

Memorandum on Ghana Programme Audit report

The attached Gavi Audit and Investigations report sets out the conclusions on the programme audit of the Ghana Health Service. The audit was conducted in May 2015 with a follow up mission in October 2015 to focus on specific procurement issues. The audit covered the Ghana Health Service's management of ISS and HSS funds (and MR) during the period from 1 January 2012 to 31 December 2014.

The report Executive Summary (pages 4 to 6) sets out the key conclusions (the details of which are set out in the body of the report):

1. There is an overall rating of Partially Satisfactory (page 4) which means that "Internal controls, financial and budgetary management processes were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entity".
2. 16 issues were identified, mainly caused by non-compliance with the Government of Ghana's own guidelines as well as Gavi's Transparency and Accountability Policy (page 4).
3. Key issues were identified in the following areas (pages 4 and 5): budgeting and financial management; expenditures; asset allocations; procurement; and vaccine supply management.
4. Key findings were that:
 - a) There were questioned expenditures totalling \$1,582,270 (relating to unsupported or inadequately supported expenditure and procurement);
 - b) There were \$364,500 of assets, mainly motor vehicles, which were not allocated in favour of the immunisation programme as required; and
 - c) Resources totalling \$116,975 were used for expenditures and costs not related to Gavi grants (table on page 5).

The results of the programme audit have been discussed and agreed by the Ghana Minister of Health, and he has agreed to remediate the identified issues. Specifically in a letter of 3 May 2017, the Minister has agreed that:

- The Ministry of Health will reimburse the full amount requested of US\$ 850,470 of misuse as determined by Gavi. This is a portion of the overall \$1,582,270 of unsupported or inadequately supported expenditure, including 50% of all questioned procurements relating to consumable items. These items were purchased via flawed procurement processes. It was clear that value had been delivered on a portion of the expenditure, but it was not possible to determine the full extent of the value obtained and therefore it was deemed appropriate to seek reimbursement at 50% of that amount.
- This amount is to be reimbursed to Gavi by December 2017 (4a) above).
- Misallocated assets purchased with Gavi monies totalling \$364,500 will be reallocated appropriately to the immunisation programme (4b) above); and
- Resources totalling US\$ 116,975 in respect of expenditures not related to Gavi grants will be paid back to the programme (4c) above).

In addition, the Ministry of Health indicated that there had been improvements to strengthen controls and systems. Gavi will follow through with the Ministry of Health to agree the timing of the committed reimbursements, to validate the remediation steps taken, and to review the improvements made to assess whether they are responsive to the issues identified in the audit.

Geneva, July 2017

GHANA

GAVI Secretariat, Geneva, Switzerland

Final Audit Report – 15 July 2016



Table of Contents

1	Executive Summary	4
2	Objectives and Scope	7
<hr/>		
2.1	Objectives of the Audit	7
2.2	Scope of the audit	7
3	Detailed findings	8
<hr/>		
3.1	Budgeting and Financial Management	8
3.1.1	Accounting of donor funds	8
3.1.2	Reporting of donor expenditure	10
3.1.3	Linkage of activity codes to budget	12
3.1.4	Unclear basis for charging indirect costs	13
3.1.5	Exemption from duties and taxes	15
<hr/>		
3.2	Expenditure, asset allocation and disbursements	16
3.2.1	Expenditure that is not related to grant activities	16
3.2.2	Weaknesses in supporting documentation	17
3.2.3	Advances not retired on a timely basis	18
<hr/>		
3.3	Procurement	22
3.3.1	Procurement planning	22
3.3.2	Tender process	23
<hr/>		
3.4	Programme and supply chain management	25
3.4.1	Stock out of vaccines	25
3.4.2	Warehouse logistics and management	26
<hr/>		
3.5	Oversight and governance	27
4	Annex 1 – Supplementary findings from October 2015 visit	28
<hr/>		
4.1	Procurement; October 2015	28
4.1.1	Procurements from Supplier A	29
4.1.2	Procurements from Supplier B	32
4.1.3	Procurement of Incinerators	34
4.1.4	Other Procurements	35
<hr/>		
4.2	Expenditure, asset allocation and disbursements; October 2015	38
4.2.1	Budget Allocation	38
4.2.2	Vehicle Asset Allocation	40
4.2.3	Other Asset Allocation	42
4.2.4	Expenditures in 2015	42

Annex 2 – Expenditure not related to grant activities	45
Annex 3 – Summary and ranking of Recommendations	48
Annex 4 – Definitions of audit terms - Ratings, Causes, Risks, and Priorities	49
Annex 5 – Classification of expenditure	50
Annex 6 – Procurement weaknesses	51
Annex 7 – Audit Procedures and Reporting	53
Annex 8 – Abbreviations and acronyms	54

1 Executive Summary

In May 2015 and subsequently in October 2015, the Audit and Investigations (A&I) team conducted a programme audit of Gavi funding that contributed towards the Government of Ghana's Expanded Programme of Immunization. The second audit visit in October focused on outstanding procurement documentation and to review lapses in procurement processes first identified in May.

The audit covered the Ghana Health Service's management of ISS and HSS funds (and MR) during the period from 1 January 2012 to 31 December 2014. During the three year period reviewed, the overall Gavi-related expenditure reported by the country totalled USD 17.1 million.

Audit rating

A&I assessed the Ghana Health Service's (GHS) management of Gavi funds as **partially satisfactory**, which means that "internal controls, financial and budgetary management processes were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entity". This rating was mainly due to the deficiencies noted in procurement, as well as weaknesses in the recording and supply management of vaccines.

Key issues

The programme audit raised 16 issues, which were mainly caused by non-compliance with Gavi's Policy on Transparency and Accountability. The risk rating for the various issues is summarised in Annex 3.

To address these issues, A&I made 16 recommendations, of which 50% percent were ranked critical priority, which means that "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 programme's overall activities and output."

Among the high priority issues noted in this report, the most significant ones are presented below:

Budgeting and Financial Management	The traceability, budget management and reporting of Gavi funds was inadequate. Once funds were disbursed to sub-national levels, they were no longer tracked by donor source, with funds being comingled with other sources. Sub-national budgets were not detailed, and the unallocated funds were not always promptly reconciled. The financial reporting to Gavi presented disbursements to sub-national levels as expenditure treating the full amount as 100% spent, rather than reflecting the actual expenditure. (Refer to Issues 3.1.1 and 3.1.2).
Expenditure, asset allocation and disbursements	The GHS had not established a clear basis or policy for charging indirect costs to donors' earmarked funding. As a result, from May 2015 the audit team questioned several expenditures and indirect costs charged to Gavi. An amount GHC 251,757 (USD 116,975) ¹ refers. (Refer to Issues 3.1.4, 3.2.1).

¹ Based on average exchange rate of the month when the expenditure was incurred.

Additional expenses should have been charged to non-Gavi budgets and or had no relevance to Gavi activities. Specifically 15 vehicles were allocated to senior headquarters staff, with no evident link to Gavi activities. As a result, from the audit team's work in October 2015, a total of USD 364,500 was questioned. (Refer to Issues 4.2.2 and 4.2.3).

Procurement In May 2015, the Gavi audit team identified that 11 out of 25 contracts had incomplete documentation, where 4 of these contracts could not be validated as the necessary supporting documentation was incomplete. The internal controls operating within the GHS procurement unit were inadequate. (Refer to issue 3.3.2).

In October 2015, the Gavi audit team undertook an in-depth review of procurement and so as to further clarify questionable items identified. They concluded that at least 9 case of procurement were not fair or not transparent, with the basis of awards lacking suitable justification or supporting documentation. Aspects of these procurements did not comply with national laws. In some cases, there was a lack of justification for initiating the purchase, or the procurement was done retroactively after the purchase had been made. Multiple errors and inconsistencies suggest that the winning bidders were not necessarily the best or lowest cost bids. Accordingly, Gavi was unable to provide assurance as to the integrity of the procurement process, and expenditure totalling USD 1,493,300 was questioned. Refer to Issues 4.1 (4.1.1 – 4.1.4) and 4.2.1.

Vaccine and supply management From mid-2014, the national vaccine procurement plan was not adhered to and the re-purchase of replacement vaccine stock was delayed due to funding challenges. The central EPI store at national level had a stock out of the Measles vaccine used for routine immunizations, and further stock-outs in other vaccines were likely over the coming months. In addition, approximately 50% of Gavi's 2014 co-payment was unpaid, putting the Ghana government at risk of defaulting on its financial obligations from 31 May 2015. (Refer to Issue 3.4.1).

The table below summarises amounts questioned by the Gavi audit team:

Table: Summary of questioned amounts

Category	Amount (USD)	Reference
Expenditure not related to grant activities	116,975	3.2.1
Advances not properly liquidated	52,670	3.2.3
Questioned procurements - Supplier A	1,194,400	4.1.1
Questioned procurements - Supplier B	273,200	4.1.2
Other procurements in question	1,200	4.1.4
Budget Allocation	24,500	4.2.1
Expenditure questioned on the basis of vehicle allocation	360,000	4.2.2
Expenditure questioned on the basis of other asset allocation	4,500	4.2.3
Questioned expenditures in 2015	38,300	4.2.4
Total	2,065,745	

The amount questioned by the audit team as a result of the Programme Audit totalled USD 2,065,745, which represents approximately 12% of the total expenditure (USD 17,050,303) spent by the GHS over the three year period 2012 – 2014.

Gavi cash grant disbursement

Disbursements during the period are shown in the table below. The corresponding expenditure includes the use of remaining balances of HSS and ISS funds, from a total of USD 3.5m disbursed in 2011.

Gavi cash grant disbursements to the MOH and associated expenditure in 2012-2014 (in USD)				
Grants	Disbursed	Expenditure	Amounts questioned	Questioned as %
HPV Demo - cash support	170,000	16,377,720		
HSS	6,809,025			
ISS	348,820			
Measles rubella- Operational costs	7,522,000			
Vaccine Introduction Grant	873,000			
Total Disbursed	16,105,345			
Total Expenditure		17,050,303	2,027,445	11.9%

Systematic procurement weaknesses identified

Several systematic and pervasive shortcomings in procurement which recurred on several occasions across different cases were identified from the audit team's work undertaken in May and October 2015. Details are as highlighted below:

Table: Recurring procurement issues

Vendor	Approximate contract Value GHC	Missing original documents or correspondence	Discrepancies in type or quantity of purchase	Outcome known before evaluation or bids not timely	Not submitted to ETC (non-compliant with PPA)	Ref:
Supplier A	1,380,000	x	x	x		4.1.1
Supplier A	310,000	x	x		x	4.1.1
Supplier A	690,000			x		4.1.1
Supplier B	44,805	x			x	4.1.2
Supplier B	1,545,000	x	x			4.1.2
Supplier B	48,580	x		x	x	4.1.2
Supplier B	39,747	x	x		x	4.1.2
Supplier C	880,000	x				4.1.3
Supplier D	4,524			x		4.1.4

2 Objectives and Scope

2.1 Objectives of the Audit

In line with Gavi's Transparency and Accountability Policy and oversight mechanisms, the main objective of a Programme Audit is to ensure that the funds are spent in accordance with the terms and conditions agreed with Gavi and that the resources are being used for intended purposes.

In addition, the Programme Audit also assessed the adequacy of the control processes regarding the reliability and integrity of financial, managerial and operational information, the effectiveness of operations, the safeguard of assets, and compliance with respective national policies and procedures.

2.2 Scope of the audit

The scope of review under this Programme Audit was the period 1 January 2012 until 31 December 2014, and covered income received, expenditures incurred and procurement activities conducted at national, regional and district level. The review was performed at central level and included visits to the Greater Accra, Volta, Central and Western regions.

The table below illustrates Gavi's cash disbursements to the Government of Ghana over the past 5 years.

Gavi non-vaccine disbursements to the MOH in USD						
	2010	2011	2012	2013	2014	Total
Civil Society Organization Type B		382,500			382,500	765,000
HPV Demo - cash support				170,000		170,000
HSS	3,615,250	2,509,625		2,509,625	4,299,400	12,933,900
ISS	241,500	1,010,000		348,820		1,600,320
Measles rubella- Operational costs				7,522,000		7,522,000
Vaccine Introduction Grant		915,000		873,000		1,788,000
Total disbursed	3,856,750	4,817,125	0	11,423,445	4,681,900	24,819,220

The total cash support provided by Gavi to Ghana covered a range of activities including: new vaccine support and grants for HSS, ISS, operational costs for Measles-Rubella campaigns, vaccine introduction grants, Civil Society Organization grants and HPV demo.

The findings of the audit are presented in the detailed findings section below.

3 Detailed findings

3.1 Budgeting and Financial Management

3.1.1 Accounting of donor funds

Observation

As stated in the internal control objectives under Page 12 of the Accounting Treasury and Financial Reporting Rules & Instructions (ATF 2010), internal control objectives state that Ministry of Health (MoH) funds, regardless of source, are committed only when these are certified as available.

In three out of four regions visited, some of the funds disbursed to the Regional Health Divisions' pooled bank accounts were not timely identified, or the supporting "Memos" describing what activities were to be implemented were not on file with the accounting team.

As a result funds were not timely allocated, and at least twice, funds had to be borrowed from the Region's pooled bank account to pre-finance corresponding Gavi activities.

Furthermore, where Memos were not available, funds were either under-utilised, or occasionally they were misattributed to other activities/donors, and were spent not in accordance with the designated purposes.

Inconsistencies in regional accounting were noted, for example one Region rolled over a negative balance over two financial year ends, while another Region stated that this was against the GHS accounting procedures.

The following examples of untimely allocation of funding refer:

Reference	Transfer from GHS/EPI	Amount Ghanaian Cedi (GHC)	Date region attributed funds	Other comments
Funds for MR campaign – Volta region	16/07/2013	119,286	30/09/2013	The region prefunded activities from August; activity ledger balance (GHC -843,791) as at 29/09/2013.
Funds for MR campaign – Volta region	12/08/2013	876,005	After 01/11/13	The region prefunded activities from August; activity ledger balance (GHC -612,283) as at 01/11/2013.
Bottleneck activities – Volta region		Balance (-2,103) 31 Dec'13	N/A	Negative balance rolled over until 8 May 2015.

The following examples relate to under-utilised (or mis-utilised) funds:

Reference	Transfer from GHS/EPI	Amount Ghanaian Cedi (GHC)	Date the region attributed funds	Other comments
Funds – CHPS zones; GAR.	26/09/2013	46,778	Funds not used 17 months after disbursement.	Balance still 100% unspent at 08/05/2015
Funds to Equip training centres – GAR	2011	25,002 c/f end 2011		Balance finally spent in 2013 on Financial management

Cause

A pooled accounting system which does not track donor funds against the originating source at sub-national levels was in place.

Risk/Effect

Where Regional and District Health Divisions did not know the purpose for which the funds are released to them, the delay in attribution resulted in delay or non-implementation of activities.

Risk Prioritization

Essential

Recommendation

The Finance department should follow up and ensure that:

- The sub-national accounting functions are properly trained and consistently execute fiduciary discipline in the allocation and prompt investigation of funds received;
- All unallocated funds are followed up on a timely basis;
- There is a clear audit trail between all funds received and the activities funded and carried out;
- Monthly bank reconciliations identify all unallocated receipts with details of when the funds were received, and confirm that these amounts are timely investigated.

Management comments

Management agrees with the recommendations. We wish to state that there currently exist Standard Operating Procedures to address the communication challenges identified. Management would take steps to disseminate it and enforce its implementation.

The issue of flagging unallocated receipts in bank reconciliation statements would also be implemented. Management wishes to state that, there might be cases where funds are advanced for an activity from one program in anticipation of the arrival of funds from a higher level. This can lead to a negative balance on the program ledger from which the advance was made. This is done in anticipation of arrival of funds and to forestall delays in implementation.

There is therefore no policy that this is not allowed. However, such advances are for short-term periods and are not supposed to remain for longer periods as observed in the audit.

Management would train the sub-national level staff and monitor to ensure compliance.

The recommendations would be implemented as by the end of November 2015.

The Finance Division of the Service would be responsible for the implementation.

Additional management comments (15 July 2016)

As stated earlier under action taken, Management has now conducted trainings at the regional level and disseminated the Standard Operating Procedures (Accounting and reporting on donor funds) at all levels.

After the training the issue of unallocated funds has been fully addressed and there now exist audit trail on all funds transferred to all levels.

Currently the bank reconciliation identifies unallocated funds and investigations are carried out.

The Standard Operating Procedures ensure that transfers and feedbacks on receipts are well documented.

3.1.2 Reporting of donor expenditure

Observation

Pages 82 of the MOH's ATF (2010) states that: "Financial Reports must be internally verified to ensure that amounts are a true reflection of underlying books and ledgers" and "All Financial Reports prepared by a BMC must be based on closing figures contained in the books and ledgers maintained by that BMC."

At the sub-national levels (i.e. the Regional and District levels) the Health Service Directorate accounting system tracks the revenue, expenditure and balance of funds by corresponding activities, with donors' funds being comingled.

The quarterly validation exercise of reconciling the Regional and District movement of funds is a key control ensuring that the overall sum total of the combined donor funds matched the pooled bank account. However, the validation process aggregates expenditure and balances by disease component (group of activities) where donor expenditure and fund balances (including Gavi funds) are comingled.

This shortcoming was identified in Gavi's 2011 Financial Management Assessment, which at the time indicated that current preparations for the future MoH's Management Information System would resolve the issue. It was anticipated that the new system would link the BMCs' financial accounting and serve as an integrated system comprising: budget preparation, financial management, accounting and reporting functionality. However the new system which became operational in 2015 is not as broad, and has not addressed the systemic issues in tracking and accounting for donor funds at sub-national levels.

As a result, it has not been possible for GHS to report on Gavi actual expenditure at all levels. The annual financial reporting to Gavi was therefore overstated, as the disbursements relating to sub-national activities were reported with a 100% expenditure rate, effectively expensing the entire balance on disbursement, rather than treating it as an advance balance still to be justified.

Cause

The GHS accounting system does not track donor funds against the originating source at sub-national levels. As a consequence, the overall consolidation and reporting system is unable to provide any donor specific reporting, other than information on disbursements retained at the national level.

Risk/Effect

The actual expenditure at sub-national levels has never been reported to Gavi. Annual Progress reports sent to Gavi were therefore non-compliant given that cumulative expenditure was consistently overstated.

Risk Prioritization

Essential

Recommendation

By 31 December 2015, and in order to produce donor specific reports (including Gavi) for subsequent financial years 2016 and onwards, it is recommended that the GHS Finance department:

- Introduces donor specific ledgers at national and sub-national levels;
- Reviews and expand its Chart of Accounts by introducing a donor specific segment;
- Revises its data capturing tools so as to periodically capture additional on specific donors;
- Reviews its financial management process and consider updating the ATF accordingly (or producing a supplementary Standard Operating Procedure) to reflect changes to reporting. In particular, disbursements to the sub-national level should be treated as advances to be justified; and
- Updates and retrains its Finance staff on the above changes.

As a result of the above changes, the GHS should:

- Mandate that beginning from 2015, the GHS audited financial statements should include an additional financial certificate which identifies the total Gavi revenue, expenditure and closing balances as an additional audited disclosure; and
- Develop the capability to produce system-based donor-specific reports on the financial year 2016, a reporting functionality which captures the actual expenditure from January 2016 and onwards at both the national and sub-national level.

Finally, the GHS should continue to progressively work towards developing access to real-time financial data at sub-national levels in order to produce timely detailed reports on actual expenditure.

Management comments

Management agrees with the recommendations on this observation. Management would endeavour to include a note on the status of GAVI funds in the financial statements in 2015.

However, the achievement of the capability to produce system based donor specific financial reports as well as transactional and reporting functionality to integrate and capture the actual donor specific revenue, expenditure and balances can be reached in December, 2017.

This is because of the processes management must go through to get to that point. It would require review of the current Chart of Accounts; review of current transactions recording processes and data capturing tools as well a complete overhaul of the current reporting system. This would involve working on the processes, systems and people currently being deployed in the GHS and the MOH for that matter.

The issue of developing the capacity of the current financial management system to capture and access real-time financial data across is being worked on by management. Currently, there exists an electronic transactional tool, which is being deployed for hospitals in the Service. The tool is also being customized for future use in the District Health Administrations. The plan is to reach a point where the reports from these tools would be fed into the ACCPAC to generate varied financial reports in real time

compared to the current situation. Management anticipates completing these processes by December 2017.

The Financial Controller of the MOH and the Director Finance of GHS would be responsible for the implementation of the recommendations.

Additional management comments (15 July 2016)

Management is now piloting the donor specific accounting systems at the national and sub-national levels as in the draft revised Accounting Treasury, Financial Rules and Regulations Manual (ATF).

The current chart of Accounts of the Government of Ghana has a segment for donor funds. However, management will now attach the relevant codes to every transfer to enhance reporting.

The ATF of the Ministry has been revised and all the financial management processes were incorporated to address the observations raised.

The revised draft ATF is currently being reviewed by stakeholders for their comments. Staff will be trained on the ATF after the final document.

The 2015 financial statement currently being audited includes a schedule for donor specific reporting. The financial statement will be shared with Gavi when finalized.

For the system-based-donor-specific reporting, this would be achieved with the implementation of the revised ATF by December 2017.

Management intends to automate accounting system with support from GAVI as indicated in the transitional plan.

3.1.3 Linkage of activity codes to budget

Observation

Page 16 of the ATF (2010) states that “Budget Management Centres shall be responsible for the preparation and implementation of their detailed, specific programme budget.”

At the national level, an overall GHS “Plan of Works” was in place identifying particular activities to be budgeted and potentially resourced, depending on sufficient funds being available. However, the budget was not analysed and broken down further at the activity level.

This was evident from the review of the period January 2012 to December 2014, where both the memos and the payment vouchers did not indicate the activity code and budget from which the expense is to be incurred. The memos were only specific on the grant: whether GAVI HSS or previously, ISS with no additional details.

There were also no programme budgets at sub-national levels, resulting in a weak financial planning and reducing the transparency and accountability as to how funds were to be spent in support of undertaking various activities.

However, from 2015, the GHS "Plan of Works" identified contributory sources of donor funding, clarifying which activities related to various ear-marked funds. The activity codes were also captured in the memos approving payment for specific activities.

Cause

Detailed budgets at national or sub-national Budget Management Centre levels were not available on file or did not exist for the period reviewed.

Risk/Effect

The tracking and comparison of expenditure against budget, is weakened as a result of a lack of detail in budget itemization. Similarly, a lack of discipline to budgetary approaches, could lead to overspending against budget lines as well potentially incurring costs not in line with the budget, particularly when at the point of expenditure, linkages back to the budget are tenuous.

Risk Prioritization

Essential

Recommendation

There has been some improvement from the start of 2015, where the payment vouchers and memos approving payment clearly indicated the budget code from which the activity is to be charged.

GHS should however develop an integrated budgeting approach, which includes developing detailed budgets both at a sub-national levels as well as the national level. These budgets should clarify and direct spending on particular activities, so as to ensure that there is more consistency and clarity on how funds are to be spent in carrying out various sub-national activities.

Management comments

Management agrees with the recommendations. As stated by the auditors, there currently exists a system to track the budgets at the national level. Management would take steps to replicate this system of budgetary control and practice at the sub-national levels. Management would however fully implement this recommendation by December 2015.

The Director Finance and the Director PPME would be responsible for the implementation.

Additional management comments (15 July 2016)

Management will detail activities at sub-national level starting with the year two HSS support to ensure consistency and uniformity.

3.1.4 Unclear basis for charging indirect costs

Observation

Gavi's cash support for the programmes managed by the Ghana Health Service and EPI unit should contribute to strengthening the capacity of integrated health systems to deliver immunisation in the country. This is achieved by contributing to the resolution of the major constraints to deliver immunisation, increasing equity in access to services and strengthening civil society engagement in the health sector.

Several expenses were identified in the Volta region and at the GHS Directorate level which related to indirect costs that did not directly contribute to the strengthening of the capacity of integrated health systems to deliver immunisation in the Country.

For the four indirect cost expenses identified within the Volta Regional Health Service and charged to Gavi, it was determined that there was no systematic basis for how the expenses were charged. The basis for allocating costs varied between lump sum and either fixed or variable percentages methods. No costs drivers were documented.

Other examples at the national level were identified, such as 2011 and 2012 vehicle repair costs for various GHS departments which were not related to immunisation activities were charged to GAVI funds in 2013. (*See items included Annex 2, "Expenditure not related to grant activities"*)

Cause

There was no GHS policy clarifying the basis for charging indirect costs to donors.

Risk/Effect

There is a risk on non GAVI related expenditure or ineligible expenditure being charged to GAVI.

Risk Prioritization

Critical

Recommendation

The GHS Finance Directorate should develop a Standard Operating Procedure which clarifies the basis and justification for charging its indirect costs.

In addition, the GHS should develop a standard budgetary template, which forecasts total indirect costs for the year and clearly identifies the estimated sources and proportion for how these costs will be charged to the various sources of revenue. This budgetary forecast should be subsequently updated and reviewed periodically, so that by year end, budgetary variances are identified, and the actual expenditure is charged accordingly to each contributing partner, in line with their respective grant agreements.

Management comments

Management agrees with the recommendation. Management would implement the recommendations by the end of January 2016. The Director PPME and the Director Finance would be responsible for the implementation of this recommendation.

Additional management comments (15 July 2016)

Management acknowledges that indirect cost have not been clearly indicated in the budget. As recommended, the year two HSS work plan will be detailed to reflect any proposed expenditure on indirect cost and submit to GAVI and other donors for approval before expenditure is incurred.

3.1.5 Exemption from duties and taxes

Observation

The Partnership Framework Agreement signed on 11 July 2014 between the Government of Ghana and Gavi includes a clause on taxes which states that “funds provided under this Agreement shall not be used to pay any taxes, customs, duties, toll or other charges imposed on the importation of vaccines and related supplies. The Government shall use its reasonable efforts to set up appropriate mechanism to exempt from duties and taxes all purchases made locally and internationally with GAVI funds.”

The GHS programmes funded by Gavi have not yet obtained tax-exempt status. As an international organization registered in Switzerland, the Gavi Secretariat has tax-exempt status.

Cause

An appropriate mechanism to exempt Gavi funding from duties and taxes on all purchases made locally and internationally has not yet been put in place.

Risk/Effect

Funds earmarked for grant activities are not being fully maximized as a result of VAT being paid on services and products.

Risk Prioritization

Critical

Recommendation

The Ministry of Health should submit a request via the Ministry of Finance to the Ghana Revenue Service so that the programme funded by Gavi grants receive exemption on the principal taxes, so that local and international purchases using Gavi funds are exempt from taxes.

Management comments

Management agrees with the recommendation. Management would take steps to implement the recommendations. GHS (Director PPME) will liaise with the Ministry of Health (Chief Director) to seek for the exemption from the Ministry of Finance before the end of the year 2015.

Additional management comments (15 July 2016)

In Ghana, tax exemptions are only granted by parliament. The Ministry of Health will apply for a tax exemption on GAVI grants through Ministry of Finance for approval by parliament by 31/12/2016.

3.2 Expenditure, asset allocation and disbursements

3.2.1 Expenditure that is not related to grant activities

Observation

The terms and conditions of the Aide Memoire signed on 14 September 2011 by GAVI and the Ministry of Health state that all funding provided by GAVI will be used for the sole purpose of fulfilling the programmes as described in the approved proposal documents.

From the sample reviewed, we noted specific instances (See Annex 2) amounting to USD 116,975 where the expenditure incurred did not meet the definition of grant activities and are therefore to be reimbursed to GAVI.

Cause

Ghana Health Services used a pooled account system in managing its donor funds, resulting in the need for stronger discipline in tracking and accounting for expenditures made from GAVI funds.

We also noted that in the period under review, until 2015 most sub-national activities were not clearly linked to the budget at the point of payment. As a result, some expenditure items which were not directly related to funding a programme of immunization were allocated to Gavi's account.

Risk/Effect

This resulted in ineligible expenditure which is not compliant with the signed grant agreement. A total amount of USD 116,975 has been questioned by the audit team. See Annex 2 for a breakdown of the transactions which refer.

Risk Prioritization

Critical

Recommendation

Ghana Health Services should ensure that Gavi funds are used for the purpose intended as contained in the approved work plan.

Management comments

Management has considered the recommendation and would want to state that with reference to the servicing of the vehicles, they were serviced to be used for integrated monitoring from headquarters, including immunization activities, and for the National Immunization Campaigns which happen twice or more every year. During these campaigns, vehicles from the GHS pool are all put together to support the monitoring and not necessarily only Gavi vehicles. Some of the servicing bills from the previous years could not be settled due to lack of funds. When we needed to service the vehicles in the 2014 NIDs, the Maintenance workshop carrying out the servicing demanded payment of the previous bills before they could service the vehicles for the 2014 exercise, hence, Management had to use the Gavi support to settle those bills, to enable us carry out the 2014 NIDs successfully.

With the remaining transactions in the list that are not directly related to the Gavi, we noted with embarrassment that some of them were wrongly charged, and will be corrected. Others were as a

result of urgent need but we should have sought clearance from Gavi for clearance. These, Management would engage GAVI on the implementation of the recommendation.

The Director General would be responsible for this. Management anticipates that this recommendation can be implemented by the end of October 2015.

Gavi audit team's response on "Advances not retired on a timely basis"

The audit team maintains its recommendation that these amounts are questionable, given that there was inadequate documentation on file demonstrating that the expense servicing vehicles was anything other than the recharge of retroactive indirect costs.

3.2.2 Weaknesses in supporting documentation

Observation

Clause 39 (2) of the Financial Administration Regulations (FAR 2004) states that in respect of payments, the accounts department should ensure that transactions are properly authenticated to show that amounts are due and payable.

From the sample of payment vouchers reviewed the supporting documentation attached was not detailed enough. For example for activities such as workshops, training activities, meetings and monitoring visits the audit team noted:

- Per diem/daily allowance lists that were not dated;
- Per diem lists that were signed but did not indicate the activity carried out;
- The basis of amounts paid were not described where it was not clear from the signed per diem lists what the duration of the activity was or the rate paid to the various individuals;
- Attendance lists were also not attached to the payment vouchers although some were provided on further inquiry;
- Activity reports, some of which were provided on further inquiry, were not dated for monitoring missions.

These weaknesses were noted both on both the Immunization Strengthening as well as the Health Sector strengthening expenses.

Cause

The ATF (2010) and the FAR (2004) do not specify the specific nature of supporting documentation to be attached.

Risk/Effect

Without comprehensive supporting documents, it is difficult to confirm whether the amounts were genuinely spent on grant activities.

Risk Prioritization

Essential

Recommendation

So as to ensure the transparency and validity of expenditures, the GHS Finance Directorate should develop Standard Operating Procedures that identify what supporting documents are necessary to support expenditure and activities incurred.

Management comments

Management agrees with the recommendations. Management would implement the recommendation by the end of July 2015. The Financial Controller and the Director Finance would be responsible for the implementation of this recommendation.

Additional management comments (14 March 2016 and 15 July 2016)

Standard Operating Procedures for the retirement of funds for program related activities such as trainings, workshops and conferences have been developed. Management has also communicated these procedures to managers appropriately and they have been circulated and currently are being implemented at all levels.

3.2.3 Advances not retired on a timely basis

Observation

Section 115 (1) of the FAR states that an advance payment to a public officer shall not be made if any advance of the same class in the name of the public officer has not been fully repaid, if it is not being regularly recovered or if any advance is outstanding.

A total of five outstanding advances to two staff members were identified in the Central Region. They had not timely retired their advances, which were up to two years overdue. Evidently subsequent advances had been issued to them without settling previous advances. Furthermore, apart from an informal log managed by the accountant, there was no other documentation on file indicating that these advances were outstanding.

A GHS finance officer stated that the standard practice was for advances to be cleared by year-end.

Details of these overdue advances totalling GHC 115,500 (USD 52,670)² are shown below:

Ref. No.	Date	Description/Details	Payee	Amount (GHC)
2066774	10-Sep-13	Funds for post campaign activity for Measles Rubella campaign	Staff 1	67,100
2066775	10-Sep-13	Funds for post campaign activity for Measles Rubella campaign	Staff 1	19,400
2066776	10-Sep-13	Funds for post campaign activity for Measles Rubella campaign	Staff 1	13,600

² Based on average exchange rate of the month when the expenditure was incurred.

Ref. No.	Date	Description/Details	Payee	Amount (GHC)
2066722	22-Aug-13	Funds for activities related to introduction of measles	Staff 2	9,900
2349052	25-Mar-14	Funds for activities related to introduction of measles	Staff 2	5,500
Total				115,500

Cause

There was no formal system in place in the Western Region for tracking and following up on advances, to ensure that these were timely liquidated.

Risk/Effect

Without proper tracking of advances, there is a risk that the funds could be misused.

Risk Prioritization

Essential

Recommendation

To ensure that staff and/or programme advances are properly monitored and timely liquidated GHS should:

- These five specific advances which are overdue should be promptly recovered and evidence of repayment provided to Gavi;
- Develop an advance tracking system which ensures that all advances are timely liquidated; and
- Overdue amounts should be formally followed up in writing to the individuals concerned, and the senior manager responsible should be copied.

Management comments (08 July 2015)

1. *Management has considered these recommendations and made a follow up to the Central Region. It was observed that these amounts are no longer advances since the activities have been carried out and the retiring documents submitted; hence the recommendation that these amounts should be recovered is no longer tenable.*

It should be noted that the Gavi team did not meet the responsible persons to have provided the necessary information and documents. In addition, there was no discussion between the Gavi team and the Regional level management on the matter. However, the team dispatched from headquarters have met with the Regional team and retrieved all the necessary documentation indicating that these advances had been utilized for their intended activities relative to the Gavi programme. These documents are available at the Regional level and copies at headquarters for any future examination.

2. *With reference to the recommendation of GHS developing an advanced tracking system to ensure that all advances are timely liquidated, we wish to indicate that there is an existing tracking system. Efforts will be made to ensure its effective implementation at all levels.*

Additional management comments (14 March 2016)

This observation and the accompanying recommendation is noted. Management would discuss the issues raised with the Central Regional Health Directorate to ensure accountability for the difference noted.

Management also wishes to bring to your notice that the Accounting manual of the Ministry of Health has been reviewed. As part of the review the issue of visibility and traceability of funds, from major partners, along the implementation chain has been addressed. The revised Manual is currently undergoing the necessary stakeholder scrutiny for acceptance.

Additional management comments (15 July 2016)

The advances not retired to the tune of GHC 115,500 (USD 52,670) as raised as an observation was addressed through the provision of documentations.

Per the review of the audit team, advances to staff 1 totalling GHC 67,100 had an uncleared balance of GHC 15,950 for which no documentation was provided and management has agreed with the audit team.

Again, per the auditors review, 25% of supporting documents on transaction totalling GHC 13,600 was dated 3 months before the transaction. Our understanding is that GHC 3,400 (25% of GHC 13,600) is the amount in doubt, hence, should be refunded.

The issue of dating per diem list has not been a standard practice in the Service. However, this has been standardized now after the audit.

Gavi audit team's response on "Advances not retired on a timely basis"

The audit team maintains its recommendation that these amounts are questionable. From the audit team's review of the subsequent documentation provided by GHS in 2015 and 2016, it was observed that:

- There were discrepancies amounting to GHC 15,950 between the amount received by the Staff 1 of GHC 67, 100 and the total of expenses of GHC 51,150 and no evidence was provided that the unspent balance of GHC 15,950 was refunded to the bank account;
- 25 per cent of supporting documents related to the transaction amounting to GHC 13,600 were dated more than 3 months before the Payment Voucher was issued or before the cash advance was made available to the staff which implies that the documents refer to activities not connected to the advances;
- Total amount appearing on some per diem lists are inaccurate; and
- Many per diem lists were undated.

The retiring documents provided were therefore still incomplete and did not adequately clear the advances. Given the inconsistencies in the documentation provided, we could not rely on the validity of the entire supporting documentation.

Procurement

From the procurement review done, various inconsistencies were noted in various contracts which have led to the issues and recommendations detailed in the sections below.

We note that various procurement reviews have already been undertaken and given that our audit covered a similar period, the issues noted are of a similar nature which stem from weak implementation of the Public Procurement Act.

Some documents required were not provided during the audit and are still outstanding as at the time of submission of the draft report (16 June 2015). The list of outstanding items is shown in Annex 6.

3.2.4 Procurement planning

Observation

According to Section 21(1) of the Public Procurement Act, 2003 (Act 663), a procurement entity should prepare a procurement plan to support its approved programmes and this plan should indicate: a) contract packages; (b) estimated cost for each package; (c) the procurement method; and (d) processing steps and times.

Procurement plans at the National and Regional levels lacked transparency, as they did not specify which works, goods or services were to be funded by the various funding sources, including Gavi. From a sample of 25 contracts reviewed, 11 contracts (4 from the Central region, 3 from the Western Region and 5 from GHS headquarters) totalling GHC 2,681,238 (USD 1,205,727)³ could not be traced to the respective procurement plans, nor was it possible to match the expenditure back to the relevant budgets from which the funds were appropriated.

Cause

Weak budgetary discipline, with budgets not being well elaborated at the start of the period, resulted in an inadequate procurement planning process and purchases not being properly identified in the budget.

Risk/Effect

Without clear, detailed budgets, there is a risk that the funds might not be spent on legitimate grant activities or the expenditure associated may exceed what was budgeted.

Risk Prioritization

Critical

Recommendation

In order to avoid unplanned purchases using GAVI funding, GHS should ensure that all the BMCs adhere to the provisions of Section 21 of the Public Procurement Act such that goods, works or services to be procured on GAVI funding are budgeted for and included in the respective Procurement Plan.

³ Based on average exchange rate of the month when the expenditure was incurred.

The Procurement Plan should clearly indicate the source of funding for each item listed.

Management comments (14 March 2016)

Management agrees with the recommendations. The Service would take steps to ensure that all GAVI purchases for a fiscal year are planned for in the corporate procurement plan according to Section 21 of the Public Procurement Act of Ghana.

Additional management comments (15 July 2016)

The Service has taken steps to ensure that all GAVI purchases for a fiscal year are incorporated into the procurement plan according to Section 21 of the Public Procurement Act of Ghana. The Public Procurement template to capture procurement plans of Public Organizations does not include source of funding. However, for the copy of the plan being kept with the Service, the Procurement Division has created a column in it to capture source of funding to address that challenge.

3.2.5 Tender process

As a result of the audit team undertaking additional work on procurement in October 2015, the recommendations raised in May 2015 on both observations under this section have been superseded by events. As a result, a revised set of recommendations have been elaborated as detailed in Section 4.1, Annex 1 of this report.

For at least one third of the contracts sampled and reviewed, the supporting documentation provided was insufficient to verify the award and expense relating to procurement contracts.

Observation 1 – Weaknesses in solicitation process

Section 47 (1) and (2) of the Public Procurement Act, 2003 requires that a procurement entity shall invite tenders or, where applicable, applications to prequalify by causing an invitation to tender or an invitation to prequalify, to be published in the Procurement Bulletin. The invitation to tender or invitation to prequalify shall also be published in at least two newspapers of wide national circulation.

The prequalification for many suppliers was not adequately supported and there was a lack of documentation in support of past suppliers' respective expressions of interest. This included:

- The prequalification of four printing suppliers could not be confirmed, in compliance with the Procurement Act requirements. These suppliers were: Supplier A; Fiona Press; Billy-Ham Press Ltd and Investa Commercial Ltd.
- At least seven procurement files did not have any evidence of newspapers adverts, nor the published article for the invitation to tender.
- The choice of the procurement method was occasionally unclear, resulting in certain procurements over the established threshold using the National Competitive Tendering method without placing a written justification for the method selected, on file. See *Annex 6 (Example 1)*.
- Some contracts were not approved by both the Entity Tender Committee and the tender review board. See *Annex 6 (Example 2)*.

Observation 2 – Inconsistencies in bidding and evaluation of one contract (GHC 1,380,000)

Section 17 of the PPA 2003 (Act 663) states that the Tender Committee of a procurement entity should ensure that, at every stage of the procurement activity, procedures prescribed in this Act have been followed and that they exercise sound judgment in making procurement decisions. It also states that any procurement above its approval threshold is referred to the appropriate Tender Review Board for approval.

Several inconsistencies were noted on the bid evaluation process in one of the contracts amounting to GHC 1,380,000 as detailed in Annex 6 (Example 3). In particular, some of the tender bids on file were similar in terms of format, layout and content, which may indicate manipulation of competition.

Cause

Weak compliance with the procurement guidelines in relation to tendering and the award of contracts, exacerbated by poor or incomplete record keeping.

Risk/Effect

Primary supporting documents and records were not available to validate the delivery and receipt of key items for at least four contracts totalling GHC 2,536,336. Unless sufficient supporting documentation is maintained to verify the award and expense relating to contracts, there is a risk of manipulation of competition.

Risk Prioritization

Critical

Recommendations

See Section 4.1, Annex 1 of this report.

Additional management comments (15 July 2016)

The procurement process have been streamlined to ensure that the Public Procurement Act is strictly adhered from solicitation of bids through evaluation to payment and filing of all contract documents in the contract file.

3.3 Programme and supply chain management

3.3.1 Stock out of vaccines

Observation

Pg. 59 of the ATF states: “Officers responsible for Stores shall be responsible for establishing the Minimum and Maximum Re-order levels. These levels shall be displayed on the Tally cards.”

Ghana has not taken delivery of replacement vaccines since September 2014, as per the delivery schedule.

At the time of the audit (8 May 2015) it was noted that the cold room stores at the National level had stock outs of at least three different vaccines used for routine immunizations, and had begun to draw down on its buffer stocks for at least three other vaccines.

EPI and the GHS’ Management explained that the purchase of sufficient levels of vaccine, in line with the national procurement plan, was hampered due to funding challenges. In addition, the GHS has not yet paid its 2014 co-payment to Gavi. If the co-payment is not paid by 31 May 2015, Ghana will technically be in default in its obligations towards Gavi, potentially leading to sanctions.

Cause

The shortage of funds to purchase vaccines was due in part to a MoH funding crisis which was worsened by losses incurred in the January 2015 fire at the national warehouse.

Risk/Effect

Shortage or stock-outs of vaccines threaten to undermine the recent gains achieved in immunization rates.

Risk Prioritization

Critical

Recommendation

The MOH and GHS should find additional funding as quickly as possible, to order and take delivery of the necessary levels of vaccine to normalize its immunization programme and replenish its stocks.

Outstanding co-payment obligations should also be met.

Management comments

Management has noted the recommendation on stock out of vaccines.

Additional management comments (15 July 2016)

The outstanding co-payment obligations has been met and the issue of stock out of vaccines has been resolved.

3.3.2 Warehouse logistics and management

Observation

The ATF stock management guidelines state that: “Officers responsible for Stores acting through their Heads of BMCs are responsible for determining the trend of usage of consumable items in their respective Stores.”

In three out of four stores visited, the stores records did not adequately capture the expiry dates of the vaccine. Although the vaccine record ledgers included the field “expiry date”, this field was not consistently used and was only completed at the time of receiving a stock consignment, without any further update. As a result, stock ledgers did not adequately track the expiration date of vaccines.

Some expired vaccines were identified in the Western Regional store, and nine boxes of nearly expired rotavirus (1,000 doses/box) were identified ten days before their expiry date in the National store. In both of these stores, the older and newer stock of vaccine was co-mingled. Furthermore, the transfer of the nearly expired rotavirus from the national stores late in April 2015 to the Greater Accra regional stores was not timely recorded in the latter’s store records two weeks later.

In addition, there was not a reliable power supply in place for the Western Store, so unusual contingency planning measures were required in the event of interruptions in power. This was due to there not being a back-up generator.

Cause

Records were not always kept up to date so as to facilitate the identification of aging stock. The Western Regional cold chain infrastructure was under-resourced, and the performance of the equipment was not reliable during power cuts.

Risk/Effect

Vaccines are at risk of wastage: (i) if the stock records are not timely updated or if they do not adequately track and control product expiry dates; or if (ii) they are not properly stored within the optimum temperature range.

Risk Prioritization

Critical

Recommendations

RGHS should improve the management of the cold chain. The following actions are suggested:

- Purchase of suitable equipment to ensure that vaccines stored in the Western regional store are adequately protected against temperature fluctuations.
- Vaccines should be properly stored, and records maintained so as to facilitate the tracking and identification of the various expiry dates of product.

Management comments

The programme has started the implementation of training for staff to ensure improvement of cold chain management in all the Regions. Community Health Officers (CHOs) in three regions, namely

Central, Western and Volta regions have already been trained in cold chain management. The scale up training will cover all the regions by the end of the year 2016. We hope this training will go a long way to help improve cold chain and vaccine management in health facilities.

3.4 Oversight and governance

Various governance mechanisms existed in the period under review including the Inter Agency Coordination Committee and the GHS' internal audit department.

One member of the Gavi audit team was present as an observer during the country's Inter Agency Coordination Committee meeting held on 22 April 2015. Discussions were in accordance with the agenda, due process was followed and decisions were minuted accordingly.

The Ghana Health Service incorporated its own Internal Audit Division with a mandate to undertake audit engagements.

Accordingly, during the period April to May 2015, the Internal Audit Division executed Gavi specific audits across all 10 regions. The Gavi audit team reviewed seven of the Internal Audit Division's draft reports covering respective Regions, and determined that it could place reliance upon the audit work performed.

From a review of the seven draft regional audit reports and the overall GHS procurement review report produced by the Internal Audit Division, it was noted that many of the issues identified corroborated those identified by the GAVI team. For example weaknesses identified by the Internal Audit Division team included:

- Single sourcing of contracts without the Public Procurement Authority's approval;
- Contracts not supported by a procurement plan;
- Contracts with no evaluation report;
- Lack of competitive bidding in some of the contracts;
- Delays and a lack of timeliness in using Gavi funds in some BMCs;
- Funds disbursed to the regions not being adequately supported with clear instructions as to which program and activities were to be implemented; and
- Excessive delays in retiring programme advances.

4 Annex 1 – Supplementary findings from October 2015 visit

4.1 Procurement; October 2015

From the procurement review done, irregularities were noted in various contracts which have led to the issues and recommendations detailed in the sections below. Many of the recommendations are related to the unavailability of documents central to any review of the procurement process, including some that remained outstanding at the time of the initial audit. Other issues noted stem from weak implementation of the Public Procurement Act. Various instances were observed where sole source procurements were used for sums of over 20,000 GHC, contrary to the requirements of the PPA, or where the purchases were not approved by the Entity Tender Committee (as required for contracts with a value of over GHC 20,000). It was explained that it was not practical to do this as currency movements in the years since the implementation of the Act meant that this would apply to even small procurements. Gavi does not endorse bypassing of national laws, but regardless of the practical reasons for doing so, it was noted that no documentation existed to show which official had taken responsibility for the decision to contravene the PPA, or the justification for doing so.

Note that where local currency is converted to US Dollars, the amounts are generally rounded down.

Observation

Gavi noted deficiencies in a number of purchases, where the tenders did not appear to support a proper competitive, fair or transparent procurement process. Purchases from two large suppliers, Supplier A and Supplier B raised particular concerns.

An unfair or non-transparent procurement exercise also calls into question the integrity of the entire procurement process, from requisition through to payment. Therefore, even in those situations where the goods or services were actually delivered, it is not possible to gain assurance that good value for money was obtained, or even that the purchases were properly justified or required.

Additional management comments (15 July 2016)

Activities at the Procurement Division have been streamlined to ensure that due processes are adhered to in all procurement transactions.

Review of the MoH procurement procedure manual is currently ongoing, which provides some elaborate guide/supplementary procedures on further processes to be undertaken within the MoH. This will end up in a work plan with timelines which will be shared with Gavi secretariat.

The MoH will develop a protocol for conflict of interest for procurement processes to be adhered to by all staff connected to the procurement process.

Post procurement audit will be conducted and the report shared quarterly with management to address challenges to be unearthed by the audit.

Most of the inconsistencies were due to mistakes/lapses in the GHS internal processes. However, management will refer this for legal advice from the GHS legal office and key recommendations on the way forward will be shared.

With the current HSS, all activities will have a direct link to immunization and other GAVI related activities. As stated elsewhere, all activities in the work plan will be detailed and shared with the Gavi secretariat.

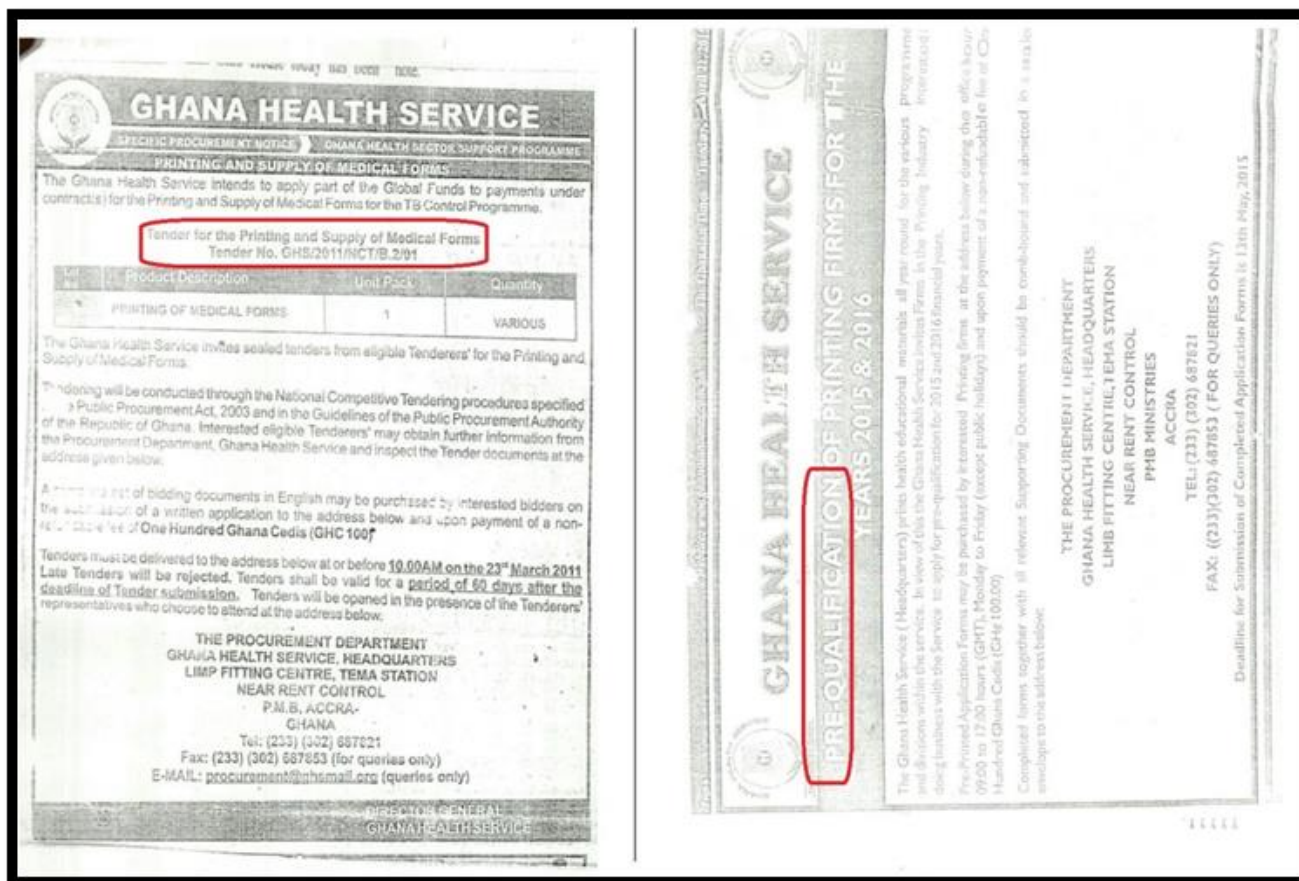
Filing and documentation systems have been improved.

4.1.1 Procurements from Supplier A

The purchases from Supplier A were already cited as irregular in the initial audit, with both the choice of procurement method being unclear, and the failure to pass them through the Entity Tender Committee, amongst other issues. Further documents were requested, but were not forthcoming until the follow-up mission where altered documents were provided (see below). It is also noteworthy that no documents were provided in relation to the bids of losing bidders, and the audit team is unable to gain satisfactory assurance that these bidders were bona-fide competitors.

Further discrepancies related to the fact that 2011 tender documents were used to justify multiple tenders (including those by Gavi) in subsequent years. It was explained that the initial tender exercise (as advertised in the Ghanaian Times and the Daily Graphic) was in fact an exercise for pre-selecting approved print suppliers. However, both the newspaper adverts and evaluation reports pertained to Global Fund procurements but it was explained that GHS considered that the 2011 results could continue to be used as a basis for selecting suppliers as late as 2013, and even for other donors. Accordingly, the 2011 documents were attached to later tenders to demonstrate the earlier pre-selection and thus obviate the need for further competition.

However, this explanation is inconsistent with commencing a request for quotation exercise in 2013, i.e. if the suppliers were pre-selected there would be no need to ask them to bid among themselves for a further contract. The act of issuing a tender exercise implies that the most competitive bidder will be selected – not just a bidder that has been pre-qualified and can be selected at will. Indeed, the 2011 tender was not advertised as a prequalification exercise and thus other suppliers who may have been interested in this aspect of the competition were not given the opportunity. In addition, only the documentation for the winning supplier was available to Gavi, thus inhibiting verification of the tender exercise.



Adverts for tenders for specific products (left) differ from adverts for pre-qualification (right). Using tenders for specific products to pre-qualify companies for other tenders is not transparent and reputable firms may miss out on being pre-qualified if they did not wish to bid for individual tenders.

Another aspect of the procurement with Supplier A was that two similar – but materially different – sets of documents were provided to the audit team in respect of the first two procurements below, which raises questions over the integrity of the procurement process.

GHS/2011/NCT/B.2/01, 18-Jun-13

Contract(s) value: GHC 1.38M

The tender evaluation document presented during the first audit visit showed a procurement for twelve million vaccination health cards. However, after Gavi queried this tender, GHS provided a further evaluation report during the second audit visit which purported to be the same document but contained material differences. The second evaluation report omitted mention of the 12 million 'vaccination health cards' but instead mentioned a tender for just 100,000 'international vaccination cards' which Supplier A won in the sum of GHC 80,500. It is unclear why this tender information was removed from the second set of documents provided but there remain questions over irregularities for this procurement, in the sum of GHC 1.38 million. For instance, the request for quotation specified a quantity of only *twelve thousand* cards and yet the pro-forma invoices of the bidders responded with quotations for *twelve million*. Even if the higher figure was correct, there was no correspondence on file with the bidders in this regard, thus suggesting missing documentation or

undocumented contact with the bidders⁴. Furthermore, the pro-forma invoices submitted by all the three suppliers are dated 10th June 2013, which is after the closing date for submission of quotations of 8th June. Other than the pro-forma invoices, no other documents from the losing bidders were made available, thus inhibiting a proper audit review. This, combined with the irregularities observed do not allow us to conclude that the bidding process was fair or competitive, or that the goods delivered were the same as those required. (See also para 3.3.2 of main audit report).

It should also be noted that the amount paid to the supplier (GHC 1,380,000) differed from that specified in the evaluation report (GHC 1,200,000) – even though the difference can be attributed to sales tax, from which Gavi procurements should be exempt. Therefore, the amount in question relating to this procurement is GHC 1,380,000 (approximately **USD 690,000** at the erstwhile exchange rate of 2.00).

GHS/2011/NCT/B.2/01, 27-Feb-12

Contract(s) value: GHC 310,000

This procurement was included in the same evaluation report as the procurement (above) but in this case the details of this particular procurement exercise were not changed in the altered version of the report. This selection was also done under the auspices of the tender advert mentioning the Global Fund. Nevertheless, there remain other questions over the integrity of this procurement process. There were inconsistencies in the type and quantity of goods. While the initial request for quotation was for *three thousand vaccination yellow cards*, the tender evaluation ended up being for *three million meningitis vaccination cards*, consistent with the bids received. There is no record of how the bidders knew that the quantity in the request for quotation was incorrect, or that they were for meningitis, thus suggesting missing documentation or undocumented contact with the bidders. Further, GHS issued the contract on 27th July 2012, which was before receiving the letter of acceptance of the winner supplier, dated 6th August 2012. The tender was not submitted to the Entity Tender Committee despite the requirement to do so. The evaluation report was not signed by the panel members, and their names do not fully match with the names appearing on the supporting attendance sheet. Of the four proposals from prospective vendors in the prequalification phase, only that of the eventual winning supplier was available, thus preventing a proper audit review.

Thus, we were unable to obtain assurance that (a) the procurement relates to Gavi programmes; (b) the bidding process was fair or competitive; and, (c) the goods delivered were those specified. Therefore, the amount in question relating to this procurement is GHC 310,000 (approximately **USD 184,400** at the erstwhile exchange rate of 1.68).

GHS/2013/NCT/B.2/03, 04-Sep-13

Contract(s) value: GHC 690,000

Similar observations apply to the fairness of this procurement. The evaluation report of 13th June was dated one month before the vendors' bids (pro-forma invoices) of 11th and 12th July, which were in

⁴ Such action may also contravene section 43 (4) of the Public Procurement Act 2003 (Art. 666) which states "No negotiations shall take place between the procurement entity and a supplier or contractor with respect to a quotation submitted by the supplier or contractor, prior to evaluation of bids."

turn dated a month and a half before the request for the procurement (26th August 2013). This illogical sequence of events suggests that the bids were known before the procurement process was initiated. Thus, the procurement was not properly planned, transparent or fair. Therefore, the amount in question relating to this procurement is GHC 690,000 (approximately **USD 320,000** at the exchange rate of 2.16).

Management comments (15 July 2016)

Management had noted the inconsistencies, unclear procurement method as well as inadequate documentation to substantiate the procurement transaction. As stated at below, management has taken steps to forestall the occurrence of these lapses in future

4.1.2 Procurements from Supplier B

Gavi has been unable to obtain sufficient assurance that this supplier was appropriately selected pursuant to a fair and transparent process in the tenders examined. The following irregularities were observed.

GHS/2012/NCT/A.1/10/C03, 18 March 2013

The absence of key documents does not allow Gavi to conclude that this procurement was conducted properly. Amongst the missing documents are the request for quotation, the evaluation report, and the pro-forma invoices of all the bidders. The choice of the procurement method was not clearly justified, and there is also no evidence that the contract was submitted to the Entity Tender Committee. Therefore, the amount in question relating to this procurement is GHC 44,805.00 (approximately **USD 23,000** at the rate of 1.94).

GHS/2013/NCT/B.2.3/01/C01, 4 July 2013

This contract, for Service Delivery Kits (Midwifery Kits) was awarded to Supplier B at a cost of GHC 1,545,000. This was not the lowest quote, however as another supplier was Medolab International Company Limited provided a quote in the sum of GHC 1,105,260. GHS rejected Medolab's quote as 'non-responsive' on the grounds that it had not provided a Tax Clearance Certificate. This was despite two separately completed tenderer's submission forms in the procurement file confirming that Medolab *had* complied with this requirement and had produced the tax clearance certificate on 8th March 2013 at 10:00 AM. There was no supporting documentation in the file to suggest that the panel had queried this inconsistency. Also missing were the pro-forma invoices of the losing bidders and the minutes of Entity Tender Committee (ETC). Further, the Minutes of the tender opening for the procurement of Service delivery kits is dated on 8th April 2013 whereas the evaluation report (page 3) and other documents indicate that the meeting took place a month earlier on 8th March 2013. There were also inconsistencies between the panel evaluation team and the staff attendance register and many of the documents in the procurement file are photocopies rather than originals. Further inconsistencies, such as the nature of the items to be supplied (e.g. page 3 of the Evaluation report where the schedule of requirements refers to the purchase of vehicles rather than midwifery kits) suggests that the evaluation was not properly conducted. Accordingly, it appears that the correct course of action would have been to accept the lower bid. The difference between Medolab's

bid (GHC 1,105,260) and the winning bid from Supplier B (GHC 1,545,000) was GHC 439,970 (approximately **USD 215,600** at the rate of 2.04).

Services Contract, 17 February 2014

In this purchase for the distribution of midwife delivery kits, the contract was fulfilled and the invoice (of 10th February 2014) is dated *before* both the delivery of the services (February and March) took place and the contract date of 8 April 2014. Key documents were also missing from the procurement file, including the request for quotation; the evaluation report; and, the quotation/pro-forma invoices of the winning supplier, Supplier B. Even the pro-forma invoices of one of the losing bidders (Tass) is dated 21st October 2014 which is inconsistent with the relevant dates in this procurement. There is also no indication that the contract was submitted to the Entity Tender Committee. Finally, none of the documents were originals – they were copies only. For these reasons, Gavi considers that there is insufficient evidence of this being a fair, competitive or valid tender. The amount in question is GHC 48,580.21 (**USD 19,000** at the rate of 2.54).

Services Contract, 17 February 2014

This procurement relates to the supply of scales for GHC 39,747.44. The request for quotation is missing in the procurement file, and only two of the three prospective vendors have provided the necessary pro-forma invoices. The third bidder, Trans Atlantic Shipping Services provided an actual rather than a pro-forma invoice which a company would not normally do in the absence of an agreed purchase. The item descriptions and quantities mentioned in the contract (6,355 items) do not align with the number of items indicated in the evaluation report (8,198 items), indicating a shortfall. Indeed the items indicated on the pro-forma invoices of one supplier (Supply Tekniks Limited) bears no relationship with the description of the items mentioned in the contract. In addition, there was no justification for the choice of procurement method and there was no evidence of approval by the Entity Tender Committee. Furthermore, given that all the procurement documents on file were photocopies rather than originals, Gavi considers that the procurement file is incoherent and is thus unable to conclude that the process was fair and competitive. The amount in question is GHC 39,747.44 (**USD 15,600** at the rate of 2.54).

Management comments (14 March 2016 and 15 July 2016)

The Tender for the Supply of Service Delivery Kits (Midwifery Kits) went through a Competitive Tendering Process in line with the requirement of the Ghana Public Procurement Law.

The Contract for the supply of the midwifery kits was issued to Dabs Medical Suppliers Limited.

Management acknowledged that there were errors and inadequate documentation of the contract process. Management has however noted your concerns with the Tender and hereby explains as follows:

- 1. Though at the time of tender opening on the 8th of March 2013, at 10.00am, the opening records taken indicated the presence of a tax clearance certificate for Medolab International Company Limited – that was a genuine error. These are normally recorded during the read-out sessions. An evaluation panel subsequently constituted to evaluate the proposals, as part of the preliminary evaluation, verifies the presence and authenticity of all mandatory documents requested for.*

2. *It was at the evaluation stage on the 8th April 2013 that the panel noticed the error – i.e. that The Tender Submission from Medolab International Company Limited did not include the Tax Clearance Certificate - but unfortunately did not officially made mention of that error.*
3. *The reference to “Vehicles” in the evaluation report for the Midwifery Kits was purely an error.*
4. *The Tender Submissions from the other Suppliers were all available for the audit review.*
5. *All suppliers that took part in the tender and were not successful were officially written to, informing them of their unsuccessfulness, giving them an opportunity for a debrief. Medolab International Company Limited was duly communicated to in writing and the letter was duly received by Medolab International Company Limited with their Contact Details.*

Gavi audit team’s response on “Procurements from Supplier B”

The audit team maintains the recommendation. In accordance with Public Procurement Act 2003 (Act 663, 28), the Office is required to maintain a complete procurement file including all key documents and records to support purchases. With respect to the award of service delivery kits to Supplier B – the evidence on file was incomplete and inconsistent.

Despite the responses from GHS, there remains insufficient evidence to explain why the cheaper supplier, Medolab, was disqualified. The written evidence stands that two separate individuals who participated in the award to Supplier B confirmed that the tax certification for the cheaper supplier was available, which contradicts the basis for its disqualification. There was no evidence to indicate that the evaluation panel noted the discrepancy or enquired into the matter, given its materiality due to opportunity for significant cost savings of approximately GHC 440,000.

4.1.3 Procurement of Incinerators

As part of the Meningitis operational costs grant, GHS procured 62 incinerators, of which 33 were procured with Gavi funds transferred through UNICEF in September 2012. UNICEF opted to transfer the funds back to the GHS to undertake the procurement using their national procedures. Subsequently, on 5 April 2013, GHS sought and received approval from the Public Procurement Authority (PPA) for the expenditure of GHC 880,000 (approximately USD 440,000) for the construction of 62 incinerators via sole source procurement from Supplier C. There is no indication as to why sole-source procurement was sought; what documents were provided to the PPA; or what other procurement options had been considered. Gavi notes the only justification for the supplier was based on its prior performance as a successful bidder on a previous contract in 2010. However, there was no documentation to show whether GHS was considering obtaining good value for money by considering other selection methods, or bidders.

Gavi has requested details of the missing documentation and justifications in order to justify the expenditure, method of procurement and excess payment (above budget) of GHC 240,000, so as to substantiate the overall expenditure of GHC 880,000.

Management comments (14 March 2016)

The Ghana Health Service sought approval from the Public Procurement Authority to Sole Source for the Construction of 62 Incinerators from Abudan Social Engineers Company Limited at an estimated

cost of GHC 880,000 and a copy of the approval was sighted by the Audit Team. Unfortunately, we could not trace the earlier letter submitted to the PPA based on which an earlier decision was taken by the PPA to grant approval for Sole Sourcing of Incinerators.

The Public Procurement Authority considered the reasons given for the Sole Sourcing request and approved for the GHS to Sole Source from Abudan Social Engineering Company Limited.

Two different contracts for the procurement of the same item (Incinerators) were put together for the Sole Sourcing approval. One of the contracts was for the construction of 29 incinerators at a total contract sum of GHC 411,800, funded by WHO.

The second Contract was for 33 Incinerators at a total contract sum of GHC 462,908, funded by Gavi through UNICEF.

What was submitted to the PPA was thus a combination of the Gavi routed through UNICEF and WHO funds.

GAVI audit team's response

Additional documentation was received by the audit team in March 2016 in relation to the procurement of incinerators. This clarified that UNICEF made USD 262,438 of Gavi's funds available to GHS, and showed that two contracts totalling GHC 880,000 were signed in May 2013. However the basis for the sole source procurement and the evidence of what was presented to the PPA is outstanding. As a result the issue was still questioned by the audit team due to the fact that primary documentation was not available.

In future, Gavi will be unable to countenance further procurements where the justification for the selection method is not provided.

4.1.4 Other Procurements

GHS/2014/SHP/B.3.1/09/C 31, 2 September 2014

Supplier D

The details of the supplier and the purchase amount (GHC 4,523.75) were known to GHS before the evaluation process was conducted, thus pointing towards discrepancies in the process. This is evidenced by the request for payment of funds being made on 6th August 2014, i.e. two weeks prior to the tender evaluation report of 21st August 2014 (which is unsigned and is missing the tender committee attendance sheet). Further the Stores Received Advice is missing from the file, thus inhibiting physical verification of the asset purchase and its intended use. Taken together, Gavi is unable to confirm that this was a fair and competitive purchase, or that it relates to HSS approved activities. The amount in question is GHC 4,523.75 (approximately **USD 1,200** at the rate of 3.75).

SECTION 4 – Overall Comments on Discrepancies Observed (Sections 3.3.2 and 4.1.1 to 4.1.4)

Cause

Procurements were not consistent with good practice, procedures or national laws.

Risk/Effect

GHS may be procuring goods or services that are not justified or required, from suppliers that do not offer the best value for money or for inflated costs.

Risk Prioritization

Critical

Recommendation

To strengthen the overall GHS procurement process, it is recommended that all procurements are conducted in line with national laws and GHS policies and procedures. In addition:

- The GHS should clarify and strengthen process of pre-qualifying of suppliers, so as to ensure that an adequate audit trail of documentation is on file for each request for interest. In addition, any procurements to pre-select suppliers should clearly state that fact in any tender advertising;
- Evaluations conducted should be documented and should be backed up by appropriate reference checks and there should also be regular audits of procurement procedures;
- The GHS (and Ministry of Health) should enforce implementation of the procurement guidelines and Public Procurement Act. Where necessary, supplementary Standard Operating Procedures should be issued so as to elaborate and guide the process further;
- The management and recording of conflict of interests should be documented to ensure integrity and impartiality of the procurement process, and reviewed and approved by appropriate management; and
- Based on the numerous inconsistencies highlighted, companies identified in subsequent investigations as inappropriately interrelated and which have been engaged in non-transparent procurement, should not be used for future procurements
- In any case where an irregular procurement process is anticipated, a responsible and identifiable senior official should provide written authorisation and justification, notwithstanding that Gavi may decline to finance such expenditures;
- All purchases charged to Gavi should have a clearly documented link to Gavi activities;
- All original documents and communications should be maintained in the procurement files, from requisition through to invoicing. This includes the documentation from unsuccessful bidders; and
- GHS should not use Gavi funds towards paying sales tax, as per the Partnership Framework Agreement signed on 11 July 2014 (see section 3.1.5 of the main audit report).

Management comments

The Ghana Health Service agrees with the recommendation to develop supplementary Standard Operating Procedures on procurement to guide the procurement processes and also ensure compliance of the Ghana Procurement Law.

In strengthening the process of pre-qualifying suppliers for procurement transactions, steps has already been taken to ensure clarity in both the advertising and selection.

Management had also embarked on Capacity Building of Staff at the Procurement Department in Records Management and Procurement Procedures. This is aimed at strengthening filing and documentation activities within the department and also ensuring that all procurements are done in line with the requirements of the Public Procurement Act.

Additionally a Procurement Management Software has been developed to manage the procurement processes and currently staffs are being trained on its use. The aim is to eliminate as much as possible the manual processes avoiding errors and inconsistencies.

Additional management comments (15 July 2016)

Currently the processes of pre-qualifying suppliers for procurement transactions have been strengthened and steps have already been taken to ensure clarity in both the advertising and selection.

4.2 Expenditure, asset allocation and disbursements; October 2015

Section 20.1 of the Partnership Framework Agreement states that ` the Government shall use the funds and vaccines and related supplies received from GAVI under the programme for the sole purpose of carrying out the programme activities of such programme.

4.2.1 Budget Allocation

Expenditure that is not related to Gavi activities

Under one of the contracts reviewed, hospitality services (Windy Lodge Hotel, contract date 6/3/13) amounted to GHC 60,900. This was for Bottleneck Needs Analysis training. By memo of 6 May 2013 from the Director General to the Director, PPMED, it was noted that the activity was to be funded by UNICEF. While a further memo of 4 June from PPMED to the Director General requests a supplementary amount of GHC 13,860 was to be charged to GAVI, the basis for this request and the relevance to Gavi programmes is unclear. Ultimately, the entire amount of GHC 60,900 was charged to Gavi using cheque numbers 4868 and 4869. The amount in question is GHC 47,040 (**USD 24,500** at the exchange rate of 1.915).

Cause

Weaknesses in cost allocation and in monitoring of budget.

Risk/Effect

Gavi could be charged for costs not related to Gavi activities. There is also the risk of duplication of funding with multiple donors financing the same activity. An amount of USD 31,800 has been questioned by the audit team.

Risk Prioritization

Essential

Recommendation

GHS should ensure that Gavi funds are used for the purpose intended and contained in approved work plan. GHS should also document the relevance to Gavi programmes when financing any purchases with Gavi funds.

Management comments

Referring to 2014 APR activity 1.2.2 it was reported that Gavi funds were used to support the Bottleneck Analysis workshop.

The payment of GHC 60,900 was supposed to be partly funded from UNICEF (GHC 52,800) and Gavi (GHC 8,100). However the payment voucher carried source of funds as Gavi hence the charging of the total amount to Gavi which means Gavi has been over-debited by the UNICEF portion. This will therefore be credited (refunded) to Gavi.

Additional management comments (15 July 2016)

Management had noted the wrong debit of GAVI account with the GHC 47,040. This has been corrected and GAVI accounts credited.

4.2.2 Vehicle Asset Allocation

Observation

Vehicles

Thirty Mitsubishi pick-ups were purchased in 2012 using GAVI funds at a total cost of USD 720,000 (USD 24,000 each). Fifteen were distributed to regional health directorates and the remaining fifteen were distributed to various GHS departments at national level. Out of the fifteen distributed to the GHS directorates, ten vehicles were assigned to individuals at GHS HQ where there is no clear justification for asset assignment and relevance to Gavi activities. From the review of the transport records, the monthly log books were not properly maintained, with most vehicles not having records for 2014 and 2015, and for those records that did exist, the purpose of the trip was not well indicated making it difficult to ascertain whether the vehicles were used for GAVI or immunisation related activities. Even where assets are allocated to senior staff with indirect links to program deliveries, there is no indication as to the rationale for providing them with a pick-up truck.

Accordingly, Gavi is unable to obtain assurance that the vehicles allocated to the following persons or departments directly related to Gavi programmes:

Number Plate	Department	Designated individual
GV 222-12	PPME	Mr Kwame Quandahor (recipient & driver), Deputy Director, Policy Planning and Monitoring & Evaluation
GV 221-12	PPME	Dr Beatrice Heman
GV 230-12	HRDD	Mr Margaret Chebri, Director, Human Resource and Development Division (HRDD)
GV 224-12	SSDM	Pool vehicle
GV 226-12	ICT	Mr Sam Quashi, Head of Information, Communication & Technology (ICT)
GV 223-12	PPME	Mr Charles Adjei Acquah
GV 233-12	DG's office	Dr Emmanuel Ankra, Head of Legal Unit
GV 209-12	ICD	Dr Gertrude Avotri, Deputy Director, Institutional Care Division (ICD)
GV 225-12	ICD	Pappoe Mills, Head of Laboratory
GV 231-12	Assignment unclear	Was in Family Health Department (FHD) but this was transferred to one of the districts
GV 220-12	Pool vehicle, assignment unclear	Was involved in an accident
GV 219-12	Transport dept	Pool vehicle
GV 232-12	Nutrition	Esi Amwafo, Deputy Director
GV 216-12	Eyecare	Dr Oscar Debra, Head
GV 238-12	Transport dept	Pool vehicle

The total cost of these vehicles, at USD 24,000 each, is USD 360,000.

Cause

Inaccurate assessment of vehicle requirements.

Risk/Effect

Assets not being used to support Gavi activities to the detriment of the programme. An amount of USD 360,000 equivalent to the purchase of these vehicles has been questioned by the audit team.

Risk Prioritization

Essential

Recommendation

We recommend that GHS identifies gaps in the regions and districts where the vehicles are needed. The vehicles should be re-allocated to the areas of greatest need in direct support of immunisation activities.

Management comments

The Gavi funding was to support health systems strengthening and so GHS allocation of the vehicles to senior officers in specific Divisions was to support integrated systems strengthening at all levels of service delivery. Their roles support monitoring and supervision at all levels of service delivery and these vehicles are in use to strengthen the GHS integrated health systems from the National level down to the lowest level of service delivery including immunization and child health activities of which Gavi is a major Partner.

Additional management comments (15 July 2016)

The vehicles were procured to support immunization as well as health systems. They were not allocated to individuals for personal use but to Divisions with functions related to maternal and child health. Allocation was based on broader understanding of all other contribution of vehicles allocated to the Service.

However, Management had written to recall the vehicles from the various Divisions and re-allocated them to identified Districts for service delivery.

Management will detail its work plan and all indirect cost will be clearly indicated.

Additional audit comments from Gavi audit team

From the July 2016 Management comments provided, we understand that these vehicles will now be re-allocated to activities that contribute to the strengthening of the capacity of integrated health systems to deliver immunisation in the Country.

4.2.3 Other Asset Allocation

Some assets were purchased by the EPI programme using Measles Rubella Campaign funds pursuant to a contract of 9 September 2013 with Tsaven Ltd (payment voucher 5064) with no clear link to Gavi activities. Specifically, two Sigma Air conditioners (total GHC 3,962) were distributed to Human Resources, at GHS HQ. Further two Samsung Galaxy Note tablets (total GHC 3,600) were misallocated. One went to procurement official Dr. Adai Doular (no clear link to Gavi activities), while another together with a laptop (GHC 2,200) was allocated to former EPI manager Mr. Antui Agyei approximately one month prior to his retirement with no justification, and no record of the assets being returned. The total value of these assets is GHC 9,762 (approximately **USD 4,500** at 2.165) is questioned by the Audit team

Cause

Failure to link asset requirements with Gavi activities.

Risk/Effect

Assets not being used to support Gavi activities.

Risk Prioritization

Essential

Recommendation

GHS should ensure that Gavi funds are used for the purpose intended and contained in approved work plan.

Management comments

This was a misapplication as the amount was supposed to be charged to other funds. The funds used for the purchase of the Air Conditioners will therefore be refunded.

The two Samsung Galaxy Note tablets and a laptop were very essential to facilitate the entire EPI programme. Management is making efforts to retrieve the items.

Additional management comments (15 July 2016)

Management had acknowledged the misallocation of the items procured. GAVI account has therefore been credited with the total amount involved.

4.2.4 Expenditures in 2015

The following items were examined in the follow-up audit and relate to 2015 expenditures, as per the budget utilisation information provided and have been questioned accordingly by the audit team.

Furthermore, in the first instance, Gavi seeks confirmation as to whether the amounts relate to Gavi activities (with further details where this is the case) and justification for the high level of expenditure on the below item for 5 May 2015.

Date	Description	Amount (GHC)	Initial management comments	Management comments	Additional audit comments
13/01/15	GHS Directors 2015 Retreat in Ho	56,775	Does not appear to be directly linked to GAVI activities	The GHS Directors retreat is a form of performance review and integrated monitoring of GHS.	Section 14, Annex 2 of the Partnership Framework Agreement states that "GAVI may approve funding for Programmes that contribute to the strengthening of the capacity of integrated health systems to deliver immunisation in the Country". Although management has indicated that the above activities include GAVI, no documentation was provided to connect or directly link the activities involved with the immunization programme.
20/01/15	Supplementary budget for 2015 Directors Retreat in Ho	9,400	Does not appear to be directly linked to GAVI activities	During the 2014 meeting, performance of all programmes were discussed of which immunization was part. Issues related to Gavi implementation were also discussed in the meeting.	
20/01/15	Sponsorship for MBA Tuition - Hamza	2,750	Does not appear to be directly linked to GAVI activities	There is a budget line to Reference line 5.11 "Organize and coordinate standardized training programme for district and sub-district health teams and technical managers". This support was provided to build staff capacity to coordinate this	

Date	Description	Amount (GHC)	Initial management comments	Management comments	Additional audit comments
				activity.	
18/03/15	2015 HR Hearing meeting in Kumasi	25,700	Does not appear to be directly linked to GAVI activities	The HR hearing was to discuss the standardized training modules and instruments and in addition identify HR physical and capacity gaps to facilitate training programmes.	
04/10/15	Payment for 2 iPhone 6 Plus	10,712	Does not appear to be directly linked to GAVI activities	These two phones are meant for strategic communication at the highest level (national) with the other levels (Regional and District) for systems strengthening and also to monitor data flow and analysis of which immunization is key.	See comments above.
05/05/15	GAVI 1 Cash audit HQ Team - Per Diem & Fuel	39,070	Costs appear to be excessive given that the GHS team supported the audit team in the field for one day.	There were a series of meetings before and after the cash audit mission. There were also a number of follow up field visits and other meetings after the audit mission of which the budget was used for.	The amount charged is high and seems disproportionate to actual support provided. No clear basis was provided for the costs.
	Total	144,407			
	Approximate	38,300	Using the 2015 average		

Date	Description	Amount (GHC)	Initial management comments	Management comments	Additional audit comments
	Amount in USD		exchange rate (3.76671)		

Annex 2 – Expenditure not related to grant activities

Ref. No.	Date	Description/Details	Amount (GHC)	Exchange rate	Amount (USD)	Comments: (Note: For each expense an average of the monthly exchange rate was used).
4980	16-Sep-13	GHS PUBLIC HEALTH PROGRAMME-TOBACCO CONTROL	88,000	2.1858	40,260	Although transfer is captured in the system under GAVI transactions under ISS, this is not a GAVI transaction as it relates to Tobacco Control activities and as such, funds should be refunded to the grant.
3580	03-Jul-12	DOMUS LTD.- RENEWAL OF TENANCY AGREEMENT- GHANA HEALTH SERVICE GUEST HSE (ADVANCE)	46,080	1.9697	23,395	Activity does not contribute to any of the GAVI objectives and was not linked to any objective.
4943	21-Aug-13	18TH JULY- FURNISHING OF DIRECTOR GENERAL'S RESIDENT	12,606	2.1277	5,925	Activity does not contribute to any of the GAVI objectives although from the cashbook provided, it was charged under the following objective: <i>Objective.2.2: Train senior managers including National, Regional and District Directors in the use of DHIP and DHA in for priority setting and decision-making .</i>
4944	21-Aug-13	GHANA REVENUE AUTHORITY- 18TH JULY (FURNISHING OF DIRECTOR GENERAL'S RESIDENT)	643	2.1277	302	Activity does not contribute to any of the GAVI objectives although from the cashbook provided, it was charged under the following objective:

Ref. No.	Date	Description/Details	Amount (GHC)	Exchange rate	Amount (USD)	Comments: (Note: For each expense an average of the monthly exchange rate was used).
						<i>Objective.2.2: Train senior managers including National, Regional and District Directors in the use of DHIP and DHA in for priority setting and decision-making .</i>
5458	05-May-14	PAYMENT FOR DENTAL SERVICES	3,200	2.9163	1,097	Activity does not contribute to any of the GAVI objectives.
5789	29-Sep-14	CASH- SOUVENIRS- JICA POLICY ADVISOR	500	3.6219	138	Activity does not contribute to any of the GAVI objectives.
5826	13-Oct-14	MATERIALS AND LABOUR FOR RETILING THE LIVING ROOM AT DG's official residence	632	3.3523	189	Activity does not contribute to any of the GAVI objectives.
5464	05-May-14	STAR IMPRESSIONS - PLAQUE FOR OUTGOING COUNTY DIRECTOR	588	2.9163	202	Activity does not contribute to any of the GAVI objectives.
5461	05-May-14	FUNERAL DONATION	500	2.9163	171	Activity does not contribute to any of the GAVI objectives.
4974	16-Sep-13	PRINCIPAL MECHANICAL SUPERINTENDENT- PAYMENT OF BILLS FOR WORKS FOR VARIOUS VEHICLES IN DIFFERENT GHS DEPARTMENTS	7,117	2.1858	3,256	Work orders relate to 2012 – a period preceding when Gavi funded GHS vehicles. Supporting schedule indicates that these are vehicle expenses for various departments for April 2012.
4975	16-Sep-13	PRINCIPAL MECHANICAL SUPERINTENDENT- PAYMENT OF BILLS FOR WORKS FOR VARIOUS VEHICLES IN DIFFERENT GHS DEPARTMENTS	37,791	2.1858	17,289	Work orders relate to 2012 and 2011– a period preceding when Gavi funded GHS vehicles. Examples of old work orders included in this payment are 157/11, 417/11 and 331/11 amounting to GHC 14,655.

Ref. No.	Date	Description/Details	Amount (GHC)	Exchange rate	Amount (USD)	Comments: (Note: For each expense an average of the monthly exchange rate was used).
						Supporting schedule and invoices however indicate that these are vehicle expenses for various departments for March 2012.
4977	16-Sep-13	PRINCIPAL MECHANICAL SUPERINTENDENT- PAYMENT OF BILLS FOR WORKS FOR VARIOUS VEHICLES IN DIFFERENT GHS DEPARTMENTS	27,199	2.1858	12,444	Work orders relate to 2012– a period preceding when Gavi funded GHS vehicles. Supporting schedule indicates that these are vehicle expenses for various departments for August 2012.
4978	16-Sep-13	PRINCIPAL MECHANICAL SUPERINTENDENT- PAYMENT OF BILLS FOR WORKS FOR VARIOUS VEHICLES IN DIFFERENT GHS DEPARTMENTS	21,784	2.1858	9,966	Work orders relate to 2012 and some for 2010/11 – a period preceding when Gavi funded GHS vehicles. Examples of old work orders included in this payment are 431/11 and 834/10. Supporting schedule indicates that these are vehicle expenses for various departments for February 2012.
4979	16-Sep-13	PRINCIPAL MECHANICAL SUPERINTENDENT- PAYMENT OF BILLS FOR WORKS FOR VARIOUS VEHICLES IN DIFFERENT GHS DEPARTMENTS	5,117	2.1858	2,341	Work orders relate to 2012 and 2011– a period preceding when Gavi funded GHS vehicles. Supporting schedule indicates that these are vehicle expenses for various departments for March 2012.
			251,757		116,975	

Annex 3 – Summary and ranking of Recommendations

Issue	Critical	Essential	Desirable
Budgeting and Financial Management			
Accounting of donor funds		X	
Reporting of donor expenditure		X	
Linkage of activity codes to budget		X	
Unclear basis for charging indirect costs	X		
Exemption from duties and taxes	X		
Expenditure and disbursements			
Expenditure that is not related to grant activities	X		
Weaknesses in supporting documentation		X	
Advances not retired on a timely basis		X	
Procurement			
Procurement planning	X		
Tender	X		
Programme and supply chain management			
Stock out of vaccines	X		
Warehouse logistics	X		
Supplementary findings from October visit			
Review of various procurements	X		
Budget Allocation		X	
Vehicle Asset Allocation		X	
Other Asset Allocation		X	

Annex 4 – Definitions of audit terms - Ratings, Causes, Risks, and Priorities

A. AUDIT RATINGS

The Gavi Programme Audit team's assessment is limited to the specific audit areas under the purview and control of the primary implementing partner administrating and directing the programme of immunization. The three audit ratings are as follows:

- **Satisfactory** – Internal controls and risk management practices were adequately established and functioning well. No critical-risk areas were identified. Overall, the entity's objectives are likely to be achieved.
- **Partially Satisfactory** – Internal controls and risk management practices were generally established and functioning, but needed improvement. One or more critical- and essential-risk areas were identified that may impact on the achievement of the entity's objectives
- **Unsatisfactory** – Internal controls and risk management practices were either not established or not functioning well. The majority of issues identified were prioritized as critical. Hence, the overall entity's objectives are not likely to be achieved.

B. CATEGORIES OF RISK PRIORITIZATION

The prioritization of the recommendations included in this report includes proposed deadlines for completion as discussed with the Ministry of Health, and an indication of how soon the recommendation should implemented. The urgency and priority for addressing recommendations is rated using the following three-point scale, as follows: Critical – Essential – Desirable.

The three categories of priority are defined as follows:

- **Critical** Action is considered imperative to ensure or mitigate exposure to high risks. Failure to take action could potentially result in major consequences and incidents.
- **Essential** Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.
- **Desirable** Action is considered desirable and should result in enhanced control or better value for money.

Annex 5 – Classification of expenditure

Adequately supported – Expenditures validated on the basis of convincing evidence (evidence which is sufficient, adequate, relevant and reliable) obtained by the auditors during the carrying out of their mission on the ground.

Inadequately supported – This covers two sub-categories of expenditure:

a) Purchases: This is expenditure for which one or more of the essential items of documentary evidence required by the country's regulations on procurement are missing such as procurement plan, tender committee review, request for quotation, invoice, contract, purchase order, delivery note for goods and equipment, pro-forma invoice, the final invoice, etc.

b) Programme activity: This is expenditure where essential documentation justifying the payment is missing. This includes but is not limited to travel without a travel authorisation, lack of a technical report or an activity report showing completion of the task, signed list by participants. Lack of the same documents to support liquidation of advances/floats given for meetings/trainings/workshops etc.

Irregular Expenditure – This includes any deliberate or unintentional act of commission or omission relating to:

a) The use or presentation of documents which are inaccurate, incomplete/falsified/inconsistent resulting in the undue use or payment of GAVI funds for activities, or the undue, withholding of monies from funds granted by GAVI,

b) The embezzlement or misappropriation of funds to purposes other than those for which they were granted.

Ineligible expenditures – Expenditure which does not comply with the country's programme/grant proposal approved by GAVI or with the intended purpose and relevant approved work plans and budgets.

Annex 6 – Procurement weaknesses

Example 1 - Choice of procurement method not clear and contracts not approved by both the Entity Tender Committee and the Tender Review Board

Ref. No.	Date	Description/Details	Payee	Amount (GHC)
729513	01-Oct-12	Payment of vaccination cards for October 2012 campaign	Acts Commercial Ltd	310,500
3888	15-Aug-13	Payment for vaccination health cards (Yellow cards)	Acts Commercial Ltd	1,380,000
544	04-Nov-13	Funds for printing child health records	Acts Commercial Ltd	690,000
		Total		2,380,500

Example 2 – Inconsistencies in bidding and evaluation of contract

- The evaluation report was not signed by the evaluation panel and the attendance sheet attached was not dated.
- There were inconsistencies in the amounts indicated on both the award notification and the payment voucher.
- There were inconsistencies in the dates and timeline on file, including the evaluation report.
- Two requests for payment with different amounts were issued by the Deputy Director Logistics and Warehousing (the first dated on the 31/07/2013 with the amount of GHC 1,200,000 and the second request dated on the 06/08/2013 amount of GHC 1,380,000).
- In addition, there were some similarities between the format and content two of the four proforma invoices suggesting potential manipulation and falsification of the competition.

Example 3 - List of outstanding documents on contracts

1. Documents required on the Supplier A contracts

Ref. No.	Description	Amount (GHC)	List of documents required
729513	Payment of vaccination cards for October 2012 campaign	310,500	<ol style="list-style-type: none"> 1. Request for quotation; 2. Proforma invoices; 3. Minutes of the entity committee approval and attendance sheet; 4. Letter of acceptance after notification of award.

Ref. No.	Description	Amount (GHC)	List of documents required
497/500	Payment for vaccination health cards (Yellow cards)	1,380,000	1. Request for quotation; 2. Minutes of the entity committee approval and attendance sheet; 3. Letter of acceptance after notification of award.
858/857	Funds for printing child health records	690,000	1. Request for quotation; 2. Proforma invoices; 3. Minutes of the entity committee approval and attendance sheet; 4. Letter of acceptance after notification of award.
544	Printing of MR campaign tools /IEC materials	155,836	1. Request for quotation; 2. Proforma invoices; 3. Minutes of the entity committee approval and attendance sheet; 4. Letter of acceptance after notification of award

2. Documents required on five specific suppliers

In addition, additional documents are required for the following suppliers -

- 1) Supplier A Limited
- 2) Billy Ham Press Limited
- 3) Investa Commercial Limited
- 4) Fiona Press Limited
- 5) Justice Press & Enterprise Limited

List of documents required:

- 1) Evidence of publication in in national newspaper of 'specific procurement notice'
- 2) Invitation to meeting for selection process for prequalification of service providers;
- 3) Attendance sheet for the meeting;
- 4) Invitation sent to the service providers;
- 5) Valid certificates of incorporation and certificates to conduct business;
- 6) Ghana Revenue Authority Certificate;
- 7) Physical location of businesses and branches;
- 8) Contact information for the suppliers;

3. Documents required on two contracts where no supporting documents had been provided

No supporting documents were provided on two contracts:

- 1) Contract number GHS/2011/NTC/A.1/02/C07 – GHC 238,220; and
- 2) Contract number GHS/2011/NCT/A.1/02/C01 – GHC 533,608.

The following documents are required for review:

- Call for tender
- Payment Voucher
- Invoice
- Stores Received Advice
- Tender documents including: Selection process, award notifications, letter of acceptance and documents concerning extension of contract if any; and
- Any other supporting document related to the contracts.

Annex 7 – Audit Procedures and Reporting

Audit procedures

Using risk-based audit procedures, the audit included an analysis of reported expenditure (in the Annual Progress Reports or any other periodical financial reports), inquiry/ discussions, computation, accuracy checks, reconciliation and inspection of records/ accounting documents and the physical inspection of assets purchased and works performed using grant funds.

The following procedures were carried out:

- Review of the Financial Management arrangements for the programmes, focusing on the control procedures e.g. appropriation and approval, segregation of duties, roles and responsibilities, reconciliation, verification of delivery of goods and services, invoice verification, retirement of advances controls and imprest;
- Review of the arrangements for managing the bank accounts, including tracing withdrawals and transfers from the programme and designated accounts to determine that they are for eligible expenditures for the programmes;
- Verification, on a sample basis, of procurement undertaken to ensure that the applicable policies and procedures are strictly adhered to and that transparency and value for money is maintained;
- Review of the mechanism for channelling cash advances from the MoH to the various budget management centres at the various levels (regional and district) to ensure that there are adequate internal controls in place to timely liquidated such advances;
- Undertaking field visits to regions and districts to review flow of funds and to determine whether principal activities took place according to the work plan/ schedule of cash advances;
- Visit to the central, regional and district stores to ensure that stock management procedures are being well implemented;
- Physical verifications, on a sample basis, to check the actual delivery of goods, works and services purchased as per the source documents;
- Review of expenditure and identifying expenditures which are not eligible for funding from Gavi programme funds.

Reporting

At the end of the audit, key findings were discussed with the senior management team at Ghana Health Service on 15 May 2015 and a presentation which contained a summary of these findings was shared with the Ghana Health Service and other partners.

Annex 8 – Abbreviations and acronyms

USD	United States Dollar
ATF	Accounting Treasury and Financial Reporting Rules & Instructions (2010)
BMC	Budget Management Centre
CHPS	Community Health Planning and Service
DHD	District Health Directorate
EPI	Expanded Programme of Immunisation
FAR	Financial Administration Regulations (2004)
GHC	Ghanaian Cedi
GHS	Ghana Health Service
HPV	Human papillomavirus
HSS	Health Systems Strengthening
ISS	Immunisation Services Support
MoH	Ministry of Health
MR	Measles Rubella
PPA	Public Procurement Act (2003)
RDHS	Regional Director of Health Services
RHD	Regional Health Directorate
SOP	Standard Operating Procedure