

Memorandum on the Review of the Fixed Assets Register and Outstanding Advances for the National Primary Health Care Development Agency in Nigeria, for the period 1 January 2010 – 31 March 2015.

Introduction

1. This memorandum, prepared by Gavi's Audit and Investigations function, sets out the context for, conduct of, and conclusions arising from the review of National Primary Health Care Development Agency's (NPHCDA) Fixed Asset Register ("FAR") and Outstanding Advances ("this review") conducted by independent reporting auditors, Edes and Associates ("Edes"). It should be read in conjunction with Edes' detailed report – cross-references are provided as appropriate. However, it serves as a summary in its own right of Edes' key findings and Gavi's conclusions which are derived therefrom.

Overall conclusions

2. Edes concluded that:
 - a) As regards the outstanding advances of US\$2.0 million, they were "unable to confirm whether the questioned expenditure was incurred for the intended purposes. In addition, the high percentage of questioned costs recorded on the sampled states accountabilities indicates that the credibility of the rest of the documents is doubtful, and that value for money may not have been obtained on this expenditure".
 - b) As regards the fixed asset procurement of US\$12.4 million, "the reconstituted Fixed Assets Register is incomplete, inaccurate and is not a reliable record for management and monitoring of Gavi funded assets".
3. Edes undertook asset verifications of a sample of the assets which had been acquired as set out in NPHCDA's procurement records. They found that not all of the assets were in place as recorded, or in a working state, quality or condition consistent with the purchase price paid. However in approximately two-thirds of cases assets were identified appropriately.
4. It has been determined by Gavi's Country Programmes team in consultation with Gavi's Audit and Investigations function that, given the results of Edes' audit, a reimbursement of US\$5,680,000 should be sought (it is noted that certain elements of this reimbursement relate to fixed assets which had been subject to reimbursement resulting from a prior Gavi audit in 2016 of US\$363,000, and therefore the net reimbursement sought is US\$5,317,000). The basis of this determination is described in this memorandum; the derivation of this amount, drawing on the detailed findings of Edes' audit, is set out in the Annex to the memorandum. As at 4 July 2018, reimbursements totalling US\$5,072,000 had been received.
5. In the time since Gavi's prior audits were conducted in 2013/2014 and 2015/2016 there has been a change in the senior management of NPHCDA. This review of advances and fixed

assets examined activities and expenditure in the period up to March 2015 which was before NPHCDA's new management was in place.

Background and context

6. The work undertaken in this review was an extension of two prior and complementary audits undertaken by Gavi, the first covering the period 1 January 2011 to 31 December 2013, the other with an extended scope covering the period 1 January 2010 to 31 March 2015. These audits had resulted in requests for reimbursement of US\$2.2 million and US\$5.4 million respectively; both these amounts have been received in full by Gavi. The conclusions from those two audits relevant to this review are described following.
7. First, the Cash Programme Audit ("CPA") concluded October 2014. This audit had, among other proposed enhancements, recommended that a fixed asset register be prepared for those items procured using Gavi-provided funds. The then Federal Minister of Health, Professor C. O. Onyebuchi Chukwu, and the Gavi Chief Executive Officer, Dr Seth Berkley, issued a joint letter of understanding (17 October 2014) including certain commitments:
 - *In response to the CPA, the Ministry of Health and NPHCDA have introduced a number of measures to immediately enhance the transparency and accountability of systems. These include: the compilation of a fixed asset register.*
8. Secondly, the Extended Cash Programme Audit ("ECPA") concluded November 2016. Amongst other findings, this audit found that:
 - *Advances to staff and states of \$2.0 million are outstanding for significant periods of time, up to three years. As indicated in the report, NPHCDA's processes are especially weak with respect to the retirement of such advances. NPHCDA should manage the retirement of these over the next six months, no later than the end of Q1 2017, and present supporting documentation for validation. Any advances not adequately retired at that time would be subject to a further reimbursement requirement by Gavi.*
 - *In addition, \$12.4 million of expenditure was made on the procurement of fixed assets which was conducted through processes which were found to be flawed in design and execution. Consequently, there is a need to validate that equipment and other assets not examined in the ECPA were appropriately acquired and delivered value for money. As described above, it is necessary for the purposes of establishing effective financial management that a comprehensive fixed asset register is compiled by NPHCDA (including all assets funded by Gavi held both centrally and in the states); this should be completed no later than the end of Q1 2017. The completeness of the register should then be validated by Gavi. This is expected to include physical verification of the location and condition of a sample of the assets procured. To the extent that this is not the case, in whole or in part, a further requirement for reimbursement on misuse would arise.*
9. Gavi appointed the audit firm Edes, who had undertaken the ECPA, to undertake this review with a scope covering both the advances to staff and states, and the fixed assets expenditures.

The scope and conduct of the review

Scope

10. The requirements and expectations for the management of Gavi support to Nigeria were agreed between Gavi and the Government of Nigeria as set out in the Aide Memoire of 9 August 2012, and the Partnership Framework Agreement of 9 Jan 2014.
11. The detailed objectives and scope of this review is set out in Edes' report (sections 2.1.1 and 2.1.2). The overall objective was to assess whether the use of Gavi-provided funds was adequately accounted for as required, and whether the funds were used as intended, in accordance with agreed terms and conditions of the grants provided. This review does not provide any recommendations on process and control enhancement as these aspects were fully covered in the prior audits described in para 6 above.
12. As regards the advances to staff and states, specifically this review was intended to evaluate the liquidation of the advances, and to assess whether the documentation presented to support that liquidation was adequate to validate that funds provided had been used appropriately.
13. As regards the review of fixed assets, specifically this review was intended to:
 - evaluate the process that NPHCDA adopted to reconstitute the FAR;
 - validate the quality, integrity and reliability of the reconstitution process that NPHCDA followed as it relates to the FAR;
 - assess the credibility of the fixed asset records and of the supporting documentation; and
 - verify by direct observation the existence and status of a selection of fixed assets against the underlying records presented in the FAR.

Conduct

14. On 01 May 2017 NPHCDA presented its FAR, analysis on state and staff advances, and associated supporting documentation. Edes undertook its work in May comprising a review of documentation and interviews with staff at NPHCDA in Abuja, and relevant staff based in the subnational areas. The audit team undertook site visits to verify the existence and condition of a sample of assets purchased using Gavi funds. At the request of NPHCDA's management, representatives from NPHCDA or the Federal Ministry of Health (FMoH) accompanied the auditors on these visits.
15. A draft report of this review was provided to NPHCDA on 15 June 2017 and to the FMoH in July 2017. Management comments for incorporation in the report were received from NPHCDA on 11 September 2017 and subsequently, following their incorporation in the report, additional management comments on 6 November 2017.
16. Opportunity was provided throughout the review, and subsequently, for the presentation of documentation by NPHCDA to support the expenditures examined by Edes. Additional time was provided to NPHCDA on their request to complete the compilation of the FAR (one further month in April 2017) and to submit management comments to the draft report (two further months to mid-September).

17. Throughout the review Edes acted independently under the frame of reference set by Gavi's Audit and Investigations function in accordance with the contract of engagement. Gavi has discussed the methods and conduct of the review with Edes, and reviewed the findings in depth, and is satisfied that the work was conducted in an appropriate manner consistent with expectations, and that Edes' conclusions are reasonably drawn.

Findings from Edes' review

Staff and State Advances

18. Edes reviewed samples of documentation supporting expenditure for state and staff advances representing 46% and 80% of total expenditure, respectively. Edes questioned expenditure for 93% of the state advances and 16% of the staff advances due to the absence of adequate documentation namely, activity reports, documents that were photocopied rather than original versions, missing and incomplete supporting documents, inconsistent signatures of recipients, and inconsistent receipts for fuel and meals.

19. Edes concluded that they were "unable to confirm whether the questioned expenditure was incurred for the intended purposes. In addition, the high percentage of questioned costs recorded on the sampled states accountabilities indicates that the credibility of the rest of the documents is doubtful, and that value for money may not have been obtained on this expenditure". (Edes' report Executive Summary page 3)

Review of the Fixed Assets Register

20. Edes (Executive Summary page 2) found that:

- a) There were significant gaps in the process adopted by the NPHCDA to reconstitute the FAR. There was no clear documentation to guide the FAR reconstitution process and not all participating staff were given the required training.
- b) The gaps in the reconstitution of this process led to various inconsistencies and errors in the FAR. There was an unexplained difference, after allowing for certain adjustments summarised in the Annex to this memorandum, of US\$ 1,456,636 (being US\$1,264,071 relating to medical equipment and supplies, and US\$192,565 relating to public health centre renovations) between the value of assets purchased as shown in the procurement records and the value of assets set out in the FAR.

21. Given the concerns identified in the prior audits on the operation of the procurement processes, it had been anticipated that NPHCDA would be able to justify expenditures recorded by undertaking a reconstitution of its records to demonstrate that assets had been acquired for value. In particular, it had been expected that the existence of reported assets would be validated by observation at the relevant sites. However, overall Edes determined that "the reconstituted Fixed Assets Register is incomplete, inaccurate and is not a reliable record for management and monitoring of Gavi funded assets" (Edes' report Executive Summary page 2). Therefore Gavi has formed its conclusions based on the incomplete and partially accurate records provided by NPHCDA, extending its conclusions from the additional verifications undertaken by Edes.

The conclusions of Gavi's Audit and Investigations function based on Edes' audit findings

22. There has been adequate explanation for the use of certain of the funds, as described following:

- a) **Capitalisation levels.** In the course of the finalisation of the FAR reconstitution, NPHCDA disclosed that NPHCDA had newly adopted a policy that items purchased below a certain threshold of materiality (N50, 000 - approximately US\$330) would not be capitalised and recognised as an asset as the items' individual value is low and it is not practicable to trace so many low value items. This is a typical accounting practice used in most organisations to differentiate capital expenditure from current expenditure. In introducing this policy, which Gavi accepts as appropriate, expenditure totalling US\$1,212,772 (Edes' report section 2.3.1) falls within it and is excluded from the analysis.
- b) **Asset verification.** Through NPHCDA's work in undertaking site visits in their reconstitution exercise, subsequently validated by Edes site visits undertaken on a sample basis, evidence of asset acquisition was obtained for a proportion of the assets listed in the FAR. Edes validation covered only a sample of sites with a view:
 - i) to assess the reasonableness of the asset verification exercise undertaken by NPHCDA; and
 - ii) to assess the accuracy of the FAR as an effective record of fixed asset inventory for sites which NPHCDA did not verify through physical examination.

23. However in other regards, the process of asset validation was deficient:

- a) **Incompletely reconstituted FAR.** NPHCDA management did not fully reconcile the reconstituted inventory of assets acquired against procurement records - approximately US\$ 1.5 million of assets procured could not be accounted for in the FAR. This relates to two categories of assets which were procured but for which no deployment or existence of assets could be determined as described in para 20 b) above.
- b) **Inability to verify assets and the difficulty to demonstrate that value for money was obtained.** For the four categories of expenditure incurred it was not feasible to demonstrate that all assets procured could be traced against procurement records. In some cases the verification work undertaken by NPHCDA could not be confirmed by Edes' own verification visits. The audit scope incorporated the question of whether Gavi had obtained value for money in asset procurement even where the assets were validated as existing and in place; concerns arose where the condition of the asset observed did not match expectations of quality, given the price paid. Descriptions of these issues are described below by asset class (paras 24 to 27).
- c) **Procurement overheads adjustment.** Edes identified that within the contract price for medical equipment purchased for US\$3.6 million, was an amount totalling US\$125,975 relating to a mark-up created by NPHCDA's procurement function prior

to inviting suppliers to bid which is not represented by a tangible asset (Edes' report, Appendix III table).

24. The purchase of medical supplies and equipment for use in the Public Health Centres. Gavi funded the purchase of a standard set of medical equipment and supplies for each of the health centres, totalling US\$2.3 million (after allowing for the non-capitalisation of approximately US\$1.2 million of procurement, as described in para 22 a)). In reviewing the presentation of these assets, Edes found multiple errors in the compilation of the FAR:

- a) assets of the type purchased with Gavi-provided funds and included in the FAR but to an extent in excess of those funded by Gavi – US\$283, 449 (Edes report section 2.3.2 i) a) and Appendix V);
- b) assets included in the FAR but which were not funded by Gavi – US\$122,546 (Edes' report Appendix II(a));
- c) assets in the FAR whose individual value is less than the capitalisation threshold and therefore should have been excluded - US\$25,763) (Edes' report section 2.3.1);
- d) assets in the FAR that were verified by NPHCDA but not seen by Edes – US\$9,792 (Edes' report Appendix VI (a) line 1).

Equally there were assets not included in the FAR which should have been:

- e) assets not included in the FAR and not seen by NPHCDA but identified by Edes – US\$21,127 (Edes' report Appendix VI a) line 2);
- f) assets not included in the FAR but identified by Edes from the procurement records and which were then physically verified by Edes – US\$13, 318 (Edes' report Appendix VII);

In addition, there were issues where high value assets like refrigerators and generators could not be located or else reflected a brand different than that funded by Gavi (Edes' report Appendix X); and situations where NPHCDA's trip reports did not identify fridges and generators procured with Gavi funds (Edes' report Appendix XII). Having adjusted for the compilation errors identified above Edes identified assets totalling US\$ 1,705,697 from the procurement records but which were missing from the FAR (Edes' report Appendix IV).

Overall, for those assets comprising medical supplies and equipment, NPHCDA's approach to reconciling the FAR with the procurement records, and then linking this to physical assets observed was lacking in consistency and robustness.

25. The renovation of public health centres. Gavi funded the renovation of 570 public health centres at an average cost of approximately US\$10,000 each totalling \$5.6 million. The FAR included renovations relating to only 551 public health centres resulting in a difference between the value of the assets procured and those included in the FAR of US\$192,565 (as noted in para 20 b)). Edes' report section 2.4.c sets out the detailed results of Edes' physical examination of renovated health centres. Of 34 sites visited in this review 11 (32%) were found not to have been renovated. This conclusion is similar to that observed in the prior Gavi audits of 2014 and 2016 in which 14 health centres were examined and 6 (43%) were

found not have been renovated. Taking the three audits together, overall 48 sites were visited (9% of the total number of centres renovated by Gavi) of which 17 (35%) were found not to be renovated. In a further six cases, the renovations were found to be of poor quality suggesting full value for money was not obtained.

26. **The provision of boreholes used to provide a source of water to the Public Health Centres or other health facilities.** Gavi funded the sinking of 73 boreholes at a total cost of US\$0.4 million. Edes' report section 2.4.a) sets out the results of Edes' physical examination of borehole sites. Of 11 borehole sites visited in this review two (18%) were found not to have been sunk, contrary to the FAR description (and seven of the remaining nine were not operational). This conclusion is similar to that observed in the prior Gavi audits of 2014 and 2016 in which 27 borehole sites were similarly examined and 3 (11%) were found not to have been bored. Taking the three audits together, overall 38 sites were visited (52% of the total number of boreholes funded by Gavi) of which five (13%) were found not to have a sunk borehole in place; there were 19 cases (50%) where the boreholes were found to be defective in operation in some way. It is recognised that boreholes require maintenance to remain in working order and that for a variety of reasons boreholes may stop operating. Nonetheless these assets, funded by Gavi at an average cost of US\$5,000 per borehole, seem to represent poor value for money.
27. **The purchase and installation of incinerators** (which are used to ensure that hazardous materials used in vaccinations are disposed of safely). Gavi funded the purchase and installation of 41 incinerators (including testing of the installed unit, the training of at least two staff in their use, and the construction of a housing unit which should include a changing room and toilet facility) at a total cost of US\$2.6 million (with an average cost for 17 units in 2012 of US\$77,000, and an average cost for 24 units in 2013 of US\$54,000). Edes' report section 2.4.b) sets out the results of Edes' physical examination of borehole sites. Of five incinerator sites visited in this review all were located but none were found to be operative. This conclusion is similar to that observed in the prior Gavi audits of 2014 and 2016 in which 13 incinerator sites were similarly examined and 10 (77%) were found not to be operative. Taking the three audits together, overall 18 sites were visited (44% of the total) of which all were found to have an incinerator in place but 15 (83%) were found not to be operative. This indicates poor value for money for the expenditure incurred.
28. **State advances** (Edes' report section 3). As regards the state advances, these represent an amount of US\$ 2.0 million. These were typically quite aged (three years or more) and the liquidation records presented were of doubtful credibility and quality. It had been noted in the previous Gavi audits undertaken that there was no effective process in place to account for and liquidate advances to states. In response, NPHCDA presented rationale for the advances: liquidated advances with supporting documentation of US\$1.6 million; unspent cash balances held by states of US\$ 0.4 million; and US\$ 0.1 million of outstanding advances not yet liquidated. Edes' review of 46% of the liquidation documentation presented found that 93% was inadequate – extrapolating across the value of the liquidated state advances as a whole, this represents US\$1.5 million.
29. **Staff advances** (Edes' report section 3). There was an amount of staff advances which had not been previously reviewed in the prior audits, US\$90,000. Edes' review of 80% of documentation presented found that 16% only was inadequate. This area had in general been substantially reviewed previously and a reimbursement of \$1.6 million sought by Gavi and paid in 2015. Consequently it was felt that no further follow-through was required on this residual balance.

30. **Balances on bank accounts.** As described above (para 28) Edes identified that part of the reconciliation of liquidated funds included a balance on various bank accounts held at state level of N67,034,665 (equivalent to US\$438, 135 at the exchange rate then applying) (Edes report section 3.1 reference and Appendix XIII). These balances were examined by Edes but no full bank reconciliation was available to evidence that the account balances were fairly stated. Taken as presented, these balances need not be considered for reimbursement to Gavi; however given that they represent historic unused Gavi-provided funds, they should be considered for repayment into programmatic funds centrally held with NPHCDA.
31. This audit represents a final examination of state and staff advances and the verification of assets deployed by NPHCDA in the period 1 January 2010 to 31 March 2015. It is clear that throughout this period procedures and controls were not applied as intended and that for NPHCDA to fulfil its expected management responsibilities further enhancement of processes, systems and procedures needs to be undertaken. We understand that such a capacity assessment has been undertaken by an independent vendor to determine a suitable plan of remediation.
32. Overall, it is difficult to readily quantify the extent to which the fixed assets subject to review in this audit are complete against procurement records: Edes concluded that the FAR cannot be relied upon (para 21) and the FAR reconstitution was incomplete (para 23 a)); examples were cited by Edes of errors – both positive and negative - in the final FAR presentation for medical supplies and equipment (para 24); and the physical verification undertaken by Edes across other asset classes found many examples of assets not in place as set out in the FAR, or else identified assets were in a state of operation not consistent with the price paid (paras 25 to 27). However in most cases (approximately two-thirds) assets were found to be in place in a manner consistent with records of procurement.
33. In concluding this audit, it has been determined by Gavi's Country Programmes team in consultation with Gavi's Audit and Investigations function that, given the results of Edes' audit, a reimbursement of US\$5,680,000 should be sought (it is noted that certain elements of this reimbursement relate to fixed assets which had been subject to reimbursement resulting from a prior Gavi audit in 2016 of US\$363,000, and therefore the net reimbursement sought is US\$5,317,000). The basis of this determination is described in this memorandum; the derivation of this amount, drawing on the detailed findings of Edes' audit, is set out in the Annex to the memorandum. In making this determination, the extent to which fixed assets were not found to be present, or if present were not in a working state consistent with the purchase cost was based on the results of the asset verification work undertaken by Edes, as set out in paras 25 to 27). We consider Edes' verification analysis to be reliable and was consistent in outcome with the results of Gavi's prior audits.
34. To 4 July 2018, Gavi has received reimbursements totalling US\$5,072,000. The outstanding amount of US\$245,000 is understood to be in the process of payment.
35. In the time since Gavi's prior audits were conducted in 2013/2014 and 2015/2016 there has been a change in the senior management of NPHCDA. This review of advances and fixed assets examined activities and expenditure in the period up to March 2015 which was before NPHCDA's new management was in place.

Annex to memorandum

Reclaimable amounts based on audit findings

<u>Reconciliation of procurement records to FAR</u>		US\$	Reclaimable amounts US\$	Edes report reference	Commentary
Procurement of fixed assets using Gavi funds		12,402,152		Table 3, page 16	Assets to be validated against procurement amount, identified in prior audit report (November 2016)
Less: IPSAS capitalisation adjustment		(1,212,772)		Table 3, page 16	Assets not capitalised below threshold level, N50,000 (US\$330)
Net expenditure on fixed assets		11,189,380		Table 3, page 16	
Procurement expenditure not represented in FAR:	Medical equipment	1,264,071			
	Renovations	192,565		Appendix IV	
	Unallocated costs	125,975	1,582,611	Table 5, page 17	Procured assets not represented in FAR
Fixed Asset Register balance		9,606,769		Table 3, page 16	
<u>Fixed asset register balance, by asset type</u>		US\$	Reclaimable proportion*	Reclaimable amounts US\$	
Medical equipment	1,013,256			1,679,499	Medical equipment presented in FAR, no further adjustment made
Renovations	5,598,330	30.0%		785,522	Unable to validate that renovations took place
Incinerators	2,618,408	30.0%		56,516	Incinerators, non-operative and poor value for money against procurement expenditure
Boreholes	376,774	15.0%			Boreholes, not in place or not funded by Gavi
Total Fixed Asset Register balance (as above)	9,606,768			2,521,538	
<u>Advances to states</u>		US\$	Proportion of sample questioned	Reclaimable amounts US\$	
State advances liquidated	1,629,782		93%	1,509,106	The majority of documentation presented to support aged state advances was not credible
State advances not liquidated	69,725		100%	69,725	Certain amounts of advances were not yet liquidated (ie documentation not yet presented)
Cash balance - state advances	438,135			1,578,831	Cash balances held at state level - candidate to be repaid to NPHCDA
				<u>5,682,979</u>	Total reclaimable amount



Gavi Support to the National Primary Health Care Development Agency in the Federal Republic of Nigeria

Review of the Fixed Assets Register and Outstanding Advances

Final Report

December 2017

 edes&associates

Table of contents

List of Acronyms and Abbreviations.....	ii
List of Tables	iii
Exchange Rates.....	iv
Section 1: Executive summary	1
Section 2: Detailed findings from the review of the Fixed Assets Register	4
2.1 Introduction.....	4
2.2 Effectiveness of the Fixed Asset Register reconstitution process	6
2.3 Completeness and Accuracy of the Fixed Asset Register	15
2.4 Physical verification of Assets	19
Section 3: Detailed findings from review of advances to States and Staff	24
3.1 Outstanding Advances to Federal States and staff	24
3.2 Accountability documents/Expenditure review.....	25
Section 4: Assessment of Value for Money on fixed assets and advances.....	27
Appendices.....	29
Appendix I: Variances between quantities in the 2010 Asset Listing and 2010 Procurement Records.....	29
Appendix II (a): Assets in the FAR but which were not in the list of items funded by Gavi.....	30
Appendix II (b): Assets in the FAR whose value is less than the Capitalisation threshold.....	31
Appendix III: Expected Assets in FAR as per Capitalization Policy of NGN 50,000 and above..	32
Appendix IV: Missing Assets in the FAR compared to the procurement records.....	33
Appendix V: Overstated Quantities of Assets in the FAR for 2010 and 2012 by facility	34
Appendix VI(a): Assets verified by NPHCDA which were also verified by Edes & Associates	35
Appendix VI (b): Assets verified by NPHCDA which were also verified by Edes & Associates.....	36
Appendix VII: Assets not verified by NPHCDA but which were verified by Edes & Associates ..	37
Appendix VIII: Analytical review of FAR branded medical equipment.....	38
Appendix IX: Analysis review of branded medical equipment in NPHCDA trip reports.....	39
Appendix X: Analytical review of Edes & Associates physically verified branded medical equipment	40
Appendix XI: Detailed review of NPHCDA trip reports.....	41
Appendix XII: Fridges and Generators missing from the trip reports.	42
Appendix XIII: State Bank Statement Balances	42
Appendix XIV: Schedule of Questioned State Accountabilities	43
Appendix XV: Schedule of Questioned Staff accountabilities	46
Appendix XVI: Photographs from physical verification of assets	47

Mr. Simon Lamb
Managing Director Audit and Investigations
Gavi Alliance

8 December 2017

Dear Sir,

Subject: Report of the Review of the Gavi Fixed Assets Register and Outstanding State and Staff Advances of National Primary Health Care Development Agency (NPHCDA).

We have reviewed the reconstituted NPHCDA Gavi Fixed Asset Register (FAR) and the State and staff advances that were outstanding as at 30 September 2015 presented by the National Primary Health Care Development Agency (NPHCDA).

The purpose of this assignment was to review the FAR for Gavi funded assets reconstituted by NPHCDA as well as the outstanding advances to ensure that Gavi's financial support was used in conformity with the terms and conditions agreed with Gavi, and that resources were used according to their intended purpose.

Our responsibility was to undertake the review under the agreed Terms of Reference and report to you the results from our work. The Terms of Reference did not constitute an external audit and therefore no opinion has been expressed.

Our report is divided into four main sections:

Section 1: Executive Summary;

Section 2: Findings from review of the Gavi Fixed Asset Register;

Section 3: Findings from review of advances that were outstanding as at 30 September 2015; and

Section 4: Assessment of value for money on fixed assets and advances.

Restriction on circulation of this report

This report is produced solely for the use of Gavi and the NPHCDA Nigeria. Should you choose to make our report available to any third parties, you should make sure that they clearly understand the circumstances under which the report was prepared and the terms and conditions on which the report was released to them. In particular, the following points must be made clear:

- The report does not necessarily reflect or address the interests or circumstances of third parties since it was prepared for the purpose set out in this report;
- We accept no duty or responsibility and we deny any liability to third parties whether or not our report influences their decisions in relation to proposed transactions; and



- Third parties should not rely on our report but obtain their own independent advice and carry out their own procedures, taking into account their own specific circumstances.

We would like to take this opportunity to thank the management and staff of the National Primary Health Care Development Agency (NPHCDA) for the courtesy and assistance that has been extended to us during the course of our work.

Yours sincerely,

for and on behalf of Edes & Associates Consultants Limited

A handwritten signature in black ink, appearing to read 'Eric Settuba' with a stylized flourish at the end.

Eric Settuba
Engagement Leader

List of Acronyms and Abbreviations

AG	Auditor General
CPA	Cash Programme Audit
DP	Development Partner
ECPA	Extended Cash Programme Audit
ED	Executive Director
EPI	Expanded Programme on Immunisation
FAR	Fixed Assets Register
FMoH	Federal Ministry of Health
GoN	Government of Federal Republic of Nigeria
HSS	Health Systems Strengthening
ISS	Immunisation Services Support
LGA	Local Government Authority
MoH	Ministry of Health
MoU	Memorandum of Understanding
NGN	Nigerian Naira
NPHCDA	National Primary Health Care Development Agency
PHC	Primary Health Care Center
PU	Procurement Unit
SDD	Solar Direct Drive Refrigerators
SIO	State Immunisation Officers
ToR	Terms of Reference
USD	United States Dollar
VIG	Vaccine Introduction Grants
WHO	World Health Organization

List of Tables

Table 1: Average annual exchange rates for the period 2010 to June 2015

Table 2: Total assets in NPHCDA's Gavi FAR by Value

Table 3: Variance between the Procurement Records and NPHCDA's FAR

Table 4: Variance between Medical Equipment recorded in the FAR and Procurement Records

Table 5: Summary of unallocated costs

Table 6: Summary of outstanding advances as at 18 May 2017

Table 7: Summary of questioned accountability documents

Exchange Rates

We have used average annual exchange rates in various parts of the report to translate amounts denominated in Nigerian Naira (NGN) to United States Dollars (USD) and vice versa. The rates have been computed using average rates from the Central Bank of Nigeria and therefore do not represent spot rates for transactions. The translated amounts are presented for comparative purposes only and may not represent the actual value of the original amount. The table below summarizes the average annual rates.

Table 1: Average Annual Exchange Rates for the period 2010 to 2014.

Year	Average Annual Exchange rate (USD 1 to NGN)
2010	148
2011	152
2012	155
2013	155
2014	156
Average rate 2010-2014	153.2

Section 1: Executive summary

In 2016, Gavi conducted an Extended Cash Programme Audit (ECPA) of the National Primary Health Care Development Agency of the Federal Republic of Nigeria. Based on the findings of the ECPA, the NPHCDA reconstituted the Fixed Assets Register for Gavi funded assets amounting to USD 12.4 Million and also compiled accountabilities for the outstanding State and staff advances as at 30 September 2015 amounting to USD 2 million that were included in the ECPA report.

Gavi retained Edes & Associates Consultants Limited to review the reconstituted Fixed Assets Register (FAR) and State and staff advances.

Review of the Fixed Assets Register

NPHCDA used existing Gavi Asset Listings developed by the Finance Department for medical equipment and procurement records for infrastructure assets to perform verification of Gavi funded assets. The trip reports from the verification exercise were then used to update the FAR. Subsequently in March 2017, NPHCDA retroactively adopted a policy that capitalized assets above a value of NGN 50,000 (USD 327).

We noted significant gaps in the process adopted by the NPHCDA to reconstitute the Fixed Assets Register. We noted the following issues that compromised the effectiveness of the process; there was no clear documentation to guide the FAR reconstitution process and all staff were not given the required training. The NPHCDA used Asset Listings as the primary records for verification of medical equipment, however, these listings were not reconciled to the procurement records and therefore did not provide a complete and accurate list of the procured medical equipment.

NPHCDA indicated that they performed physical verification of assets worth USD 6.7 Million which represents 60% of the value of the capitalized assets in the procurement records of USD 11.2 million and 70% of the value of assets in the FAR of USD 9.6 million. In the absence of higher coverage of the verification exercise, we are unable to confirm whether all the assets details included in the FAR were complete, accurate and valid.

We reviewed a sample of trips reports and noted that verifiers only reported and tagged assets that they saw. As a result, there were no explanations for assets that were on the Asset Listings but were not physically seen. The trip reports included assets that were not funded by Gavi as evidenced by the difference in brand or were in larger quantities than the specific items funded by Gavi. In addition, some trip reports included recipient health facilities other than those in the procurement records and in other cases the reports entirely omitted health facilities which were identified in the procurement records. Furthermore, the process as carried out in 2016 was inefficient, as it exhaustively tagged multiple small items, which in hindsight were not considered as assets under NPHCDA's newly adopted 2017 asset capitalization policy. Similarly, the second largest major class of asset, namely renovations, was overlooked, even though the renovations were done in the same facilities the NPHCDA teams visited in 2016 to validate equipment items. As a result, the renovated facilities were to be revisited a second time in 2017 to validate their existence.

The gaps in the process followed in the reconstitution of the FAR, led to various inconsistencies and errors in the FAR. There was an unexplained difference of US\$ 2 Million between the value of assets in the procurement records and the value of assets in the FAR. This is mainly attributed to: assets in the procurement records but which are missing in the FAR. In addition, we noted inconsistencies in the: unit costs used in the FAR, quantities of assets recorded, number of facilities recorded and brands of assets captured.

A total of USD 3.62 million medical equipment was acquired with Gavi funds according to procurement records. However, after setting aside multiple small items totalling USD 1.21 million which were below the capitalisation threshold per NPHCDA's fixed asset policy, the remaining items recognised as assets totalled USD 2.4 million. Of these assets, the total value of medical equipment represented in the FAR was USD 1.01 million, of which USD 0.43 was erroneously included, leaving a net of USD 0.58 million. As a consequence, medical equipment totalling USD 1.8 million representing 75% of the medical equipment assets funded by Gavi were missing from the FAR.

We selected and visited a sample of 36 PHCs and 5 General Hospitals located in 17 States and 35 LGAs to verify assets included on the FAR. The sample included PHCs that were verified by NPHCDA and those that were not verified by the NPHCDA. Our field teams were accompanied by Zonal Coordinators appointed by NPHCDA. We noted various inconsistencies between the results of our verification and the results of NPHCDA verification. These mainly related to the: condition and functionality of assets, brands which were not funded by Gavi, assets verified but which were not in the FAR and assets in the register but not verified at the PHCs.

The reconstituted Fixed Assets Register is therefore: incomplete, inaccurate and is not a reliable record for management and monitoring of Gavi funded assets.

State and Staff Advances

The NPHCDA management provided accountability documents for outstanding staff advances as at 30 June 2015 amounting to NGN 327 million (USD 2.1 million). NPHCDA presented accountabilities amounting to NGN 249 million (USD 1.6 Million) representing 76% of the outstanding state advances of NGN 327 Million (USD 2.1 million) as at 30 June 2015. The outstanding advances were further reduced by NGN 67 million which was on the State Bank Accounts. We reviewed the available bank statements to confirm if the funds on the bank account were static and available on the bank statement at the time of our review. However, we noted that some bank statements presented had dates of 2016 and there was no progression of bank statements to show that the remaining Gavi bank balances were static and still available. We were therefore unable to confirm whether the bank balances with dates of 2016 still existed at the time of our visit in May 2017. Therefore, state advances amounting to NGN 10,667,859 (USD 69,725) had not been accounted for as at 18 May 2017. In the absence of accountability documents, we were unable to confirm whether these funds were used for the intended purposes.

We reviewed a sample of expenditure amounting to NGN 115,411,869 (USD 754,326) 46% and NGN 11,122,351 (USD 72,695) 80% for State and staff accountabilities respectively. We questioned total expenditure amounting to NGN 106,866,280 (USD 698,472) 93 % and NGN 1,798,140 (USD 11,752) 16% of States and staff accountabilities reviewed respectively. We noted the following issues on expenditure: absence of activity reports, photocopied documents, missing and incomplete supporting documents, inconsistent signatures by recipients and inconsistent receipts for fuel and meals. We were therefore unable to confirm whether the questioned expenditure was incurred for the intended purposes. In addition, the high percentage of questioned costs recorded on the sampled States accountabilities indicates that the credibility of the rest of the documents is doubtful.

Value for Money

During the review, we noted the following issues that cast doubt on whether value for money was obtained on the funds spent on fixed assets and advances to States.

We noted unexplained drastic reduction in prices for the same medical equipment purchased in 2010 and 2012 ranging from 32% to 77%. We also noted instances where the brands of assets verified at the PHCs did not reconcile to the brands specified in the procurement records. Further, we noted instances where assets procured had never been used and some were not functional. The same prices of NGN 1,500,000 and NGN 1,600,000 in 2010 and 2012 respectively were charged by contractors for all PHCs irrespective of differences in location, condition and size.

We questioned 93% of the State accountabilities reviewed. The high percentage of questioned costs indicates that value for money may not have been obtained on this expenditure.

Section 2: Detailed findings from the review of the Fixed Assets Register

2.1 Introduction

Gavi the Vaccine Alliance, brings together public and private sectors with the shared goal of creating equal access to new and under-used vaccines for children living in the world's poorest countries. Since 2002, Gavi has provided vaccine and cash-based support to the Government of Nigeria (GoN) through the Federal Ministry of Health (FMoH) and the National Primary Health Care Development Agency (NPHCDA).

In 2015-2016, Gavi conducted an Extended Cash Programme Audit (ECPA) of the National Primary Health Care Development Agency of the Federal Republic of Nigeria. Based on the findings of the ECPA which was concluded on 30 September 2016, at Gavi's suggestion NPHCDA was offered an additional 6 months to reconstitute the Fixed Assets Register for eligible Gavi funded assets amounting to USD 12.4 Million and also to compile accountabilities for the State and staff advances amounting to USD 2 million that were outstanding as at 30 September 2016.

Gavi retained Edes & Associates Consultants Limited to review: the reconstituted Fixed Assets Register (FAR) and accountabilities for State and staff advances.

2.1.1 Objectives of the Review

The main objective of the review was to ensure that Gavi's financial support was used in conformity with the terms and conditions agreed with Gavi, and that the resources were used according to their intended purpose. The purpose of the assignment was to review the FAR of the NPHCDA as well as the outstanding advances.

2.1.2 Scope of the review

The review covered the following:

- i) Reviewing the process that NPHCDA adopted to reconstitute its FAR and the compilation of advance records;
- ii) Validating the quality, integrity and reliability of the reconstitution process that NPHCDA followed as it relates to the FAR;
- iii) Assessing the completeness & accuracy of the fixed assets records and of the supporting documentation associated with the advances; and
- iv) Physical validation of a selection of fixed assets to the underlying records on a basis agreed with Gavi.

2.1.3 Our Approach and Methodology

In order to meet the requirements of this assignment and address all tasks associated with the engagement, we adopted a 3-phased approach as follows:

Planning and mobilization

We had a planning mission together with a representative from Gavi. During this phase, we held an entry meeting with the management and key staff of NPHCDA. NPHCDA presented a status of the work done to reconstitute the FAR and preparation of accountability documents for the outstanding State and staff advances. The mission involved the following specific tasks:

- i) Understanding and reviewing the process that NPHCDA adopted to reconstitute its fixed asset records and the compilation of advances records;

- ii) Validating the quality, integrity and reliability of the reconstitution process that NPHCDA followed as it relates to the FAR;
- iii) Assessing the credibility of the fixed asset records and of the supporting documentation associated with the advances; and
- iv) Determination of the sample size for physical verification.

Execution

We performed a detailed review of the; process followed to reconstitute the FAR and compile accountabilities for advances, the Fixed Assets Register and respective supporting documents. We visited a sample of 36 Primary Health Centers (PHCs) and 05 Hospitals for physical verification of medical equipment and infrastructure assets. We also selected and reviewed a sample of 46% and 80% of the accountability supporting documents for outstanding State and staff advances respectively.

Reporting

During the course of our work, we kept management and key staff of NPHCDA updated on the progress and emerging issues. We held a debrief meeting with senior management of NPHCDA to discuss our preliminary findings.

A draft report was shared with management of NPHCDA to obtain management comments which have been incorporated in the final report.

2.1.4 Audit Team

The Audit Team comprised of 9 team members including; An Engagement Leader, Engagement Manager, Field Team Leader, Civil Engineer and Auditors.

We present in the following sections the detailed findings from the review of the Fixed Asset Register and outstanding State and staff advances as at 30 September 2015.

2.1.5 Nature of Assets Funded by Gavi

The assets funded by Gavi were procured by NPHCDA in 2010 and 2012. The assets can be classified into two major categories described below: -

a) Medical Equipment

This comprised of a standard range of Medical Equipment Kit that was supplied to each PHC. For each PHC, the procurement records included a homogeneous bundle of the same type and number of items. As such four items and nine items recognized as assets were procured for 484 and 67 PHCs each in 2010 and 2012 respectively.

b) Infrastructure Assets

This related to: renovation of selected PHCs and procurement of boreholes & incinerators for various health facilities. Renovations were performed in 2010 and 2012 and typically consisted of structural civil works, for example for PHCs; Afia Nsit Urua Nko and Mbiaso in Akwa Ibom State, where the Bills of Quantities (BOQs) were on file, the renovations consisted of; reroofing, replacement of doors, fixing of ceiling boards and painting. Such works clearly qualified as infrastructure assets designed to enhance the useful economic life of the PHC.

Unfortunately, examples of such BOQs were frequently unavailable on the procurement file, but given that a homogeneous lump sum totalling NGN 1,500,000 (2010) and NGN 1,600,000

(2012) was paid for renovations and based on discussions with NPHCDA's management, it is understood that the other PHCs were similarly selected for renovation on a similar basis.

2.2 Effectiveness of the Fixed Asset Register reconstitution process

2.2.1 Overview of the process adopted to reconstitute the FAR

We have summarized the key processes followed in reconstituting the FAR and the primary documents used and outlined our findings from the review of each of the processes:

i) Preparation of Asset Listings

The NPHCDA used existing Asset Listings specific to Gavi from 2010 and 2012 developed by the Finance Department as the primary documents to start the process of reconstituting the medical equipment in the FAR. For infrastructure assets, NPHCDA relied on the procurement records as the primary documents. The Asset Listings contained a list of medical items by health facility indicating quantities and prices of each asset. We noted the following issues with the Asset Listings:

- a) The Asset Listings for each PHC presented a much wider standard range of medical equipment than the kit purchased by Gavi funds. In addition, the Assets Listing were not exhaustive as key medical equipment items such as generators, Angle poised Lamp, Dressing Trolley were not captured in 2010. The Asset Listings were therefore not an accurate and exclusive record of Gavi funded assets;
- b) Management informed us that the Asset Listings were prepared by the previous Finance team. Therefore, we did not obtain information on the; process followed, source documents used and the when they were prepared; and
- c) We reviewed the Asset Listings for 2010 and 2012 which were used during the verification and tagging exercise and compared them to the procurement records. We noted the following variances;
 - Quantities of items on the 2010 Gavi Asset Listing did not reconcile to similar items on the 2010 procurement records. Refer to *Appendix I: Variances between quantities in the 2010 Gavi Assets Listing and 2010 procurement records*.
 - We noted 3 items which were above the set capitalisation threshold but were missing from the 2010 Asset Listing. These include; dressing trollies, angle poised lamps and generators. As a result, these assets were overlooked by some of the teams during their physical verification visits.
 - The unit costs on the Asset Listings did not reconcile to some unit costs in the procurement records. We did not obtain explanations on how these unit costs were arrived at even though there were significant variances between the prices for major items procured in 2010, compared to the same items subsequently procured in 2012 but at a significantly lower price.

Management Comments

- i (b) Asset listings prepared by the former finance team were compiled from contractors' files at the Procurement Unit. The payment records gave an idea of what was actually spent on and this was examined afterwards with the procurement records to identify differences. Based on lessons learned, the more recent verification exercises carried out earlier this year involved the use of source documents from the Procurement Unit for the first step of verification and later compared with the payment documents.
- i (c) i) Items contained in the Asset Listings represent the actual quantities procured as per contractors' files.
- ii) The 15 items in the 2010 procurement records that were missing from the Asset listing were largely miscellaneous items of materials and supplies of very low values for an 'asset list' as compiled in Appendix 1 including bedsheets, brooms, mop buckets, syringe and needles plastic buckets, etc. It could be seen from Appendix 1 that items 1 - 11 could better be described as materials and supplies, while items 12 -15 were items of fixed assets but not included in the FAR because they were not among the items procured in 2010. In similar vein, Appendix 2 represents the 16 items that were not captured in the asset listings for medical equipment in 2012.
- iii) The former procurement team awarded the Gavi procurement contracts in lump sum of N1million per health facility in 2010 and N800, 000.00 in 2012. However, details on how the unit costs were arrived at shall be obtained from former procurement team for ease of clarity.

Auditor's Comment

Management should consider amending their comments to address the changes that have been made to the findings after considering their earlier comments.

Management comment C(i) does not address the finding. As indicated on Appendix 1, the quantities on the Asset Listing were for most assets higher than the quantities in the procurement records. It is not expected that the suppliers delivered more items than the items specified in the procurement records.

We have reviewed Appendix 1 provided by NPHCDA and noted that the four items (Generator, Kerosene pressure lamp, Sterilizers and Delivery Couch) marked as not purchased in 2010, were actually included on the pack of medical equipment procured in 2010.

iii) Mobilization and Training of Teams

NPHCDA mobilized staff at the central level that were dispatched to different States to verify the existence of fixed assets funded by Gavi. The participants in the verification exercise involved staff from the Accounts, Audit, and Administration departments. A team of 3-4 members was allocated to a State. Management informed us that the teams were trained before their travel to the States and given instructions for verifying and tagging assets funded by Gavi at various PHCs. Each participant was given a nomination letter for the exercise which provided a description of the report to be submitted by each participant. Management provided the teams with copies of Asset Listings per facility and blank inventory lists to be used for the physical verification of Assets.

The verification teams were required to present a trip report per State including pictures from each PHC of the major assets verified, pictures of the PHC management and pictures of the health facility. In addition, photocopies of all inventory count sheets were to be attached showing; the unique code tagged on each asset, the condition of the asset and the brand of the asset.

We noted the following issues with this process:

- a) A total of 111 people (on average 3 people per State) participated in NPHCDA's verification exercise. However, from our review of the training attendance list, we noted that only 61 people (55%) were trained. In addition, we did not obtain training reports and materials for this exercise.
- b) We reviewed the nomination letters provided to each participant and noted that the instructions given were not comprehensive. As a result, the following issues were noted on review of the verification results:
 - Due to the lack of comprehensive instructions and guidance, a large amount of effort and time was spent by the teams on counting and coding items for the first verification visits performed in November/December 2016, which after the newly adopted asset capitalisation policy in March 2017 resulted in more than 34% of these items not being considered as assets.
 - During the 2016 verification exercises, the majority of the teams focused their efforts on verifying medical equipment at each PHC to the exclusion of other assets. Thus, in multiple cases these teams failed to account for and document the renovation of the same PHC in which the medical equipment was housed.
 - The verification teams did not document specific reasons why assets were missing from the visited PHCs. As a result, all unseen assets (when recognised as being absent) were simply tagged "not seen" without a detailed explanation for the missing items;
 - The instructions did not indicate the brands for refrigerators and generators that were procured using Gavi funds. As a result, from our review of 19 trip reports, we noted that 80% of the 174 refrigerators and 45% of the 20 generators included in the trip reports were missing brand details or were of another brand not funded by Gavi. (See details on Appendix IX: Analytical review of branded medical equipment in NPHCDA trip reports). The fixed asset inventory form included a field "brand" but in many cases the asset brand was not updated, this was because teams failed to complete this field as required.
 - All verification teams were required to tag verified assets with a unique code (NPHCDA/GAVI/Zone/PHC/Asset type/001). This therefore resulted in all items physically verified by each team being coded for the first time ever as a Gavi item. However, we noted that the code did not record the State, LGA and Ward which are key in identifying the location of an asset. In addition, some teams tagged the same asset types at different LGA/PHC locations with the same identical tag, items were also inconsistently coded as different classes of assets for example fridges which were coded at different facilities as: fixture and fittings or plant and machinery or medical equipment. Therefore, a unique identifying tag was not consistently used; and
 - During our field verification, we noted an asset with another donor tag that was also tagged as a Gavi asset. At Abba Nashehu PHC, the bed seen was also marked "Donated by UNFPA" on the opposite side.



Management Comments

- iii) The verification list included names of deployed personnel in the Headquarters and zonal technical officers who are in the Zonal and State offices. As is the case with our activities, HQ personnel are trained, who then scale down the information and also work with teams in the zones and states to carry out the assignment in the states. The 45% of staff that did not attend the training at NPHCDA headquarters were zonal technical officers, resident in the respective states, who were seeded to teams from the HQ to provide direction and support at that level. The Gavi audit team that visited in May was also supported in the same way.
- iv) The participants were given comprehensive instructions and guidance in the following respects: 1. The expected deliverables from the field trip were clearly spelt out in their letters of deployment, 2. The data capture template given to each team contained comprehensive information required in respect of each asset, 3. Asset listing in respect of each Health Facility to be covered was also given to each participant/verification team, 4. The templates for data capture containing information relating to brands, asset condition, location, etc. were given to all team members, and 5. Adequate instructions were given to the teams during training on the processes and procedures to be followed during the field trips. There are specificities which the audit team believes could have further enriched the process, and will be taken into consideration in the future if these are articulated. The issue of capitalisation is discussed as a different subject below.
- v) The 2016 exercise dealt primarily with the medical equipment, boreholes and incinerators and the reports included these items. There were identified gaps, and delays due to the leadership transition in the Agency. Permission was obtained from Gavi for the Audit to be delayed by a month for additional time. There was a second exercise in March and then a third in April, which was done by the zonal technical officers and these included the verification of PHC facility renovation.
- vi) Many of the teams documented the reasons for assets not seen as could be viewed from field reports that were made available to the Auditors.
- vii) Some of trip reports indicated brands in the field for “description of Assets” (i.e. second column of the Data Capture Template”. It is also important that many other assets in the portfolio are not branded and as such might have affected judgement of the verification team members.
- viii) The observations in respect of classification and coding system are noted. Effort shall be made to rectify the errors during future asset verification.
- ix) The Hospital Bed which was donated by UNFPA that was erroneously tagged as GAVI asset at Abba Nashehu PHC, Plateau State was an isolated case of human error, which has been corrected in the FAR.

Auditor's Comment

NPHCDA's response b (iii) is not consistent with the details in the FAR presented to us. The FAR which is a product of the trip reports does not include specific reasons why assets were missing from the visited PHCs.

iii) Physical verification exercise

NPHCDA's asset verification exercise was carried out in three phases as explained below;

Phase 1: This phase was performed in November - December 2016 and focused on the verification of medical equipment in the PHCs.

Phase 2: This phase was carried out in March 2017 with focus on verification of boreholes and incinerators. This phase involved a mop-up verification for medical equipment.

Phase 3: The final phase was carried out in April 2017 with focus on verification of renovated Primary Health Centers (PHC).

We noted the following issues with this process:

- a) NPHCDA verified assets worth USD 6.7 Million which represented 54% of the value of assets in the procurement records of USD 12.4 Million and 70% of the value of assets on the FAR (See table 2 below). We noted that 30% (USD 2,924,909) of the assets included in the FAR were not physically verified by NPHCDA and that 91% (USD 2,660,092) of these non-verified items related to renovation. In the absence of higher coverage of the verification exercise, we were unable to confirm whether all the assets details included in the FAR were complete, accurate and valid.

Table 2: Total Assets in NPHCDA's FAR by Value

	Year of Purchase	Value of Assets as per Procurement Records	Actual Value on the NPHCDA FAR (A)	Value of Assets verified by NPHCDA. (B)	Percentage of items in FAR verified by NPHCDA (B/A)	Value not verified by NPHCDA (A-B)	Percentage of items in FAR not verified by NPHCDA (1-B/A)
			USD	USD		USD	
Medical equipment	2010	3,270,270	890,851	881,081	99%	9,770	1%
Medical equipment	2012	345,806	122,405	115,236	94%	7,169	6%
Renovations	2010	5,027,027	4,834,459	2,432,432	50%	2,402,024	50%
Renovations	2012	763,871	763,871	505,806	66%	258,065	34%
Incinerators	2012	1,316,129	1,316,129	1,238,710	94%	77,419	6%
Incinerators	2013	1,302,275	1,302,279	1,193,755	92%	108,523	8%
Borehole	2012	376,774	376,774	314,839	84%	61,935	16%
Total		12,402,153	9,606,769	6,681,860	70%	2,924,909	30%

- b) We reviewed pictures of 34 renovated PHCs submitted by the verification team and noted the following:
 - o 11 out of the 34 PHCs' pictures reviewed could not be matched with pictures on the procurement files;
 - o Pictures for 3 PHCs could not be opened, we could not confirm if this documentation was valid; and
 - o Pictures for 15 PHCs did not provide adequate details for proper analysis.

- c) We reviewed trip reports for pictorial evidence of verified incinerators and noted the following:
- 51% (21) of the 41 incinerators in the FAR did not have pictures in the trip reports;
 - Pictures for 6 incinerators did not provide adequate detail for proper analysis;
 - The same picture was used to support existence of an incinerator at Dambatta and Gwarzo General Hospital;
 - 9 incinerators in the FAR did not have pictures and could not be traced to a trip report; and
 - 19 out of 41 incinerators could not be traced to any trip report but were included in the FAR. There was no evidence of verification of these assets.
- d) We reviewed trip reports for pictorial evidence of verified boreholes and noted the following:
- 47 out of the 73 boreholes in the FAR did not have pictures in the trip reports;
 - 32 out of 73 boreholes in the FAR could not be traced to any trip report. In addition, 26 of the 32 boreholes did not have pictures as well. There is no evidence of verification of these assets; and
 - 2 Pictures did not provide adequate details because they were not well taken.
- e) Management of the NPHCDA informed us that they had physically sighted and visited all boreholes and incinerators with very few notable exceptions where security concerns did not afford them access. However, due to absence of good documentation noted in c) and d) above, we are unable to confirm if all boreholes and incinerators were visited by NPHCDA.

Management Comments

- a) Additional 32 and 34 renovated Health Facilities which were verified but whose pictures were inadvertently omitted or failed to open as observed by the Audit team are now attached for 2010 and 2012, respectively as per appendix 3. As flagged during the exercise, the details for the other facilities are as follows:
- Some Health facilities were destroyed by flood in 2010 and 2012;
 - There were Health facilities that were not accessible owing to security challenges;
 - Some Health facilities were not renovated and not paid for and
 - Some facilities were either reconstructed or renovated by other groups after the completion of renovation and supply of medical equipment by GAVI/NPHCDA.
- b) The observation in respect of the 11 PHCs out of 34 that could not be matched with pictures on the procurement records are noted.
- i) The schedule of the 11 PHCs involved should be provided for further verification/investigation by management,
 - ii) All the pictures that could not be opened because of defect in the IT procedure for attaching them were for 2012 renovations, which are now properly attached at Appendix 4.
 - iii) Management will require the schedule of the 9 PHCs whose pictures did not have adequate details for further verification/investigation.
- c) i) The observation in respect of 21 Incinerators without pictures in the trip report is noted. (ii) The observation in respect of 6 Incinerators whose pictures did not provide adequate detail for proper analysis is noted. However, Management requires the schedule of the items involved for further verification/investigation.
- ii) Your observation in respect of same picture used for Dambatta and Gwarzo Incinerators is noted for further verification of the 2 Incinerators.

- iii) Your observation on the 9 Incinerators in FAR which could not be traced to trip reports is noted. However, management will need the schedule of such incinerators for further verification.
- iv) Your observation on the 19 out of 41 Incinerators that could not be traced to field report is noted. However, a review of the trip reports indicates that 28 Incinerators were captured in the field report as per Appendix 5. 2 Incinerators in Taraba State were not procured and not paid for. The remaining 11 Incinerators not captured in the field trip reports but whose existence were confirmed by Zonal Technical Officers are as shown at Appendix 6.
- d) The observations in respect of boreholes are noted for further verification/investigation.
- e) The observations in respect of poor documentation in respect of boreholes and incinerators are noted for improvement during future verification.

Auditor's Comment

We have reviewed and amended our finding to reflect the additional 32 & 34 pictures of renovated PHCs in 2010 and 2012 respectively. Management should consider amending their comment in (a) above based on the revised finding.

For b(i), see schedule 1 for list of PHCs whose pictures could not be matched with pictures on procurement files.

For b(ii), we have amended our finding to reflect the additional information provided by management. However, pictures for the following 3 PHCs in Niger state were not provided; Suleja Town Clinic, Sauka Kahuta MCH and Muye PHC.

For b(iii), following our review of additional information provided by management, we have adjusted the number of PHCs whose pictures do not provide adequate detail for proper analysis to 15. The list of these PHCs is presented on schedule 2.

For c(ii), the list of 6 incinerators whose pictures did not provide adequate detail for proper analysis is provided on schedule 3.

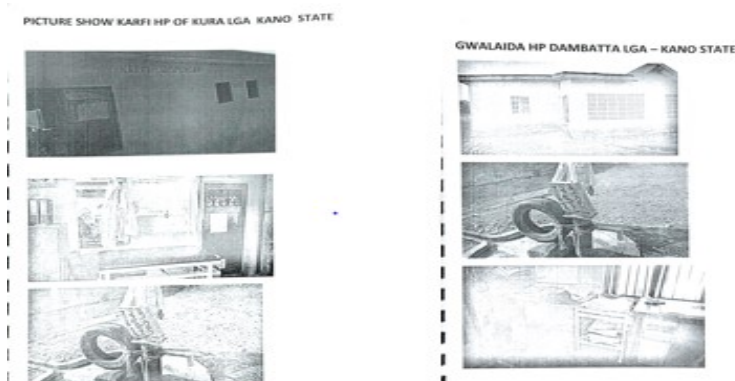
For c(iii), the list of 9 incinerators in the FAR which could not be traced to trip reports is presented on schedule 4.

iv) Compiling the FAR

The primary documents used to reconstitute the FAR (with the exception of the renovations) were the Trip Reports generated from the verification exercises that were performed in November/December 2016 and subsequently in March 2017. We noted the following issues with this process:

- a) Medical Equipment was reconstituted using a “physical to book approach”. This approach meant that only medical equipment physically verified by NPHCDA at visited PHCs was included in the FAR. As a result, assets which were unambiguously funded by other sources were erroneously and incorrectly credited as being funded by Gavi and included in the FAR; and

- b) We reviewed a sample of 19 trip reports (51%) to assess the quality of the information presented in the trip reports basing on the nomination letter given to the verification teams and noted the following issues:
- 11 trip reports (58%) had the following issues; illegible inventory lists, inventory lists which were not properly filled (e.g. lacked asset identification numbers, brand names, LGA/ward location and asset conditions), assets that had similar codes, pictures of major medical equipment were not attached and similar pictures were used as evidence at 2 different PHCs;



Same picture of the Borehole used at Karfir HP and Gwalaida HP

- Brands for 49% (86 refrigerators) of the refrigerators and 40% (8 generators) of the generators included in the 19 trip reports were not recorded by the respective team members. In addition, 30% of the total refrigerators and 5% of the total generators included in the trip reports were not Gavi assets as they were of different brands other than the two specific brands purchased using Gavi funds i.e. Thermocool and Firman STG 8000E respectively. (See details on Appendix IX: Analytical review of branded medical equipment in NPHCDA trip reports);
- During the transcribing process from the trip reports to the FAR, errors were made as well as some pertinent data was lost. For example, some trip reports specifically stated a brand name of a fridge other than ‘Thermocool’ but the person transcribing the data occasionally left out this pertinent information and just recorded a ‘fridge’;
- 38 PHCs (14% of the total PHCs expected to receive a pack of Gavi funded medical equipment in the 19 States) in procurement records could not be traced to the trip reports. Therefore, these PHCs were not included in the FAR. In addition, 45 PHCs (17% of the total PHCs expected to receive a pack of Gavi funded medical equipment in the 19 States) were in the trip reports but could not be traced to the procurement records. Consequently, PHCs were erroneously included in the FAR; and
- We noted cases where the same assets purchased in the same period had varying unit cost prices, for example;
 - Prices for 2010 refrigerators in the FAR ranged from NGN 50,531 to NGN 180,000,
 - Prices for 2010 Angle poised lamps in the FAR ranged from NGN 50,531 to NGN 53,250, and
 - Prices for 2012 Angle poised lamps in the FAR range from NGN 50,531 to 52,500.

We did not obtain explanations for the variances.

Management Comments

- a) One hospital bed funded by UNFPA at Abba Nashehu PHC which was erroneously tagged by the verification team was an isolated case of human error which has been noted for cleaning up.
- b)
 - i) It is standard practice to affix the original copy of inventory list to the inventory board at the locations where such assets were captured/tagged. So, it is the duplicate copies (i.e. carbon copies) of the inventory lists that were attached to trip reports, hence the seeming illegibility in some cases. It is also pertinent to stress that most of the PHC facilities are in the rural areas where there are no access to photocopiers. Other issues relating to some instances where asset identification numbers, brands, location and condition were not properly recorded are noted for improvement during future verification and tagging exercise.
 - ii) The discrepancies between the PHCs listed in the procurement records and the actual PHCs verified as per field reports could be attributed to the followings: (a) some PHCs were not accessible due to security challenges, (b) certain PHCs were affected by natural disaster, (c) some PHCs were reconstructed or re-renovated, (d) the names, wards and locations of PHCs were used interchangeably between the procurement records and the field reports etc.
 - iii) The variation in the prices of refrigerators and Angle Poised Lamps was due to variations in 2010 and 2012 price lists. It is also important to note that the item tagged as refrigerator for N180,000.00 in respect of Obulor PHC, Abia state was actually a generator. So, the error has been corrected in FAR.

2.3 Completeness and Accuracy of the Fixed Asset Register

We performed a detailed review of the reconstituted FAR to assess its completeness and accuracy. We noted the following issues with the FAR:

2.3.1 Threshold for capitalization of assets

In March 2017, NPHCDA adopted Section 24 of the Statement of accounting policies 2012 issued by the Federal Accounts Allocation Committee (FAAC) during the compilation of the FAR. The Policy States that capitalization of assets shall be at NGN 50,000 (USD 327). As a result, supplied medical equipment below NGN 50,000 amounting to USD 1,212,748 was not included in the FAR. Although we requested for support for when NPHCDA formally adopted this capitalization policy, such as minutes of a meeting approving the policy, no such evidence was available on file.

We compared the unit costs allocated to items in the FAR to the procurement unit costs in the procurement records and noted assets that do not meet the capitalisation threshold that were wrongly captured in the FAR amounting to USD 25,764. This was due to use of higher unit costs in the FAR compared to the unit costs in the procurement records. *(See details on Appendix II: Assets wrongly recognized in the Gavi funded FAR).*

We reviewed the capitalization policy and noted that it allows for aggregation of individually insignificant value items and application of the capitalization threshold to the aggregate value. In addition, where an asset's category already exists for a newly acquired asset below the capitalization threshold, such an asset should be capitalized irrespective of its cost and recorded in the Fixed Assets Register under the appropriate category. However, we noted that due to the significant drop in prices of assets in 2012, some assets of a similar class or category amounting to NGN 10,832,225 (USD 69,885) with those procured in 2010 (e.g. Beds, Angle poised lamp, Examination couch, Filing Cabinets, etc.) were not capitalized since their cost prices in 2012 fell below the NGN 50,000 threshold which is contrary to the policy.

Management Comments

- i) It is mandatory for all public sector organizations in Nigeria to adopt the statement of accounting policies issued by Federation Account Allocation Committee (FAAC) in the preparation of financial statements and other financial reports including FAR.
- ii) The observations in respect of errors in the prices of items listed at Appendix II (b) are noted for adjustment in the Fixed Assets Register, accordingly.
- iii) Your observation concerning the position of the capitalization policy in respect aggregation of individually insignificant value items is noted. It is important to also note, however, that those assets that fall below the capitalization threshold in respect of 2010 and 2012 procurement were miscellaneous medical instruments which are highly susceptible to damage and obsolescence and that such assets have already outlived their useful life by now (2017), hence the reluctance to capitalize them in FAR.
- iv) Your observation in respect of assets which were capitalized in 2010 but whose values dropped below the capitalization threshold in 2012 procurement is noted for inclusion in FAR. The schedule of such assets is at NPHCDA Appendix 7 for ease of reference.

2.3.2 Variance between procurement records and the FAR

We noted an unexplained variance of USD 2,015,732 Million between the value of assets recorded in the FAR and value of assets in the procurement records as indicated in Table 3 below;

Table 3: Variance between the Procurement Records and NPHCDA's FAR

Asset category	Year of purchase	Expected Value of assets as per procurement Records (USD)-A	Explained Variance (USD)-Capitalisation policy applied. B	Net value of capitalised assets USD-C[A-B]	Actual Value on the NPHCDA FAR (USD)-D	Additional Adjustment (USD) E	Net Gavi funded assets on the register F[D-E]	Unexplained Variances (USD) G [C-F]
Medical equipment	2010	3,270,270	(1,010,268)	2,260,002	890,851	(375,090)	515,761	1,744,241
Medical equipment	2012	345,806	(202,504)	143,302	122,405	(58,030)	64,375	78,927
Renovations	2010	5,027,027		5,027,027	4,834,459		4,834,459	192,568
Renovations	2012	763,871		763,871	763,871		763,871	-
Incinerators	2012	1,316,129		1,316,129	1,316,129		1,316,129	-
Incinerators	2013	1,302,275		1,302,275	1,302,279		1,302,279	(4)
Borehole	2012	376,774		376,774	376,774		376,774	-
Total		12,402,152	(1,212,772)	11,189,380	9,606,768	(433,120)	9,173,648	2,015,732

- i) The additional adjustment in Table 3 above relates to the following;
 - a) The FAR indicates that some facilities received more items than what was funded by Gavi. The excess value of assets in the FAR amounts to USD 283,449. These assets were erroneously attributed to Gavi in NPHCDA's FAR but cannot be considered Gavi assets, as they exceeded the quantum of items purchased for the respective PHCs. *(See details on Appendix V: Overstated quantities of assets in the FAR for 2010 and 2012).*
 - b) We reviewed the FAR and noted that assets not related to Gavi amounting to USD 8,184 for 2012 and USD 114,360 for 2010 overstated the FAR. These particular types of assets were unambiguously items not on the list of items purchased with Gavi funds. *(See details on Appendix IIa: Assets wrongly recognised in the Gavi funded FAR).*
 - c) We compared the unit costs allocated to items in the FAR to the procurement unit costs in the procurement records and noted assets that do not meet the capitalisation threshold that were wrongly captured in the FAR amounting to USD 25,764. This was due to use of higher unit costs in the FAR compared to the unit costs in the procurement records. *(See details on Appendix IIb: Assets in the FAR whose value is less than the Capitalisation thresholds).*

- ii) We compared the FAR to the procurement records and identified the following variances which cast doubt on the completeness of the FAR;
- a) We noted variances between the quantities of medical equipment recorded in the FAR and the expected quantities as per procurement records (*See details on Appendix IV*). As indicated in Table 4 below; A total of USD 3.62 million worth of medical equipment was acquired with Gavi funds according to procurement records. However, after setting aside multiple small items totalling USD 1.21 million which were below the capitalisation threshold per NPHCDA's fixed asset policy, the remaining items recognised as assets totalled USD 2.4 million. Of these assets, the total value of medical equipment represented in the FAR was USD 1.01 million, of which USD 0.43 was erroneously included, leaving a net of USD 0.58 million. As a consequence, medical equipment totalling USD 1.8 million representing 75% of the medical equipment assets funded by Gavi were missing from the FAR.

Table 4: Variance between Medical Equipment recorded in the FAR and Procurement Records

Asset category	Year of purchase	Expected Value of assets as per procurement Records (USD)-A	Explained Variance (USD)- Capitalisation policy applied. B	Net value of capitalised assets USD-C[A-B]	Actual Value on the NPHCDA FAR (USD)-D	Additional Adjustment (USD) E	Net Gavi funded assets on the register F[D-E]	Unexplained Variances (USD) G [C-F]
Medical equipment	2010	3,270,270	(1,010,268)	2,260,002	890,851	(375,090)	515,761	1,744,241
Medical equipment	2012	345,806	(202,504)	143,302	122,405	(58,030)	64,375	78,927
Total		3,616,076	(1,212,772)	2,403,304	1,013,256	(433,120)	580,136	1,823,168

- b) The FAR has 551 renovated PHCs compared to 570 PHCS indicated in the procurement records. Therefore, 19 PHCs amounting to USD 192,568 renovated in 2010 are missing from the FAR (*See details on Appendix IV*). The existence of the 19 PHCs is theoretical since these PHCs were not included in the verification exercise.
- c) As indicated in the Table 5 below, the contract price for medical equipment for 2010 and 2012 was not fully allocated to individual assets. The unallocated costs amounted to USD 125,976 (USD 2,278 for 2012 and USD 123,698 for 2010). These costs were therefore not included in the FAR.

Table 5: Summary of unallocated costs

Amount on Procurement list not traced to any asset	2010		2012	
	Amount (NGN)	Amount (USD)	Amount (NGN)	Amount (USD)
Contract Price	1,000,000	6,757	800,000	5,161
Total prices traced on individual assets	962,175	6,501	794,731	5,127
Variances not traced to any asset	37,825	256	5,270	34
Total Number of facilities	484		67	
Total amount not traced to any asset	18,307,300	123,698	353,057	2,278
USD Rate	148		155	
Grand total 2010 & 2012			18,660,356	125,975

Management Comments

- i) The observation in respect of some facilities that received more items than what was funded by GAVI is noted. It is important to note that it is common practice to reallocate medical equipment to areas of priority needs within and between LGAs by LGA and State health authorities, respectively without recourse to the original distribution plan at the time of procurement planning at the national level. In the circumstance, the HFs that received more GAVI equipment may be allowed.
- ii) Items not on the list of assets purchased with GAVI funds as per your appendix II(a) is noted. It is pertinent to note, however, that Bedside Cabinet was among the assets actually procured as per contractors' files and that some of the Bedside Cabinets were erroneously recorded by verification teams as Bed Lockers, Cupboard, Bedside Cupboard, Hospital Cupboard, etc. In similar vein, Dressing Trolley appears to have been erroneously recorded as Instrument trolley, Medicine trolley and Standing trolley by verification team. Meanwhile, items 13 -19 at appendix II (a).i.e. Bed Table, Emergency light, Torch Light, Rechargeable lamp and standing Fan are wrongly included and such shall be removed from FAR.
- iii) Assets in the FAR whose values are less than the capitalization threshold are noted for removal from FAR.
- iv) Your observation in respect of assets in the FAR whose values are less than the capitalization threshold is noted for removal from FAR.
- v) Observation in respect of the discrepancy of 19 PHCs between FAR and procurement records noted for further verification/investigation.
- vi) The unallocated costs arising from the price lists of 2010 and 2012 is noted for further investigation.

Auditor's Comment

NPHCDA's comment (i) is noted. However, NPHCDA should demonstrate how the reallocation was done. Details of which specific PHCs were involved and which exact equipment were transferred should be prepared and filed for future reference. The final analysis should indicate HFs that received more and those that received less.

2.3.3 Assets brands that were not funded by Gavi

We noted that the brands indicated in some trip reports indicated brand names for refrigerators and generators that were not the specified brands in the procurement records. We have summarized our findings below:

- a) Out of 174 refrigerators traced to the 19 trip reports, only 35(20%) were the "Thermocool" brand relating to Gavi, 86 refrigerators had no brand indicated in the trip reports and 53 refrigerators had a wrong brand. Therefore, at least 53 (30%) refrigerators included in the FAR were not as per the brands specified by Gavi. *(See details on Appendix IX).*
- b) Out of 20 Generators traced in the 19 trip reports reviewed, 11(55%) were of the "Firman" brand relating to Gavi, 8 generators had no brand indicated in the trip reports and 01 generators had a wrong brand. Therefore, at least one (5%) generator included in the FAR could not be linked to Gavi funding. *(See details on Appendix IX).*

Management Comments

- a) Your observations in respect of inadequate information on brands or wrong brands for refrigerators are noted. On a positive note, a review of the status of the refrigerators captured in the field report and FAR indicates that most of them are functional, suggesting that value for money may have been achieved. Nevertheless, adequate attention shall be devoted to strict enforcement of brand and other specifications during future procurements.
- b) Your observations in respect of the brands of generators procured with GAVI funds are well noted. However, adequate attention shall be paid to brands during future procurement.

Auditor's Comment

The NPHCDA's comment (a) does not fully address the finding. We are unable to determine whether these fridges were supplied by other funders or the suppliers delivered different brands.

2.4 Physical verification of Assets

We selected and visited a sample of 36 PHCs and 5 General Hospitals located in 17 States and 35 LGAs. The objective of the field visits was to validate the asset verification exercise done by NPHCDA and assess whether procured items were delivered, were in good condition and were being used for the intended purposes. Our teams were escorted by State Coordinators assigned by the NPHCDA to enable us identify the funded facilities. We noted various inconsistencies between the results of our verification and the results of NPHCDA verification. These mainly related to brands which were noted funded by Gavi, condition and functionality of the assets, assets verified but which were not in the FAR and assets in the FAR but which we did not physically verify. *See our Analyses on appendices VI and VII.* We have summarized below our findings from the field visits by category of item inspected:

a) Boreholes

We were informed by NPHCDA that they had visited and verified all the 73 boreholes included in the FAR. We selected 11 sites that received boreholes and visited them to confirm if they were drilled and functional. We have summarised our findings below:

- i) Only 2 out of 11 boreholes visited were properly installed and being used;
- ii) 09 Boreholes were not being used due to the following reasons; and
 - Staff at Ugbor Model Health Centre and Enyioyugu Health Clinic informed us that the boreholes have never pumped water;
 - Staff at Umuchieze Health Centre and Kobi Dispensary informed us that the boreholes stopped working 6 months after drilling and 2 years ago respectively;
 - Staff at Akuyam PHC informed us that the facility stopped using the borehole because it requires a lot of effort to release water; and
 - Boreholes at Baram PHC, Jarkasa PHC, Yandaki PHC and Barwo Nasarawo PHC had not been drilled. We confirmed that NPHCDA had indicated in the FAR that boreholes at Baram PHC and Jarkasa PHC were not drilled and not paid for. However, boreholes at Yandaki PHC and Barwo Nasarawo PHC were “tagged” as seen in the FAR.

- iii) Edes & Associates visited 11 boreholes which were also visited by NPHCDA and results from 6 boreholes agree with the information in the FAR. However, results from 5 visited boreholes which were also visited by NPHCDA do not agree to the information in the FAR for the following reasons.
- The FAR indicates that the boreholes at Ugbor Model Health Centre, Kobi Dispensary, Yandaki PHC and Akuyam PHC are functional. However, we noted from our field verification that boreholes at Ugbor Model Health Centre, Kobi Dispensary and Akuyam PHC were not functional. No borehole was drilled at Yandaki PHC; and
 - The FAR records that the borehole at Barwo Nasarawo PHC was seen but not functional. However, the borehole claimed to be funded by Gavi at Barwo Nasarawo PHC is a solar powered borehole and is clearly marked as sponsored by Hon. Sulaiman Ahmed Umar. (See details on Appendix VI: Assets verified by NPHCDA which were also verified by Edes & Associates).

Management Comments

- i) The finding that 2 boreholes were functional highlight the issues which we have been raising about the challenge with maintenance of the facilities by states which is an ongoing issue. For one borehole, our team was involved in several efforts to ensure its maintenance even within the first year.
- ii) Nonetheless, your observation in respect of the 2 boreholes which were not properly installed is well noted. The Agency will need the schedule of the boreholes concerned for further necessary action.
- iii) Your observations on the nine (9) Boreholes that were not in use are well noted. It is pertinent to note that functionality of Boreholes in most cases depends on enforcement of regular maintenance schedule for such infrastructure depending on the peculiarity of geological formation of the particular location in question. This is an ongoing discussion with states and local government authorities that take responsibility for Boreholes and other critical health infrastructures within their domains once such assets are commissioned and handed over to ensure Value-for-Money. We are hopeful that stronger MOUs will be developed with states on this and a clear budget line created. Further review of the two (2) Boreholes at Yandaki and Barwo Nasarawo which were not drilled with GAVI funds but tagged as seen in the FAR shows that they were erroneously included in and have been removed accordingly.

Auditor's Comment

Management should review their comments to ensure that they address the findings.

b) Incinerators

We were informed by NPHCDA that they had visited and verified 38 out of 41 incinerators included in the FAR. We selected 5 sites that were also verified by NPHCDA and visited them to confirm that the incinerators were installed and functional. We have summarised our findings below:

- i) 2 out of 5 incinerators visited agree to NPHCDA's findings in the FAR;
- ii) 2 incinerators at Shendam General Hospital and Wudil General Hospital were faulty and not functional; and

- iii) 3 incinerators were installed and the FAR indicated that they were functional. However, we found them not being used by the Health Facilities due to the following reasons;
- The incinerators at Gwale General Hospital and State Specialist Hospital were not connected to the National electricity grid and the facility did not have a generator; and
 - The incinerator at Pankshin General Hospital had never been used, its diesel tank fell off its stand, it had never been connected to the National electricity grid and the facility did not have a generator. (See details on Appendix VI).

Management Comments

- i) The issue of impressing it on responsible states and local government authorities to ensure connection, maintenance and recruitment of management personnel for incinerators and other infrastructure has been an ongoing discussion. We are taking steps to strengthen our state offices to support the State Primary Health Care Agencies to take greater responsibility for infrastructures within their domains once such assets are commissioned and handed over to ensure Value-for-Money.
- ii) Management shall impress on both the Plateau and Kano States health authorities to ensure that the Incinerators at Shendam and wudil are properly maintained and made functional to ensure value-for-money.
- iii) Management shall impress on Plateau and Kano states health authorities in respect of the 3 Incinerators that were not connected to the national electricity grids to ensure they appropriately powered to ensure value-for-money.

c) Renovation of Health Facilities

We visited on a sample basis 34 Health Facilities that had been renovated. The objective of the visits was to determine if the facilities were renovated and to validate NPHCDA's verification exercise. Of the 34 PHCs, 18 were verified by NPHCDA and 16 had not been verified. We present our findings below;

Following our visit of the 18 health facilities which were verified by NPHCDA to validate their results, we noted the following:

- i) Results from 12 PHCs agree to NPHCDA's findings in the FAR. However, results from 6 PHCs do not agree to NPHCDA findings in the FAR for the following reasons;
 - The FAR indicates that Iupon Orillile PHC was renovated in 2012. However, the officer in charge at the facility informed us that it was constructed in 2013 and had never been used. The facility was deserted at the time of our visit in May 2017,
 - The FAR indicates that Agodo PHC was renovated in 2010. However, from interviews with staff at the facility, we established that the facility was constructed in 2008 and no renovations had been done,
 - The FAR indicates that Elegu Health Clinic was renovated in 2010. However, we were informed by staff at the PHC that the facility was only constructed in 2009 by the Local Government and had never been renovated by any donor,
 - Staff at Iberakado Health Clinic informed us that the facility was renovated only once in 2015 by UNH4+ and commissioned on 27 January 2016. The staff also confirmed that the facility had never been renovated by Gavi,
 - FAR indicates that Yandaki PHC was renovated and completed in 2012. However, we were informed by the facility in-charge who has been at the facility since 2007, that he doesn't not remember GAVI doing any renovation on the facility, and
 - Staff at Idofun Supare Maternity informed us that no renovations had ever been undertaken at the facility. (See details on Appendix VI).

Following our visit of the 16 facilities that were not verified by NPHCDA, we noted that results from 11 PHCs agree with NPHCDA FAR record. However, results from 5 PHCs visited do not agree to the details in the FAR. Information obtained through interviews with the staff at the facilities indicates that were done at the following five PHCs: Ejigbo maternity, Jarkasa Dispensary, Kobi Dispensary, Supare model and Oke Ibadan (See details on Appendix VI).

Management Comments

The observations on renovation of Ibufon Orile and Oke Ibadan PHC - Oyo state, Agodo PHC - Osun state, Elega and Iberakado Clinics - Ogun state, Ejigbo maternity - Lagos state, Jarkasa and Kobi dispensaries - Bauchi state, and Idofun Supare Maternity - Ondo state are well noted for further investigation as the oral testimonies of the respective PHC staff on duty at the time of the auditors' field visit may not suffice bearing in mind that there is high turnover of staff at the PHC level of governance and as such they may not have accurate histories of events that happened long ago.

d) Medical Equipment.

We visited on a sample basis 33 Health Facilities which received medical equipment to confirm existence and functionality of the medical equipment supplied as well as verifying the brands for the refrigerators, generators and hospital beds at the facilities. We present our findings below:

We visited 25 health facilities which were verified by NPHCDA to validate their results and 8 PHCs not visited by NPHCDA and noted the following:

- i) All Medical Equipment in the 8 PHCS not visited by NPHCDA was not included in the FAR (See details on Appendix VII: Assets not verified by NPHCDA but were verified by Edes & Associates),
- ii) Results from 20 out of the 25 PHCs do not agree to NPHCDA's findings in the FAR. Below are some of the reasons for the variances;
 - Not all Gavi funded assets that we verified at the PHCs had been included in the FAR. These include: filing cabinets, generators, angle poised lamps and examination couches; and
 - Conversely, we were not able to trace some assets which NPHCDA had positively verified as per their FAR, but which were no longer physically present at the time of our verification. (See details on Appendix VI)
- iii) 13 PHCs received the standard equipment kit but were not using the medical equipment due to the following reasons:
 - Facilities do not have enough space to use all the equipment;
 - Facilities already had similar equipment and therefore equipment delivered from NPHCDA was not needed; and Facilities have a small patient load which does not warrant the use of the equipment.
- iv) Major equipment like refrigerator, generator, filing cabinet, medicine cupboard could not be accounted for by most PHCs. For example;
 - 24 (73%) of the PHCs visited do not have generators, and 13 (39%) of the PHCs visited do not have refrigerators.

- v) 3 (33%) of the 9 generators verified in the field, were not “Firman” brand which was funded by Gavi.
- vi) 7 (35%) of the 20 refrigerators verified in the field were not “Thermocool” brand which was funded by Gavi (See details on Appendix X).

Management Comments

- i) The observation in respect of 8 PHCs not visited by NPHCDA verification team whose medical equipment were not included in the FAR is noted. However, management will require a schedule of the 8 PHCs involved for ease of tracking of such medical equipment with the aim of updating the FAR, accordingly.
- ii) The observations in respect of 20 PHCs for which some assets verified by the audit were not included in the FAR are noted. However management will require a schedule of the 20 health facilities for ease of tracing and taking further necessary action.
- iii) The observation on the 13 PHCs that received the standard equipment kit but were not using them for various reasons is noted. However, management will require the list of the 13 PHCs for further necessary action.
- iv) A review of the contract files indicates that generators were not purchased in 2010. However, management will require the particulars of PHCs where other key items of medical equipment were not found by the audit team for further investigation.
- v) Your observation in respect of alternative brands of some of the generators procured in 2012 is noted for compliance during future procurement.
- vi) Your observation that some of the refrigerators procured were not the Thermocool brand is noted for necessary action during future procurement effort.

Auditor’s Comment

For (i), the list of 8 PHCs whose medical equipment was not included in the FAR is provided on schedule 9.

For (ii), the list of 20 PHCs whose medical equipment was verified by the auditors but missing on FAR is provided on schedule 10.

For (iii), the list of 13PHCs which were not using the medical equipment is provided on schedule 11.

For (iv), the list of facilities with missing major assets is provided on schedule 12. However, generators were also part of the pack of medical equipment procured in 2010.

Section 3: Detailed findings from review of advances to States and Staff

3.1 Outstanding Advances to Federal States and staff

NPHCDA disbursed funds to Federal staff and States to support immunization activities at the Central, State, LGA and Health Facility levels. The total outstanding State and staff advances as at 30 September 2015, was NGN 327 Million (USD 2.1 Million) and NGN 13.8 million (USD 90,465) respectively.

Following the finalization of the ECPA, NPHCDA asked the respective States and staff to submit accountabilities for the outstanding advances. The accountabilities were reviewed by the finance team and used to update the advances ledger. As a result, the outstanding advances were reduced by NGN 249 Million (USD 1,629,782) and NGN 13.8 million (USD 90,465) being accountabilities received from States and staff respectively. The amount was further reduced by NGN 67 Million (USD 438,135) representing undisbursed funds in State bank accounts. We reviewed the available bank statements to confirm if the funds on the bank account were static and available on the bank account at the time of our review. However, we noted that some bank statements presented had dates of 2016 and there was no progression of bank statements to show that the remaining Gavi bank balances were static and still available. We were therefore unable to confirm whether the bank balances with dates of 2016 still existed at the time of our visit in May 2017 (*Refer to Appendix XIII*). This left an outstanding balance of State advances of NGN 10,667,859 (USD 69,725). In the absence of accountability documents, we are unable to confirm whether the outstanding advances were used for the intended purpose.

The table below summarizes the status of State and staff advances as at 18 May 2017;

Table 6: Summary of Outstanding advances as at 18 May 2017

Category	Outstanding advances as 30 June 2015	Net Accountabilities presented for review as at 18 May 2017	Reviewed Bank Statement balance on 18 May 2017	Outstanding advances as at 18 May 2017	Outstanding advances as at 18 May 2017
	NGN	NGN	NGN	NGN	USD
	A	B	C	A-B-C	
State advances	327,059,186	249,356,662	67,034,665	10,667,859	69,725
Staff advances	13,841,151	13,841,151	-	-	-
Total	340,900,337	263,197,813	67,034,665	10,667,859	69,725

Management Comments

The N10,667,859 bank balance in question arose largely from discrepancies in the balances reported by Rivers, Plateau, Abia and Ondo states which are to be investigated by management. For instance, the sum of N6'875'819.56 was transferred to Rivers State in 2010 as per NPHCDA bank account statement which could not be accounted for by Rivers State, Abia state submitted two sets of bank statements in respect of same account over same period with a reconciling difference of N2, 549,802, while Ondo state has not accounted for N1, 217,779 in respect of sums advanced to the state. In similar vein, Plateau and Enugu states have outstanding sums of N962,500 and N10,000, respectively. These discrepancies are being investigated by management.

3.2 Accountability documents/Expenditure review

NPHCDA presented accountabilities amounting to NGN 249,356,662 (USD 1,629,782) and NGN 13,841,151 (USD 90,465) for outstanding State and staff advances respectively. We selected and reviewed a sample of expenditure amounting to NGN 115,411,869 (USD 754,326) 46% and NGN 11,122,351 (USD 72,695) 80% for State and staff accountabilities respectively. We questioned total expenditure amounting to NGN 106,866,280 (USD 698,472) 93% and NGN 1,798,140 (USD 11,753) 16% of States and staff accountabilities reviewed respectively. We have summarized the questioned expenditure in Table 7 below;

Table 7: Summary of Questioned accountability documents

Category	Accountabilities received (NGN)	Accountabilities reviewed	Unsupported (NGN)	Inadequately supported (NGN)	Ineligible (NGN)	Total Questioned (NGN)	Total Questioned (USD)	%age Questioned
State advances	249,356,662	115,411,869	1,954,000	33,822,000	71,090,280	106,866,280	698,472	93%
Staff advances	13,841,151	11,122,351	-	1,798,140	-	1,798,140	11,753	16%
Total	263,197,813	126,534,220	1,954,000	35,620,140	71,090,280	108,664,420	710,225	

- i) *Unsupported expenditure*; refers to expenditure for which we were not availed the transaction supporting documents including: vouchers, receipts, invoices, attendance lists and activity reports. We were therefore unable to confirm whether these expenses were incurred for the intended activities. The total unsupported expenditure State accountabilities amounted to NGN 1,954,000 (USD 12,771). The detailed list of unsupported expenditure is presented on *Appendix XIV*.
- ii) *Inadequately supported expenditure*; refers to transactions for which we were not provided with sufficient documentation to conclude that the activity took place and that value for money was obtained. This included; absence of activity reports, photocopied documents and absence of training attendance sheets. The total inadequately supported expenditure amounted to NGN 33,822,000 (USD 221,059) and NGN 1,798,140 (USD 11,753) for State and staff accountabilities respectively. The detailed list of inadequately supported expenditure is presented on *Appendices XIV and XV*.
- iii) *Ineligible expenditure*; Our review of accountability documents revealed ineligible expenditures amounting to NGN 71,090,280 (USD 464,642) related to Sate accountabilities. Ineligible expenditures were mainly attributed to expenditures with documents that had the following inconsistencies;
 - Receipts from different suppliers written in the same hand writing;
 - Receipts from different suppliers with the same logos and design;
 - Payment sheets which appeared signed off by the same individual;
 - Varying signatures of similar persons across different periods; and
 - Receipts without serial numbers that follow each other in different months and receipts with serial numbers which do not follow chronologically.

Management Comments

- i) Your observations in respect of unsupported staff and states advances are noted. Regarding the issue of photocopies of accountabilities, it is important to note that there were instances where original accountabilities were lost in transit so, file copies were certified and used to replace the original copies. Further details in respect of unsupported expenditures are at Appendix 8.
- ii) Concerning report of activities that were undertaken at states, LGAs, Wards and community levels, such accountabilities were reviewed and summarized at the subnational level for inclusion in the annual progress report submitted to GAVI. So, such details are not transmitted to NPHCDA as they are kept at the state and LGA levels. Further details in respect of unsupported expenditures are at Appendix 8.
- iii) All the transactions whose receipts appears questionable relate to expenditures of small values incurred at LGAs, ward and community levels where formal businesses hardly exist. Hence people tend to exert pressure on the very few businesses available. The payment sheets which appears signed off by same person relate to expenditures of very small values incurred in respect individuals who rendered services in the range equivalent to US\$3 - US4 per day. Amount required to transport these individual from their respective villages of residence to the LGA headquarters to receive payment far outweighs the value of their pay. Hence, each group would normally delegate one person to travel to LGA headquarter to claim the sum due on behalf of the group in order to reduce transportation cost. Receipts without serial number relate amount incurred on fueling for which Filing station receipts do not normally carry serial number. Further details in respect of unsupported expenditures are at Appendix 8.

Auditor's Comment

The audit team does not have any additional schedules in respect of questioned accountabilities as we did not obtain from NPHCDA the transaction lists for these items.

Section 4: Assessment of Value for Money on fixed assets and advances

We noted the following issues that cast doubt on whether value for money was obtained on the funds spent on fixed assets and advances to States.

a) Drastic changes in prices from 2010 to 2012

We reviewed the medical equipment procurement lists for 2010 and 2012 and noted significant price changes between the two years. There was an unexplained drastic price reduction for 5 of the 9 major assets from 2010 in 2012. The price reduction ranged from 32% to 77%. Based on our field visits the quality and brand of the equipment was not different. This indicates that value for money may not have been obtained for medical equipment procured in 2010.

b) Asset brands that were not funded by Gavi

We noted brand names in some trip reports and during physical verification of assets that were not the specified brands in the procurement records. Out of 174 refrigerators traced to the 19 trip reports, only 35(20%) were the “Thermocool” brand funded by Gavi and out of 20 Generators traced in the 19 trip reports reviewed, 11 (55%) were the “Firman” brand funded by Gavi. The presence of brands of assets that were not funded by Gavi may indicate that either the Gavi funded assets were not delivered or they were substituted for by delivering a different brand. Further, 88% of the PHCs visited did not receive the full pack of items procured; we noted key items such as refrigerators, generators, angle poised lamps etc. missing at the PHCs. There was questionable value for money on these procurements.

c) Asset that have not been used by the beneficiaries

We noted instances where several assets procured have never been used and some are currently not functional. For example, from our field visits we noted that, 12 out of the 33 PHCs visited that received medical equipment are not using them, 10 out of 11 boreholes visited are not being used, all five incinerators visited were not being used and some medical equipment could not be traced at the health facilities. Assets were not used for the intended purpose, therefore value for money was not obtained on the investment in these assets.

The same prices of NGN 1,500,000 and NGN 1,600,000 in 2010 and 2012 respectively were charged by contractors for all PHCs of different locations. There were no bills of quantities to confirm work done at most of the sites. From our physical verification, we noted that 6 out of 34 PHCS visited were said not to have been renovated. There is therefore questionable value for money on the PHC renovation.

d) Long outstanding advances and questionable accountability documents

Funds amounting to NGN 10,667,859 (USD 69,725) disbursed to the States have been outstanding for over 24 months. We were unable to confirm whether these funds were used for the intended purpose. In addition, funds amounting to NGN 67,034, 665 (USD 438,135) were being held on State bank accounts. These funds have not been used for over 24 months and are prone to misuse.

We sampled and reviewed accountabilities amounting to NGN 115,411,869 (USD 754,326) which is 46% of the accountabilities provided. We questioned total expenditure amounting to NGN 106,866,280 (USD 698,472) which is 93% of the sample reviewed. We noted the following issues on expenditure; absence of activity reports, lack of and inconsistent signatures by recipients and inconsistent receipts for fuel and meals. The high percentage of questioned accountabilities indicates that value for money may not have been obtained on this expenditure.

Management Comments

- a) The former procurement team awarded the Gavi procurement contracts in lump sums of N1million per health facility in 2010 and N800,000.00 per health facility in 2012. Details on how the unit costs were arrived at needs to be obtained from the former Head of Procurement for ease of clarity.
- b) Your observations in respect of inadequate information on brands or wrong brands for refrigerators are noted. On a positive note, a review of the status of the refrigerators captured in the field report and FAR indicates that most of them are functional, suggesting that value for money may have been achieved. Nevertheless, adequate attention shall be devoted to strict enforcement of brand and other specifications during future procurements. (b) Your observations in respect of the brands of generators procured with GAVI funds are well noted. However, adequate attention shall be paid to brands during future procurement.
- c) As noted earlier, generators were not procured in 2010 and as such could not have been seen in 2010 contracts and many assets were reallocated to other facilities of priority needs and others were relocated to other facilities for various reasons by states and LGA health authorities.
- d) This is an on-going discussion with states and local government authorities that they need to take responsibility for maintenance of critical health infrastructures within their domains once such assets are commissioned and handed over to ensure Value-for-Money. We are hopeful that stronger MOUs will be developed with states on this and a clear budget line created. PHC assessments were done for the various health facilities and the amount required for comprehensive renovation work per PHC was generally high. Therefore, the sums of N1,500,000 and N1,600,000 were meant to fulfil basic renovation requirements per PHC.
- e) The N10,667,859.00 bank balance in question arose largely from discrepancies in the balances reported by Rivers, Plateau, Abia and Ondo states which are to be investigated by management. For instance, the sum of N6'875'819.56 was transferred to Rivers State in 2010 as per NPHCDA bank account statement which could not be accounted for by Rivers State, Abia state submitted two sets of bank statements in respect of same account over same period with a reconciling difference of N2, 549,802.50, while Ondo state has not accounted for N1, 217,779.00 in respect of sums advanced to the state. In similar vein, Plateau and Enugu states have outstanding sums of N962,500.00 and N10, 000.00, respectively. These discrepancies are being investigated by management.

Auditor's Comment

We have noted NPHCDA's response (b). However, generators were also included in the pack of medical equipment procured in 2010.

Appendices

Appendix I: Variances between quantities in the 2010 Asset Listing and 2010 Procurement Records

The Gavi Asset Listing included a homogeneous bundle of the same type and number of items to be received by each PHC. However, the Asset Listing had other items not represented in the 2010 Procurement Listing and conversely, the Procurement Listing included other assets that were not included in the Asset Listing. The following variances were noted when comparing the 2010 Gavi Asset Listings to a similar PHC specific homogenous bundle and number of items in the procurement records.

No	Item	Quantity in Gavi Asset listing	Quantity in 2010 Procurement listing	Variance	Unit cost (NGN)	Total Amount (NGN)	Total Amount (USD)
1	Hospital bed with mattress	2	1	1	23,822	69,000	466
2	Artery forceps (medium)	4	1	3	600	1,800	12
3	Bed pan (stainless steel)	2	1	1	7,500	7,500	51
4	Bowls (stainless steel) with stand)	2	1	1	18,750	18,750	127
5	New clime standing fan	2	1	1	11,250	11,250	76
6	Plastic chairs (president)	6	1	5	6,000	30,000	203
7	Stainless covered bowl for cotton wool	2	1	1	675	675	5
8	Dissecting forceps	2	1	1	600	600	4
9	Dressing scissors	3	1	2	525	1,050	7
10	Drinking Mug	2	1	1	150	150	1
11	Dust bin (pedal)	4	1	3	9,750	29,250	198
12	Gallipots (medium)	6	1	5	600	3,000	20
13	Kidney dish (large)	4	1	3	900	2,700	18
14	Length measures for babies	2	1	1	150	150	1
15	Long benches	6	1	5	6,750	33,750	228
16	Wall clock	2	1	1	3,000	3,000	20
17	Sphygmomanometer mercurial	2	1	1	15,750	15,750	106
18	Stethoscope (Littman)	2	1	1	7,500	7,500	51
19	Writing table	4	1	3	9,750	29,250	198
20	Weighing scale (child)	2	1	1	6,000	6,000	41
21	Filing cabinet/Bedside	2	1	1	63,000	63,000	426
22	Drip stand	6	1	5	33,000	165,000	1,115
	Total					499,125	3,374
	Total Number of facilities					484	484
	Total overstated asset value recorded in the 2010 Assets listing					241,576,500	1,633,016

Appendix II (a): Assets in the FAR but which were not in the list of items funded by Gavi

Additional medical equipment wrongly included in the FAR which was never part of the specific list of items funded and procured with Gavi funds:

No	Assets in FAR 2010	Quantity	Item unit Cost per FAR (NGN)	Total value of medical equipment Not traced to procurement list funded by Gavi (NGN)	Total value of medical equipment Not traced to procurement list funded by Gavi (USD)
1	Bed Locker	5	53,250	266,250	1,799
2	Bed Side Cabinet	7	50,750	355,250	2,400
3	Bed Side Cabinet	8	52,250	418,000	2,824
4	Bed Side Cabinet	7	52,500	367,500	2,483
5	Bed Side Cabinet	248	53,250	13,206,000	89,230
6	Bed Side Cabinet	1	63,000	63,000	426
7	Cabinet	1	53,250	53,250	360
8	Medical Cabinet	5	53,250	266,250	1,799
9	Steel Cabinet	1	53,250	53,250	360
10	Bed Side Cupboard	11	53,250	585,750	3,958
11	Cupboard	8	53,250	426,000	2,878
12	Hospital Cupboard	1	53,250	53,250	360
13	Bed Table	2	53,250	106,500	720
14	Emergency Light	1	63,000	63,000	426
15	Torchlight	1	53,250	53,250	360
16	Rechargeable Lamp	1	52,500	52,500	355
17	Standing Fan	1	53,250	53,250	360
18	Standing Fan	6	69,000	414,000	2,797
19	To be traced	1	69,000	69,000	466
20	Total			16,925,250	114,361
Assets in the FAR 2012					
21	Bedside Cabinet	11	50,750	558,250	3,602
22	Instrument Trolley	1	50,531	50,531	326
23	Medicine Trolley	11	50,750	558,250	3,602
24	Standing Trolley	2	50,750	101,500	655
	Total			1,268,531	8,185
	Grand total			18,193,781	122,546

Appendix II (b): Assets in the FAR whose value is less than the Capitalisation threshold

Medical items which were correctly acknowledged as being items of the type purchased with Gavi funds, but whose cost was overstated (i.e. greater than NGN 50,000) so as to be recognized as an asset when in fact the item's unit cost was less than the capitalization threshold.

		Qty	Lower Correct Unit price (NGN)	Item unit cost as recorded in the FAR (NGN)	Total value of items with wrong prices incorrectly recognized in the FAR (NGN)	Total value of items with wrong prices incorrectly recognized in the FAR (USD)
No	Assets in FAR 2010					
1	Bed Pan (Stainless Steel)	2	6,525	18,750	37,500	253
2	Delivery Couch	4	42,000	63,000	252,000	1,703
3	Dressing Tray	7	6,525	52,500	367,500	2,483
4	Drip Stand	1	6,525	33,000	33,000	223
5	Weighing Scale(Child)	1	6,000	63,000	63,000	426
6	To be traced	1		69,000	69,000	
	Total	331			822,000	5,088
	Assets in the FAR 2012					
7	Examination Couch	15	14,500	53,250	798,750	5,153
8	Examination Couch	1	14,500	63,000	63,000	406
9	Filing Cabinet	20	8,700	53,250	1,065,000	6,871
10	Medicine Cupboard	24	7,250	53,250	1,278,000	8,245
	Total				3,204,750	20,675
	Grand total	60			4,026,750	25,763

Appendix III: Expected Assets in FAR as per Capitalization Policy of NGN 50,000 and above

Expected FAR						
Year	2012			USD Rate		155
No	Asset description	Qty/ PHC	Total # assets	Unit cost	Amount (NGN)	Amount (USD)
1	Dressing trolley	1	67	50,750	50,750	327
2	Refrigerator medium (Thermocool)	1	67	50,750	50,750	327
3	Dressing trolley (extra)	1	67	50,750	50,750	327
4	Generator set (Firman, STG 8000E)	1	67	174,000	174,000	1,123
Total value			268		326,250	2,105
Total Number of PHCs earmarked to receive these assets procured in 2012					67	67
Total value of 2012 assets to be distributed overall					21,858,750	141,024
Expected FAR						
Year	2010			USD Rate		148
No	Asset description	Qty/ PHC	Total # assets	Unit cost	Amount (NGN)	Amount (USD)
1	Hospital bed with mattress	1	484	69,000	69,000	466
2	Examination couch	1	484	63,000	63,000	426
3	Dressing trolley (stainless)	1	484	52,500	52,500	355
4	Medicine cupboard	1	484	53,250	53,250	360
5	Refrigerator medium (Thermocool)	1	484	52,500	52,500	355
6	Filing cabinet	1	484	63,000	63,000	426
7	Dressing trolley	1	484	52,500	52,500	355
8	Angle poised lamp	1	484	67,500	67,500	456
9	Generator set (Firman, STG 8000E)	1	484	180,000	180,000	1,216
Total value			4,356		653,250	4,414
Total Number of PHCs earmarked to receive these assets procured in 2010					484	484
Total value of 2010 assets to be distributed overall					316,173,000	2,136,304
Total value of equipment before Margin			4,624		338,031,750	2,277,328
Unexplained Margin on procurement list						125,975
Grand Total						2,403,303

Appendix IV: Missing Assets in the FAR compared to the procurement records

For each PHC, the procurement records included a homogeneous bundle of the same type and number of items. As such, the following 4 items were procured for 67 PHCs each in 2012, and similarly 9 items recognized as assets procured for 484 PHCs each in 2010. We compared the expected number of PHCs as per procurement record to the number of PHCs in the FAR with the respective asset type and noted the following variances:

Assets 2012	Expected No. of PHCs per procurement records	No. of PHC in FAR with this asset type	Total No. of PHCs without any of this asset type	Unit cost (USD)	Value of missing assets (USD)	Percentage of asset type missing
Dressing trolley	67	49	18	327	5,894	27%
Refrigerator medium (Thermocool)	67	120		327	-	0%
Dressing trolley (extra)	67	-	67	327	21,937	100%
Generator set (Firman, STG 8000E)	67	21	46	1,123	51,639	69%
Subtotal 2012		190	131		79,469	
Assets 2010						
Hospital bed with mattress	484	297	187	466	87,182	39%
Examination couch	484	228	256	426	108,973	53%
Dressing trolley (stainless)	484	209	275	355	97,551	57%
Medicine cupboard	484	185	299	360	107,579	62%
Refrigerator medium (Thermocool)	484	221	263	355	93,294	54%
Filing cabinet	484	26	458	426	194,959	95%
Dressing trolley	484	-	484	355	171,689	100%
Angle poised lamp	484	36	448	456	204,324	93%
Generator set (Firman, STG 8000E)	484	23	461	1,216	560,676	95%
Subtotal 2010			3,131		1,626,228	
Total Medical Equipment					1,705,697	
Renovation	570	551	19	10,135	192,568	3%
Grand Total					1,898,265	

Appendix V: Overstated Quantities of Assets in the FAR for 2010 and 2012 by facility

The overstated quantities presented in the table below relate to PHCs which have more medical items per item category in the FAR compared to the expected number of medical items per procurement records.

Year	Asset Category	No. of PHCs with this asset type in the FAR	For these same PHCs, total No. of Assets expected to be represented	Actual quantity of this type of asset in the FAR	For same PHCs with this asset type, overall excess quantity	Unit Cost per asset. USD	Total Amount USD
		A	A'	B'	= (B' - A')	C	= (B' - A') x C
2010	Hospital bed with mattress	297	297	694	397	466	185,002
	Examination Couch	228	228	270	42	426	17,892
	Dressing trolley	209	418	251	19**	355	6,745
	Medicine cupboard	185	185	237	52	360	18,720
	Refrigerator medium (Thermo-cool)	221	221	256	35	355	12,425
	Filing Cabinet	26	26	35	9	426	3,834
	Angle poised lamp	36	36	52	16	456	7,296
	Generator (Firman, STG 8000E)	23	23	25	2	1,216	2,432
	Sub total	1,225	1,225	1,820	595		254,346
2012	Dressing trolley	49	98	62	4**	327	1,308
	Refrigerator(Thermocool)	120	67	152	85	327	27,795
	Sub total	169	124	214	90		29,103
	Grand total				685		283,449

**The FAR has less trollies than expected. However, the excess quantities presented relate to PHCs which had more than 2 trollies in the FAR yet Gavi procured a maximum of 2 trollies per PHC as per the procurement records.

Appendix VI(a): Assets verified by NPHCDA which were also verified by Edes & Associates

The table below presents an analysis of medical equipment which was verified by both NPHCDA and Edes & Associates.

<-Per Edes verification-->		<-----Per FAR----->		<-----Edes & Associates examination----->			
Description	Value per procurement records	Description	Value per FAR	Agreed with NPHCDA verification	Disagreed with NPHCDA verification		Description on why disagreed
					Assets in FAR but not verified by Edes	Assets verified by Edes but not in FAR	Assets not seen by both NPHCDA and Edes but are in the procurement records.
	USD		USD	USD	USD	USD	USD
Medical equipment	91,784	Medical equipment	32,402	22,610	9,792	21,127	38,296
Total	91,784		32,402	22,610	9,792	21,127	38,296

The difference of USD 59,382 between the value per procurement records and value per FAR relates to medical equipment missing from FAR. These are represented by items c & d above.

Appendix VI (b): Assets verified by NPHCDA which were also verified by Edes & Associates

The table below presents an analysis of infrastructure assets which were verified by both NPHCDA and Edes & Associates

<-Per Edes physical verification->		<-----Per FAR----->		<-----Edes & Associates examination----->		
Description	Value per procurement records	Description	Value per FAR	Agreed with NPHCDA verification	Disagreed with NPHCDA verification	Description on why disagreed
	USD		USD	USD	USD	
Renovation	158,824	Renovation	158,824	109,150	49,673	<ul style="list-style-type: none"> The team was informed during field visits that 5 sites were not renovated with Gavi funds. These sites were visited by NPHCDA and subsequently visited by Edes for verification.
Boreholes	57,516	Boreholes	57,516	31,373	26,144	<ul style="list-style-type: none"> Edes & Associates noted that 2 boreholes were not drilled but recorded in FAR. 3 boreholes which were found not to be functional were indicated as functional in FAR.
Incinerators	321,775	Incinerators	321,775	133,402	188,373	<ul style="list-style-type: none"> Incinerators were found not to be functional while the FAR indicates they are functional.
Total	538,115		538,115			
Total agreed				273,925		
Total disagreed					264,190	

Appendix VII: Assets not verified by NPHCDA but which were verified by Edes & Associates

The table below shows the analysis of assets physically verified by Edes & Associates in PHCs visited by Edes but had not been visited by NPHCDA. 8 PHCs were selected from the procurement records as PHCs which were supposed to receive a complete set of the medical equipment and 16 PHCs were selected as part of the PHCs which were supposed to be renovated but had not been visited and verified by NPHCDA.

<-Per Edes Physical Verification->			<----Per FAR----->		<-----Edes examination----->		
Description	QTY	Value per procurement records (in USD).	Description	Value per FAR	Agreed with FAR description (in USD)	Disagreed with FAR description	
						Assets physically sighted by Edes but not included in FAR (in USD).	Assets in FAR but not physically sighted by Edes (in USD).
Hospital bed with Mattress	4	1,865	Not included in FAR	-	-	1,865	
Angle poised lamp	4	1,824	Not included in FAR	-	-	1,824	
Dressing trolley (stainless)	6	2,128	Not included in FAR	-	-	2,128	
Dressing trolley (extra)	6	2,057	Not included in FAR	-	-	2,057	
Filing cabinet	2	851	Not included in FAR	-	-	851	
Generator set (Firman STG 8000E)	1	1,123	Not included in FAR	-	-	1,123	
Medicine cup board	4	1,439	Not included in FAR	-	-	1,439	
Examination couch	4	1,703	Not included in FAR	-	-	1,703	-
Refrigerator Medium	1	327	Not included in FAR	-	-	327	-
Renovation	16	182,353		182,353	121,569		60,784
Total agreed					121,569		
Total disagreed						13,318	60,784

Appendix VIII: Analytical review of FAR branded medical equipment

Asset	Number of assets per procurement records (represented by 1 unit for each of 484 (2010) plus 67 (2012) recipient PHCs)	Agreed with FAR generic description (generator, refrigerators)	Asset Missing on FAR.	Description on why disagreed	% of assets missing
Generator (Firman, STG 8000E)	551	46	505	Assets not in FAR	92%
Fridge - Thermocool	551	408	143	Assets not in FAR	26%
	Total branded assets represented	454			
	Total branded assets missing on FAR		648		

We further reviewed 19 trip reports to confirm if the reported branded items related to the Gavi funded brands. We noted that 139 (80%) of the 174 refrigerators and 9 (45%) of the 20 generators reported and transcribed in the FAR were not Gavi funded brands. Therefore, the 46 generators and 408 refrigerators reported in appendix VIII above may not all relate to the Gavi funded brands.

Appendix IX: Analysis review of branded medical equipment in NPHCDA trip reports

The table below represents an analysis of the brands of Generators and Refrigerators included in the NPHCDA trip reports.

	Per Procurement	<-----Per Trip reports----->			<----Edes desk-based examination---->		
	A	B	C	D	E	[D+E]/B	
Description	Number of assets scheduled to be distributed to target PHCs in the State covered by 19 trip reports	Total number of assets identified in the same 19 trip reports	# assets of the correct brand cited in the trip report	# of correct asset type where no brand stated, as per trip report	# of asset type with the wrong brand, as per trip report	% of assets missing brands or of the wrong brand	Description on why disagreed
Generator - Firman	264	20	11	8	1	45%	The trip reports did not State the brands of some assets and some indicated brands that were not specified in the procurement records.
Fridge - Thermocool	264	174	35	86	53	80%	
Total branded assets represented			46	94	54		
% of brand assets.			24%	48%	28%		

Appendix X: Analytical review of Edes & Associates physically verified branded medical equipment

The table shows the analysis of the branded items physically verified by Edes & Associates.

	<---Per procurement records-->		<-----Edes physical examination----->			
	A	B	C	D	E=B-C-D	= (D+E)/B
Description	Number of PHCs covered by Edes & Associates visits	Number of putative assets in PHCs covered by Edes visits	# assets of the correct brand viewed	# assets of the wrong brand viewed	# PHCs with asset missing	% of assets missing or of the wrong brand
Generator - Firman	33	33	6	3	24	82%
Fridge - Thermocool	33	33	13	7	13	61%
Total branded assets represented	66	66	19	10	37	66%
% of brand assets			29%	15%	56%	

Appendix XI: Detailed review of NPHCDA trip reports

The positive variances refer to additional PHCs visited by NPHCDA but which according to procurement record were excluded from the list of designated sites for receipt of medical equipment assets funded by Gavi.

The negative variances refer to PHCs whose details and corresponding asset holdings were excluded from the FAR, even though according to procurement records, these sites were designated as beneficiaries, which should have received medical equipment assets funded by Gavi.

No.	State with 1 Trip report	PHCs x Visited by NPHCDA	# recipient PHCs in the State as per Procurement lists 2010 & 12	Variance on Number of PHCs	No. of Fridges	No. Generators	Brand of Refrigerators	Brand of Generators
1	Abia	6	20	(14)	6		-Thermocool, DAEV00, Super Anston (x2), <No brand (x2)>	-
2	Akwa Ibom	6	10	(4)	6		-Samsung (x3), Midea, Thermocool, LG	-
3	Anambra	20	20	-	12		-No brand (x12)	-
4	Bayelsa	7	12	(5)	3		-No brand (x3)	-
5	Borno	11	12	(1)	6		-Royal (x1), No brand (x4), LG (x1)	-
6	Cross River	16	11	5	10	2	No brand (x4), Panatronic x3, LG x1, Thermocool (x2)	No brand (x2)
7	Delta	12	13	(1)	8	1	Thermocool x1, No brand (x7)	No brand (x1)
8	Ebonyi	19	22	(3)	6		-LG(x2), No brand (x4)	-
9	Edo	15	11	4	4		-Thermocool (x2), LG (x1), No brand (x1)	-
10	Ekiti	8	11	(3)	7		-Thermocool (x1), LG (x4), Antlantic (x1), No brand (x1)	-
11	Enugu	18	11	7	5	1	Thermocool (x2), LG (x3)	No brand (x1)
12	Fct	7	11	(4)	7		-Mega (x3), <No brand (x4)>	-
13	Gombe	12	12	-	10	1	Hisense, <No brand (x4)>, LG (x4), Thermocool	Honda Ekmax SHT 11500 generator - not Gavi
14	Imo	16	18	(2)	10		-No brand (x9), Thermocool (x1)	-
15	Jigawa	37	14	23	26	7	No brand (x11), LG (x5), Royal (x3), Thermocool-7	No brand (x3), Firman (x4)
16	Kaduna	19	13	6	15	3	Mega (x5), Thermocool (x2), <No brand (x3)>, Nexus, (LG x3), Digga	Firman (x3)
17	Katsina	13	13	-	10	1	No brand (x9); Thermocool (x1)	Firman (x1)
18	Kebbi	17	17	-	12	3	Thermocool (x11), No brand (x1)	Firman (x3)
19	Sokoto	12	13	(1)	11	1	No brand (x8), Thermocool (x3)	No brand (x1)
	Total	271	264	7	174	20		
	Total Negative variance			(38)				
	Total Positive variance			45				

Appendix XII: Fridges and Generators missing from the trip reports

The table below shows the total number of fridges and generators missing from the trip reports due to the missing 38 PHCs in the 19 reviewed trip reports.

No.	State	PHCs Visited by NPHCDA	# recipient PHCs in the State as per Procurement lists 2010 & 12	Variance on Number of PHCs	No. of Fridges missing in Trip reports	No. of Generators missing in trip reports	Total missing fridges and generators	% of missing fridges and generators
		A	B	C=[A-B]	D	E	F=D+E	G=[F/(B*2)]
1	Abia	6	20	(14)	14	14	28	70%
2	Akwa Ibom	6	10	(4)	4	4	8	40%
3	Bayelsa	7	12	(5)	5	5	10	42%
4	Borno	11	12	(1)	1	1	2	8%
5	Delta	12	13	(1)	1	1	2	8%
6	Ebonyi	19	22	(3)	3	3	6	14%
7	Ekiti	8	11	(3)	3	3	6	27%
8	Fct	7	11	(4)	4	4	8	36%
9	Imo	16	18	(2)	2	2	4	11%
10	Sokoto	12	13	(1)	1	1	2	8%
	Total			(38)	38	38	76	

Appendix XIII: State Bank Statement Balances

S/N	STATE	Verified on Bank Statements Balance (NGN)	Verified on Bank Statements Balance (USD)	Bank Statement date
1	Abia	3,736,850	24,424	24-Mar-17
2	Anambra	18,392,415	120,212	10-Mar-17
3	Gombe	7,090,339	46,342	3-Sep-16
4	Kano	10,911,525	71,317	26-Apr-17
5	Ondo	4,531,271	29,616	6-Dec-16
6	Oyo	9,045,879	59,123	1-Nov-16
7	Rivers	13,326,385	87,101	28-Mar-17
TOTAL		67,034,665	438,135	

Appendix XIV: Schedule of Questioned State Accountabilities

S/N	State	Accountability documents provided and Reviewed (NGN)	Exceptions noted in support document	Unsupported (NGN)	Inadequately supported (NGN)	Ineligible amount (NGN)
1	Anambra	2,573,007	We did not obtain supporting documents for payments amounting to NGN 13,000. Activity reports for activities such as outreach services, vaccine distribution and social mobilization/announcements were not provided for review. Receipts appeared to be written by the same individual yet they are from different suppliers.	13,000	1,249,000	635,000
2	Delta	8,364,000	We did not obtain supporting documents for payments amounting to NGN 846,000 Accountabilities were photocopied	846,000	6,063,000	
3	Ebonyi	13,993,500	Receipts from different suppliers appear written in the same handwriting. These receipts and related accountabilities including signed acknowledgments were therefore questionable. Activity reports were not attached on the accountability, we therefore cannot confirm whether value for money was achieved.			13,631,500
4	Gombe	677,000	We did not obtain supporting documents for payments amounting to NGN 6,000. No activity reports for activities were prepared hence cannot confirm value for money.	6,000	364,000	
5	Kaduna	15,091,000	We did not obtain supporting documents for payments amounting to NGN 1,019,000 There was no remittal letter attached for the provided accountability. There was no signed acknowledgment for receiving the review meeting refreshment facilitation. The review meeting was not supported by review meeting minutes and attendance lists (Unsupported activities). ineligible cost relates to payment sheets for support supervision, outreach services, vaccine collection and community announcement appeared to be signed off by the same individual.	1,019,000	10,975,000	1,311,000

S/N	State	Accountability documents provided and Reviewed (NGN)	Exceptions noted in support document	Unsupported (NGN)	Inadequately supported (NGN)	Ineligible amount (NGN)
6	Kogi	15,967,527	<p>We noted the following issues;</p> <ul style="list-style-type: none"> ▪ Varying signatures of similar persons across different periods ▪ Receipts without serial numbers; serial numbers that follow each other in different months; inversely proportional serial numbering; no dates, serial numbers written in ink ▪ No activity reports were attached for any LGA activities 			15,962,695
7	Ogun	12,679,000	<p>We noted the following issues;</p> <ul style="list-style-type: none"> ▪ Varying signatures of similar persons across different periods ▪ Receipts without serial numbers; serial numbers that follow each other in different months; inversely proportional serial numbering; no dates, serial numbers written in ink ▪ No activity reports were attached for any LGA 			12,679,000
8	Ondo	5,865,490	<p>No activity report was seen for any of the accountabilities seen.</p> <p>Meetings minutes were either not available or where attached they were not endorsed Some of the activity budgets were over accounted. For example, well as vaccine collection was capped at N 3000, there were several instances of submitted.</p> <p>accountabilities exceeding this amount by N 5,000 or more. There were several instances of differing signatures for the same individuals particularly under the various activities. A number of fuel receipts submitted had serial numbers not concurring with the expenditure chronology.</p> <p>Additionally, some of the receipts from different fuel stations had conspicuously identical hand writing.</p>			5,526,490
9	Oyo	8,092,450	<p>We noted significant variances in signatures for support supervision and outreach activities over a period of time for the same payees. There were no payment sheets for vaccine collection and community announcements yet receipts show money being received from PHC officials. These receipts are not genuine.</p> <p>There were no review minutes for review meeting. Bank statement</p>			8,092,450

S/N	State	Accountability documents provided and Reviewed (NGN)	Exceptions noted in support document	Unsupported (NGN)	Inadequately supported (NGN)	Ineligible amount (NGN)
			bears no stamp & has two different closing balances.			
10	Rivers	9,161,895	We reviewed accountabilities per LGA, per month and noted the following issues; <ul style="list-style-type: none"> ▪ Varying signatures of similar persons across different periods ▪ Receipts without serial numbers; serial numbers that follow each other in different months; inversely proportional serial numbering; no dates, serial numbers written in ink ▪ No activity reports were attached for any LGA. 			9,161,145
11	Sokoto	4,094,000	Receipts appeared to have been written by the same individual. These include receipts for car hire vehicle for support supervision, LGA outreach services, battery receipts, refreshment receipts, Review meeting refreshments were not supported by minutes and attendance lists.			4,091,000
12	Zamfara	18,853,000	No activity reports for support supervision, community outreach and other activities. The accountabilities were not reviewed and signed off/ cleared by responsible staff at the state level.	70,000	15,171,000	
Total		115,411,869		1,954,000	33,822,000	71,090,280

Appendix XV: Schedule of Questioned Staff accountabilities

Date	Payee	Narration	Reviewed (NGN)	Exceptions noted.	Inadequately supported (NGN)
27-Apr-12	Sadiq,Ibrahim	Being Cash Advance Granted for State & Lga Level Training For Introduction Of Pentavalent Vaccine In Bauchi State.	861,340	Support documents are photocopies There is no training report and attendance lists.	861,340
27-Apr-12	Ajibola,S.O	Being Cash Advance Granted for State & Lga Level Training For Introduction Of Pentavalent Vaccine In Lagos State.	936,800	Support documents are photocopies There is no training report and attendance lists.	936,800
19-Sep-13	Otowo Onojo	Cash Advance Granted for The Transportation Of Vaccines For The Oct. 2013 Meales Campaign In The 19 Northern States And Fct.	8,802,000		
11-Mar-14	Kafaru Oluwafemi G	Cash Advance for Advert Placement from Procurement Unit.	522,210		
	Total		11,122,350		1,798,140

Appendix XVI: Photographs from physical verification of assets

Description	Photographs
<p>The renovated at Ibapon Orille PHC facility has never been used and is already dilapidating.</p>	
<p>Incinerators at Wudil and Pankshin General Hospitals had never been used at the time of our visit.</p>	
<p>Varying filing cabinets at different PHCs at Dogo Agogo PHC and Kobi Dispensary</p>	

Name of Facility and Finding	Photographs
Nonfunctional boreholes at Enyiogugu, Ugbor Umuchieze PHCs	