

Memorandum on Republic of Sudan Programme Audit report

The attached Gavi Audit report sets out the conclusions of the programme audit of Gavi's support to the Republic of Sudan's Expanded Programme of Immunisation. The audit was conducted by Gavi's Programme Audit unit in March 2016. Health Systems Strengthening (HSS), Immunisation Services Support (ISS), and Yellow Fever campaign operational costs as well as Vaccine Introduction Grants (VIGs) totalling US\$ 26,463,519 (EUR 26,233,369) from 2014 to 2015.

The report Executive Summary (pages 1 to 3) 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 1) 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. The programme audit raised 16 issues, which were mainly caused by non-compliance with Gavi's Transparency and Accountability Policy, and the Partnership Framework Agreement. To address these issues, the Audit Team made 16 recommendations, of which 10 were rated as of critical priority, which means that "action is required to ensure that the programme is not exposed to significant or material incidents.
3. Key issues were identified in the following areas (pages 2 and 3): vaccine supply management; budgeting and financial management, procurement, including advance management and the indirect usage of funds.
4. Key findings were that:
 - a) For pentavalent vaccine, 58,010 doses temperature-expired in 2015 at the central level, because of failures in effective vaccine warehousing, recording or distribution.
 - b) For HSS expenditures, US\$ 16,612 was accounted for as liquidated, although the supporting documentation was not on file.
 - c) For programmatic advances to state and national-level staff, US\$ 72,794 were reported as fully liquidated although the supporting documentation was not on file; and
 - d) For procurement-related expenditure, US\$ 25,372 was questioned because either there was no proof of delivery on file or because the documentation did not show what services were provided.
5. After finalising the report in consultation with relevant management, In December 2016 Gavi asked the Republic of Sudan to reimburse US\$ 114,778 as questioned in the programme audit. The Federal Ministry of Health requested Gavi to allow Sudan's National Audit Chamber to review additional supporting documentation now available. Gavi agreed, and in September 2017, the Audit Chamber reverted, concluding that the supporting documentation for the questioned expenditures was now available on file, except for US\$ 4,849, and that 78% of the audit recommendations had been implemented.

6. Following Gavi request, in November 2017 the Federal Ministry of Health committed to reimburse this amount.

Geneva, January 2018

REPUBLIC OF THE SUDAN

GAVI Secretariat, Geneva, Switzerland

Final Report – 16 November 2016



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1. Executive Summary

In March 2016, the Audit and Investigations team (the Audit Team) conducted a programme audit of Gavi funding contributing towards the Republic of the Sudan's (Sudan) Expanded Programme on Immunisation (EPI).

The audit covered Sudan's expenditure of Gavi's cash support for: Health Systems Strengthening (HSS), Immunisation Services Support (ISS), and Yellow Fever campaign operational costs as well as Vaccine Introduction Grants (VIGs) totalling USD 26,463,519 (EUR 26,233,369) from 2014 to 2015. Although the grants awarded by Gavi's Independent Review Committee were denominated in USD, Gavi disbursements to the country were transferred in Euros equivalent, in order to simplify administrative procedures affecting USD transfers to Sudan, since the country is subject to sanctions by the United States Government.

Table 1 below shows a summary of expenditure reported as well as amounts reviewed for the 2-year period covered by the audit, 1 January 2014 to 31 December 2015. The Programme Audit achieved a total overall coverage of 34% of the funds available for implementation in the period, as follows:

Table 1: The amount of Gavi funding available to FMOH for the audit period (2014-2015) - includes balances carried forward from 2013, and expenditure reviewed by the Audit Team.

| Grant type / Year disbursed | Amounts Available for Implementation (EUR) | Amounts Review by Audit team (EUR) | Coverage % |
|------------------------------------|--|------------------------------------|------------|
| Health Systems Strengthening (HSS) | 7,702,840 | 5,055,540 | 66% |
| Expanded Programme on Immunisation | 18,530,529 | 3,908,239 | 21% |
| Total | 26,233,369 | 8,963,779 | 34% |

Audit rating

The Audit Team assessed the Sudan Federal Ministry of Health's (FMOH) 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". The table below summarises ratings for each of the categories reviewed:

Table 2: Summary of audit focus areas rated by programme audit:

| Category | Audit Rating |
|------------------------------------|-------------------------------|
| Vaccine Supply Management | Partially satisfactory |
| Budgeting and Financial Management | Partially satisfactory |
| Expenditure and disbursements | Partially satisfactory |
| Procurement | Partially satisfactory |
| Overall rating | Partially satisfactory |

Key issues

The programme audit raised 16 issues, which were mainly caused by non-compliance with Gavi's Transparency and Accountability Policy, and the Partnership Framework Agreement. Risk prioritisations for the various issues are defined in Annex 3.

To address these issues, the Audit Team made 16 recommendations, of which 10 (or 63%) were rated as of 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 critical issues noted in this report, the most significant ones are presented below:

| | |
|------------------------------------|---|
| Vaccine Supply Management | The "Earliest Expiry First Out" principle was not followed raising the risk of vaccine expiry. There was no evidence that regular physical inventory counts were undertaken. (Refer to issues 4.1.2). |
| Budgeting and Financial Management | Over the past three years, books of account were maintained in Microsoft Excel while the national EPI kept manual accounting records. The guidelines for budget monitoring and accounting were not tailored to donor funds, resulting in poor budget monitoring and accounting. Figures reported to Gavi in the mandated Annual Programme Reports were different from primary accounting records and audited financial statements. As at March 2016, the FMOH was in the process of implementing a new accounting software to improve its financial management practices for the HSS grants. (Refer to issues 4.2.2, and 4.2.3). |
| Expenditure and disbursements | The FMOH did not put in place guidelines to ensure that advances to implementers were fully accounted for and were accurately reflected in accounting records. Per diem payments were not always supported with details on the identity of the recipient, rates and purpose for the monies. Staff retention incentives were paid without taking into consideration actual staff performance. (Refer to Issues 4.3.1, 4.3.2 and 4.3.3). |
| Procurement | The scope for civil works on health facilities was changed from "renovation" of existing to "construction" of new health facilities, resulting in significant price increases. As a result, the FMOH only delivered 50 out of 74 planned health facilities. The health facilities are of questionable quality. The committee evaluating bids for these works did not follow due process, as it made inconsistent decisions and acted beyond its mandate. Contracts to supply equipment were awarded to suppliers whose bids did not meet the minimum technical evaluation threshold. The Audit Team noted that equipment procured and supplied to facilities was damaged and in some cases could not be used. (Refer to issue 4.4.1, 4.4.2, and 4.4.3). |

The table below summarises amounts that the Audit Team questioned because adequate documentation accounting for the use of Gavi funds used was not on file. The same figures have been provided in more detail in Annex 1 table 15:

Table 3.1: Summary of amounts questioned by the Audit Team.

| Issue: | Amount (USD) | Reference: |
|--|----------------|----------------------|
| HSS Expenditures reported by the PMU as fully liquidated but for which supporting documents were not on file. | 16,612 | 4.3.1 – see table 7 |
| Advances to state-EPIs and national level staff which were not fully justified but reported as fully liquidated. | 72,794 | 4.3.1 – see table 8 |
| Payments for vehicle repairs which did not show detail on what repairs and services were provided. | 2,935 | 4.3.4 – see table 10 |
| Purchases for which “goods receipt note” or other proof of delivery was not available on file. | 22,437 | 4.3.4 – see table 11 |
| Total | 114,778 | |

Table 3.2: Vaccine stock which shelf-expired:

| Issue: | Doses | Reference |
|---|---------------|-----------|
| Doses of Pentavalent vaccine which Vaccine Vial Monitor (VVM) expired in 2015 at the central level and identified by FMOH management. | 58,010 | 4.1.2 |

2. Objectives and Scope of the Audit

Objectives

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

Scope

The scope of review under this Programme Audit was the period 1 January 2014 until 31 December 2015, and covered income received, expenditures incurred, procurement activities as well as vaccine supply management at national, and select provincial and district levels.

The table below illustrates Gavi's direct cash disbursements to the Government of Sudan.

Table 4: Gavi total cash disbursements (non-vaccine support) to the Sudan

| Grant type | Year(s) disbursed | | | | | Total USD |
|------------------------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|
| | 2002-2011 USD | 2012 USD | 2013 USD | 2014 USD | 2015 USD | |
| <i>Transfers to FMOH</i> | | | | | | |
| HSS | 9,437,500 | 3,314,000 | 3,402,000 | 7,919,859 | - | 24,073,359 |
| INS | 1,321,257 | - | - | - | - | 1,321,257 |
| ISS | 8,945,800 | 1,652,500 | - | - | - | 10,598,300 |
| Vaccine Introduction Grants | 571,000 | - | 1,015,500 | 1,040,500 | - | 2,627,000 |
| Sub-total | 20,275,557 | 4,966,500 | 4,417,500 | 8,960,359 | - | 38,619,916 |
| <i>Transfers to WHO and UNICEF</i> | | | | | | |
| YF - Operational costs | - | - | - | 832,649 | 7,104,653 | 7,937,302 |
| Meningitis A – op. costs | - | 10,987,008 | 5,148,358 | - | - | 16,135,366 |
| Sub-total | - | 10,987,008 | 5,148,358 | 832,649 | 7,104,653 | 24,072,668 |
| Total | 20,275,557 | 15,953,508 | 9,565,858 | 9,793,008 | 7,104,653 | 62,692,584 |

3. Background

3.1. Introduction

The Republic of Sudan (Sudan) has experienced protracted social conflict, civil war, and, in July 2011, the transfer of the majority of its proven oil reserves due to the secession of South Sudan. The oil sector had driven much of Sudan's GDP growth since 1999. For nearly a decade, the economy boomed on the back of rising oil production, high oil prices, and significant inflows of foreign direct investment. Since separating from South Sudan, Sudan has endeavoured to stabilise its economy and make up for the loss of foreign exchange earnings. Disruption of oil production in South Sudan in 2012 for over a year and the consequent loss of oil transit fees further impacted on Sudan's national revenues. Ongoing conflicts in Southern Kordofan, Darfur, and the Blue Nile states, the lack of basic infrastructure in large areas, and reliance on subsistence agriculture keeps half of the population close to the poverty line.

Over the past five years Sudan has experienced significant macro-economic and fiscal challenges as a result of reductions in oil revenue, reduced economic growth, and double-digit consumer price inflation. In response, the country is attempting to develop other sources of revenue, such as gold mining, while executing an austerity program to reduce public expenditure. Sudan is also subject to comprehensive US sanctions.

The Expanded Program on Immunisation (EPI) is a unit under the Primary Health Care (PHC) Department, which is a department under the FMOH. At state level, the EPI programme is supervised by the respective State Ministry of Health (SMoH), Director General and PHC directorate. EPI is in charge of immunisation activities and works in collaboration with WHO and UNICEF.

The HSS programme is overseen by a Programme Management Unit (PMU) which also manages other funding sources, including the Global Fund and EU HSS grants. The PMU falls under the Directorate General of Planning and International Health. The PMU plays a coordination role and disburses funds to various departments which are in charge of implementation, with the main one being the EPI department.

3.2. Good Practices

The FMOH formally recognises its human resources as one of the most important pillars of the health system as the provision of qualified health personnel, in required numbers and disciplines leads to the achievement of better health outcomes and sustainability of these outcomes.

However one of the obstacles that has hindered the achievement of such health goals including immunisation activities is the high level of the outward migration of health personnel, especially the most experienced and qualified, due to low salaries and incentives and the chance for better opportunities for qualification and training. To address these challenges, the FMOH established a salary top-up scheme as one of the measures to retain health personnel. In addition, other measures taken include the training of health personnel and improving the work environment.

During the review of vaccine supply management, the Audit Team noted that staff assigned had good understanding of national procedures. Cold chain capacity was adequate and the cold stores sighted were well arranged, as were the dry-goods stores at the central level in Khartoum.

In terms of the protection of the principal vaccine stores, the Sudan EPI programme had put some important measures in place. The cold stores at central level are now insured and have firefighting equipment in place. There was also a generator with automatic switches in case of power outages.

The Audit Team noted from its visits to Blue Nile and Sennar states, that there was active support for EPI activities as well as engagement by state legislature and executive. Both states had insurance cover in place for their main vaccine stores. In Blue Nile state, the Audit Team observed an exemplary fleet management and recording system which consistently tracked movement of fuel and maintenance for each vehicle. The principle of “Earliest Expiry First Out” was also consistently documented and complied with in Sennar state.

3.3. Key challenges

From discussions with FMOH management, one of the key challenges across the health sector is high staff turnover. Trained medical staff often leave to pursue opportunities in the Middle East. This has had an impact on implementation of immunisation activities, both at central and state level.

The comprehensive US sanctions have resulted in delays in transfer of Gavi disbursements to Sudan. In addition, the Sudanese pound has also devalued significantly against the EUR, with exchange rates¹ moving from 3.44136 in January 2012 to 6.63125 in December 2015.

This period of depreciation largely coincided with the two year period under review by the programme audit.

¹ Exchange rates at 1 January 2012 and 31 December according to www.oanda.com

4. Detailed findings

4.1. Vaccine Supply Management

| | Audit Rating |
|--|--------------------------------------|
| <p>The Audit Team visited the central stores and two states' stores. In general, the team noted that these stores were sufficiently staffed, with the existing guidelines for vaccine storage being applied. Insurance coverage was in place. Although stock records were maintained Earliest Expiry First Out (EEFO) principles were not followed. This contributed to vaccines inadvertently shelf-expiring. There was no evidence that regular physical inventory counts were undertaken.</p> | <p>Partially Satisfactory</p> |

4.1.1 Good practices observed in vaccine storage

a) Central Vaccine Warehouse

The central warehouse in Khartoum was well organised with: vaccine cartons placed on racks; batch numbers and expiry dates clearly displayed; and priority "use me first" labels on display in the cold rooms. Temperature was recorded and regularly monitored in the cold rooms. Also, posters/ charts referring to standard operating procedures were clearly on display in warehouse work spaces.

The Audit Team identified several shortcomings during its planning mission in March 2016. However the following central-level items were addressed by the end of the audit execution in April 2016, as follows:

- Insurance cover was put in place for the central vaccine stores;
- The dry goods store was cleaned, properly arranged, and cooling fans installed;
- Firefighting equipment was installed around the vaccine warehouse and an agreement concluded with the civil defence service for it to respond in case of any incidents at the warehouse; and
- An automatic starter switch was installed on the back-up generator.

b) Outcome of visits to State Vaccine Warehouses

In April 2016, the Audit Team visited the Blue Nile and Sennar warehouses at the state level and noted:

- Sufficient staffing and cold chain capacity;
- Posters/ charts referring to standard operating procedures were clearly on display in warehouse work spaces;
- Insurance cover was in place;
- For Blue Nile state – there was excellent tracking and maintenance of the state level cold chain equipment and other assets;

4.1.2 "Earliest Expiry First Out" not always followed

From the review of the stock records at the Central Vaccine Warehouse, the principle of "Earliest Expiry First Out" (EEFO) was not followed. The following example, illustrates this:

Four batches of pentavalent vaccine received between April and September 2014 had a “shorter than usual” period until expiry. However, as the stock records did not record the batch number and expiry date, these items could not be adequately tracked, resulting in some of this vaccine being belatedly distributed after other batches with later expiry dates.

Furthermore, in September 2015, the MOH wrote-off 58,010 doses of this same pentavalent stock as closed-vial expired, since the remaining undistributed items reached Vaccine Vial Monitor (VVM) stage 3 while still in the central-level warehouse. As shown in table 4 below, these expired doses were 15% of the overall quantity received.

Table 5: Summary of Pentavalent vaccine vials which reached VVM stage 3

| Batch number | Date received by central stores | Expiry date at time of receipt | Quantity received | Quantity distributed | Balance remaining at VVM 3 at 20 September 2015 | % of batch expired |
|--------------|---------------------------------|--------------------------------|-------------------|----------------------|---|--------------------|
| 30111D13 | 29-Apr-14 | 30-Nov-15 | 131,914 | (121,187) | 10,727 | 8% |
| 30116A13 | 30-Jun-14 | 31-Dec-15 | 30,982 | (18,537) | 12,445 | 40% |
| 30126B14 | 08-Jul-14 | 31-Jan-16 | 115,029 | (96,819) | 18,210 | 16% |
| 30137E14 | 30-Sep-14 | 31-Mar-16 | 97,980 | (81,352) | 16,628 | 17% |
| | | | 375,905 | (317,895) | 58,010 | 15% |

Furthermore, storekeepers at the central vaccine warehouse stated that physical inventory counts were performed every three months. However these counts were not documented. The Audit Team performed its own inventory counts in March 2015 of the Pneumococcal Conjugate and Inactivated Polio vaccines and observed variances of 2% and 0% respectively from the stock records.

FMOH management stated that its cold chain capacity at the central level was insufficient when large consignments were delivered, resulting in the most recent vaccine receipts occasionally being immediately reissued to state stores, even though such issuances did not comply with EEFO.

Cause

The Audit team concluded that inadequate stock management processes aggravated the likelihood of vaccines being wasted due to both:

- The design and practice of maintaining incomplete stock records which failed to track expiry dates; and
- the lack of evidence demonstrating that physical counts were undertaken, or included necessary checks for “near to expiry” vaccines, i.e. from reviewing batch number details and the random sampling of VVM monitors.

Risks/ Effects

A failure to design and implement suitable vaccine management processes designed around the principles of EEFO increases the likelihood of shelf-expired wastage.

Recommendation 1 (Critical)

The FMOH should ensure that:

- a) Vaccines are issued according to EEFO and VVM principles;

- b) Suitable process including stock records are in place such that the batch numbers, expiry dates and VVM status of vaccines are duly recorded, reviewed and monitored for each receipt and issuance from the central stores;
- c) Physical inventory counts are carried out every quarter as required by the national guidelines with count results recorded by batch;
- d) Vaccine VVM status and expiry incidents are verified at the time of conducting inventory counts.

Management comments

Management agrees with the recommendation.

- a) *Vaccines are issued according to EEFO and VVM principles
EPI has undertaken a series of activities to overcome the low performance in proper vaccine management practices including EEFO practices, the activities includes.*
 - (1) *Manual recording system was reviewed to track all the shortfall and administrative arrangements has been enforced to strengthening vaccine receiving, dispatching and recording practices. New system for ensuring batch # order and VVM status is in place to avoid any mistake in vaccine dispatches until the electronic system become operational.*
 - (2) *Cold chain management structures and staff ToRs were reviewed and improved to feed in proper vaccine management, more committed staff has been deployed to support implementation of the improved structures*
 - (3) *Managerial and technical committee has been established from verities of experience to provide regular support to EPI manager and cold chain officers*
 - (4) *Technical staff has been recruited by UNICEF under Gavi (TAS PEF) to provide daily technical support and guidance to cold chain staff.*
- b) *Suitable process including stock records are in place such that the batch numbers, expiry dates and VVM status of vaccines are duly recorded, reviewed and monitored for each receipt and issuance from the central stores;*
 - (1) *New unit for managing supplies has been established at the national level; their responsibility is to ensure real-time proper recording practices and ensuring proper dispatch of vaccines and regular VVM tracking.*
 - (2) *Feedback and VAR was re-enforced and closely monitored by supply unit and cold chain manager*
- c) *Physical inventory counts are carried out every quarter as required by the national guidelines with count results recorded by batch;
This recommendation is in place by now and closely monitored by cold chain manager and supply chief, both provide regular reports in standard inventory to EPI manager and UNICEF*
- d) *Vaccine VVM status and expiry incidents are verified at the time of conducting inventory counts. The practice is enforced and regularly reported in cold chain section meeting and to EPI joint meetings*
- e) *Physical inventory counts are being carried out from quarter 2 (June 2016) as required and recorded by batch.*

4.1.3 Faulty technology tools in vaccine stores

The FMOH used a system-based stock recording system “Vaccination Supplies Stock Management” (VSSM) at the central level. However in August 2015, when the VSSM system was updated to version 4.6, the software failed, moreover the FMOH discovered that the data held in this system had multiple errors. As a result, the FMOH reverted back to relying upon using manual stock records. Seven months later, i.e. as of March 2016, the manual recording situation remains unchanged.

Similarly, the federal stores’ electronic temperature monitoring with centralised data management, which had worked in February 2016, no longer functioned. The Audit Team was informed that to bring the system back online, the calibration of thermometers and a suitable computer to operate the temperature monitoring software are required.

In March 2016, the FMOH signed a memorandum of understanding with the National Medical Supplies Fund (NMSF). Under this memorandum, the NMSF was contracted to support the central vaccine warehouse to fix the electronic temperature monitoring system as well as to ensure that a suitable stock management system was in place. The stock management system could be implemented either by bringing the VSSM system back online, or by making use of the NMSF’s Enterprise Resource Planning system.

Causes

High turnover in trained EPI stores staff.

Inadequate maintenance of vaccine management and temperature monitoring systems. Balances between electronic and manual stock records were not reconciled regularly.

Risks/ Effects

Manual systems and processes are more resource intensive to maintain, and do not allow for easy analysis. In addition, the ability of staff to monitor and/or track vaccine batch numbers and expiry dates is potentially undermined using only manual records.

Recommendation 2 (Essential)

The EPI programme, in conjunction with suitable support from the National Medical Supplies Fund, should ensure the electronic temperature monitoring and vaccine supply management systems are operational and can be maintained going forward.

Management comments

Management agrees with the recommendation

- *Staff from national cold store and others from states cold stores were trained in the new version of VSSM with support from WHO EMRO from 27 to 29th of September 2016, the standalone VSSM system will be operational soon and the trained staff will train the state’s vaccine stock managers on VSSM. The plan is to move from the stand alone system to the cloud based online system by July 2017*
- *Calibration, temperature mapping and fixation of temperature monitoring system is planned in November with support from MNSF.*
- *UNICEF is finalizing the recruitment of qualified expert (Gavi PEF) to assist in developing a unified supply chain design and piloting it starting from early December 2016*

4.2. Budgeting and Financial Management

| | Audit Rating |
|---|--------------------------------------|
| <p>For the 2-year period covered by the audit, the HSS PMU maintained its books of account in Microsoft Excel, while the national EPI kept manual accounting records. There were no guidelines in place for budget monitoring and accounting, resulting in poor budget monitoring and accounting. Figures reported to Gavi in the mandated Annual Programme Reports (APR) were different from primary accounting records and audited financial statements.</p> <p>As at March 2016, the FMOH was in the process of implementing a new accounting software to improve its financial management practices for the HSS grants.</p> | <p>Partially Satisfactory</p> |

4.2.1 Good practices in financial management

The Programme Management Unit (PMU) at the Directorate of International Health and External Relations in the FMOH was tasked with ensuring that the Ministry complies with its donor agreements.

For example on the Gavi HSS grant, the PMU was responsible for disaggregating the overall award into several Memoranda of Understanding with detailed costed activities, for each implementing department. Similarly within the PMU, a Monitoring and Evaluation team was responsible for verifying each department’s requests for funds prior to commitment, then expensing against their budget. This helped to ensure that all funds disbursed were matched to approved activities in the grant work plan. Thereafter, payments were only finalised and expensed after the Monitoring and Evaluation team duly signed off on the payment voucher.

Since January 2016, the FMOH's accounting department improved its payment voucher template by requiring that activity code and budget line details be captured with each transaction. Once in place and in conjunction with the imminent roll-out of the FMOH’s computerised financial management system, the revised template will enable budget monitoring and financial management to be undertaken.

In addition, the EPI Programme developed annual costed micro-plans for each state. The micro-plans were designed to be sufficiently specific, such as including details on unit costs, to guide states on which activities to implement and control costs thereon.

4.2.2 Books of account at HSS PMU in Microsoft Excel

As at April 2016 the current accounting records and general ledger for the Health Systems Strengthening (HSS) grant were still maintained in Microsoft Excel, effectively a manual accounting system.

The FMOH clarified that it was partway through a project of transferring the HSS grant’s manual cash books and accounting records over to a new accounting software (Tally). Its finance team had been trained on how to use the new accounting system, and transactions from July 2014 to December 2015 had been retroactively posted into the general ledger. However, operational transition was not complete, as only 25% of the transactions for 2016 had been similarly posted.

The Audit Team reviewed the system's closing position and the corresponding opening balances as at 01 January 2016 and observed that the recording of cumulative foreign exchange on transactions and cash balances was incomplete. Instead of providing the necessary details and basis on foreign currency transactions and balances, an unsupported, unreconciled balance figure had been entered. Also, the Tally accounting software was not set up with appropriate segregation of duties as the Finance Manager was able to create, edit, approve and delete transactions.

Cause

The finance department's capacity, time and resources was limited, given the transition from manual records to an accounting software is not yet complete.

Risks/ Effects

Manual accounting systems are more prone to human error, mistakes and overall functionality is restricted with respect to validating, reconciling and reviewing aggregated financial data. In addition, the ability to enforce segregation of duties and to hold users accountable is very limited.

Recommendation 3 (Critical)

The Federal Ministry of Health should complete its implementation of: (i) a computerised financial and accounting system; and (ii) an accompanying internal control framework.

While completing this task, emphasis is placed upon ensuring that:

- All expenditures from the HSS 2 grant are accurately recorded, including a suitable reconciliation of the effect of foreign exchange-based transactions;
- Opening and closing balances accurately reflect the bank balances and reconciliations statements;
- Detailed budget balances for the HSS 2 and EPI grants are recorded, and that the chart of accounts for expenses incurred to date, match with the budget headings (i.e. system-based reports for expenditure against budget are valid);
- Suitable segregation of duties are documented and in place for respective roles including: transaction entry, review, approval, and administrative responsibilities.

Management comments

Management agrees and has already implemented the recommendation.

Nevertheless, the work on adopting the Tally software had started before the mission, and all related data have been entered to the system, reconciled and all accounts have been recorded accurately.

The software is fully functioning now and all financial transactions, vouchers and reports are generated using the system. Financial reports from January to June 2016 generated by the system were shared with Gavi secretariat during the recent JA mission in August 2016 (reports are attached for the easy reference).

The finance team is responsible for the implementation of this recommendation with some support from the M&E team where needed. The tally now is fully used for the HSS grants with segregation of duties (entry, approval, review).

Recommendation 4 (Critical)

In reference to the PMU's Finance Department, it is recommended that:

- The finance team's capacity should be strengthened, such as by recruiting additional staff with the right qualifications and experience; and
- Staff should be mentored and coached to ensure that the users of the accounting system are competent in mastering its functionalities, and that management as well as donor reporting is regularly undertaken based upon data from the system.

Management comments

Management agrees with the recommendation.

As part of the capacity development plan that HSS PMU is implementing there are great efforts that are being made in developing the HR capacities including finance staff.

A special arrangement has been done to ensure the mentoring role that Tally consultant will play by having him working physically with the team.

Ministry of Finance has been requested to support the FMOH with additional more qualified staff, moreover FMOH is planning to hire two finance staff by January 2017.

4.2.3 Guidelines for financial management of donor funds in draft and not in use

A draft operational manual dated October 2015 exists. This manual covered the financial and administrative management of donor-funded programmes, and its present format is tailored towards managing Global Fund programmes.

However as at April 2016, this draft manual was not yet been finalised or put in practice. The EPI Programme financial management practices followed the Government of Sudan's guidelines.

The FMOH clarified that once the draft operational manual is finalised, it will apply across a range of donor funded programmes, including Gavi's.

Nevertheless, the PMU could not adequately explain how financial management aspects of Gavi grants, which are different from those of the Government of Sudan, will be overseen, such as:

- The format of cash books, ledgers and bank reconciliation statements;
- Recording and tracking of advances to staff and implementing departments;
- Format for financial reports including annual financial statements;
- Responsibilities for transaction verification and approval.

Cause

Insufficient resources or priority were placed upon finalising and implementing a suitable operational manual for donor-funded programmes.

Risk/Effect

Inconsistent practices, lack of guidance or ineffective internal controls.

Without suitable financial management policies in place, outlining a suitable operational framework for managing donor funding, it may be difficult to hold budget owners accountable

Recommendation 5 (Critical)

FMOH should ensure that an operational manual, covering the financial and administrative management of donor-funded programmes, is finalised and put in place including:

- Clear roles and responsibilities are established for the various staff positions managing and administering resources, and in accordance with normal segregation of duties requirements; and
- Suitable procedures for financial management are established which are applicable to a range of donor-funded programmes, including Gavi.

Management comments

Management agrees with the recommendation.

Moreover, FMOH has developed a detailed operational manual for the donor supported programmes to ensure that these programmes are managed according to the national financial guidelines and in line with the donors' requirement.

Development and existence of this operational manual is deemed to be one of the strengths, in addition to the financial software. The ministry, in line with the integrated approach, has initiated the development of an integrated operational manual for all HSS grants that can also be used for other donor's programmes to avoid creating and developing vertical donor operational manuals.

The operational manual has been developed, reviewed and finalized; procedure and SOPs have been also developed based on the operational manual guidelines.

The final endorsed OM with its detailed SOPs will be shared with Gavi Secretariat in October 2016.

4.2.4 A lack of systematic budget monitoring and reporting

Section 25, annex 6 of the partnership framework agreement that the Government of Sudan signed with Gavi on 2 November 2013 provides that the FMOH shall provide Gavi, within 45 days of year end with Interim Financial Statements (IFRs). Each IFR is to include: (a) a statement of sources of funds, programmes revenues and utilisation of funds, and (b) statement of expenditures classified by programme; components/activities showing comparisons with budgets for the reporting period and cumulative for the programme life.

The FMOH had not implemented policies or guidelines directing how donor-funded programme budgets should be reported on.

In the absence of such guidance, the EPI programme prepared fund utilisation reports based on an internally developed template. The template included details on: the activity, the source of funding; and the amount of funds received and spent.

From its review of Gavi fund utilisation reports, the Audit Team noted that the reports signalled a lump sum budget by disease or award (for example: Measles, Rotavirus or Vaccine Introduction Grant), but that budget details on specific activities were not reflected. Thus in practice, the reports did not enable budget owners to monitor the execution of budgets.

At the Finance Unit within the HSS Department, funds were advanced to implementing departments were recorded in a separate worksheet in Microsoft Excel. However the advances were not linked to

the detailed activities as set out in the MOU in place with each implementing department. In consequence the Finance Department did not maintain information that would enable reporting on budget execution by activity.

Further, the PMU team did not have effective controls in place to ensure that expenses were charged to the right budget. For example, the PMU finance team incorrectly posted transactions totalling SDG 291,214 (USD 26,892) to the wrong budget lines. These errors were subsequently transferred into all the reports in which expenditure was compared with budget. Refer to table 16 annex 2 for details.

Further, as summarised below, the Audit Team noted significant unexplained differences between the Annual Progress Reports (APRs) submitted to Gavi and the audited financial statements.

Table 6: Comparison of figures in APR reports to Gavi versus audited financial statements

| HSS reporting | Financial Years | | |
|-------------------------------|-------------------|--------------------|-------------------|
| | 2012 (SDG) | 2013 (SDG) | 2014 (SDG) |
| APR/financial statements | 5,208,022 | 9,056,904 | 35,713,255 |
| Audited financial statements | 8,558,000 | 28,423,000 | 38,223,000 |
| Unexplained difference | -3,349,978 | -19,366,096 | -2,509,745 |

Cause

Suitable guidelines for reporting on budgets were not in place. Also, accurate reporting against budget is impeded by the use of manual financial management systems.

Risk/Effect

Without adequate reporting against budgeted activities, the FMOH is not able to comply with the reporting requirements in the partnership framework agreement.

Recommendation 6 (Critical)

The FMOH should ensure that:

- In line with Gavi's financial management and audit requirements, policies and guidelines are put in place to direct how funded programme budgets are to be reported on;
- In accordance with the signed MOU, all implementing entities timely submit the required fund utilisation reports in a format which includes detail on expenditure against each specific activity and in accordance with the activity budget/ work-plan;
- The HSS PMU consolidates fund utilisation reports for all implementing entities, obtains explanations for material variances against budget and reports onward to senior management at FMOH as well as Gavi.

Management comments

Management agrees with the recommendation.

Since there were no clear Gavi monitoring guidelines, the PMU has developed a monitoring and tracking system by involving senior staff in the tracking the implementation of the planned activities in all HSS

grants that's deemed to be one of the best practices. There is an area for improvement in terms of having clear reporting format.

The M&E and finance teams at the PMU are responsible of improving tracking and monitoring the implementation and budget execution. All tools and templates for monitoring and tracking exist (MOU, Monitoring tracking sheet, advances and liquidation template) but it needs to be revised and strengthened. This will be finalized by January 2017.

More clarification is needed in the difference noted in table 6. The APR is used to be submitted in April while the audit report used to be carried out in December accordingly that difference has appeared.

The final endorsed OM will be shared with Gavi Secretariat in October 2016.

Action will be taken, based on our experience with WHO, UNICEF and UNFPA:

- 1. PMU will develop the reporting template by the end of October and will shared with implementing department by the end of October 2016.*
- 2. Train the implementing department on the reporting template on November 2016.*
- 3. Consolidates fund utilisation reports for all implementing entities, obtains explanations for material variances against budget and reports onward to senior management at FMOH as well as Gavi starting by end of November 2016.*

4.3. Expenditure and Disbursements

| | Audit Rating |
|---|-------------------------------|
| The FMOH did not put in place guidelines to ensure that advances to implementers were fully justified and accurately reflected in accounting records. Per diem payments were not always supported with details on the identity of the recipient, rates and purpose for the monies. Staff retention incentives were paid without taking into consideration actual staff performance. | Partially Satisfactory |

The Programme Management Unit (PMU) responsible for a range of Health Systems Strengthening (HSS) programmes within the FMOH routinely disburses fund advances to implementing departments on the basis of approved work plans and budgets. At the national level, the HSS PMU transferred funds to implementing departments including the Expanded Programme on Immunisation (EPI) and the Academy for Health Sciences (AHS). Thereafter the national EPI unit disbursed funds from the central to the state level.

4.3.1 Advances not well monitored

Shortcomings in the tracking and oversight of advances

The PMU finance team recorded advances which it disbursed to respective implementing departments. A stand-alone Microsoft Excel workbook was used for the purpose of itemising such advances. In addition, the finance team booked the same advances as an expense in its ledger maintained in Microsoft Excel.

As a consequence of the accounting treatment, any subsequent partial clearance of the advance was not duly or officially recorded. Instead, individual advance items recorded in the tracking workbook were annotated with the terms “cleared” or “partially cleared” i.e. expensed as advanced without tracking to ensure that these funds were accounted for, and used in accordance with the purpose intended.

Further, the Audit Team was provided with a copy of the 2015 quarter 4 report that was discussed at the FMOH senior management meeting, showing the status of advances to each implementing department. However, the figures contained in this quarterly report were rounded estimates and were not extracted from the actual accounting records.

Furthermore, in the absence of any formal documentation or advance management processes, the Audit Team could not establish whether the PMU diligently reviewed and validated the implementing departments’ submissions to clear their advances.

For example, the November 2015 stand-alone records maintained by the finance team indicated that two advances totalling SDG 99,290 (USD 16,612) were fully justified. However, the Audit Team’s review of the justification documentation established that not all of the necessary supporting documentation such as receipts and training attendance registers was on file, suggesting that the advances were not in fact fully justified. These 2 incorrectly justified advances are itemised below, in table 7:

Table 7: HSS Expenditures reported by the PMU as fully liquidated but missing supporting documents.

| Details: | Date | Amount not justified (SDG) | Exchange Rate | Amount (USD) |
|--|------------|----------------------------|---------------|---------------|
| Payment of cost of training course in women and child health | 29/07/2015 | 89,400 | 5.9772 | 14,957 |
| Payment of cost of bridging course training | 29/07/2015 | 9,890 | 5.9772 | 1,655 |
| Total | | 99,290 | | 16,612 |

Advances to EPI state-level offices

The national EPI finance team only disbursed subsequent advances to the EPI state-level offices (state-EPIs) after each respective unit reciprocated with its submission and supporting documentation, in order to clear its prior advance.

However, the state-EPI submissions to the national EPI unit were frequently late or partially outstanding. Also, there was no evidence on file documenting that these states' submissions were reviewed by the national EPI. Further, no standardised template was established for the state-EPIs' clearance of advances, resulting in the submissions not following a predefined format.

The PMU also did not have on file supporting documents justifying expenditures totalling SDG 419,665 (USD 72,794). These were advances to other departments or national level staff, which were not fully justified. Table 8 below, refers:

Table 8: Advances to planning department, HMIS, and national staff, reported as fully liquidated but missing supporting documents.

| Date | Details | Transaction Amount (SDG) | Advance not justified (SDG) | Advance not justified(USD) |
|------------|--|--------------------------|-----------------------------|----------------------------|
| 15/04/2014 | Transfer to Planning activities | 1,613,149 | 53,323 | 9,410 |
| 15/04/2014 | Transfer to Planning activities | 1,613,149 | 20,880 | 3,685 |
| 15/04/2014 | Transfer to Planning activities | 1,613,149 | 5,900 | 1,041.26 |
| 15/04/2014 | Transfer to Planning activities | 1,613,149 | 87,080 | 15,367 |
| 15/04/2014 | Transfer to Planning activities | 1,613,149 | 73,904 | 13,042 |
| 23/12/2014 | National HIMS review and planning meeting. | 110,737 | 65,960 | 11,646 |
| 29/06/2015 | Monthly incentive for June 2015 | 23,390 | 5,610 | 945 |
| 11/09/2015 | Monthly incentive for October 2015 | 2,408 | 2,408 | 398 |
| 01/11/2015 | Supportive supervision of the third quarter South Kordofan | 37,400 | 37,400 | 6,161 |
| 25/11/2015 | Supportive supervision of the third quarter | 67,200 | 67,200 | 11,099 |
| | Total | | 419,665 | 72,794 |

Cause

A suitable policy and guidelines for how to account and manage outstanding advances (e.g. to implementing departments) has not yet been elaborated or put in place.

Risks/ Effects

Ineffective management of advances increases the likelihood of ineligible expenditures not being timely detected and resolved.

Where advances have long been outstanding, or where the balance is only partially cleared, the unit responsible for following up will not be able to determine if the remaining balance was used for the intended purpose.

Amounts inadequately justified totalling USD 89,406 are in question, i.e. USD 16,612 at the HSS PMU and USD 72,794 at the national EPI. The USD 89,406 comprised 15% of the sample for expenditure reviewed by the Audit Team in the category of advances to implementers.

Recommendation 7 (Essential)

The FMOH should put in place a suitable policy and guidelines for how to account and manage funds advanced to the EPI state-level offices. The policy and guidelines should specify:

- a) A clear timeframe for settlement of advances, including a remediation process for unjustified advances within the timeframe;
- b) Responsibilities for reviewing clearances submitted by the states to ensure that they are complete and valid supporting documents are provided;

The FMOH should use the necessary financial management system to manage advances, with appropriate functionality for:

- a) The system should record the amount advanced with clearance details such as the amount and date;
- b) The system shall monitor all outstanding advances with accurate reporting on advances, including an aging analysis, on a regular basis e.g. every month;

Management comments

Management agrees with the recommendation.

Usually PMU signs a MOU with the implementing departments for each activity or for a set of activities in case of EPI. In the MOU a reporting requirement in addition to a very detailed implementation and reporting timelines is explained. Finance and M&E sections of the MOU will closely monitor and follow the implementation of the agreed activities according to the signed MOU with the departments.

A dedicated finance officer at PMU and EPI will be responsible for reviewing clearances and financial reports submitted by departments and states to ensure that they are complete and valid supporting documents are provided (January 2017).

HSS PMU has introduced the new finance software (Tally software). The system is capable of recording the amount advanced with clearance details such as the amount and date. It is very useful in monitoring all outstanding advances with accurate reporting on advances, including an aging analysis. Routine reports on advances are being generated by the system since July 2016.

4.3.2 Weaknesses in payment of per diem allowances

The largest budget line item for vaccine introduction grants, the yellow fever campaign and other routine activities (including mobile and outreach sessions) related to the payment of per diems at state level.

The budgets for activities to be implemented in the states were well detailed specifying the rate, cadre of staff, amount to be paid and number of days or sessions for the various activities.

However from the sample of states' expenditure reviewed, it was noted that the supporting documents for such allowances were not sufficiently detailed and did not refer back to the original budget breakdown and the basis against which funds were disbursed. Specifically, the Audit Team noted that several per diem payment sheets reflected that individuals were paid a lump sum amount, without clarifying the number of sessions or days the person participated in the activities.

Amounts totalling SDG 2,911,164 (USD 480,196) were identified with shortcomings in the per diem narrative descriptions, and the nature and basis for the various expenditures incurred. The total unclarified amount USD 480,196 constituted 24% of the expenditure reviewed by the Audit Team. Table 9 below refers:

Table 9: Expenditures for which supporting documents had per diem lists which do not bear title of individual, locality, number of days/sessions.

| States that Received Funds | Programme | Date of Transfer | Transferred Amount (SDG) | Unclarified Amounts (SDG) | Exchange Rate | Unclarified Amounts (USD) |
|----------------------------|--------------|------------------|--------------------------|---------------------------|---------------|---------------------------|
| Kassala | Yellow Fever | 11/10/2015 | 2,552,312 | 884,512 | 6.0700 | 145,719 |
| Al Qadaref | Yellow Fever | 11/10/2015 | 2,626,899 | 921,887 | 6.0700 | 151,876 |
| North Kurdufan | Yellow Fever | 11/10/2015 | 2,569,381 | 839,840 | 6.0700 | 138,359 |
| Al Jazeera | Routine | 18/11/2015 | 189,882 | 107,280 | 6.0013 | 17,876 |
| North Kurdufan | Routine | 18/11/2015 | 133,702 | 70,230 | 6.0013 | 11,702 |
| Northern State | Routine | 03/04/2015 | 28,289 | 13,855 | 6.0517 | 2,289 |
| Kassala | Routine | 22/04/2015 | 135,358 | 73,560 | 5.9444 | 12,375 |
| Total | | | 8,235,823 | 2,911,164 | | 480,196 |

- Even though allowance rates were paid in accordance to the individual's pay grade, frequently the person's designation/role was not indicated making it impossible to determine if the correct corresponding rate was paid;
- The applicable unit cost rates used across comparable per diem payment sheets were not consistent;
- The locality (e.g. state and district) in which participants were based was not indicated, and so without local specific knowledge, it was not possible to verify if the correct per diem band was applied;

- The nature or category of activities undertaken by individuals was not always indicated. Given that different rates applied, for example whether mobile or outreach activities, it was not possible to confirm whether the correct rates were applied.

In addition, the Audit Team noted that there were some states whose per diem rates exceeded those approved by the FMOH. EPI management stated that for specific states/locations a higher per diem rate had been justified and approved by national EPI. Specifically, Al Jazirah state has a high number of fixed sites; Red Sea state has very remote sites and Darfur state is considered as a conflict zone. However the justification and approval of differentiated per diem rates was not formally documented in writing.

Cause

There were no guidelines in place, establishing what the minimum requirements for supporting documentation should be. States were not provided with the necessary guidance or templates directing how they should report back on the use of programme funds disbursed.

Risk/ Effects

Unless (i) unit costs for allowances are traceable back to the applicable budgets and activity reports, or (ii) supporting documentation elaborate on the substance of individuals' activities, it is not possible to determine whether activities were carried out as planned and whether value for money was achieved.

Recommendation 8 (Essential)

The FMOH should develop and disseminate guidelines specifying the minimum requirements for supporting documentation to the states, including standard reporting templates, the requirement for unit costs, designation and locality. As a minimum, the supporting documents relating to per diems should include: the name, designation, work station and signature of recipients; the activities, the applicable dates, and the locality where such activities were undertaken.

Further, activity reports should elaborate the link between the expenditure of programme funds and applicable budgets.

In addition, any justification for exceptional per diem rates for special context states should be documented and formally approved by the Under Secretary of the FMOH, including a clause ensuring that the approval is regularly reviewed, or adjusted as the context changes.

Management comments

Management agrees with the recommendation.

Regarding the absence of unified forms of supporting documents, since July 2016, we have designed a new format for liquidation and shared with all states considering all mentioned points (attached).

Management will review all budget guidelines. The Undersecretary will approve all changes before they are effected.

4.3.3 Payment of incentives not linked to performance

Gavi's HSS grant provided funds for the health worker performance-based "salary top-up" scheme. The scheme also includes a corresponding contribution from the Global Fund, and was approved by the CCM in June 2013.

The top-up scheme requires that each recipient programme prepare detailed terms of reference indicating the tasks and targets to be performed by each staff position participating. Individuals' performances are then to be measured against their achievement of indicators and targets on designated tasks, resulting in them being paid according to the band their achievement falls within. Incentives are paid monthly based on the resultant rating, namely: high, satisfactory, low and inadequate performance levels, triggering a stepped payment of 100%, 70%, 40% and 0% respectively.

However, the Audit Team noted that the implantation and execution of the scheme did not follow its original design. Even though the HSS budget line provided USD 500,000 for the PMU unit's performance-based incentives each year, only USD 55,000 was paid out in 2015, resulting in a significant budgetary underspend.

The actual scheme in place also differed as follows:

- At the central level, there was no clear linkage between performance and actual incentive payments. Although programmatic performance varied from quarter to quarter, the same incentives or top-up was paid;
- Some staff always received their maximum entitlement while others received less. In particular the higher graded staff seem to have consistently received 100% incentives;
- There was differentiation between what certain PMU staff received. Some individuals received the maximum amount while others received: 32% - 2 persons; 85% - 3 persons and 55% - 2 persons.

The Audit Team observed that even with the top-up scheme, the HSS PMU still experienced significant turnover in its staff. For instance between September and December 2014, three individuals resigned from the PMU unit, a net headcount reduction from 11 to 8 staff members. It was unclear whether the top-up scheme in its current format was effective.

Cause

Since its inception in June 2013, the top-up scheme has not been reviewed to establish if it is fit for purpose. The purchasing power of incentives has devalued given local currency deflation over the last 2.5 years.

Risk/Effects

An ineffective incentive scheme may not achieve its desired objectives in motivating and retaining talent within the Ministry of Health.

Recommendation 9 (Essential)

The calculation and payment of state and national level incentives should be reviewed to ensure that the scheme is still "fit-for-purpose." It is recommended that:

- The decision to apply an alternative scheme design, such as structuring payments other than as originally approved, should be presented to the ICC and Gavi for approval;
- The performance evaluations of staff paid at national and in the states should be periodically reviewed at the central level to ensure that the criteria and process of assessing performance against indicators and targets is consistently applied, and
- The rate of emoluments and incentives should be reviewed to ensure that rates are in line and are indexed to the current cost of living.

Management comments

Management partially agrees with the recommendation.

The incentive scheme is a ministry policy and direction, and it has a good impact in retaining human resource which means that it meets its purpose. It should be treated as a live document that needs to be revised every now and then due to the strong relation with the economic status and inflation. FMOH is currently developing its new HRH retention strategy.

All incentives schemes will be updated upon the finalization of this strategy. This will take into consideration revision of the emoluments and incentives rate to ensure that it's in line with the current cost of living. The endorsement of the HRH retention policy will be by June 2017. The new scheme will address mechanisms for the implementation including assessments and appraisal to assess the performance.

There is a harmonized and approved top-up scheme. Gavi resources have been used to cover limited number of the staff mainly in the EPI and part of the HSS PMU. A lot of efforts have been made to have this unified harmonized top up scheme between all partners and programmes expected to be appreciated and reflected. This has been clarified during the audit mission.

The suggested points 2 and 3 under this recommendation are agreed and the responsible departments are MPU and HRH.

4.3.4 No evidence for delivery of goods or completion of activities

The PMU did not have effective controls in place to ensure that full payment was made only after satisfactory delivery and receipt of goods or services purchased. The transactions below illustrate the lack of necessary controls to verify receipt:

- Supporting documents for vehicle repairs totalling SDG 17,090 (USD 2,935) did not provide sufficient details on what repairs or maintenance were done by the service provider. The PMU should have obtained and validated a "job card" from the supplier, before making payment. These cards are a work order listing the actual repairs and work done, and what parts were replaced. The vehicle repairs in question are listed below, in table 10:

Table 10: Payments for vehicles which did not indicate what repairs or services were provided

| Date | Details | Amount Paid (SDG) | Amount Paid (USD) |
|------------|---|-------------------|-------------------|
| 01/05/2014 | Being cost of maintenance of vehicle number 9853 | 2,705 | 477 |
| 11/11/2014 | Being cost of purchase of 4 new tyres for vehicle 159 | 4,800 | 851 |
| 01/12/2014 | Being cost of maintenance of air conditioning | 2,000 | 353 |
| 14/09/2015 | Payment of cost of general maintenance of vehicle | 7,585 | 1,254 |

| Date | Details | Amount Paid (SDG) | Amount Paid (USD) |
|------|--------------|-------------------|-------------------|
| | Total | 17,090 | 2,935 |

- b) The PMU finance team did not place “goods received notes” on file before paying its supplier. In absence of such “goods received notes” or other proof of delivery, the Audit Team was unable to ascertain if the respective goods were actually delivered as reported. The transactions in question are listed below, in table 11:

Table 11: Purchases for which “goods receipt notes” were not available for review

| Date | Details | Amount Paid (SDG) | Amount Paid (USD) |
|------------|--|-------------------|-------------------|
| 08/05/2014 | Being cost of purchases of boards for rural hospital and health centres. | 35,100 | 6,178 |
| 14/08/2014 | Being cost of purchases stationary for the FPIU. | 8,336 | 1,473 |
| 12/11/2014 | Being cost of purchases of 6 laptops and portable hard disks. | 55,259 | 9,783 |
| 28/07/2015 | Payment of cost printing document | 29,740 | 5,003 |
| | Total | 128,435 | 22,437 |

Cause

Inadequate documentation in support of the supply of goods and services. The PMU Finance Department did not verify that all necessary supporting documents were on file prior to making payment.

Risk

Gaps in suitable controls over expenditures incurred could result in:

- Grant funds being used for activities or purposes other than those intended;
- Payments being made for goods and services which were not fully delivered; or
- A loss of funds when payment for services or goods is not fully justified.

An amount totalling USD 25,372, or 26% of the procurement related expenditure review by the Audit Team is in question. This being: (i) USD 22,437 for which there was insufficient evidence on file recording the delivery of goods, consisting; and (ii) USD 2,935 for vehicle repair payments which were not adequately supported with details of what repairs or services were provided.

Recommendation 10 (Critical)

For all future payments, the PMU finance unit should ensure that:

- Payments to suppliers are only made against authorised delivery notes and that receipt of goods and services has been confirmed; and
- For motor vehicle repair costs, that a copy of job order cards showing the details of what services and maintenance took place is approved and put on file.

Management comments

Management agrees with the recommendation.

Goods and Services Receipt Notes have been completed for all transactions. This is also included in the Operational Manual and the SOPs. The final endorsed Operational Manual will be shared with Gavi in October 2016.

In September 2016 the PMU and HD agreed on development of job cards, this maintenance card will be developed by a mechanical engineer in January 2017 in regard with that the PMU will contract a mechanical engineer

4.4. Procurement

| | |
|---|--|
| <p>The scope for civil works on health facilities was changed from “renovation” of existing to “construction” of new health facilities, resulting in significant price increases. As a result, the FMOH only delivered 50 out of 74 planned health facilities. The committee evaluating bids for these works did not follow due process, as it made inconsistent decisions and acted beyond its mandate. Contracts to supply equipment were awarded to suppliers whose bids did not meet the minimum technical evaluation threshold. The Audit Team noted that equipment procured and supplied to facilities was damaged and in some cases could not be used.</p> | Audit Rating Partially Satisfactory |
|---|--|

In 1997, the United States put in place economic sanctions against Sudan²², prohibiting the export of various goods and technology to Sudan, from the US or by a US person. These sanctions also block most transactions relating to the trading and transport of cargo – both to or from – Sudan and the United States by a Sudanese person or company. This has resulted in the non-availability of foreign currency for imports, as well shortages in affordable, quality products being available in local markets. Humanitarian donations are not affected by the sanctions.

Gavi’s HSS grant to Sudan included the following procurement activities:

- Civil works to renovate or construct rural hospitals, health centres and health units.
- Purchases of essential equipment and furniture for new and existing health facilities.
- To provide cold chain equipment to states, and their localities and sub-localities.

Good practices observed

At a national level, clear administrative steps were in place. For instance plans were prepared annually and were used to track the procurement process. Also procurement documents were well filed and were readily available on request.

4.4.1 Budget overruns and price increases in construction of health facilities

Over the period 2013 to 2015, 50 health facilities were fully or partially constructed and furnished using HSS funding. The civil works took place in two phases, encompassing 31 health facilities in phase 1 and 19 facilities in phase 2, respectively. As illustrated in the table below, overall costs of construction exceeded budget by 9%. However the scope of works was significantly changed, by focusing on fewer facilities at a higher marginal cost per unit, in particular hospitals and health units. As a result, the average unit cost per health facility exceeded budget by 74% in phase 1 and 45% in phase 2, respectively, with less facilities being delivered overall.

Table 12: comparison of budgeted versus actual cost of health facilities

| HSS | Type of facility | Budget | | Actual | | Variance | | Variance as %age of Unit cost |
|---------|------------------|-----------------|------------|-----------------|------------|-----------------|-----------|-------------------------------|
| | | # of Facilities | Cost (USD) | # of Facilities | Cost (USD) | # of Facilities | % of Cost | |
| Phase 1 | Hospital | 8 | 400,000 | 7 | 684,616 | -1 | 71% | 96% |

²²Executive Order 13067 of November 3, 1997

| HSS | | Budget | | Actual | | Variance | | Variance as %age of Unit cost |
|---------|------------------|-----------------|------------------|-----------------|------------------|-----------------|------------|-------------------------------|
| Phase | Type of facility | # of Facilities | Cost (USD) | # of Facilities | Cost (USD) | # of Facilities | % of Cost | |
| | Health centre | 16 | 720,000 | 6 | 386,761 | -10 | -46% | 43% |
| | Health unit | 24 | 480,000 | 18 | 723,217 | -6 | 51% | 101% |
| | Sub-total | 48 | 1,600,000 | 31 | 1,794,594 | (17) | 12% | 74% |
| Phase 2 | Health centre | 8 | 450,000 | 6 | 504,418 | -2 | 12% | 49% |
| | Health unit | 18 | 780,000 | 13 | 798,409 | -5 | 2% | 42% |
| | Sub-total | 26 | 1,230,000 | 19 | 1,302,828 | (7) | 6% | 45% |
| | Total | 74 | 2,830,000 | 50 | 3,097,422 | (24) | 9% | 62% |

The price increases in civil works on health facilities were because:

- As reflected in the budgets provided, approval was given to upgrade and renovate existing health facilities. However instead of this, Gavi funds were used to construct new facilities where none existed before. As a consequence, unit costs (i.e. for new construction) were higher than budgeted.
- Between 2012 and 2014, the Sudanese Pound experienced inflationary pressures, reaching as high as 45%. This resulted in reducing the purchasing power of grant monies between the time that budgets were approved and execution.
- Supplier pricing was higher, as a result of their factoring in differences and expectations between the black market and official rates of foreign exchange markets.

Every year Sudan's Federal Ministry of Finance (FMOF) publishes comprehensive prices and makes them available to ministries and government departments. Procuring entities are expected to use the FMOF pricing guidance to determine if supplier price quotations or bids are competitive.

Cause

A combination of economic forces impacting on the real cost of materials and a change in the scope of works resulted in increases for the unit cost of facilities and higher expenditure on civil works.

Risk/Effect

The HSS activity to expand maternal and child health services under-achieved its objectives, as fewer health facilities were renovated or constructed, even though expenditure exceeded the approved budget by 9%.

Recommendation 11 (Critical)

In future, the Federal Ministry of Health should ensure that budgets and work plans presented and approved reflect the detailed scope of activities to be implemented, i.e. construction and renovation should be separated and clearly presented as such. In accordance with the HSS grant procedures, significant variations in the budget and activities in terms of quantity and cost, with approval of both the ICC and where necessary Gavi, should be sought.

Management Comment

Management partially agrees with the recommendation.

Partially agree because there are separate plans for procurement including construction and renovation but we agree that those plans needs to include more details and at some levels the ICC approval should be obtained. This plan will be developed January 2017 and the responsible department will be health development department.

The procurement department usually develops a detailed operational plan for the civil work (as shared during the audit mission). All civil work activities were implemented following the national guidelines and procedures, however there is an area for improvement mainly during the implementation of all civil work. In Jan 2017 Health Development Department will submit the 2017 procurement plan (detailed plan).

4.4.2 Value for money not assured in the construction of health facilities

The Audit Team visited a health facility constructed in Sinjar and an operating theatre constructed at Umshoka Rural Hospital in Sennar state. At Sinjar health facility the building had cracks which the engineer explained were due to the soft nature of the soil in the state. Also, although fitted with water taps and washing basins, these fittings were broken and there was no running water inside the facility.

At Umshoka Rural Hospital, the operating theatre which was constructed more than eighteen months earlier was not yet in use because electricity and water has only recently been installed. Also, the main door, ceiling fan and washing basin were broken.

Reports of audits conducted by Sudan's National Audit Chamber (NAC) made the following observations with regards to the quality of facilities constructed with Gavi funds, since 2010:

- (i). The 2010 audit report included the following weaknesses observed in North Kordofan, White Nile, Sennar and Gadariff states:
 - Contractors did not meet timelines for completing the health centres.
 - There was weak follow-up by the supervising engineers
- (ii). In 2011, the external auditors reported that:
 - Generator room constructed in Al Naeem Rural Hospital in White Nile, but the generator was not installed.
 - At Odaia Rural Hospital in North Kordufan state, walls were not painted and the supervisors did not make sure this work was completed. At the same rural hospital: (i) ceiling fans were not installed, (ii) sterilisation facilities are not put in place and (iii) an x-ray room was not fitted with a control room.
- (iii). In the 2013 report, the external auditor reported that:
 - The state engineering supervisors were not provided with copies of bills of quantities of projects which they were to oversee in North Kordofan, White Nile and Sennar states. In consequence these supervisors did have the tools to effectively undertake their assigned duties.
 - The construction contracts for health centres and rural hospitals in North Kordofan, White Nile and Sennar states did not have accurate specifications for: (i) excavation of sandy and clay soil in Omfaw, White Nile and (ii) building materials such as metallic doors and windows.

- A contractor in White Nile state constructed 3 facilities in a design different from that in the design drawings, and also delayed completion of Tandalty hospital by seven months. Moreover the FMOH did not invoke penalties on the contractor although provided for in the construction contract.
- (iv). The 2014 audit report mentioned that the contractor in White Nile state did not rectify the construction defects which were required within the primary delivery certificate dated September 2014, such as cracks in Alandraba, Omshaba and Alkreada.

Cause

The quality issues observed by the Audit team and Sudan's National Audit Chamber were due to lapses in engineering supervision and a failure to enforce invoke clauses in contracts with contractors for penalties and to rectify defects.

Risk

A failure to assure quality of the facilities constructed brings into question value for money of Gavi support to this activities

Recommendation 12 (Critical)

Prior to making further investments in construction activities, the Federal Ministry of Health should contract a competent independent firm of engineers to:

- Assess the condition of the facilities constructed with Gavi support during HSS I and II. Where defects are found, these should be rectified by the FMOH.
- Recommend actions that the FMOH should put in place avoid a repeat of issues observed by the auditors and that when they occur defects are identified timely and rectified by contractors.

Management Comment

Management disagrees with the recommendation.

Gavi is an important partners in the PHC Expansion Project. MOH has already appointed civil engineer consultant to support Health Development Department and to follow the implementation of the civil work activities. Also FMOH has hired field civil engineers supervisors in all states. All these efforts and others to come, have resulted in improvement in the implementation of the civil work. Furthermore, National Audit Chamber NAC has conducted their audit for 2015 (from April – August 2016). This year they focused more on the implementation of the civil work based on Gavi's request. NAC report confirmed that all observations and recommendations on civil work have been implemented. The 2015 audit revealed that there are no key issues on civil works. The report has been sent to Gavi secretariat.

All related documents have been shared with Gavi secretariat as well as Gavi audit team.

The arrangements has different components to control the implementation of all civil work starting by the contractual parts and ending by the grantee period in line with the national guidelines.

Accordingly, we don't agree to postpone the implementation of the civil work since this will negatively affect the national PHC expansion plan.

We agree upon having this assessment for civil work and construction and will be rectified by the government this will be done in March 2017. We disagree with linking the future investment with this assessment.

Response to FMOH Management Comment.

Management of the FMOH is not in agreement with the audit recommendation, citing their concerns that any possible delays in future construction might negatively affect the national Primary Health Care (PHC) expansion plan.

However, we reiterate our recommendation that an independent assessment of past civil works is needed, and past defects remediated, given that the National Audit Chamber's audits for the period 2010 to 2014 confirmed that many constructed facilities had structural defects, which corroborated with Programme Audit's own concerns regarding the poor quality of several facilities. Furthermore, the FMOH has not yet provided any evidence that defects from this period have all been identified and rectified.

4.4.3 Bid evaluations did not follow due process

4.4.3.1 Bid evaluation decisions not consistent

The tendering committee's process of deliberation and overall conclusion was not consistent when evaluating bids for activity 4.1.2 "Rehabilitate 1 rural hospital annually, in each of the four states".

The tendering committee selected the second most competitive bidder (bidder B) and rejected the first (bidder A) on the basis that bidder A had failed to complete and deliver outputs on time, for a previous award. However, without a stated rational bidder A was then awarded another tender by the committee at the same sitting.

The FMOH clarified that bidder A had since been awarded contracts which were well executed and delivered on time. This explanation however does not justify the committee's earlier decision to select bidder B over A.

4.4.3.2 Tendering committee exceeded its mandate

In accordance with procedure, the Under Secretary appoints a tendering committee to review technical bids and make recommendations as to which bids were most competitive. However on 1 July 2014 the tendering committee exceeded its terms of reference when evaluating bids relating to activity 4.1.3 to "Rehabilitate /upgrade 3 Primary Health Units annually in each four states."

During its deliberations, the tendering committee determined that all of the bids for activity 4.1.3 exceeded the budget available. In response and on its own initiative, the committee: (i) reduced the scope of works and the number of health facilities to be contracted; (ii) contacted and negotiated a reduction of 2% with each bidder; and (iii) reprogrammed funds from the overall budget by transferring SDG 565,813 from the equipment budget line to this activity.

4.4.3.3 Members of tendering committees did not declare conflicts of interest

The procurement manual requires members of the tendering committee to formally declare any conflicts of interest before undertaking their duties. However in all eight cases reviewed by the Audit

Team, there was no evidence of declarations of conflict of interest being provided by members of the tendering committee.

Cause

Tendering committees and their constituent members failed to comply with the procurement manual.

Risk

Procurement processes will be perceived as non-transparent and may be put into question, where due process is not followed, or where bid deliberations and evaluations are inconsistent.

Recommendation 13 (Critical)

Tendering committees should comply with their terms of reference and follow due process as set out in the procurement manual, specifically they should:

- Ensure that committee members' routinely provide conflict of interest declarations as required;
- Comply with and follow their terms of reference, by confining their mandate to the evaluation of bids, and making any management or operational decisions, such as changing bid specifications or revising budgetary resources; and
- Be consistent in their deliberations and decisions, such as by making sure that all bidders with a history of non-performance are disqualified.

Management Comment

Management agrees with the recommendation.

The committee is performing against the set and agreed upon TORs. However the committee is following the national tendering guidelines, but there are areas of improvement. Implementation of providing routine conflict of interest declaration will be regularly done.

The procurement department is the responsible department of implementing this recommendation which will be implemented immediately September 2016.

4.4.4 Contract awarded to low scoring bids

In 2013, the FMOH spent USD 1,142,400 to purchase equipment for health facilities. However this resulted in expenditure of USD 470,400 above budget, as the corresponding HSS equipment budget line was for USD 672,000. No approval was obtained from the ICC or from Gavi for the 70% increase in this budget line. In response to the draft report, in October 2016 management of FMOH provided the Audit Team with minutes of the HSCC meeting at which the expenditure in question was approved. However, these HSCC minutes were dated 6 May 2015 and therefore not relevant to the expenditure incurred in 2013. In addition, the minutes provided did not include information on the amounts to be reprogrammed.

A total of five bidders were awarded contracts to supply equipment. The highest bid achieved a technical score of 59%, but award was made to this bidder without computing the average of technical and financial scores. Also, one bidder was awarded a contract even though their bids achieved a technical scores of 47%. The procurement manual did not provide for a minimum

technical threshold below which a bidder is disqualified, so in practice low scoring technical bids may be put forward for financial evaluation.

The Audit Team visited two health facilities in Sennar state and observed that at both sites the furniture and equipment purchased with Gavi funds was broken or in a poor state of repair. The damage could not be solely explained as being due to “wear and tear” as comparable furniture and equipment at these facilities, but procured from earlier instances of procurement, was still in a good state and functioned well.

Cause

The bid evaluation committee did not give adequate attention to technical capacity of the bidders when assessing all 2013 bids it received for equipment as this was not required by the procurement guidelines.

Risk

Unless bid evaluations consider the quality of items being supplied, then value for money may not be achieved when procuring assets, including furniture and equipment. Such concerns were observed with the expenditure of USD 1,142,400 from the HSS equipment budget line.

Recommendation 14 (Critical)

The FMOH should consider revising its procurement guidelines to prescribe minimum technical scores below which bids are not subject to financial evaluation. Contracts should not be awarded to bids that don't meet a sufficiently high technical threshold, for example above 75%.

Management Comment

Management partially agrees with the recommendation. This one is partly from the arrangements mentioned in recommendation 12.

The part we disagree because there are procurement guidelines.

We agree that those guidelines need to be updated accordingly. The update will be done in January 2017 to reflect all levels of details needed including all bidding criteria.

4.4.5 A lack of competition in procurement

National procurement manual stipulates that the principle of competition applies to all cases of procurement. However, from the Audit Team's review of various procurement cases, six transactions were identified where there was no bid evaluation report on file, to demonstrate how the contracts were awarded and show that competition was applied. Similarly, purchasing contracts were awarded on a single- source basis for up to USD 346,757 which comprised 63% of the procurement related transactions reviewed by the Audit Team. These transactions are listed below:

Table 13: Procurement transactions for which competition could not be demonstrated

| Details | Date | Amount (SDG) | Amount USD |
|--|------------|--------------|------------|
| Transport medicines from Port Sudan to Khartoum | 25/03/2015 | 58,800 | 10,395 |
| Transport vaccine to south and east Darfur | 04/11/2014 | 410,220 | 72,193 |
| Transport vaccine and freezers to different states | 24/06/2014 | 230,281 | 40,700 |

| | | | |
|--|------------|------------------|----------------|
| Transport vaccine to north and east Darfur | 15/10/2014 | 571,273 | 101,102 |
| Transport vaccine to north and south Darfur | 23/12/2014 | 458,923 | 81,025 |
| Transport to South Kordofan and South Darfur | 02/07/2015 | 234,000 | 41,342 |
| Total | | 1,963,497 | 346,757 |

Cause

The FMOH did not give adequate attention to provisions of the procurement manual which require competition in all purchases.

Risks/ Effect

- In absence of competition, there is no assurance that the prices paid were competitive or that best value for money was achieved.
- The practice of single-sourced procurement discourages eligible and viable vendors from responding to invitations to tender from FMOH, where there are perceptions of a lack of transparency.

Recommendation 15 (Essential)

In accordance with the procurement manual, the award of all contracts should be carried out in a transparent and competitive manner, including adequate supporting documentation being retained so as to demonstrate due process. Specifically, bid tender committees' evaluations and award decisions should be clearly documented and placed on file.

Management Comments

Management disagrees with the finding/recommendation.

In relation to table 13 for vaccines transportation, there is a report of competition for the San Siro agent and also for Tarig Company (attached).

Accordingly this point is not accepted, kindly see the attached documents and revise this part again.

Response to FMOH Management Comment.

In October 2016, as a management response, the EPI programme provided additional documents but these did not cover the amounts listed above. For San Siro, the contract was provided. However, the contract did not show any amounts but refer to amounts included in quotations which were not provided to the Audit Team.

In addition, the EPI programme attached a letter from the Under Secretary of FMOH to Under Secretary of Federal Ministry of Finance asking for approval for direct sourcing instead of doing a competitive bidding process for vaccine transportation from Port Sudan to Khartoum. We however note that this was only for SDG 81,000 and the approval from Under Secretary of Federal Ministry of Finance was not provided.

Based on the review of the additional documents, the audit observation and recommendation is maintained.

4.4.6 No formal contracts were entered into with suppliers

The procurement manual stipulates that a written contract and/or a "Local Purchase Order" must be formally issued before committing any public funds.

Such contracts and purchase orders are binding legal instruments, as they respectively establish:

- The details of goods or services to be supplied, quantities and the agreed prices; and
- The agreed price, quantity and quality, the terms and conditions for delivery, dispute resolution, contract cancellation procedures, and payment terms.

However, from the Audit Team's review of a sample of procurements, 11 transactions were identified totalling SDG 2,741,423 (USD 476,557) or 35% of related expenditure where the FMOH failed to issue "Local Purchase Orders" or enter into contracts with suppliers, as required.

Table 14: Procurement transactions for which there was no contract or Local Purchase Order

| Details | Date | Amount (SDG) | Amount USD |
|--|------------|------------------|----------------|
| Transport medicines from Port Sudan to Khartoum | 25/03/2014 | 58,800 | 10,395 |
| Transport vaccine to south and east Darfur | 11/04/2014 | 410,220 | 72,193 |
| Transport vaccine and freezers to different states | 24/06/2014 | 230,281 | 40,700 |
| Transport vaccine to north and east Darfur | 15/10/2014 | 571,273 | 101,102 |
| Transport vaccine to north and south Darfur | 23/12/2014 | 458,923 | 81,025 |
| Transport to South Kordofan and South Darfur | 07/02/2015 | 234,000 | 41,342 |
| Rival Medical Co. | 11/09/2015 | 122,850 | 20,327 |
| AL Aalam Al'aan for media services | 23/11/2015 | 72,180 | 11,911 |
| National TV Channel | 28/12/2015 | 300,000 | 49,505 |
| Sekli for Trade and Investments | 01/05/2016 | 259,740 | 44,123 |
| Blue Nile TV Channel | 01/05/2016 | 23,156 | 3,934 |
| Total | | 2,741,423 | 476,557 |

Cause

The FMOH did not give adequate attention to provisions of the procurement manual which require that local purchase orders or contracts are issued for all purchases.

Risk/ Effect

In the absence of a binding contract or Local Purchase Order, the procuring entity is at substantial risk of financial loss without recourse, in the event sub-standard performance or if the supplier fails to deliver goods or services.

Recommendation 16 (Essential)

In future, the FMOH should ensure that a binding legal agreement is established with the corresponding supplier(s) for all cases of public procurement. Specifically the procuring entity should issue a Local Purchase Order or contract prior to committing funds on the provision of goods or supplies.

Management Comments

Management agrees with the recommendation.

In fact all major procurement is managed centrally by the HSS PMU and Health Development Department. A local Purchase order is issued and a contract is signed with all providers. However we will ensure that procurement done at departments' level will follow the same arrangements. This is already included in the Operational Manual and will be implemented by all departments.

Annex 1– Summary of questioned expenses

Table 15: Summary of questioned expenditures.

| Issue: | Amount (USD) | Reference: |
|---|----------------|----------------------|
| Advances not well monitored | | |
| Expenditures at HSS PMU that were reported as fully liquidated but found to miss supporting documents. | 16,612 | 4.3.1 – See table 7 |
| Payments advanced by HSS PMU to states and national level staff but not fully cleared with support documents. | 72,794 | 4.3.1 – See table 8 |
| Sub-total (A) | 89,406 | |
| No evidence for delivery of goods or completion of activities | | |
| Payments for motor vehicle repair which did not show details of repair work done by the service provider | 2,935 | 4.3.4 – See table 10 |
| Purchases for which 'goods receipt notes' were not available for review | 22,437 | 4.3.4 – See table 11 |
| Sub-total (B) | 25,372 | |
| Total (A + B) | 114,778 | |

Annex 2 – Table references

Table 16: Expenditures that PMU charged and reported to the wrong budget lines.

Reference to observation **4.2.3**: For SDG 291,214 (USD 26,892) detailed in table 16 below, the PMU finance team posted transactions to the wrong budget lines.

| Date | Transaction Description | Charged to Budget | Amount (SDG) | Amount (USD) |
|------------|---|---|----------------|---------------|
| 16/03/2014 | Being transfer to the ministry of health Gedarif state. | Support 10 Staff to attend M&E regional training course | 16,440 | 2,873 |
| 23/03/2014 | Incentive to White Nile state coordinator GAVI project. | Support 10 Staff to attend M&E regional training course | 2,550 | 445 |
| 01/05/2014 | Being cost of maintenance of vehicle NO 9853. | Technical assistance to support PMU on grant implementation | 2,705 | 471 |
| 14/08/2014 | Being cost of purchases stationary for the FPIU. | Technical assistance to support PMU on grant implementation | 8,336 | 1,455 |
| 10/09/2014 | Payment for White Nile state for co-ordinate GAVI project third quarter | Support 10 Staff to attend M&E regional training course | 16,440 | 2,858 |
| 23/09/2014 | Incentive to the South Kordofan state for coordinator GAVI project. | Support 10 Staff to attend M&E regional training course | 2,250 | 392 |
| 12/11/2014 | Being cost of purchases of 6 laptops and portable hard disks. | Technical assistance to support PMU on grant implementation | 55,259 | 9,613 |
| 24/12/2014 | Being cost of incentive for over-time work December 2014. | Provide performance based incentives to PMU staff | 18,430 | 3,204 |
| 24/12/2014 | Being cost of work shop for supervisor engineering. | Provide performance based incentives to PMU staff | 3,644 | 633 |
| 22/04/2015 | Payment of Residual costs of general managers states meeting | Support grant management cost | 5,756 | 958 |
| 02/11/2015 | payment of attended of courses for training and management development | Technical assistance to support PMU on grant implementation | 23,000 | 3,989 |
| | Total | | 154,810 | 26,892 |

Annex 3– Definitions of audit ratings and prioritisations

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 immunisation. The three audit ratings are as follows:

- **Satisfactory** – Internal controls and risk management practices were adequately established and functioning well. No high-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 high- and medium-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 high risk. Hence, the overall entity’s objectives are not likely to be achieved.

B. PRIORITISATION CATEGORIES

The prioritisation 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.

Annex 4– 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 5 – 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, payroll controls, retirement of advances controls and imprest;
- Review of the arrangements for managing the bank accounts, including tracing all withdrawals and transfers from the programme and designated accounts to determine that they are for eligible expenditures for the programmes;
- Review the bank accounts where interest on designated and Programme accounts balances are credited to ensure that the inflows and outflows are appropriate;
- Verify on a sample basis, procurement undertaken to ensure that the applicable policies and procedures are strictly adhered to and that transparency and value for money is maintained;
- Review the mechanism for channelling cash advances from the FMOH to the various various states, and ensure that there are adequate internal controls in place to timely liquidated such advances;
- Undertake visits to sub-national levels to conduct interviews of beneficiaries and Health employees and determine whether principal activities actually took place according to the work plan/ schedule of cash advances;
- Visit to the central and sub-national stores to ensure that appropriate stock management procedures are in place;
- Perform physical verifications, on a sample basis, to check the actual delivery of goods, works and services purchased as per the source documents;
- Assess adequacy of relevant fixed assets policies and procedures, and determine whether an adequate fixed asset register is maintained by the project. Verify a sample of programme assets;
- Identify, list and document all expenditures which are not eligible for funding from Gavi programme funds. Provide photographs/copies of all material and significant supporting documentation which relates;
- Highlight any specific matter of concern that may impede the achievement of the intended objectives of the grant; and
- Make appropriate recommendations and discuss these with the implementing entities.

Reporting

At the end of the audit, key findings were discussed with the senior management team at the Sudan Ministry of Health on 14 April 2016 and a presentation which contained a summary of these findings was shared.