

Component	Risk Rating	Description of the recommendations	Importance	Due date
Grant Coordination and Oversight	Substantial	<p><u>Coordination and oversight</u></p> <p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Amend the Terms of Reference (ToR) of the HSCC to clearly include the following elements of oversight into the role of the HSCC: <ul style="list-style-type: none"> • Review and approval of annual budget and activity plan • Review of quarterly financial reporting and implementation progress • Review and authorisation of staffing arrangements as well as allowances • Review and discussion of the annual external audit report • Review and discussion of internal audit reports (to the extent available) 	Critical	Within three months from receipt of final report
		<ul style="list-style-type: none"> - Ensure the HSCC meets at least quarterly 	Essential	On an ongoing basis
		<p><u>External Audit and follow up on audit recommendations</u></p> <p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Ensure any future audits (starting with the audit of programme year 2013) are performed in accordance with Terms of Reference to be provided by GAVI to ensure appropriate scope and level of detail. 	Desirable	As of FY 2013, i.e. Q1, 2014
Budget Execution – incl. funds flow & banking arrangements	Substantial	<p><u>Cash and bank</u></p> <p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Ensure formal bank reconciliations, comparing the respective bank book/general cash book with the relevant bank statement, are performed on a monthly basis. They should be provided for review and sign-off to a duly authorised official independent from the treasurer, and subsequently kept on file. - Ensure a separate bank book is maintained in relation to each bank account. 	Critical	Within one month from receipt of final audit report

	Substantial	<p><u>Allowances</u></p> <p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Submit an overview of the organisation structure specifying positions, names of current incumbent, status (Government employee or contractual staff), amount of allowance or salary to the HSCC for review and endorsement, in the presence of DP officials. Provide meeting minutes and attendance list of the respective HSCC meeting to GAVI. - Ensure the allowance self-defined by the government employee is reviewed and approved by an independent authorised official, possibly the Minister of Health. 	Essential	Within three months from receipt of the final audit report
	Substantial	<p><u>Advances</u></p> <p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Investigate the gap between reported expenditures and supporting documentation related to the July 11-18 2012 Training. In case it is confirmed that these expenditures are not substantiated, the MoH should request a reimbursement from IBI. - The CSO PIU should be warned to strengthen the verification and validation of financial reports received by CSOs. Namely the CSO PIU needs to ensure that a clear audit trail, linking the financial supporting documentation provided by the CSO's in binders with respective line items in the financial report, is established. Recapitulative schedules, summarising the amounts in each binder and filed as cover sheet in the binder may help to achieve this. 	Essential	Within three months from receipt of final audit report
Procurement of vaccines	Moderate	<p>The MoH should take the following actions:</p> <ul style="list-style-type: none"> - Report transparently to GAVI the quantities and prices of the vaccines purchased with NVS funds, supported by the relevant documentation, namely documentation on the entire procurement process including minutes of decision meetings, purchase orders, invoices and proof of vaccine delivery. 	Essential	Annually

		- Provide plans to GAVI for the usage of expected savings (arising for example from a lower actual vaccine price than the one used by GAVI to calculate the grant) and seek GAVI’s endorsement for the utilisation plan of such savings.	Essential	Once price defined / potential savings identified
Accounting and Financial Reporting	Moderate	The MoH should take the following actions: - Transfer any GAVI HSS funds remaining in the NMCH bank account to the dedicated GAVI HSS bank account	Critical	Within two months from receipt of final audit report
		- Ensure no GAVI funds are “borrowed” for non-GAVI activities without prior written approval from GAVI. - Ensure appropriate supervision of financial personnel involved in financial management of GAVI cash programme funds, especially treasurers, to avoid recurrence of described issues.	Essential	On an ongoing basis

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

VIII. Annexes

Annex 1: List of persons met, January 28 – February 13, 2013

Ministry of Health

- Director General Health
- Director Surveillance, Immunisation, Quarantine and Matra Health
- Director Center for Health Promotion
- Secretary of Directorate General Nutrition, Maternal and Child Health
- Director of Pharmacy
- EPI Manager
- Task Manager HSS and team
- Task Manager CSO and team

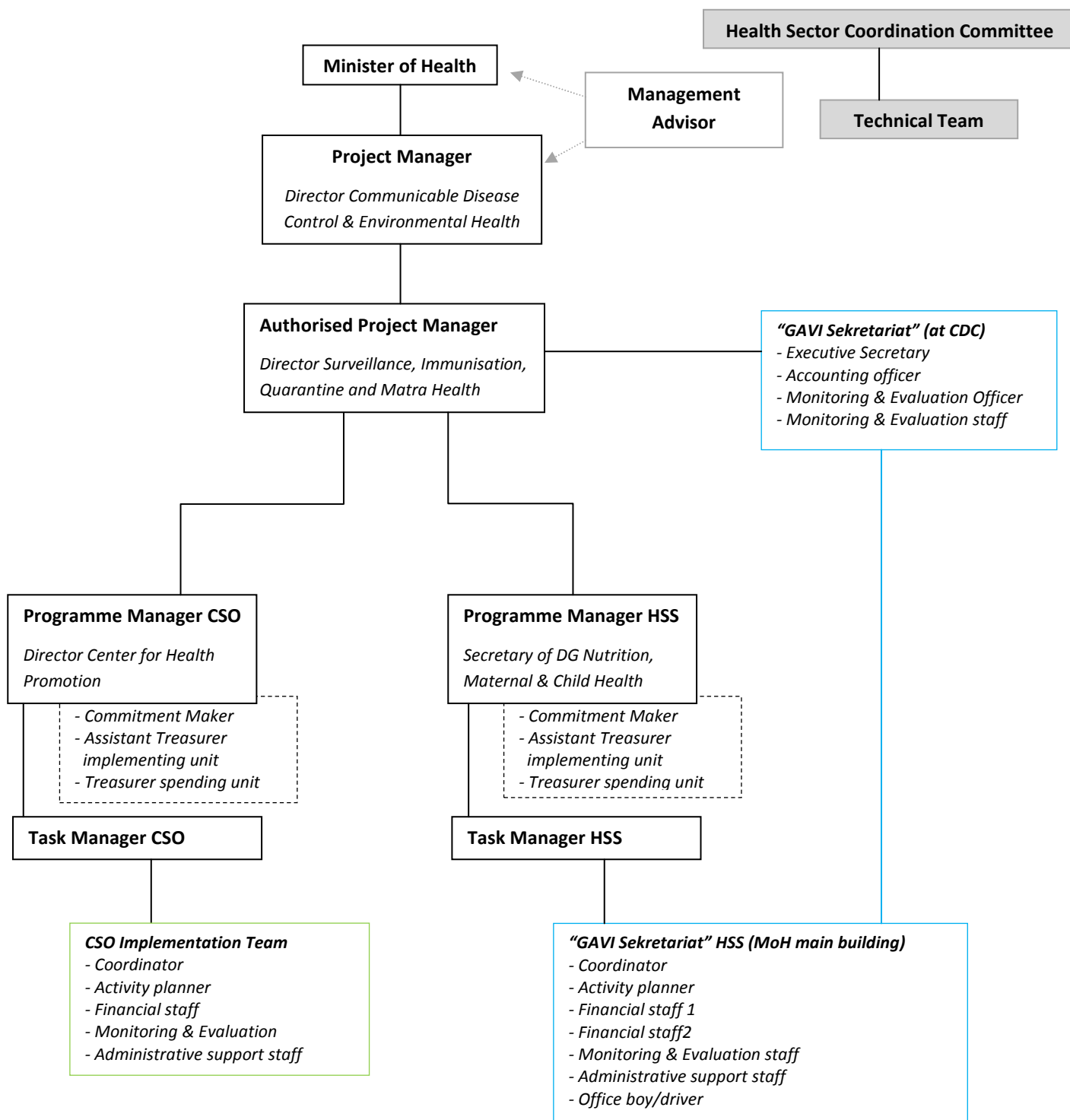
Development Partners

- UNICEF Representative
- WHO Representative

Other

- Director of the Social, Political and Defence sector BPKP (auditor) and team
- Representative of IBI (CSO)
- Representative of Konsorsium (CSO)

Annex 2: Organisation structure



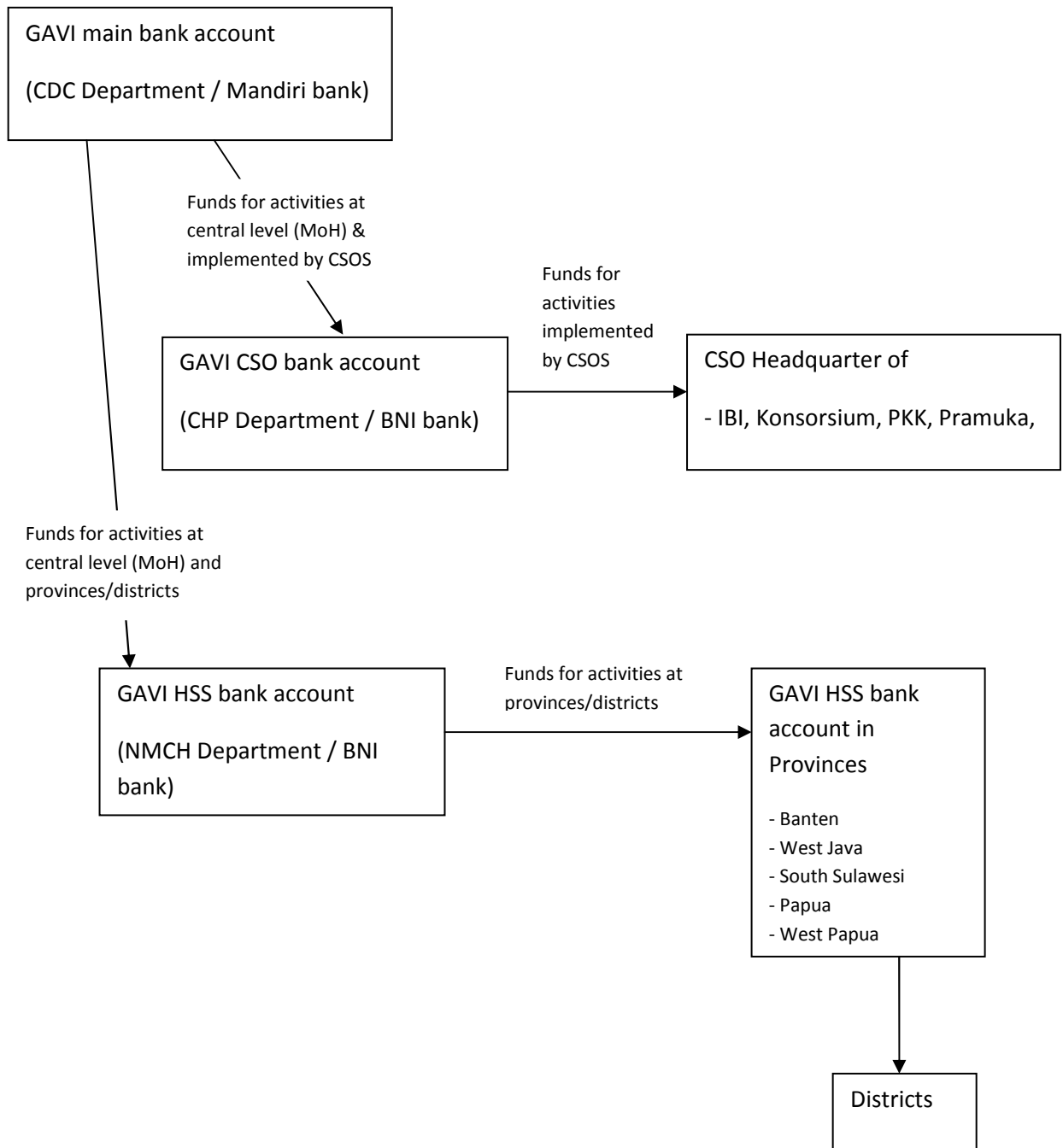
4 CSO's

- 1) IBI
- 2) Konsorsium
- 3) PKK
- 4) Pramukka

5 Provinces – 3 GAVI HSS dedicated officers each

- 1) Banten
 - 2) West Java
 - 3) South Sulawesi
 - 4) Papua
 - 5) West Papua
- and related districts**

Annex 3a: Funds flow and bank accounts since August 2012



Annex 3b: Funds flow and bank accounts before August 2012

