

Implementing a transparency and accountability policy to reduce corruption: The GAVI Alliance in Cameroon

The GAVI Alliance – an alliance of the world’s major players in global immunisation – uncovered massive misuse of its grants in Cameroon in 2011. GAVI’s Transparency and Accountability Policy triggered an investigation into the financial management of Cameroon’s Health Systems Strengthening grant. The investigation revealed that, of US\$5.1 million programme expenditures, US\$3.7 million had been misspent, partly due to fraud. Different types of corruption affected this programme. Analysing how misuse was detected and how GAVI and the government responded, provides lessons on how similar abuses can be prevented in the future. In order to avoid grant mismanagement, programmes should have integrated transparency and accountability systems. This is also applicable to programmes in other sectors.



GAVI’s support to Cameroon and its immunisation programme

GAVI is a public-private partnership whose mission is to save children’s lives and protect people’s health by increasing access to immunisation in developing countries. Vaccine-preventable diseases are a key cause of morbidity and mortality for 48% of Cameroon’s population. Between January 2001 and February 2012, GAVI approved multiyear commitments of US\$171.6 million, of which US\$75.4 million was disbursed in cash (US\$16.8 million, or 22%) and the rest in vaccines and other supplies (US\$58.6 million, or 78%).

GAVI’s Transparency and Accountability Policy

GAVI provides vaccine supplies, as well as cash assistance to poor countries. When receiving cash assistance, governments can address their programme priorities, including health systems strengthening, in a more flexible manner. However, this flexibility also creates greater risk for misuse of funds. A 2008 incident of mismanaged funds led GAVI to review its procedures. As a result, in January 2009, GAVI introduced a new Transparency and Accountability Policy (TAP) intended to reduce risk of misuse of funds in cash assistance programmes, including funding provided through three programmes: Health Systems Strengthening (HSS), Immunisation Services Support (ISS) and Civil Society Organization Support. The principles

guiding the policy are listed in Box 1. While GAVI had specified the need for financial controls, the TAP policy was needed to define expectations and establish a process for strengthening financial management procedures, accountability and transparency within the grant funding cycle.

The TAP specifies that countries eligible for GAVI funding and receiving over US\$100,000 in multiyear cash support must conduct a financial management assessment (FMA) to identify strengths and weaknesses of public financial management systems in the health sector. The objective of the FMA is to help identify the best financing channel for cash support and take any additional assurance measures needed to reduce fiduciary risk. Any measures introduced as a result of the findings of the FMA are funded by GAVI.

Implementing the TAP in Cameroon

Following adoption of the TAP in Cameroon, GAVI decided to conduct an FMA to assess the country’s capacity to manage resources transparently (See Timeline in Box 2). The FMA was risk-based, an approach that considers the nature of risk, strength of internal controls, and whether the risks identified require special measures or can be managed through ordinary procedures. An international consultant conducted the FMA from November to December 2009. The assessment was not an audit, rather an attempt to identify financial procedures and assess how GAVI funds were being managed. The FMA report concluded that procedures were not in line with GAVI’s TAP and needed strengthening. In August 2010, GAVI signed an aide memoire with country representatives. The memoire enumerated the steps that needed to be taken to assure sound financial management. The measures included strengthening management for HSS and ISS funds, and implementing a procedures manual. Although GAVI was willing to fund a technical assistance mission to assist with the drafting of the manual, Cameroonian staff in the Technical Secretariat to the Steering Committee for the Sectorial Health Strategy (ST/CP-SSS) — the government programme implementation unit

Box 1: Principles of the GAVI Transparency and Accountability Policy¹

- 1 Build on existing country capacity, ensuring alignment with country systems
- 2 Be consistent with commitments of the Paris Declaration on Aid
- 3 Promote mutual accountability
- 4 Apply a country-specific approach to reduce fiduciary risks in an equitable and transparent manner
- 5 Apply minimum standards for cash management, i.e.:
 - Funds should be used for purposes stated in a proposal;
 - Funds must be managed transparently with accurate, verifiable reporting; and
 - Funds must be managed in accounts meeting national legal standards for accounting, procurement, and audit.

office responsible for implementing the GAVI programmes — declined any form of assistance.

In January 2011, GAVI reviewed the HSS programme's annual progress report and external audit report. GAVI noted that Cameroon was having problems implementing the aide memoire agreement. Based on these findings, GAVI decided to conduct a post-FMA assessment in March 2011. The purpose of the second review was to assess how compliance with financial management procedures had changed since the first assessment, and to ascertain progress in implementing the improvement plan from the aide memoire of 2010. The post-FMA assessment found that management procedures for the HSS programme still failed to comply with GAVI policies. Moreover, the assessment uncovered possible fraud and deficiencies in internal control within the ST/CP-SSS.

Based on these findings, and in consultation with the Ministry of Public Health (MOPH), GAVI decided to launch an official investigation, one of the available escalation mechanisms in the grant agreement. The investigation lasted five months and involved a team of experts. The investigative team reviewed the management environment and financial control procedures at ST/CP-SSS, analysed thousands of documents on programme activities and expenditures, and conducted forensic accounting analysis and legal review. The team held meetings with external auditors to determine why previous audits did not detect anomalies, and conducted meetings with staff, service providers and beneficiaries to validate information on purchases and expenditures, and collect statements to confirm observations.

The investigation found clear evidence of misuse of funds, including fraud (Table 1). Of the HSS expenses examined (US\$5.2 million), 72%, or US\$3.7 million, were identified as fraudulent, ineligible, or lacking in adequate justification.²

The February 2012 investigation report identified two

main types of fraud: those involving the purchase of goods, and those involving activities such as training and travel. Violations included fake invoices suppliers who did not exist (one business address was found to house a cemetery), and inflated procurement prices and amounts. In one case, the project provided for the purchase of 116 vehicle tires that were not compatible with the programme's vehicles.³ Brand new vehicles were allegedly subjected to "repairs" costing thousands of dollars. The auditors were unable to trace actual consumption of items such as paper, and concluded that many of these purchases were fictitious. Auditors found templates on computers which suggested the issuing of false invoices for non-existent trainings. Per diems were paid at unauthorized rates and for days in excess of those worked. Cash was withdrawn for activities which were subsequently cancelled, but for which funds were never repaid. The audit report concluded:

Implementation of the GAVI HSS programme in its current form and within the existing administrative and management framework is incompatible with the basic rules of sound management [...]. The significant volume of frauds and anomalies of all types clearly establishes misuse of resources [and] leads us to the conclusion on the significant wastage of support provided to the Government of Cameroon by the GAVI Alliance.

The auditors concluded that the HSS programme could have achieved its results with fewer resources and significantly higher levels of performance had the GAVI funds been better managed. Lack of segregation of functions, collusion among staff, weak financial control systems, and inadequate oversight allowed these fraudulent activities to take place. The director of the programme was allowed to specify resource needs, issue requisitions, and sign off on purchase orders, receipt of goods, and payment orders. This concentration of functions did not allow for adequate checks and balances. In addition, GAVI found that the external audit firm engaged by the government did not have adequate capacity, and the process used to select the audit firm was not sound, resulting in poor quality work and delayed identification of problems.

Addressing the problem

Although the results of the investigation put at risk the entire programme at risk the government demonstrated a strong commitment to take action. Once the misuse of funds was detected, the government took immediate action. The health minister of Cameroon dissolved the ST/CP-SSS, dismissing the entire staff. The minister referred the case to the investigative police immediately and informed the state minister in charge of audit. The government decided to prosecute involved individuals. A case is expected to be filed in court.⁴

The government agreed to fully repay the misused funds. The finance minister issued the repayment order, and GAVI was to receive the first tranche of the US\$1.9 million repayment in June 2013. This is a tangible cost of corruption, as the citizens of Cameroon are paying twice for the same benefit. GAVI will reinvest the repaid funds in the HSS programme, but future grant funding for Cameroon will depend on successful submission of a new application.

As the government accepted full responsibility and participated actively in responding to the misuse of funds,

Box 2: Timeline of TAP implementation and GAVI fraud investigation in Cameroon

JAN 2009	GAVI adopts the Transparency and Accountability Policy (TAP)
NOV – DEC 2009	GAVI engages an external consultant to conduct a financial management assessment (FMA) in Cameroon. The report concludes that fund management is not in compliance with GAVI's TAP.
AUG 2010	The Government of the Republic of Cameroon (GoRC) and GAVI sign an aide memoire, stipulating measures to improve financial management. GAVI offers technical assistance to draft the manual, but the government programme implementation unit declines.
JAN 2011	GAVI reviews the Health Systems Strengthening (HSS) programme financial reports, the annual progress report, and an external audit for 2010 and finds little improvement of financial systems. GAVI decides to conduct a more rigorous post-FMA review using its own staff.
MAR 2011	The post-FMA review assesses financial management in Immunisation Services Support (ISS) and HSS programmes and the implementation of the aide memoire. The review reveals continued weaknesses, especially within the HSS programme, and non-compliance with the TAP. Indications of fraud are detected. GAVI formally writes to the Ministry of Public Health (MOPH) to request an investigation. On March 21, the MOPH agrees to suspend disbursement of HSS funds in support of the pending investigation.
APR 2011	GAVI prepares terms of reference for the investigation focused on HSS funds used in 2008, 2009, 2010 and the first quarter of 2011. The investigation is set up to identify ineligible, unjustified or insufficiently justified expenditures, fraud, and irregularities.
MAY-SEP 2011	The investigation is conducted. The investigative team presents its findings to the MOPH.
JAN 2012	A meeting with the MOPH is held to consider a response to the findings. A review of additional documents allows the investigative team to accept expenditures which were initially rejected.
FEB 2012	The final investigative report is released. The GoRC dismisses staff involved in misuse of funds and dissolves the programme management unit. The government commits to reimburse misused funds and to prosecute.
JUN 2013	The Ministry of Finance in Cameroon issues a repayment order. The first tranche of repayment is expected by GAVI in June 2013.

GAVI decided to resume the flow of approved HSS cash support to Cameroon. The current HSS grant is being managed by the Cameroon World Health Organization (WHO) country office, which agreed to take over when the ST/CP-SSS staff was dismissed. As of April 2013, 79% of HSS funds had been disbursed. Cameroon will be eligible to receive new HSS support pending submission of an acceptable application. Meanwhile, GAVI and Cameroon are working together to redesign sound and safe fiduciary measures for the management of future grants. This includes ensuring that external audit services are of the highest quality. Country level implementation plans—not only in Cameroon, but in all recipient countries—now require GAVI TAP staff to draft the terms of reference for external audits and set conditions for contracting auditors (e.g., quality standards, experience requirements for firms). GAVI must also vet the audit team and issue “no objection” verifications. In addition, GAVI is indirectly supporting capacity building of international auditors through collaboration with groups like the International Organization of Supreme Audit Institutions, and the International Federation of Accountants.

Lessons learned

This case study shows the benefits donor organizations can gain by adopting a transparency and accountability policy:

- Having a clear policy in place allowed GAVI to implement pre-defined procedures, including the FMA and follow-up investigations, which detected and responded to mismanagement and abuses.
- The policy was agreed upon beforehand and contained stepwise escalation procedures, which made response actions more transparent and understandable.
- Although the investigation revealed that government employees were involved in the fraud, which was undoubtedly an embarrassment for the Cameroonian government, they fully supported the investigation and were willing to act on its findings.
- In addition to providing guidance and support for the detection of misuse of funds, the TAP policy also helps to deter future violations by strengthening financial management support – not only detecting, but also preventing corruption.

Faced with the need to freeze the programme funding due to mismanagement and fraud, GAVI nevertheless found a way to continue providing necessary services:

By asking the WHO country office to temporarily take over programme management functions, GAVI could continue to support health system strengthening activities needed to expand access to immunisation. In a similar manner, other donors should seek temporary measures to continue critical services while investigating and remediating incidents of corruption or misuse of funds.

- The detection process was time-consuming and resource-intensive:
- GAVI funded three assessments/investigations over more than two years. Eighteen months after the investigation report was released, funds were yet to be repaid and charges had not yet been filed against the individuals involved in fraudulent activities.⁵ Careful

Table 1: Findings of Cameroon Investigation for GAVI HSS funds for 2008, 2009, 2010 and first quarter of 2011

Type of anomaly	Amount found by audit to be misspent	Examples
Ineligible expenditure An expenditure that does not conform to the country's proposal	US\$ 305,845 8.3%	Building repair work, internet connections, and cleaning supplies to be financed by government but charged to GAVI
Fraud and irregularities Acts or omissions, intentional or unintentional, related to: <ul style="list-style-type: none"> Declarations or documents that are false or incomplete, resulting in irregular implementation of GAVI-funded activities Diverting funds to another destination for purposes other than those for which they were granted 	US\$1,734,894 47.0%	Fraud in Purchasing <ul style="list-style-type: none"> Suppliers existed only on paper and could not be physically located Order splitting to avoid tender; fake invoices Over-invoicing of 900-1600 per cent (i.e., prices higher than market prices) Purchase of incompatible supplies (e.g., ink cartridges which did not work with printers) Inability to trace consumption of quantities of supplies ordered (e.g., over-ordering of paper, ink, tires) Unjustified repairs (e.g., replacing brake system on same vehicle three times in several weeks) Fraud in Activities <ul style="list-style-type: none"> Funding of fictitious activities Funding of activities already funded by other partners False invoices, withdrawals for activities not undertaken Payment of unauthorized per diems (e.g., false attendance sheets, excessive rates, over-stated days)
Insufficiently justified expenditure Absence of justification or evidence (e.g., invoice, contract, terms of reference, request, order, delivery receipt for goods, mission order, etc.)	US\$1,070,709 29%	Absence of documentation to establish that pre-funded training sessions actually took place (i.e., no attendance orders, training materials or reports)
Unjustified cash disbursement Difference between bank withdrawal and the amount in supporting documentation.	US\$ 579,606 15.7%	Training on integrated monitoring for immunisation programme received cash advance, but only justified 40 per cent of advance with documentation

review of Cameroon's experience may help donors and recipient governments find ways to reduce the time needed to identify and address similar problems in the future. Other organizations designing transparency and accountability policies should consider technical, judicial and communication strategies designed to speed the detection and investigation process while assuring a high quality response, and building more effective strategies into their policies at the outset.

Another lesson of the Cameroonian experience is the importance of using internal staff with deep knowledge of donor-specific procedures and country context in conducting an FMA, and of investing resources in assuring high quality external audits:

- GAVI's second assessment uncovered more evidence of misuse of project funds by using internal staff.
- Earlier external audits did not uncover evidence of ongoing violations, suggesting problems with audit design and implementation. A narrowly defined or pro forma audit might not have allowed the broad consideration of contextual factors, which should have triggered detailed scrutiny. In addition, audit staff may have had limited skills or contextual experience. To avoid these problems, donors should play a role in the selection of external audit firms, set standards for external audit quality, and invest in capacity strengthening for audit personnel.

Finally, the case study highlights the tension between the principles of mutual accountability and country ownership:

- Corrupt agents from within the government-staffed GAVI programme implementation unit were able to influence the design of financial management systems and of the procedures manual, in part due to GAVI's commitment to the Paris Declaration on Aid Effectiveness. This may have perpetuated the misuse by making it harder for supervisors and external monitors to detect anomalies.
- The risk of corrupt agents "capturing" processes should be considered when implementing transparency and accountability policies in other settings. Provisions should be made to ensure that sufficient resources be allocated towards strengthening national public financial management systems, and that external review is used to reduce bias and assure design integrity.

Notes

- GAVI Alliance Transparency and Accountability Policy, version 1.0, p. 2
- GAVI, Investigative Mission within the scope of the implementation of the GAVI HSS Programme in Cameroon (Period: 2008 to 2010 and first quarter of 2011). Investigation Report (2012), page 11.
- Ibid, page 21.
- There have been delays in prosecution, in part due to backlogs in the justice system caused by a massive, high level, anti-graft investigation known as operation Sparrowhawk or opération Epervier – which is now in the court system.
- This is not unusual for developing countries. In Uganda, repayment of misused Global Fund money and prosecution of those implicated was delayed allegedly due to lack of government funds and procedural issues (Jon Cohen, "Uganda Confronts Corruption, Slowly," Science, vol. 321, no. 5888 (2008): 522-525)