

Memorandum on the Republic of Madagascar Programme Audit and Investigation reports

The attached Gavi Audit Report Executive Summary and Investigations report set out our conclusions on the Republic of the Madagascar's immunisation programmes. The audit was conducted in March 2017 with a follow up mission in April 2017 to review additional supporting documentation. The investigation fieldwork was completed in September 2017. The audit covered the Minister of Health and Family Planning's management of HSS, VIG, ISS and HPV demo during the period from 1 January 2013 to 31 December 2016, while the investigation focused on the use of Gavi HSS funds over the same period.

The Audit Report Executive Summary (pages 2 to 5) 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 practices were either not established or not functioning well. The majority of issues identified were high risk. Hence, the overall entity's objectives are not likely to be achieved."
2. 38 issues were identified (page 3) relating to the following areas (page 4): absence of general accounting systems and books of account; lapses in budgetary financial management; a high degree of questionable expenditure; flawed procurement processes and inadequate vaccine supply management and stock records.
3. Key audit findings were:
 - a) Questionable expenditures totalling US\$769,062, relating to unsupported, inadequately supported, irregular or ineligible transactions (table 4, page 5).
 - b) Errors and gaps in the vaccine and immunisation stock registers across several levels of the supply chain (page 4).
 - c) Wastage of 442,720 doses of Pentavalent vaccine 192,850 doses of missing Rotavirus vaccine as per the stock records, and over 4 million unusable autodisable syringes (table 5, page 5).
4. Gavi's investigation determined that expenditures totalling US\$866,198 were misused. These transactions related to the irregular procurement practices and anomalies in cash expenses, (page 3 of the attached Investigation report). Gavi has recommended that the matter be referred to the country's anti-corruption agency for further action.

The results of the audit and investigation were discussed with the Republic of Madagascar's Minister of Health and Family Planning who has agreed to remediate the identified issues. Thereafter, in a letter of 20 April 2018, the Gavi Secretariat wrote to the Minister of Health requesting that the Republic of Madagascar reimburse Gavi an amount totalling US\$1,635,260, being the total of Gavi's funds that was determined to have been misused from the programme audit (US\$769,062) and the investigation (US\$ 866,198).

In addition, the wastage and missing vaccines and supplies identified by the audit were considered as misuse and will need to be replaced by the Government.

Gavi has received written commitment that the Government of Madagascar shall reimburse US\$1,391,488. Further, there has been a verbal commitment to reimburse the full amount of US\$1,635,260 requested by Gavi, which would include US\$243,772 not set out in the prior written commitment. In addition, the verbal commitment includes the replacement of the 635,570 doses of vaccines.

Geneva, May 2018

MADAGASCAR

Gavi Secretariat, Geneva, Switzerland
(hereinafter Gavi)

Final audit report – 30 September 2017

1. Summary

Gavi's Audit and Investigations unit (the "audit team") carried out an audit of Gavi's cash and vaccines support to Madagascar, over two phases between December 2016 and April 2017.

The audit's scope was to review the programmes' operational costs as well as the vaccine supply management during the period 1 January 2013 to 31 December 2016, managed by the Ministry of Public Health (MOPH) of the Government of Madagascar.

Table 1 – Audit Scope: summary of Gavi's support in cash and vaccines (in USD):

Year/ Support type	Total 2002–2012 USD	Audit scope				
		2013 USD	2014 USD	2015 USD	2016 USD	Total 2013-2016 USD
Cash	12 470 055	1 644 400	664 500	3 271 770	-	5 580 670
Vaccines	58 574 175	28 852 911	19 768 482	19 200 257	19 241 668	87 063 318
Total	71 044 229	30 497 311	20 432 982	22 472 027	19 241 668	92 643 988

Support in the form of cash grants was managed by two separate entities:

- The Directorate of Expanded Programme of Immunisation (DPEV – *Direction du Programme Elargi de Vaccination*) managed the programmes:
 - Immunisation Services Support (ISS);
 - Pilot project for the Human Papillomavirus Vaccine (HPV demo);
 - Vaccine Introduction Grants for the Rotavirus and the Inactivated Polio Vaccine (VIGs).
- The Directorate of Health Districts (DDS – *Direction des Districts Sanitaires*) managed the Health Systems Strengthening (HSS) programme.

Table 2: Summary of Gavi cash grants by entity and programme to Madagascar during the period:

Entities / programmes during the audit period	2013 USD	2014 USD	2015 USD	2016 USD	Total 2013-2016 USD
DPEV					
ISS	821 400	-	-	-	821 400
HPV Demo	175 500	-	2 000	-	177 500
VIG	647 500	664 500	-	-	1 312 000
Total DPEV	1 644 400	664 500	2 000	-	2 310 900
DDS					
HSS	-	-	3 269 770	-	3 269 770
Total DDS	-	-	3 269 770	-	3 269 770
TOTAL CASH SUPPORT	1 644 400	664 500	3 271 770	-	5 580 670

Opinion

For the period under review, the Audit Team assessed that the management of Gavi's support was overall **unsatisfactory** for each respective MOPH entity, which means that according to Gavi "Internal controls and risk management practices 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 for both DPEV and DDS were not likely to be achieved." (See Annex 1 for definitions).

The table below summarises these audit ratings:

Table 3: Audit ratings by category:

Category	DPEV		DDS	
	Audit Rating	Report section:	Audit Rating	Report section:
Budgeting and Financial Management	Unsatisfactory	4.1	Unsatisfactory	5.1
Expenditure and disbursements	Unsatisfactory	4.2	Unsatisfactory	5.2
Procurement	Unsatisfactory	4.3	Not applicable	5.3
Vaccine Supply Management	Unsatisfactory	4.4	Unsatisfactory	N/A
Asset Management	Not applicable	N/A	Partially satisfactory	5.4
Overall rating	Unsatisfactory		Unsatisfactory	

Key issues

The programme audit scope and the resulting conclusions on the use of Gavi's support was hampered due to the large volume of transactions which had to be reviewed, incomplete or missing supporting documents and inadequate accounting systems across most levels of the Expanded Programme on Immunisation (EPI).

There was a limitation of audit scope on the review of sampled disbursements, expenditures and associated documentation related to the decentralised activities (see table 1, above), due to:

- the general absence of accounting systems and cash books;
- there was no overall reconciliation of the balance of Gavi funds committed and spent during the audit period, or at the time of finalising this report.

The audit team identified 38 issues, as a result of various operational and programmatic weaknesses that could affect the sustainability of the programme and a lack of compliance with Gavi's Transparency and Accountability Policy.

To address these issues, the audit team made 38 recommendations, of which 23 (60%) were rated as of essential, which means, "immediate action is required to ensure that the programme is not exposed to significant or material incidents. Failure to take action could potentially result in major consequences, affecting the programmes' overall activities and outputs."

The most critical deficiencies and anomalies noted in the report are as follows:

<i>Budget and financial management</i>	<p>Lapses were identified in budgetary reprogramming and reallocations, and budget overruns were not justified. The budgetary financial management was deficient, as expenditures could not be traced back to the respective programmatic budget lines or activities, undermining the process of restructuring the budget.</p> <p>Significant shortcomings have been observed both in the keeping of program accounts and in the monitoring of cash flow, which in particular makes it impossible to trace the daily use of advances made available to Regions, Districts and Centres of Basic Health, from their disbursement date due to the absence of cash and bank accounts (see sections 4.1 and 5.1).</p>
<i>Expenditures and disbursements</i>	<p>Of the expenditures tested by the audit team, 42.1% were found to be inadequately supported, and 10.6% were found to be irregular or ineligible (see sections 4.2 and 5.2).</p>
<i>Procurement</i>	<p>26 contracts were sampled, including 4 contracts for DPEV and 22 contracts for DHD. The audit team identified significant anomalies which indicated that the procurement processes and systems were flawed, and that they did not systematically ensure effective competition¹ and obtain best value for money. On the basis of these findings, it was decided to ring-fence particular contracts, which will be investigated further and will be subject to separate conclusions outside of this report.</p> <p>The internal control anomalies and weaknesses identified with all of the contracts sampled by the audit team, is explained further in sections 4.3 and 5.3 of this report.</p>
<i>Vaccine supply management</i>	<p>During the period 2013-2016, the principle of first expired first out was not systematically followed. For most of the stores visited, errors and gaps were identified in the vaccine registers, putting the credibility of the records into doubt. This was also a contributing factor to significant vaccine wastage.</p> <p>The sustainability of the cold chain remains precarious, because of frequent stock outs in essential spare parts. In addition, a review of the procurement processes for spare parts identified several anomalies, which undermined the transparency and effectiveness of the competitive bidding process (see section 4.4).</p>
<i>Fixed Assets management</i>	<p>There was no reliable or complete asset register in place, which adversely affected the effective management of the HSS and ISS programme assets. On the one hand, this prevents the optimisation of the distribution of existing equipment and, on the other hand, makes it possible to budget and plan satisfactorily the maintenance or even the replacement of old and defective equipment (see section 5.4).</p>

Overall, the audit team reviewed 48.1% of Gavi's cash support to Madagascar for the audit period, totalling 7,391,282,077 (USD 2,682,121). Of the expenditures tested, 83.2% or USD 2,232,463 were either questioned by the team, or referred for further investigation (see Table 4 below).

¹ Due to a failure to respect the fundamental principles of public procurement, namely: openness, freedom of access to information, equitable treatment of supplies/ tenders; and transparency in the procedures.

Several deficiencies and anomalies were identified by the Gavi audit team for transactions totalling USD 1.46 million, and require additional investigative work. As a result, these transactions were ring-fenced and the associated audit findings were not retained in this report, to create a clear separation from work to be carried out by the Gavi's Investigation Unit.

The table below details in monetary terms the expenses questioned or subject to further investigation.

Table 4 - Summary of Questioned Expenditures in Malagasy Ariary (MGA) and in USD equivalent (based on annual average rates in Section 2.3):

Entity	Nature	Expenditure classification	Amount MGA	Amount USD	Annexe
DPEV	Expenditures	Inadequately supported	669 632 612	245 984	6
		Unsupported	447 676 674	148 144	
		Irregular	116 410 310	44 114	
		Ineligible	24 281 558	8 100	
	Procurement	Inadequately supported	39 488 288	16 351	7
		Unsupported	0	0	
		Irregular	0	0	
		Ineligible	0	0	
DDS	Expenditures	Inadequately supported	17 384 678	5 824	8
		Unsupported	1 095 658	366	
		Irregular	45 215 602	15 123	
		Ineligible	100 193 345	33 119	
	Procurement	Inadequately supported	39 998 822	18 124	9
		Unsupported	278 063 964	102 462	
		Irregular	356 261 397	131 351	
		Ineligible	0	0	
Sub-total of cash grants support questioned			2 135 702 908	769 062	a
Cash grants ring-fenced for further investigation			3 927 751 122	1 463 401	b
Total cash grants support questioned or subject to further investigation			6 063 454 029	2 232 463	= (a+b)

The table below summarises the stock of vaccines and supplies financed by Gavi that were missing or VVM expired at the DPEV central level, as a result of lapses in the vaccine stock management:

Table 5 - Summary of vaccines and supplies missing or VVM expired at the central level:

Vaccine	Explanation	Doses / units	Section
Pentavalent	Identified in SMT as VVM-expired (net amount) in 2014	442 720	4.4.1.2
Rotavirus	Identified in SMT as missing stock (net amount) in 2015	192 850	4.4.1.2
Auto-disabled syringes 0.5ml	Unusable stock due to overdue delays in clearing customs/ distribution.	4 046 900	4.4.1.2

Due to the significant control shortcomings identified as well as the unavailability of supporting documentation – together with the lack of credibility/ unsatisfactory nature of certain documents examined – Gavi reserves the right to carry out additional audit work, or to request further information on the expenditures incurred during the audit period.



Audit and Investigations

Final Report

Investigation concluding on the Misuse of Gavi Funds in the Madagascar Ministry of Health

6 April 2018

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1. Executive Summary

- 1.1 Gavi's audit and investigations team has found that Gavi funds were misused by personnel within the Madagascar Ministry of Health (Ministère de la Santé, or 'MSANP'). The misuse comprised irregular procurement practices and cash payments.
- 1.2 These practices were evident across different departments of the MSANP, involving major capital purchases at the Personne Responsable des Marchés Publics ('PRMP'), smaller purchases at the Direction des Districts Sanitaires ('DDS') and cash payments (also DDS). The methods of misuse included manipulated tender specifications in order to award contracts to favoured suppliers; overbilling by these suppliers; fabrication of vendor quotations, invoices and falsified staff travel claims.
- 1.3 Key controls required by Madagascar law or MSANP procedures were absent or overridden. For capital purchases by the PRMP, the approval of the Funds Control Officer (as required by law) was missing in every instance where Gavi funds were used. For lesser expenditures, fabricated documentation was used to circumvent the controls in place.
- 1.4 The total expenditure questioned in this investigation is US **\$866,198** (which comprises the majority of PRMP transactions under review and all DDS expenditure), comprised as follows:

<u>Description</u>	<u>Amount (\$)</u>
Manipulated procurement tenders and inflated prices – PRMP	
• Procurement of Refrigerated trucks (paragraph 3.15)	18,738
• Procurement of five 4x4 pickups (3.22)	32,302
• Procurement of 50 motorcycles (3.28)	30,593
• Procurement of 45 motorcycles (3.32)	17,521
• Procurement of Nissan pickup NP300/Navarra (3.40)	4,924
• Overbilling of cold chain spare parts (wicks) (3.45/3.46)	40,741
• Irregular procurement of cold chain spare parts (3.45/3.46)	351,549
• Delivery of other cold chain spare parts (3.48)	42,280
Manipulated or falsified requests for quotation – DDS	
• Procurement of 49 motorcycles (3.66)	133,827
• Purchase of motorcycle transportation services (3.79)	9,675
• Procurement of building renovation (3.84)	137,922
DDS Cash expenses – Advance for stationery (3.89)	173
DDS Cash expenses (3.92)	45,953
Total estimated value (USD)	<u>866,198</u>

- 1.5 The Gavi investigation team recommends that no further reliance be placed on the MSANP's systems and processes in utilising Gavi's cash resources at this time. Alternative solutions, such as enhanced use of a fiduciary agent, should be explored until Gavi's confidence in the MSANP can be restored. Further, given the apparently egregious nature of some of the misuse, the investigation recommends that these matters are referred to the appropriate national law enforcement authorities to examine whether the conduct of the responsible individuals within the MSANP breached national laws.

2. Introduction

- 2.1 Concerns over the MSANP's procurement practices were first raised at the end of 2016. Given that Gavi had already scheduled a routine audit shortly thereafter, the audit team was able to acquire information corroborating these concerns. It was noted that there were multiple irregularities in procurements undertaken by both the Personne Responsable des

Marchés Publics, (or 'PRMP' – the central office at the MSANP dealing with major procurements) and the Directorate of Health Districts or Direction des Districts Sanitaires (DDS – the office which manages the Health System Strengthening programme across the country). These irregularities included excessively high prices; discrepancies in tender practices; questions as to the veracity of some of the purchases and existence of assets; missing records; and, the fabrication of assorted documentation.

- 2.2 Gavi had previously conducted an audit in May 2013 and the report (issued in February 2014) noted misuse in the procurement process, and in particular the overpricing of motorcycles. Consequently, Gavi requested reimbursement of \$279,480 and recommended the strengthening of internal controls. Nevertheless, during the 2017 audit it was found that overbilling and other irregular procurement practices had continued under the same management, including for subsequent motorcycle purchases. While some management staff have since changed, misuse has nonetheless continued to occur.
- 2.3 Accordingly, while the 2017 audit focused on addressing systematic weaknesses, it was decided that specific areas of suspected deliberate misuse should be subject to additional inquiries. Accordingly, Gavi launched an investigation in accordance with section 22 of Annex 2 of the Partnership Framework Agreement with the MSANP dated 26 June 2013. The purpose of the investigation was to establish whether misuse occurred; and to assess the extent thereof. The inquiry took place with the knowledge and cooperation of the MSANP, with an investigation team undertaking in-country inquiries from 4 to 8 September 2017.
- 2.4 The investigation focussed on Gavi-funded procurements and other expenditures, and consisted of reviews of documentation; interviews with staff; physical inspections at MSANP premises; liaison with in-country partners; and, visits to suppliers. Gavi also conducted a forensic analysis of computers used in the DDS accounts team. This identified various information suggestive of fabrication of vendor documents and/or collusion with suppliers.
- 2.5 In this report, employee and supplier names have been redacted. Amounts in local currency are converted to US dollars at the date of payment, unless otherwise stated¹.
- 2.6 *On 8 January 2018, MSANP submitted a response to the draft investigation report. This response has been considered and the report amended to reflect changes considered necessary, as well as a summary of the key points mentioned by the Ministry. The response is summarised throughout the report in italics, together with Gavi's comments as to whether the response properly addresses the matters in question.*

3. Investigation

Background

- 3.1 The investigation addressed Gavi funded expenditure across the MSANP, but focussing on the PRMP and DDS offices. The investigation team noted manipulated procurement processes in both offices. In general, tender specifications in PRMP procurements were manipulated to award contracts to favoured suppliers who overcharged for the goods and sometimes delivered inferior products. Separately, in the smaller DDS procurements, fabricated documentation was used to award contracts to businesses of questionable provenance.
- 3.2 In addition, the investigation found issues with DDS cash expenditure.
- 3.3 Not all documents were available and this report therefore relies on the information provided at the time, and/or subsequently acquired.

¹ Source: <http://www.xe.com/currencycharts/?from=USD&to=MGA&view=1Y> using closest date.

Large Tenders

- 3.4 Large tenders are handled by the PRMP. These are primarily for high-value procurements including those of vehicles and cold-chain equipment.
- 3.5 None of the procurements reviewed by the investigation team contained the separate approval of the Financial Control Officer, or 'contrôle financier', as specified under Madagascar procurement law, Instruction n°001-MFB/ARMP/DG/CRR/08 of 30 Mai 2008. This requirement acts as a key control to ensure "the availability of funds and regularity of procurements". The PRMP confirmed that this approval was not included in Gavi procurements, and Gavi was concerned that its absence could potentially invalidate all PRMP tenders.
- 3.6 *In its response, MSANP advised that this control only applied to public procurements where funds were not already set aside. However, the Ministry recognised the need for proper controls, and agreed to review this for future Gavi-funded procurements.*
- 3.7 Separately, Gavi considers that deliberate misuse was apparent in all the procurements described below. Tender processes and specifications were manipulated to ensure that contracts were awarded to a small number of favoured suppliers, who proceeded to overcharge the MSANP and sometimes also provide goods of inferior specification.
- 3.8 In a number of instances, the Gavi investigation team approached suppliers to obtain price quotations for goods previously purchased by the MSANP. These quotes are used for comparison purposes in this report. However, while the investigation team was generally able to obtain cheaper quotes for individual items, a corporate customer like the MSANP should have been able to obtain even more favourable prices than those obtained by Gavi, due to the nature of the tender process and the greater economies of scale from buying in bulk.
- 3.9 Forensic evidence gleaned from the computers in the DDS office confirms this (see paragraph 3.27, below). In this case, the advertised price per motorcycle was MGA 6,325,000 excluding tax, whereas the price quoted to the MSANP was MGA 5,879,167 – a discount of over 7%. Instead, the MSANP was paying suppliers inflated prices that were higher than those available to the general public.
- 3.10 *MSANP responded in general terms that tenders were always overpriced when an exercise was launched, providing several reasons why this would be so. Gavi has considered these explanations but is unable to accept that the findings should be withdrawn, as requested by MSANP. Specifically, the following points were made:*
- *Suppliers tend to pitch their bids around the available budget, which is made public. Gavi considers that fair competition would still result in a better value being obtained. Further, the MSANP establishes the budget, and it is the responsibility of PRMP to professionally advise on an appropriate budget. The investigation is unable to endorse excessive budgets for Gavi-funded activities.*
 - *PRMP is bound to accept the price in the tender proposals even where higher than showroom prices. Gavi contends that it is the responsibility of PRMP to ensure that value for money is obtained and accepting excessive prices is not acceptable and that tenders can be cancelled and re-advertised as needed.*
 - *Suppliers also incur various administrative costs in the course of submitting a bid. However, Gavi notes that this applies to tenders generally and is not specific to Madagascar and thus would not account for higher than market prices.*

- *In an open tender, suppliers need to factor in a credit period of up to 75 days. Again, Gavi notes that credit on large purchases is not unique to Madagascar and should not account for excessive pricing.*
- *The Public Procurement Code obliges the MSANP to select the lowest bid without negotiations. Gavi does not dispute this but considers that a financial offer exceeding the market price cannot be the result of a fair and competitive tender and could only be achieved through collusion between MSANP officials and the supplier.*
- *Further, in asking for Gavi to withdraw the finding of overpricing on tenders, MSANP ignores the larger picture whereby Gavi contends that the entire tender was manipulated to favour a particular supplier; that delivered products were inferior to those tendered; and that goods were accepted despite the inferior specifications. Overcharging is just one aspect of the collusion, but forms the basis for identifying questioned amounts.*
- *The investigation also notes that abnormally high or low offers should be disallowed pursuant to Madagascar National Decree 2006-347 regarding the rejection of offers.*
- *Gavi therefore maintains its findings in this regard.*

Refrigerated Trucks

- 3.11 On 30 September 2015, the PRMP launched a tender exercise (number 12/15) for two refrigerated trucks. The procurement file indicates that only two companies responded – one offering a product from a Chinese manufacturer (JMC), and the other offering a product from a rival Japanese manufacturer. Both bids came in at an identical price of MGA 250m plus sales tax (total MGA 300m).
- 3.12 The tender specifications raised questions over the integrity of the procurement exercise. Specifically, the specifications required by the MSANP appeared tailored to the specific JMC product. For example, the specifications asked for a 14 cubic metre refrigerated area with interior dimensions of 4,380² x 1,900 x 1,700mm +/- 5%. The winning bid came within 15mm of each of these. Other features also appeared to be unusual or obscure, such as drum brakes on all wheels (thus not allowing for superior discs brakes); leaf spring suspension (thus excluding more modern suspension systems); maximum 16 inch sized wheels; and a USB reader for the stereo. The winning bid precisely matched each of these specifications. Gavi located and photographed these vehicles.
- 3.13 The investigation team then visited the winning vendor and noted identical JMC trucks for sale in the showroom, and asked the salesman for a quote. Without any negotiation, the salesman offered these vehicles for MGA 114m each including tax, or 95m without tax. This is MGA 30m cheaper per vehicle than the quote given to the MSANP (approximately \$9,369 each, or \$18,738 for both vehicles at a MGA/USD exchange rate of 3,202, at the payment date of 11 March 2016).
- 3.14 In addition, the vehicles delivered to the MSANP did not match the specifications requested and paid for. The vendor only sells refrigerated trucks with a 12.6 cubic metre capacity rather than the 14m required. The larger truck is of a different design:

² Listed as 1,380 but appears to be a typographic error



Vehicle purchased by MSANP (left) said to be 14m³. Same as that sold by the vendor, as per their catalogue (centre) with dimensions of 4,300 x 1,780 x 1,650, or 12.63m³. Contrast with actual 14m³ vehicle not sold by the vendor (right).

- 3.15 Accordingly, Gavi questions the sum of **\$18,738**, based on the overbilling of MGA 60m for both refrigerated trucks, at exchange rate of 3,202 at the payment date of 11 March 2016.
- 3.16 In responding, MSANP stated that they reject the allegations of overbilling (see paragraph 3.10, above) and certified the neutrality of the technical specifications of this acquisition for the following reasons:
- The technical specifications were independently approved by the administrative garage service of the Ministry of Finance and Budget. Gavi does not consider that this changes the fact that MSANP – as experts in the cold chain – compiled the specifications in the first place. Further, as the issue with the 4x4s (below) demonstrates, Gavi cannot always rely on the expertise of the administrative garage.
 - The tender dossier received a favorable opinion from the National Commission of Markets (CNM), part of the Ministry of Finance and Budget and independent of the MSANP. Gavi suggests that the Ministry of Finance may not be the authority on vehicle and cold-chain specifications, and neither could they be aware at this stage of the overcharging or inferior specifications;
 - Margins have been added to the technical specifications to allow non-exclusivity (Eg plus or minus 5% for dimension). Gavi does not consider that this accounts for the specific dimensions, for which there remains no clear justification and had the effect of excluding the competing offer. A fairer basis for competition would have been the use of a simple volume specification alone, in this case 14 m³;
 - On the issue of non-compliant delivery, this was validated both by the MSANP and the GAVI partner, in this case WHO. However, Gavi notes that the consultant who helped confirm receipt was a cold-chain specialist who was not expected to measure vehicle dimensions, as confirmed to Gavi by WHO.
 - Accordingly, Gavi maintains its findings in this regard.

Five 4x4 pickups

- 3.17 A similar situation was observed in relation to the purchase of five 4wd pickups (part of PRMP tender reference 12/16) from the same supplier.
- 3.18 The tender specifications required vehicles with an engine capacity of between 2,400 and 2,800cc. The winning bidder presented a quote (and later an invoice) for Mazda BT-50 pickup trucks with a capacity of 2,430cc. However, Mazda does not manufacture this product in this

engine size. Instead, it produces these vehicles either with 2.2 (2,298cc) or 3.2 litre (3,198cc) engines only.

- 3.19 The winning bidder supplied the cheaper 2.2 litre version of the pickups. It is unclear why the MSANP transport office accepted these vehicles as the variance in specifications would have been apparent both in the supplier's promotional material and in the technical documentation presented upon delivery.
- 3.20 Further evidence of the manipulation of this tender to favour the winning supplier can be seen elsewhere in the technical evaluation. The tender required vehicle wheels no larger than 16 inches in diameter. However, the Mazdas had 17 inch wheels. The technical evaluators nevertheless marked this criteria as 'substantially conforming' to the specifications. This contrasts with other vehicle tender exercises where specification deviations had been disqualified. For example, where motorcycles (paragraph 3.25, below) were offered with disc brakes instead of drum brakes, the higher specification was disqualified on the basis that it was 'non-conforming' to the requirements. (Other motorcycle procurements did not specify a preference for the type of brakes).
- 3.21 Gavi obtained a written quotation from the winning vendor offering the 2.2 litre pickups for MGA 96m per vehicle plus tax. This price was for just one vehicle and while only slightly cheaper than the price of 97.5m quoted to the MSANP, the latter was in the context of a competitive tender for a bulk purchase of five vehicles, which suggests that MSANP was being overcharged for this purchase.
- 3.22 Gavi therefore considers that the tender exercise was not objectively conducted; the vehicles purchased did not meet the technical specifications; and they were overpriced by a minimum of 5 x 1.5m = MGA 7.5m (or \$2,404 at an exchange rate of 3,119 at the date of invoice). The total amount spent on these vehicles not meeting the required specification was 487.5m (\$156,300), whilst the lowest competing bid was for MGA 386,750,000 (\$123,998). Gavi therefore suggests that the lower bid should have won, and accordingly questions the differential expenditure of **\$32,302**.
- 3.23 *In responding, MSANP confirmed that the administrative garage accepted the vehicles and confirmed they had an engine capacity of 2,430 cc. However, Gavi stands by its assertion that no such engine size exists in this vehicle specification, and that the specifications – and delivery verification – were flawed. Even the supplying dealer's promotional material only refers to 2.2 and 3.2 litre vehicles. While MSANP contends that the vehicle is available in a 2.5 litre specification, Gavi can only find a similar specification for an earlier generation of this vehicle and only with an engine size of 2,499cc – not 2,430cc. MSANP also disputed the question of the overbilling (paragraph 3.10 refers) and stated that the next lowest bid could not be used for determining the amount to be questioned because the bid was ruled unacceptable because the bid validity fell two days shorter than required. Gavi therefore contends that if none of the bids were valid, MSANP could have cancelled and re-advertised the tender given the issues identified. Having not done so, Gavi maintains that the losing bid nevertheless provides a fairer representation of the fair value of the tender, and maintains its findings in this regard.*

50 motorcycles

- 3.24 In this procurement (also part of tender 12/16 together with the 4x4 pickups), the technical specifications appear to have been designed to favour one supplier, and again the vehicles delivered did not meet the specifications in the supplier's bid.
- 3.25 One losing bidder was excluded in the tender evaluation because it stamped – rather than signed – its tender application. A second bidder was excluded on technical grounds because the specification of their motorbikes *exceeded* the required specifications. Specifically this

bidder proposed front disc brakes instead of drum brakes (disc brakes are usually considered to be superior to drum brakes). This contrasts with other PRMP tenders reviewed where the standard specifications for motorcycles specified *either* disc or drum front brakes. Furthermore, as seen in another tender, specifically the Mazda 4x4s (paragraph 3.20), other vehicles with clear deviations from the required specifications had nevertheless been marked as conforming to specifications even where they did not.

- 3.26 The tender committee's evaluation for the winning bid³ showed that the selected motorbike model was listed as a Honda XL125 (which the seller advertised in their showroom at a retail price MGA 14.55m, or 12.125m excluding tax). However, the winning bidder's invoice shows that cheaper Honda 'Ace 125 Tuf' motorbikes (priced at MGA 7.59 million at the vendor's showroom, or 6.325m without tax) were invoiced and delivered at 7.85m each (without tax). Accordingly, the motorbikes should have been rejected, and either the XL125 motorbikes delivered, or the tender re-advertised.
- 3.27 In addition, the MSANP was able to acquire these motorcycles at an even lower cost than the showroom price of 6.325m (without tax). Specifically, forensic evidence gleaned from DDS computers has revealed the existence of a lower quotation from the vendor who would go on to win the bid. On 11 February 2016, some five days before the tender was advertised, the MSANP received a quotation for the same Honda Tuf motorcycles that were eventually supplied – quoted a price of MGA 5,879,167 each (excluding tax), or MGA 293 958 350 for 50 motorcycles. This highlights the kind of bulk purchase discount available to the MSANP and contrasts with the winning price from the same company of MGA 392,500,000 for 50 vehicles. The lower cost quote was not put in the procurement file, and while the MSANP were aware of the lower price, they did not seek best value for money.
- 3.28 The difference between the total price the MSANP should have obtained and the price they eventually paid was MGA 98,541,650 (or **\$30,593** at exchange rate of 3,221 at invoice date of 4 July 16).
- 3.29 *MSANP responded by saying that they were unable to consider the cheaper quotation as it was outside the context of the tender exercise. However, Gavi contends that it is the responsibility of a competent procurement office to ensure that value is obtained, and that the quote gave them an accurate insight to prevailing market conditions. In accepting the excessive prices in the tender (rather than cancelling and reissuing the tender for example), MSANP has expended Gavi funds inappropriately. Furthermore, the Ministry's response does not address the other serious issue of the manipulated specifications or the inferior specification received. Gavi therefore maintains its findings in this regard.*

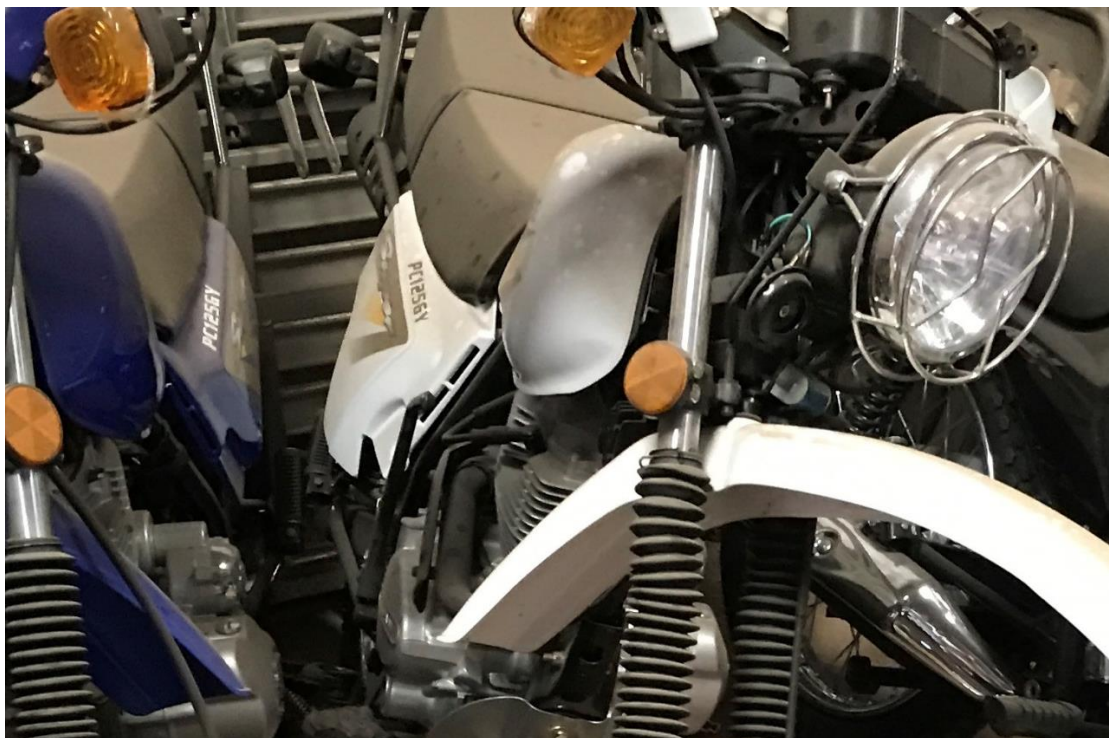
45 Motorcycles

- 3.30 Another procurement (tender 10/15) was for the purchase of a further 45 motorcycles. In this case, the winning bidder proposed Pacific brand 150cc motorbikes. However, the winning company instead delivered 'GY 125' model motorbikes which are from the Lifan brand, according to the vendor's website. The winning bidder's invoice did not specify the actual brand of bike delivered (it only referred to the model number) but the winning vendor charged for the higher specification 150cc bikes from the tender evaluation, despite delivering 125cc motorbikes.
- 3.31 Upon delivery of these vehicles, the MSANP recorded them as being 150cc motorbikes. However, Gavi staff had previously visited the transport warehouse and observed that the

³ The winning suppliers' quotation was missing from the procurement file, so Gavi relied on the technical and financial evaluations, and the supplier invoice, for the figures.

motorcycles were indeed of the smaller model 125cc engine size (model GY, as per the vendor's invoice). It is unclear why the MSANP transport office accepted these vehicles.

- 3.32 The Gavi investigation team also visited the vendor where a salesman confirmed that the retail price (before negotiation) of the Pacific 150s was MGA 3.43m including tax, or MGA 2,858,334 without tax which is cheaper than the actual unit price of MGA 4.1m without tax charged to the MSANP, despite this being a bulk purchase. The excess was therefore MGA 1,241,666 per vehicle, or 55,874,970 in total, which equates to **\$17,521** at an exchange rate of 3,189 at the date payment of 10 May 2016. (Gavi also obtained a later quote of 3m each for the 125cc vehicles, but is using the price of the 150cc bikes, per the vendor's bid.)
- 3.33 *Responding, MSANP stated that they relied on the Departmental Administrative Garage which certified the bikes as Pacific 150cc vehicles, and provided a copy of a single temporary registration document (which facilitates delivery pending full registration) in support of this. However, there is no explanation for why the invoice would refer to the different model of motorcycle, and during a separate inspection visit to the Ministry's garage, Gavi were shown some of the vehicles purchased with Gavi funds which had not yet been distributed to the regions. Gavi noted the presence of both a Honda Tuf 125 (as purchased in the separate tender for 50 motorcycles) as well as two 125GY motorcycles, the same model as described on the invoice. Accordingly, given the multiple discrepancies in the procurement, Gavi maintains its stance concerning overbilling.*



Lifan 125GY motorcycles confirmed by garage staff as being Gavi funded vehicles

Nissan Navara/NP300

- 3.34 In December 2012, the PRMP issued a tender notice for a single four-wheel drive vehicle. The winning bidder provided a quote for a Nissan Navara for MGA 89m plus tax.
- 3.35 Payment was made to the vendor on 21 March 2013 for the vehicle. However, due to a dispute with the vendor over payment of sales tax relating to other purchases, no vehicle was delivered at the time. The delivery of an alternative vehicle finally took place in 2017, only after the dispute was resolved.

- 3.36 Given this protracted delay, the vendor was unable to supply the vehicle originally purchased and offered MSANP a replacement instead. Gavi obtained a quote for the replacement vehicle and established that it could be purchased for MGA 78,120,000 plus tax, or almost MGA 11m cheaper than the price at which it was purchased.
- 3.37 At no point did the MSANP inform Gavi that this vehicle had not been delivered, and this was only discovered during the investigation visit in 2017. On the basis that the MSANP managed without this vehicle for four years and did not report any consequent problems with programme management, Gavi questions whether there was ever an actual business need for its acquisition.
- 3.38 Furthermore, when the vehicle was finally delivered in January 2017, the Director of DDS allocated the vehicle for his own use. (In the budget planning as approved by Gavi in 2012/13, it was foreseen as being purchased exclusively for Gavi supervisory work). No basis or justification was provided for why he allocated the vehicle to himself given that he does not work exclusively on Gavi matters.
- 3.39 Accordingly, Gavi questioned the sum of MGA 89m (\$39,838 at an exchange rate of 2,234 on the date of the original payment of 21 March 2013).
- 3.40 *In response, MSANP acknowledged that a sales tax issue had arisen, but by the time it had been resolved the dealer was only able to offer an equivalent model. The MSANP therefore proposed that the amount in question should relate only to the differences in specification, i.e. 11,000,000 MGA (\$4,924 at the exchange rate of 2234 on the date of payment initial report of 21 March 2013). In addition, the MSANP proposes to assign to the PCU this vehicle to exclusively serve the activities of GAVI. Gavi has reviewed this argument, and accepts the financial proposal, while suggesting that the vehicle be allocated to field activities.*
- Cold Chain Spare Parts (PRMP in collaboration with DDS and/or DPEV)*
- 3.41 Other PRMP purchases concerned the supply of spare parts for oil-fired refrigerators used in the vaccine cold chain. These fridges required a specific part, a wick (or 'mèche'), obtainable from only a few specialist suppliers.
- 3.42 Gavi had concerns over various aspects of these procurements. In the first place, questions arise from: the nature of the supplier's business (a building company, rather than a specialist medical or cold-chain supplier); the existence of an invoice from the building company dated before a contract had been signed; various documentation being incomplete; and, irregularities within the documentation available (including differing invoice templates by the same supplier and the absence of invoice dates). The invoice number duplication and other discrepancies in the below points (d) and (e) in particular, call into question the credibility of the documents provided. (As per MSANP's response below, they agree to certain reimbursements without accepting culpability for any of these discrepancies).
- 3.43 The other area of concern to Gavi was the overpricing of the wicks. Gavi's Alliance partner, UNICEF, is able to source these parts at competitive prices, and their catalogue and prices are publicly available online. UNICEF works closely with the various offices of the MSANP, who are aware that UNICEF is a supplier of cold chain equipment. Indeed, the MSANP has previously acquired wicks through UNICEF at a unit price of \$4.51, indicating that the MSANP was aware of the source and supply of the wicks at a competitive price. The current UNICEF price for wicks is \$5.15 or \$5.75 depending on type. From 2015 onwards, the MSANP opted not to use UNICEF when purchasing these wicks and other spare parts. Rather the PRMP issued tender announcements and awarded the contracts for cold chain equipment and spare parts to a local building company. It is unclear what links such a building company would have with the healthcare sector; why the company would submit a bid for cold-chain equipment; or, why it would be considered a suitable supplier. Furthermore, the company's

prices for wicks was significantly inflated, being between approximately \$13⁴ and \$30 per unit, or up to 400% higher than the UNICEF price.

3.44 *Responding, MSANP stated that the vendors had been identified through the open market via a tender exercise, and that the nature of the procurement procedure had been communicated to Gavi beforehand. The response also said that MSANP respected the pre-qualification criteria of the supplier having experience in similar markets – but did not provide evidence as to how this was assessed. In considering this response, Gavi does not object in principle to the method of tender where it is in compliance with national regulations. However, Gavi does not consider that a competent and fair procurement process would ignore the significantly lower prices available, and the lack of any attempt to provide Gavi with value for money. Further, the irregularities in the documentation observed (see notes below) point to an irregular relationship with the supplier. Gavi suggests that rather than follow through with the purchase, it could instead have been cancelled upon receiving the overpriced bids. Accordingly, Gavi maintains its findings in this regard.*

3.45 The table below highlights various documentation seen by Gavi indicative of MSANP undertaking irregular purchases for which Gavi was largely unable to confirm the validity of the selection and delivery and payment of the following supplies, as compiled from available documentation (amounts in bold are the amounts questioned):

Date	Wick size	Unit cost	Ex. rate	Price in \$	UNICEF price*	Diff. (\$)	Qty	Total (\$)	Excess (\$)	Contract Total (\$)	Para 3.45
3 Jan 14	23	29,090	2,240	12.99	5.75	7.24	3,500	45465	25,340	220,991	(a)
	32	37,739	2,240	16.85	5.15	11.70	4,000	67400	46,800		
9 Apr 14	23	58,450	2,320	25.19	5.75	19.44	1,740	43830	33,826	184,376	(b)
	32	52,650	2,320	22.69	5.15	17.54	2,750	62397	48,235		
2014 undated	23	58,450	2,572	22.73	5.75	16.98	1,500	34095	25,470	50,850	(c)
	32	49,500	2,572	19.25	5.15	14.10	1,800	34650	25,380		
Undated	23	58,450	2,742	21.32	5.75	15.57	1,377	29357	21,440	61,269	(d)
	32	52,650	2,742	19.20	5.15	14.05	80	1536	1,124		
4 Feb 15	23	69,500	2,742	25.35	5.75	19.60	1,615	40940	31,654	94,086	(e)
	32	59,700	2,742	21.77	5.15	16.62	1,500	32655	24,930		
22 Oct 16	23	98,850	3,224	30.66	5.75	24.91	850	26061	21,174	73,471	(f)
	32	90,840	3,224	28.17	5.15	23.02	850	23944	19,567		
23 Dec 13										44,040	(g)
31 Jan 14										75,844	(h)
11 Feb 14										76,310	(i)
Total questioned by Gavi									40,741	351,549	

* All UNICEF prices are the latest available at the time of writing.

3.46 At a minimum, Gavi is concerned about the overcharging for wicks, but in some instances Gavi questions the entire contract or invoice values. The specific concerns pertaining to the above transactions are listed below:

- a) Contract 10/13 dated 3 January 2014 between MSANP (PRMP) and the company for refrigerator parts to the value of MGA 495,020,000 (\$220,991 at rate of 2,240). See also (g) below. *In response, MSANP stated that this related only to a contract, and not to a payment (though note the invoice requesting part payment as per point (g) below). In the absence of further information, Gavi suggests that this matter forms part of any referral to judicial authorities for further consideration (see paragraph 5.3).*
- b) Contract 03/14 dated 9 April 2014 between MSANP (PRMP) and the company for refrigerator parts to a minimum value of MGA 427,753,173.94 (\$184,376 at an exchange

⁴ In the first identified contract, the minimum price was \$13 per unit, but in subsequent contracts over the following months the lowest price rose to over \$19.

rate of 2,320). Note that this contract had a minimum and maximum value (MGA 668,376,393.54) depending on quantities delivered. However, the available documentation does not allow Gavi to quantify the value further. There were no details of tender and no explanation for the existence of the contract or how the supplier (a building company) was selected. No invoice, requisition or delivery notes were identified. *In response, MSANP stated that this related only to a contract, and not to a payment. In the absence of further information, Gavi suggests that this matter forms part of any referral to judicial authorities for further consideration.*

- c) Gavi identified a list of specifications for goods required in 2014, and a stamped but undated request for payment to the vendor. No other details were available, so Gavi initially requested further information. *In response, MSANP stated that this related only to a contract, and not to a payment. In the absence of further information, Gavi suggests that this matter forms part of any referral to judicial authorities for further consideration.*
- d) Gavi identified an undated invoice for MGA 140m plus tax, total MGA 168m. This contains an identical invoice number, but a different template to the (also undated) invoice of February 2015 as per (e) below, and is for similar parts but different quantities. This calls into question the validity of this document, which equates to **\$61,269** assuming the same exchange rate of 2,742. *MSANP agreed to reimburse this amount but blamed the political crisis and poor records under the previous administration for the error.*
- e) This invoice has the same number as that in (d) above leading to questions as to its veracity. The invoice and delivery note are undated. The total invoice value is MGA 257,984,611 or **\$94,086** at a rate of 2,742. *In this instance, MSANP agreed to reimbursement but blamed the political crisis and poor records under the previous administration for the error.*
- f) Invoice dated 22 October 2016. The amount of MGA 236,872,575 (or \$73,471 at an exchange rate of 3,224) was paid, but the delivery note pertains to only part of the consignment. Gavi requested further delivery details, which MSANP provided. Accordingly, Gavi questions only the excessive payments for the wicks compared to the price obtainable through UNICEF, a total of \$21,174 and \$19,567 for a total of **\$40,741**.
- g) Invoice for cold chain spare parts from the building company dated 20 December 2013 found on DDS computer. This relates to a 20% advance payment for the contract noted in (a) above in the sum of MGA 99,004,000 but the invoice was, dated 11 days before the contract was signed. On the invoice date the exchange rate of 2,248 equals **\$44,040**. *In this instance, MSANP agreed to reimbursement but blamed the political crisis and poor records under the previous administration for the error.*

DOIT : PROJET PRIME GAVI		
REF	DESIGNATION	MONTANT
	Avance sur approvisionnement 20%	99 004 000,00
	NET A PAYER TTC	99 004 000,00

Arrêtée la présente facture à la somme de QUATRE VINGT DIX NEUF MILLIONS QUATRE MILLE ARIARY (Ar 99 004 000,00)

Antananarivo, le 23 décembre 2013

La Direction

Extract of invoice showing request for 20% advance payment 11 days before the contract had been signed.

- h) Bank payment voucher of 31 January 2014 showing unexplained transfer to the building company of MGA 175,556,526.86 plus bank costs of 24,000 (total 175,580,526.86 or **\$75,844** at rate of 2,315). *In this instance, MSANP agreed to reimbursement but blamed the political crisis and poor records under the previous administration for the error.*
 - i) Bank payment voucher of 11 February 2014 showing unexplained transfer to the building company of MGA 175,566,526.86 plus bank costs of 24,000 (total 175,590,526.86 or **\$76,310** at rate of 2,301). *In this instance, MSANP agreed to reimbursement but blamed the political crisis and poor records under the previous administration for the error.*
- 3.47 In addition to the above a competitor firm submitted a winning bid (tender 48/16) on 30 May 2016 to supply 600 wicks – together with other cold chain equipment at a lower cost (MGA 28,800 or \$8.99 per wick at exchange rate of 3,204). However, documentation on file shows that while the company won the contract, it reportedly provided each of the cold-chain items in its offer *except* for the wicks, which it failed to source. (As a result a further contract was later awarded to the above building company at a significantly higher price – included in table above). Although this competitor firm reduced its final invoice cost to the MSANP accordingly, Gavi still questions the validity of the remaining supply.
- 3.48 Specifically, the MSANP tender reception committee confirmed receipt of the goods (excluding the wicks) from the vendor on 20 December 2016, but yet there was no delivery note available. However, computer forensic work identified a Word delivery note template in the name of this vendor on one of the DDS computers. This delivery note specified the very same items as the supplier's invoice and although it was undated, the document properties show it was created on 5 April 2017, i.e. three and a half months after the MSANP initially confirmed receipt. Further, MSANP provided another reception note showing that they received the goods on 24 May, but did not explain the inconsistency between this and the original delivery five months earlier (see paragraph 3.49). Given that Gavi identified multiple fabricated documents within DDS (see below), it is contended that a supplier delivery template on DDS computers signifies further irregularities. There is no reason for DDS to have such a document when delivery documents are provided in hard copy (for signature) and accompany the physical delivery of goods. Whilst a scan of a signed and dated delivery note on a DDS computer might not be unusual, an incomplete supplier template such as this one – created some months after the purported supply date is cause for concern and is consistent with the fabrication of other supplier documents by DDS (see below), Gavi contends that this is indicative of a pattern of collusion and/or document fabrication, and therefore questions the payment to this vendor in the sum of MGA 141,133,000, or **\$42,280** (based on an exchange rate of 3,338 at the payment date of 22 December 2016).

BON DE LIVRAISON N°**DOIT** : MINISTERE DE LA SANTE PUBLIQUE**Objet** : Fourniture des pièces de rechanges pour les chaines de froid

N°	DESIGNATION	UNITE	QUANTITE
01	Panneau photovoltaïque	U	40
02	Batterie solaire	U	55
03	Régulateur de charge	U	22
04	Stabilisateur de tension 9kva	U	01
05	Carte électronique pour régulateur de chambre froide	U	01
06	Enregistreur de température électronique	U	10
07	Convertisseur de tension	U	05
08	Résistance électrique 200W – 220V	U	04
09	Résistance électrique 120W – 220V	U	04
10	Thermostat mécanique positif	U	40
11	Thermostat mécanique négatif	U	40
12	Thermomètre électronique avec sonde	U	20
13	Station de charge	U	05
14	Logger	U	10

Les fournitures désignées ci-dessus sont constatées et livrées ce jour :

Récépissé par**Le Fournisseur***Part of undated/unsigned vendor delivery note on DDS computer (name redacted).*

- 3.49 MSNAP also confirmed the majority of goods had been properly delivered and provided a variation of the above delivery note (below) purporting to show deliveries in May 2017. However, this still contradicts the delivery date of December 2016:

N°	DESIGNATION	UNITE	QUANTITE
01	Panneau photovoltaïque	U	40
02	Batterie solaire	U	55
03	Régulateur de charge	U	22
04	Stabilisateur de tension 9kva	U	01
05	Carte électronique pour régulateur de chambre froide	U	01
06	Enregistreur de température électronique	U	10
07	Convertisseur de tension	U	05
08	Résistance électrique 200W – 220V	U	04
09	Résistance électrique 120W – 220V	U	04
10	Thermostat mécanique positif	U	40
11	Thermostat mécanique négatif	U	40
12	Thermomètre électronique avec sonde	U	20
13	Station de charge	U	05
14	Logger	U	10
15	Meche Alladin – modèle 32	U	300

Antananarivo, le **24 MAI 2017**

Le Remettant,

Le Réceptionnaire,

Le DDS,

Le Projet RSS-GAVI,

Le DPEV,



Po LE CHEF
ADMINISTRATIVE ET FINANCIÈRE

Le Gestionnaire Comptable

Boatys
UNIVERSITÉ AMANO Vahanniharisoa

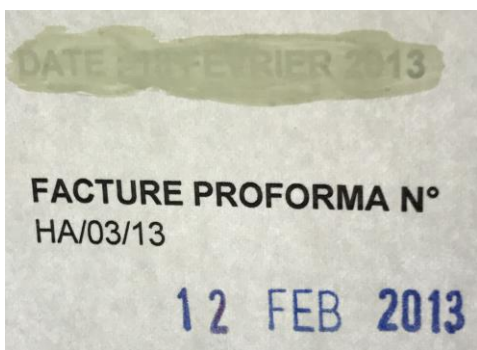
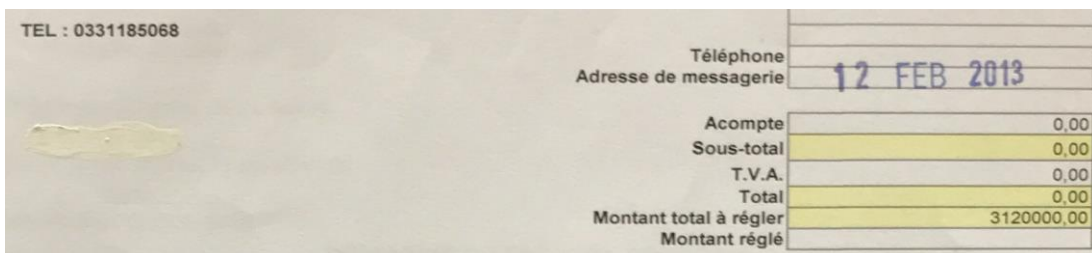
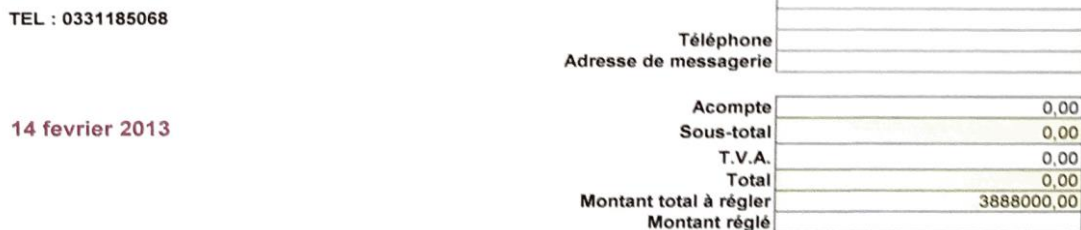
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3.50 Given that Gavi cannot place reliance on the documentation provided by MSANP, and especially given the discrepancies in delivery dates and the documentation found on DDS computers, Gavi maintains its findings in questioning the sum of \$42,280.

DDS Procurements

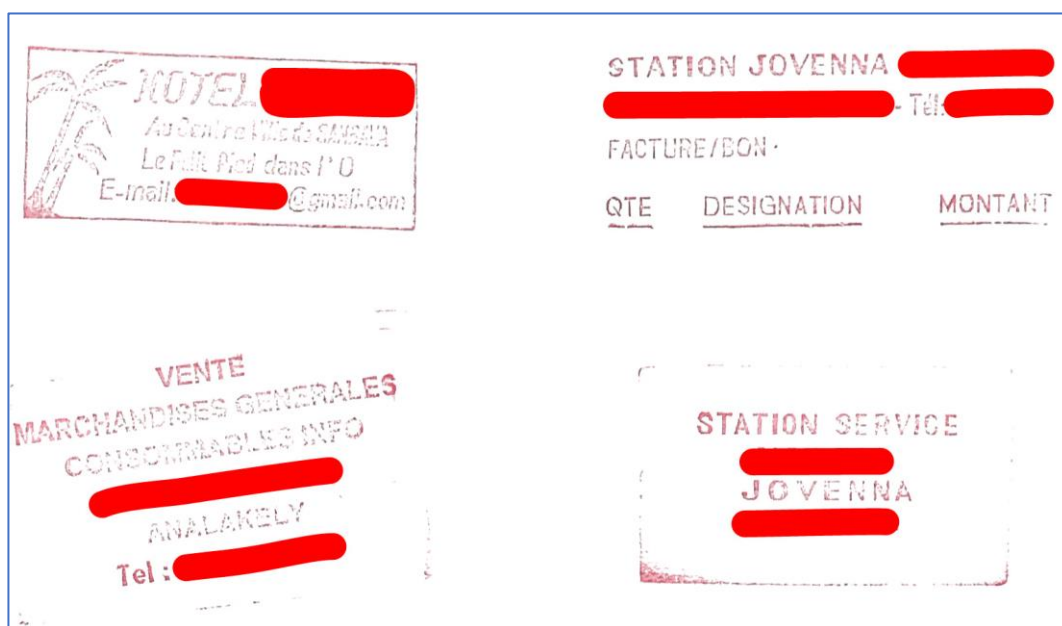
3.51 DDS also undertakes procurements separately from PRMP. These are of lower value and so do not follow the full tender process. Instead, they are usually performed with DDS approaching suppliers of its choosing and issuing them with a request for quotation. In every case examined, Gavi found that DDS justified Gavi expenditure using a variety of fake or fabricated documents to give the appearance of a fair and transparent competition.

3.52 The investigation considers that DDS was fabricating documents in a wholesale manner. This was evident both from the documents found on DDS computers and also through the frequent use – apparently in error – of English date stamps, rather than French ones. Gavi auditors had previously examined documentation at other units of MSANP but did not encounter the use of English date stamps in procurements conducted outside DDS. Whereas most documentation in Madagascar uses a French date stamp, (e.g. ‘Apr’ for ‘April’ instead of ‘Avr’ for ‘Avril’). This contrasts with the more common use of the French language (and French language stamps) throughout the country. Notably, English date stamps were used on both the internal and outgoing documentation produced by DDS, and also on much of the documentation purported to come from vendors from across the country (e.g. quotes and invoices), and MSANP officials ostensibly from various regions of Madagascar. The use of foreign-language date stamps is unusual, and these factors suggest that this is because the documents were produced or manipulated by the DDS office, where the Gavi investigators found an English stamp. The use of English date stamps was not observed for example in other non-DDS procurements.



Further DDS use of English dates stamps in manipulating documents. The top pro-forma invoice was used in one procurement exercise, and the second one in another (same supplier). The same typed date in the second quote (14 Feb 13) was deleted, and a new date with an English date stamp used instead. The same situation was observed in the same tender with a different supplier's pro-forma (left). English stamps were also on outgoing DDS procurement documents.

- 3.53 Further, there was often no clear reason for the use of a date stamp, except as a means of fabricating documents and changing dates. Normally, the dates would have been typed (in the case of printed documents) or handwritten (in the case of written papers). The suspicion that stamps were routinely used as a method of fabrication was enhanced by the discovery of various other stamps in the DDS office. This included the stamps of vendors as well as MSANP officials from outside DDS and points to the widespread misuse of stamps (whether date stamps or vendor stamps). Gavi therefore considers that the use of stamps was a common method used by DDS to create or amend documents to give them the appearance of being genuine, and to falsely justify the use of Gavi funds.



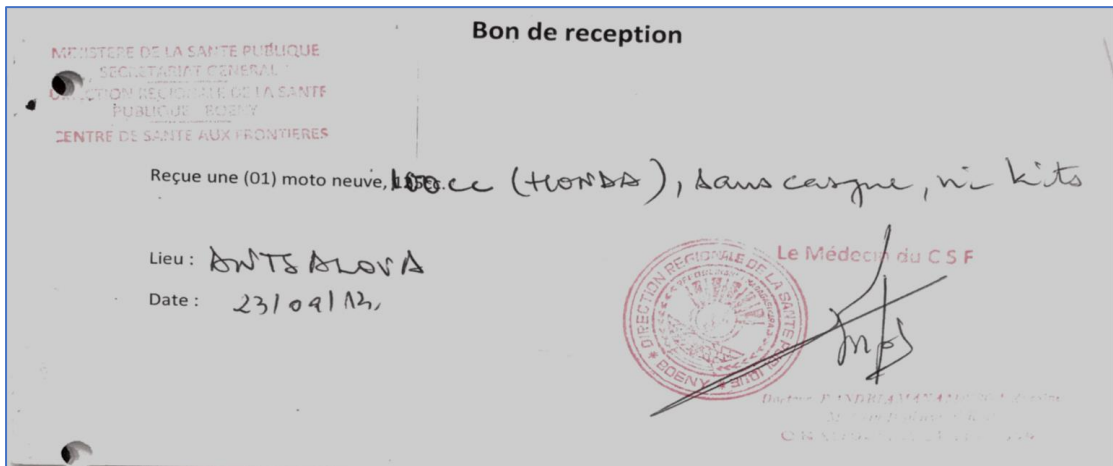
Examples of some of the vendor stamps found in the DDS office (redacted for confidentiality). The service station stamps were routinely found on expense claims.

- 3.54 MSANP rejected a number of assertions relating to the misuse. Specifically:
- DDS request suppliers provide electronic documentation, including for contract preparation, which is why such documents were on their computers. Gavi contends that this argument does not alter its findings as Gavi was unable to find any legitimate supplier contracts in DDS. Further, electronic documents would not consistently have English date stamps; it would not explain the presence of incomplete supplier quotation templates; and it also would not account for the manipulation of supplier documentation as in paragraph 3.77, below, for example. The templates and date stamps found in the DDS office were instruments that facilitated the fabrication and manipulation of supplier and expense documents on a consistent basis.
 - MSANP did not accept the assertion that there was anything wrong with the use of English language date stamps, as they were permissible in Madagascar. From these explanations, the MSANP asked GAVI to remove any falsification reference related to the English language date stamp. Gavi does not dispute their permissibility but rather notes that the consistent use of the English language date stamp – and even on otherwise printed documentation – points to their use by DDS in the falsification of documents. This view is reinforced by the widespread use of the date stamp solely on documents within DDS (the investigation and earlier Gavi audit did not encounter the widespread use of English language date stamps in PRMP or DPEV, for example). Further, the English date stamp was found on both outgoing and incoming documents from purported vendors and officials from across the country.

- *MSANP explained similarities between quotations by noting the use of standard form templates in bid packages. This argument does not however explain the similarities in company names and slogans.*

49 Motorcycles

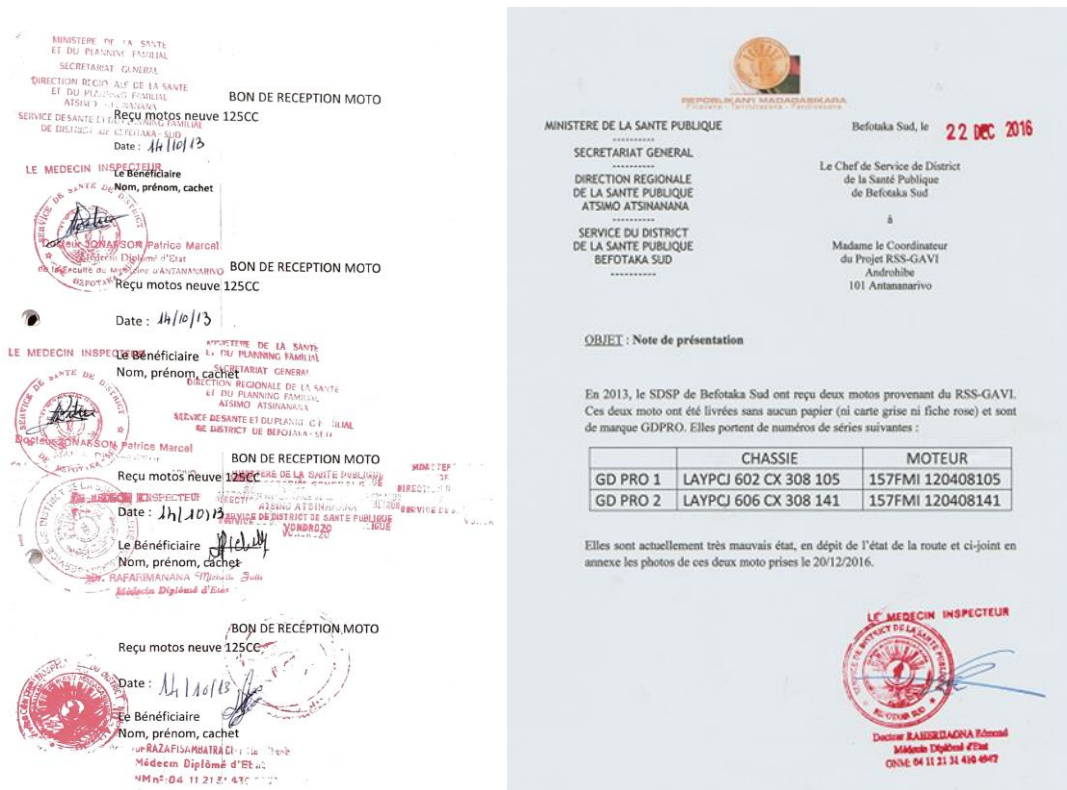
- 3.55 In 2013, at around the time when the previous Gavi audit was ongoing, DDS conducted a procurement of 49 motorcycles. These were purchased as part of what appear to be fake procurement competitions with documents falsified or modified by the DDS office and the investigation found sufficient inconsistencies to question the actual existence of the motorcycles in question.
- 3.56 Given the overall cost, a procurement of 49 motorcycles would normally meet the threshold for being undertaken by PRMP. However in this case, DDS circumvented procedures by splitting the supply into multiple small purchases of one or two motorcycles each. This ensured that DDS – rather than PRMP – was in charge of the procurement.
- 3.57 Each procurement contained multiple irregularities including the use of falsified quotes/invoices from small businesses, many of which appeared unrelated to the motorcycle industry. Each winning quote was produced on similar stationary templates, and many contained the same spelling mistake – ‘*aùmortisseur*’ instead of ‘*amortisseur*’.
- 3.58 The losing quotes also demonstrate the lack of fairness in the procurement process. Each procurement contained three quotes in total – the winning quote and two losing quotes. The losing quotes were always selected from the same three companies, to give the appearance of a fair procurement process. In multiple instances, the same quotes were recycled across procurements.
- 3.59 Further, while two of the losing bidders were known motorcycle vendors, the third was not. Rather, this vendor’s premises was found to be that of a hair salon.
- 3.60 None of the quotes provided identifying details as to the model of motorcycle supposedly being supplied. Critically, neither did the invoices. Other than referring to a Honda 125cc motorcycle (of which Honda sell multiple models), none of the invoices gave any proper identifying information, such as model details, registration or chassis numbers, leading Gavi to question whether the goods ever existed.
- 3.61 In addition, while it was claimed that the motorcycles were delivered to various different regions, all of the delivery documentation was questionable. Each delivery document was similar, and consisted of little more than a scrap of paper (usually handwritten) with a signature and stamp. However, given that a number of different stamps used to validate fake purchases were found in the possession of the DDS office, Gavi is unable to place reliance on any stamped documentation used to justify DDS expenditure.
- 3.62 As with the supplier invoices, the motorcycle receipt notes failed to mention the model details, registration or chassis number. While some of the delivery notes did have some limited description, this was often inconsistent with the Honda 125cc motorbikes said to have been purchased. For example, some delivery notes had typed details of a Honda 125 motorbike being crossed out and another description handwritten in its place. While the investigation cannot exclude the possibility that some vehicles were sent to these regions, Gavi has no assurance that these related to any of the purported purchases. Given the sheer number of motorcycles purchased by the MSANP (including at least 215 with Gavi funds since 2013) it remains entirely possible that some of these motorcycles were recycled, or transferred from other non-Gavi programmes. Moreover, the supplier invoices included the supply of helmets but there is no evidence that they were delivered either.



Examples of delivery receipt notes for Honda 125cc motorcycles. The top note fails to specify the date, brand, model, or other identifying details, while the bottom note has the 125cc engine size overwritten with 100cc and states that no helmets were supplied.

- 3.63 Further evidence as to the falsification of the delivery details was found in the region of Befotaka-Sud⁵. In this case, the receipt note refers to two new Honda 125cc motorcycles. However, a more recent document from one of the region's officials was found on the computer in the DDS accounts office. This letter also refers to the 2013 delivery of two motorcycles but instead of referring to the delivery of two new Hondas, it mentions two GD-Pro brand motorcycles supplied by Gavi without paperwork (which would be expected if the motorcycles were genuinely new):

⁵ There were supposedly two deliveries to this region, but one of the deliveries contained a receipt note stamped by an official in a different region.



Reception document (left) shown to Gavi to justify fabricated purchase, and official letter from the same region (right) not presented to Gavi but pertaining to the actual delivery.

- 3.64 However, the most compelling evidence pointing to the deliberate falsification of the purchases, was the fact that copies of each of the invoices from the winning suppliers were found in Word format on the computer of one of the accounts staff. This indicates that the invoices were produced or modified internally by DDS. In addition, one of the supplier company's logos was found on another DDS official's computer, thereby suggesting that multiple parties within the DDS office helped produce these documents.
- 3.65 These irregularities are considered particularly serious, occurring at around the time of that the 2013 Gavi audit took place, an audit which itself noted shortcomings in previous motorcycle procurements. While most of the payments were made close to the time of the alleged supply, DDS did suspend payment to the remaining suppliers in the immediate aftermath of the adverse audit report. Yet, DDS subsequently made the payments with Gavi funds two years later, when the audit report was no longer a prominent issue. Gavi considers that any vendor would have had at least questioned a two-year payment deferral. However, there was no suggestion that any of the purported vendors queried this extended delay⁶, thus casting further doubt on the integrity of the transactions.
- 3.66 The questioned sums are as follows:

Region	Bikes	Date Paid	MGA (000s)	Ex. rate	USD
Ambodifotsy Ampitatafika	2	25/03/2013	12,450	2,225	5,595.51
Ampanihy	2	25/03/2013	12,486	2,225	5,611.69
Androhibe	2	25/03/2013	12,480	2,225	5,608.99
Ankazoabo	2	25/03/2013	12,470	2,225	5,604.49

⁶ Note also that some of these vendors were paid twice. See Section 5.1.2 of the 2017 Gavi audit report.

Region	Bikes	Date Paid	MGA (000s)	Ex. rate	USD
Betioky	2	25/03/2013	12,490	2,225	5,613.48
Betroka & Tolagnaro	2	25/03/2013	12,490	2,225	5,613.48
Mahanoro	2	25/03/2013	12,460	2,225	5,600.00
Marolambo	2	25/03/2013	12,494	2,225	5,615.28
Morombe	2	25/03/2013	12,496	2,225	5,616.18
Vatomandry	2	25/03/2013	12,455	2,225	5,597.75
Ambilobe	1	10/04/2013	6,350	2,210	2,873.30
Androhibe	2	10/04/2013	12,500	2,210	5,656.11
Antanifotsy	1	10/04/2013	6,150	2,210	2,782.81
Antsirabe	2	10/04/2013	12,350	2,210	5,588.24
Befotaka	2	10/04/2013	12,400	2,210	5,610.86
Ikongo	2	10/04/2013	12,500	2,210	5,656.11
Mananjary	2	10/04/2013	12,500	2,210	5,656.11
Mandoto	1	10/04/2013	6,200	2,210	2,805.43
Nosy Varika	2	10/04/2013	12,400	2,210	5,610.86
Vohipeno	2	10/04/2013	12,500	2,210	5,656.11
Androhibe	1	19/02/2015	6,500	2,760	2,355.07
Androhibe	1	19/02/2015	6,500	2,760	2,355.07
Antsalova	1	19/02/2015	7,000	2,760	2,536.23
Befotaka	2	19/02/2015	14,500	2,760	5,253.62
Besalampy	1	19/02/2015	7,000	2,760	2,536.23
Midongy	1	19/02/2015	7,200	2,760	2,608.70
Soalala	1	19/02/2015	6,800	2,760	2,463.77
Soanieran Ivongo	1	19/02/2015	6,350	2,760	2,300.72
Vangaindrano	1	19/02/2015	7,000	2,760	2,536.23
Vavatenina	1	19/02/2015	6,300	2,760	2,282.61
Vondrozo	1	19/02/2015	7,250	2,760	2,626.81
	49		313,021		133,827.85

Dates in italics are based on payment stamps where cheques or bank transfer forms are missing.

- 3.67 *In responding, the MSANP acknowledged the procurement anomalies raised by the investigators, especially the contract slicing. MSANP blamed the period of political crisis for the lack of clarity around the delivery of motorcycles. The response did not address the manipulated procurement processes and neither did it acknowledge any culpability by individuals. However, MSANP agreed to the reimbursement of the amount questioned during the course of the investigation and proposed various remedial measures to address the issues identified. However, Gavi considers that improving systems will not always be effective against deliberate management override of controls.*

Motorcycle Transportation

- 3.68 Even where actual motorcycles were known to have been purchased (by the PRMP in separate procurement processes, above), DDS were responsible for the onward delivery of these vehicles to the regions. This entailed the separate procurement of transport services. Two suppliers of motorcycle delivery services were identified, and procurements in both cases contained similar irregularities indicative of a sham process designed to appear

competitive. In the second procurement, evidence suggests the quotes were prepared on DDS computers.

- 3.69 In the first case, for Shineray brand motorcycles procured in 2013 (which were overpriced, as noted in the previous Gavi audit report), the winning supplier had already performed the transport services before the procurement process was instigated. The transporter's invoices state that the delivery was effected in January 2013, but DDS did not solicit bids until February.
- 3.70 Gavi also questions whether this transporter is a legitimate business. The company stationery (quotations and invoices) were not professionally produced and the investigation team could not locate the business on company registers. Further, the cheque payments were made out to the name of the owner of the purported company, rather than the company itself.
- 3.71 Additionally, the losing quotes appear to have been fabricated using similar templates to those of the winning bidder. The company names are always a person's name followed by the word 'Transport'; the stationery designs are similar; the company slogans have similar wording and – along with the vendor stamps – are all located in the same place on the quotation document.
- 3.72 Furthermore, these quotes appear to have been at least partly prepared within the DDS, given the use of a date stamp on quotations that were otherwise entirely computer-generated. Gavi particularly questions the use of an English language (rather than French) stamp on the two losing quotations. As mentioned above, English date stamps were also routinely used on various outgoing DDS documentation.
- 3.73 It was also noted that the requests for quotations do not have address or other contact details for the bidders and it is thus unclear how the quotes reached the vendors.
- 3.74 Questionable quotations mean it is difficult to assess the actual value of any transport services acquired, and the nature of the procurement process undermines the integrity of the deliveries said to have been undertaken. Even if the motorcycles were delivered, Gavi has no assurance that this was done by the purported transport company rather than by MSANP staff themselves, for example. Thus, Gavi calls into question the four separate payments made to the winning transport provider on 5 April 2013. These payments, for invoices 100, 101, 102 and 103 were for the amount to MGA 10,795,000 or \$4,825 at the prevailing exchange rate of 2,237.
- 3.75 A second procurement for the transportation of 93 motorcycles was conducted in 2016 for unspecified vehicles (possibly the PRMP tenders for 45 and 50 motorcycles).
- 3.76 Similar issues to the first procurement were observed. The quotations all followed the same template – they were not professionally produced; the business name was simply the name of an individual preceded or followed by 'Transport/Transporteur'; the company stamps followed a similar design and placed in the same area of the invoice; and even the slogan of the companies, 'Dans toute l'île', was identical in each case.
- 3.77 None of these 2016 quotations contained a company address and neither did the requests for quotation issued by DDS. The same English date stamp on both the request for quotation and the losing quotes suggests that DDS had some involvement in producing these quotes. This was confirmed by forensic evidence showing Word-format quotation templates for each

of the bidders on the computers of DDS staff. In fact, one of the losing bidder templates even appears under two different names (though only one was used in the procurement file):



TRANSPORT ALFRED

Dans toute l'île

NIF : 3000244444/STAT :492142006000277



TRANSPORT PAROLE

Dans toute l'île

NIF :/STAT :

Téléphone : 033 07 530 36 / 032 99 882 55

Headers from losing bidder quotation templates on DDS computer. Only the top one was placed in the procurement files but the different names points to manipulation.

3.78 The existence of supplier stationery, specifically quotes and invoices, on DDS computers points to fabricated documentation and makes it difficult to place reliance on the integrity or value of services received. The invoices were paid in cash, instead of by cheque (though two cash vouchers are missing and the exchange rates below rely on invoice dates where stated). The amounts are:

- Invoice 71, MGA 2,450,000 = \$802 at rate of 3,052 at payment date 16/8/16
- Invoice 80, MGA 3,860,000 = \$1,265 at rate of 3,049 at invoice date of 4/9/16
- Invoice 81, MGA 2,910,000 = \$948 at rate of 3,069 at invoice date of 27/9/16
- Invoice 82, MGA 3,450,000 = \$1,130 at rate of 3,051 at payment date of 6/9/16
- Invoice 86, MGA 2,270,000 = \$705 at rate of 3,216 at payment date of 25/10/16

Gavi therefore questions the total amount of \$4,850.

3.79 The total questioned for motorcycle transportation is thus \$4,825 + \$4,850 = **\$9,675**.

3.80 *In its response, MSANP acknowledged just the anomaly in the delivery dates, without accepting any further culpability, and agreed to reimburse the questioned amounts.*

Renovation of Local Health Centres, or Centres de Santé de Base (CSB)

3.81 A number of Gavi-funded health centre renovation projects were procured through DDS. Gavi's 2017 programme audit of the immunisation programme had already noted serious concerns in relation to this building work (see paragraph 5.3.3 of the Gavi audit report and annexes 9.4 to 9.6). In particular, the audit questioned multiple shortcomings in the procurement process of four contracts – 03/2015, 10/2015, 11/2015 and 05/2016, including the absence of supplier delivery/works completed documentation; the lack of detail in MSANP documentation as to the nature and quantity of works; the lack of works acceptance reports; and the failure to impose contractual penalties in cases of late completion. Further, the report noted the existence of similar-looking quotes for the same procurement exercise, and called into question the reliability of these procurements. The audit report did not seek

to reclaim these amounts due to the planned investigation. Nonetheless, the investigation considers that these irregularities and the others noted in the audit report are sufficient for Gavi to question the amounts in all of these contracts, i.e. MGA 679,065,183 (or \$249,469). However, one of these contracts (5/16 – see below) is also covered further in the investigation and in order to avoid duplication, the contract value of \$11,006 is removed from the foregoing amount to give \$238,463.

3.82 The investigation reinforces the Gavi auditors’ view of the near-identical quote templates and additionally questions contracts 3/2016, 6/2016 and, 8/2016. These procurements follow a similar modus operandi to that used in the DDS procurement of transport services, namely similar quote templates from each of the winning and losing vendors (which Gavi cannot locate in the Madagascar company registry), similar company names; and payments made in the name of the person who owned the business, rather than the name of the business itself. Further, an English language date stamp, as known to be in use at DDS, was used on multiple DDS and bidder documents, thus suggesting the documents were either prepared or modified within DDS.

3.83 In each of the following cases reviewed in the investigation, the quotations from the winning bidders were almost identical in style to those of the losing bidders, leading Gavi to conclude that these were sham procurement exercises:

Contract	Payment date Exchange rate	Amount (MGA) Amount (USD)	Notes
3/2016 (1)	11/8/16 3,027	23,110,242 7,634	English date stamp on MSANP docs and letter from winning bidder. Same quote templates – all were [first name]/[middle name]/[surname] e.g. James Josea Rakoto*
3/2016 (2)	20/8/16 3,039	4,078,278 1,341	
5/2016	29/4/16 3,180	35,000,000 11,006 (In audit report)	Reviewed in audit. English stamp on winning and a losing bid. All bidders called [‘Enterprise’] [single name]’ e.g. Enterprise Nina*.
6/2016	7/7/16 3,174	25,774,834 8,120	English stamp on MSANP docs and all quotes. All quotes from female bidders, two called [‘Enterprise’]/[two letters], e.g. Enterprise AB*
8/2016	30/6/16 3,245	30,115,568 9,280	English date stamp on bid solicitation/works confirmation and losing quotes. All quotes from bidders called [‘Enterprise’]/ [first name]/[surname], e.g. Enterprise James Rakoto*
Total Questioned		\$37,381	

* Note that names of individuals or businesses in this table are fictitious and for illustrative purposes only. They are not intended to resemble any person or entity in the investigation.

3.84 In responding, MSANP did not address the procurement anomalies but stated that the works had been completed in full and it would agree to pay to rectify all building anomalies arising over the next 12 months. They proposed reimbursements based solely on late penalties in the sum of USD 33,823. However, given the procurement anomalies identified, even if accepting MSANP’s confirmation as to the completion of the work, Gavi has little assurance that value was obtained or that the work was done professionally. Accordingly, Gavi proposes that a 50% split is the most reasonable means of apportioning misuse given the Ministry’s assurances as to the completion of the work, as contrasted with the lack of assurance that the correct amounts were paid given the procurement anomalies pointing to an absence of

*fairness and integrity*⁷. Gavi therefore proposes to question the overall sum of **\$137,922** (\$238,463 plus \$37,381 = \$275,844 at 50%, to include the amount of \$33,823 proposed by MSANP).

DDS Cash Payments

- 3.85 There are greater inherent risks in cash expenses than there are with invoiced procurements. Given that the investigation was unable to rely on the integrity of any of the DDS procurements, Gavi was concerned at the potential for abuse of cash payments which have less of an audit trail and where the liquidity of cash makes it more prone to misappropriation. These concerns were amplified by the discovery in the DDS accounts office of multiple vendor stamps depicting purported suppliers. Some of these same stamps were found on cash expenditure claims made by other DDS staff, including those of a senior official. The prevalent and persistent manipulation of documents, combined with the discovery of stamps indicates that the DDS fabricated expenditure documents en-masse for the purpose of misappropriating Gavi funds. The misappropriation extended across various levels within the office.
- 3.86 For example, this senior DDS official and his driver signed two different claims for cash paid with Gavi funds. However, these claims indicated that they were both (together with a different DDS staff member for each trip) on mission in different regions of Madagascar at the same time whilst simultaneously using the same vehicle. One mission was reportedly from 4 to 10 April 2016 in Haute-Matsiatra and Androy regions, and the other was from 4 to 13 April in five other regions. The total value of this claim, including falsified fuel receipts, is approximately \$1,800 of which the senior official is directly involved in two falsified cash claims totalling almost \$500 (with the driver and other staff receiving cash payments of approximately \$800, and other expenses making up the remainder).
- 3.87 Although the DDS staff expense claims documentation routinely carried the purported stamps of those officials they visited in the regions, Gavi is unable to place sufficient reliance on any of the stamped documentation within the DDS office. This is because the investigators discovered multiple stamps in the DDS accounts office in the names of both vendors and other MSANP officials. Further, it is noted that in multiple cases the expense documentation purportedly signed by officials in the regions were similarly stamped with an English date stamp as used by DDS thus suggesting the documentation was falsified (or modified) within the DDS office. Given that French is the official language in Madagascar and considering that use of stamps appears to be a common means of fabricating documents at DDS, Gavi questions whether multiple officials in the various regions would all be using separate English-language date stamps.
- 3.88 Additionally, Gavi considers that fuel expenses are overstated. The investigation team notes that vehicles were supposedly being refuelled on an almost daily basis, and sometimes more than once per day, even where the vehicles were not required to cover long distances. When combined with the fact that DDS were in possession of fuel station vendor stamps, Gavi considers that fuel expenditures as reported cannot be relied upon.
- 3.89 Other cash advances are also questioned. For example, one purported purchase of stationery used fabricated quotation documents to expend Gavi funds of MGA 578,200 on 12

⁷ While the investigation is based on MSANP's assurances that the works have been properly completed, Gavi reserves the right to claim reimbursement in the event that the stated building works are not found to have been properly completed.

December 2016 (**\$173** at exchange rate of 3,335). In this case, only one of the three quotes appears to be legitimate. The other two were produced on what appeared to be similar Word templates (which is considered unusual for a stationery company) and had the dates either stamped or hand-written on the quotations, rather than being printed. These two quotes also contained the same wording. Neither of these quotes had phone or email contact details. Furthermore, the cash payment to a DDS employee for the exact amount of the winning sum was withdrawn four days before the winning vendor was even asked to provide a quote (and twelve days before the date on the quote itself). DDS staff could not have known the exact value of the winning quote in advance and this suggests that the documents were prepared retrospectively in order to justify the cash withdrawal. It is also unclear why there was a need for a cash withdrawal when the supplier could have been paid directly by cheque or bank transfer.

3.90 The foregoing shows that common modus operandi were used to justify multiple cash expenses and advances. Given the commonalities between the multiple cash payments, and even the involvement of senior staff, Gavi is unable to place assurance on the use of these funds. Indeed, given that misuse has affected almost every DDS transaction examined in the course of the investigation, Gavi has concerns as to whether its funds are systematically being misused in this office. The investigation is therefore unable to obtain assurance on the legitimate use of any expenditures within DDS, including the following additional cash amounts expended by it during the period 2015 to 2017:

• Cash withdrawals reportedly for meetings – not in cash book	154,404,750
• Supervisory missions 2015/16 (including the claims in paragraph 3.86)	70,779,735
• Fuel receipts (see paragraph 3.88)	10,204,000
• Taxis	2,990,000
• Telecoms (mobile phone credits)	9,135,000
• Hiring costs	420,000
• Workshops and training	20,490,720
• Other	<u>13,285,800</u>
• Total	<u>281,710,005</u>

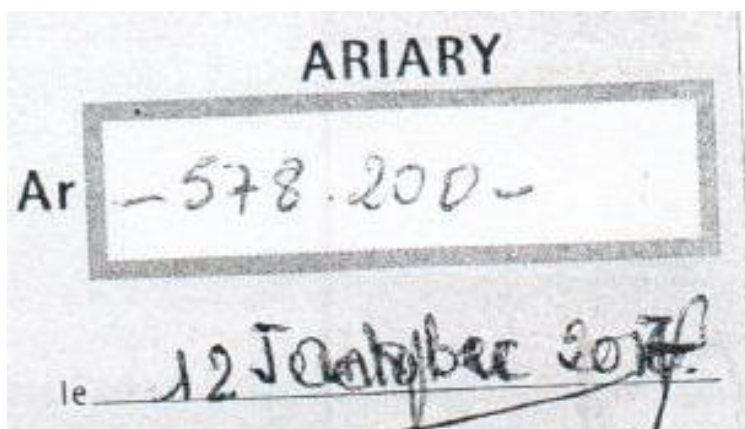
Using the conversion rate most favourable to the MSANP over the period (3,360 at 1 January 2017) this converts to an amount of \$83,842, which Gavi questioned in its draft report.

3.91 *MSANP responded by saying that they could not accept an extrapolation based on a generalised assumption of forgery, and agreed only to the reimbursement of the specific instances cited (subject to the comments in the following paragraphs). However, aside from a generalised rejection, Gavi has no assurance that any DDS expenditures were legitimate (as evidenced by fake claims, fake documents, fake stamps, etc) and is unable to rely on DDS assertions. MSANP has not provided any substantive evidence to suggest that any cash expenditure was legitimate and corroborated, and neither has it made any case as to why the investigation should rely on DDS accounting records given the irregularities observed within the department.*

3.92 *In regards to the cash withdrawals for meetings not recorded in the cash book, MSANP stated that this was for DDS staff for a meeting in Antananarivo. Given that other expenses for DDS staff appear to have been falsified, Gavi is unclear how it can accept the Ministry's assurances that these particular ones – for a local conference – were legitimate, particularly in the absence of substantive evidence corroborating MSANP's position. Accordingly, Gavi*

continues to question this sum, MGA 154,404,750, or **\$45,953** (using the exchange rate of 3,360 at 1 January 2017).

- 3.93 In respect of the cash withdrawal for MGA 578,200 (\$173) MSANP rejected this finding and asserted that the dates in the cash book were incorrect and that the actual cheque payment dates were different. In providing evidence of the cheque in question, Gavi noted that the dates appear to have been overwritten, and is therefore unable to accept this as appropriate evidence. Despite also referring to a bank statement in support of this, the bank statement was not provided. The response also fails to address the other anomalies in the procurement process. Gavi therefore maintains its finding in this regard.



Part of copy of cheque provided by MSANP in support of their response that it was issued in 2017, rather than 2016. The date is overwritten and thus difficult to place reliance on.

- 3.94 In respect of the remaining cash expenses, MSANP has rejected a generalised approach to dealing with cash book expenses. However, Gavi notes the continued absence of credible explanations or proposals for addressing the lack of integrity observed in the DDS records – for both procurements and cash transactions. Accordingly, given that Gavi is recommending that aspects of the investigation be referred to the appropriate law enforcement authorities (see paragraph 5.3), Gavi retains the right to question these amounts further depending on the outcome of any such inquiries that may take place.

4. Analysis

- 4.1 The expenditures described in this report cover the majority of all procurements and cash expenditures undertaken by the PRMP and the DDS using Gavi funds since 2013. The extent of the irregularities uncovered points to the prolonged, deliberate and widespread misuse of Gavi funds both at various levels within the MSANP.
- 4.2 The methods of misuse differ across the departments, and given that different staff were involved in the procurement processes, it points to Gavi funds being misappropriated by different departments and at multiple levels within the MSANP.
- 4.3 In general, the PRMP procurements reviewed in the investigation involved the manipulation of the tender process resulting in directing business to a favoured supplier who would provide goods, often of an inferior specification to that proposed, but at a cost significantly above market value. These inflated prices should have been identified by a diligent procurement department, and the mismatch in the specifications with the goods delivered was not questioned at the point of delivery. The absence of any such challenge suggests that the use of Gavi funds was not effectively monitored and that multiple actors within the MSANP were knowingly involved in irregular practices.

- 4.4 Documentation justifying DDS expenditures was largely fabricated, and the computer forensic evidence found points to manipulation over a sustained period of time. This issue is reinforced by the use of English date stamps, which is highly unusual in a Francophone country. The likelihood of both the DDS and so many vendors and MSANP officials across the country using an English date stamp is particularly low, especially when most printed supplier documentation would be expected to use a printed typeface for the dates.
- 4.5 DDS procurements and expenditures were in the hands of a more limited number of individuals, but including senior staff. The falsified stamps in the possession of certain officials and IT forensic evidence from their computers points to staff being involved in the fabrication of supplier documentation. This was intended to give the appearance of fair competitions when none existed. Indeed, the investigation team questions whether some of these goods and services existed and/or were actually received.
- 4.6 Further, senior DDS staff were implicated in falsified expense claims, supported by documentation prepared by other DDS staff under their management authority.
- 4.7 While different departments were responsible for different activities, the evidence obtained in this investigation points to collusion across departments. In the case of the cold-chain parts, these were procured through the PRMP, but the delivery note template of the vendor was found on a computer within the DDS, indicating that the delivery details cannot be relied on and that there was potential collusion between MSANP staff across the two departments. Collusion can also be inferred from the fact that vehicles with clearly incorrect specifications were both ordered and accepted by different departments within the MSANP, specifically within the PRMP and the transport department.
- 4.8 Overall, the deliberate misuse is further compounded by the fact that similar misuse was raised in the previous Gavi audit report in 2014. Not only were these earlier adverse audit findings unheeded by the MSANP, but such misuse continued to be perpetrated on an even greater scale.
- 4.9 Pursuant to the Partnership Framework Agreement dated 26 June 2013 between Gavi and the MSANP, Gavi finds that there has been an intentional, sustained and significant misuse of its funds.
- 4.10 Accordingly, Gavi seeks reimbursement in the sum of **\$866,198**.
- 4.11 *It should be noted that MSANP requested that Gavi remove this section from the report on the basis it contained personal interpretations. Gavi rejects this argument and considers that this analysis is integral to the understanding the seriousness of the misuse based on the extensive findings in this report.*

5. Recommendations

It is recommended that:

- 5.1 All future procurement responsibilities using Gavi funds should be removed from both the PRMP and DDS until such time as Gavi has assurance that its processes are working effectively and credibly.
- 5.2 The MSANP should compile a list of all vehicles (including registration numbers) purchased with Gavi funds and it should report to Gavi on their current allocation and usage.
- 5.3 The Secretary General of the MSANP should refer the matters in this report to the appropriate law enforcement authorities for further action. *(Even in some of the clearest cases of misappropriation of funds, MSANP only acknowledged system failings or the absence of records, and have not acknowledged culpability by individuals. Gavi notes that the MSANP committed only to studying the desirability of establishing the judicial responsibilities of those*

involved in the anomalies found and to refer to the competent authorities where appropriate).

- 5.4 *The MSANP responded that it took note of the recommendations made in the investigation report and will deploy its best efforts to implement them.*