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SELF-ASSESSMENT OF INTERNAL CONTROL HEALTH SECTOR

A TOOLKIT FOR HEALTH SECTOR MANAGERS

December 2013

This publication was produced for review by the United States Agency for International Development. It was prepared by Bruce Long and Jeremy Kanthor for the Health Finance and Governance Project

The Health Finance and Governance Project

USAID's Health Finance and Governance (HFG) project will help to improve health in developing countries by expanding people's access to health care. Led by Abt Associates, the project team will work with partner countries to increase their domestic resources for health, manage those precious resources more effectively, and make wise purchasing decisions. As a result, this five-year, \$209 million global project will increase the use of both primary and priority health services, including HIV/AIDS, tuberculosis, malaria, and reproductive health services. Designed to fundamentally strengthen health systems, HFG will support countries as they navigate the economic transitions needed to achieve universal health care.

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DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development (USAID) or the United States Government.



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ACRONYMS

| | |
|---------------|--|
| ALOS | Average Length of Stay |
| BOR | Bed Occupancy Rate |
| ER | Emergency Room |
| FTE | Full Time Equivalent |
| IT | Information Technology |
| MOH | Ministry of Health |
| OECD | Organization for Economic Co-operation and Development |
| PEFA | Public Expenditure and Financial Accountability |
| PFM | Public Financial Management |
| PFMRAF | Public Financial Management Risk Assessment Framework |
| U.S. | United States |
| USAID | United States Agency for International Development |
| WHO | World Health Organization |





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» INTRODUCTION

For low-income countries striving to achieve sustainable development and poverty reduction, there is growing acceptance that sound and effective financial management is a paramount concern not only for finance ministers and their staff, but also for policymakers and managers in key sectors, such as public health. With growing demands to improve health care quality, access, and outcomes, health sector decision makers face the challenge of putting the resources allocated to them to good use, while also ensuring that those resources are properly accounted for and appropriately safeguarded. Internal control is central to this agenda. Moreover, because of its importance to both fiscal and health sector management, internal control also represents a key intersection point between ministries of finance (MOFs) and ministries of health (MOHs).

The purpose of this document is to provide guidance and checklists to facilitate the self-assessment of internal control systems and practices in the health sector. This guide represents one installment in a series of toolkits developed through USAID's Health Finance and Governance project to foster a more productive working relationship between the MOH and MOF, by boosting MOH capacities and systems and enabling MOH and MOF staff to speak a common language. Using accessible tools to assess internal controls and identify areas requiring improvements will enable health sector decision makers to demonstrate strong fiscal stewardship when justifying budget requests, including requests for increased health sector allocations, through the budget process.

I. What is internal control?

"Internal control is an integral process that is affected by an entity's management and personnel and is designed to address risks and to provide **reasonable assurance** [emphasis added] that in pursuit of the entity's mission, the following general objectives are being achieved:

- ▶ Executing orderly, ethical, economical, efficient and effective operations;
- ▶ Fulfilling accountability obligations;
- ▶ Complying with applicable laws and regulations; and
- ▶ Safeguarding resources against loss, misuse and damage.¹

It is important to note that these objectives can be applied to any organization. They are not limited to an MOF and certainly are not specific to the health sector. Some organizations do have specific requirements unique to their mission or operations. An example in the health sector is the internal control program applicable to the procurement, storage, and distribution of prescription and other medicines. Because of their nature, enhanced procedures for pharmaceuticals are required, particularly regarding the fourth

¹ International Organization of Supreme Audit Institutions (INTOSAI). 2001. Guidelines for Internal Control Standards for the Public Sector, 6.



objective of "Safeguarding resources against loss, misuse and damage." For this reason, this tool includes a separate assessment worksheet tailored to internal controls along the pharmaceuticals supply chain. Although USAID has recently developed a Supply and Logistics Internal Control Evaluation (SLICE) process, this Self-Assessment of Internal Control in the Health Sector tool distills the much longer SLICE tool to emphasize high priority areas.

Internal control and internal audit are not synonymous. Internal control, as stated above, is an ongoing management function, while internal audit is an episodic formal review of how well management and staff are carrying out their responsibilities. Internal audit units are often asked to examine how well internal control within an organization is being conducted.

2. What is "reasonable assurance?"

"Reasonable assurance equates to a satisfactory level of confidence under given considerations of costs, benefits, and risks. Determining how much assurance is reasonable requires judgment. In exercising that judgment, managers should identify the risks inherent in their operations and the acceptable levels of risk under varying circumstances, and assess risk both quantitatively and qualitatively.²"

3. Whose responsibility is internal control?

Internal control is synonymous with the term "management control," with primary responsibility resting with the management of the executing ministry and its subordinate organizations, but it requires participation by all employees. It is a major part of managing an organization and should be sufficiently flexible to allow the ministry and organizations to tailor control activities to fit their special needs. An assessment of internal controls therefore requires a review of specific mechanisms or systems for managing risks as well as the overall administrative and management environment.

4. How is internal control conducted?

Internal control is not one event but a series of actions and activities that occur throughout an entity's operations on an ongoing basis. Internal control is not a separate system, but rather it should be recognized as an integral part of each system that management uses to regulate and guide its operations. Internal control is management control built into the entity's infrastructure to help managers run the entity and achieve their aims on an ongoing basis.

² Ibid, 8.

5. Why conduct self-assessments?

Because internal control is one of the most important functions of management, it is important that managers have a basis for regularly assessing whether the organization's internal control processes are achieving their objectives. Management should not be limited to formal assessments conducted by others. Audits of an organization's internal control processes are generally conducted annually or less frequently. It would be helpful for management to have regular assurance that its internal control processes are functioning at an adequate level on an ongoing basis. This would allow management to identify potential problems before they escalate to major issue status, rather than waiting until they are identified by internal and external audits. Because self-assessments are less detailed and thus less time consuming and resource intensive, they can be conducted more frequently. Since internal control is the responsibility of everyone in the organization, conducting self-assessments allows more people to feel ownership of the process. Such a process allows management to:

- ▶ Participate in the identification and assessment of risks
- ▶ Develop remediation action plans
- ▶ Assess the likelihood of achieving the organization's objectives
- ▶ Measure, monitor, and report on financial input and outcomes.

Because this self-assessment focuses specifically on internal control, an area of extreme importance to MOFs, the results of the self-assessment, particularly those relating to "Control Activities" (see below), can form a useful basis for discussions with that executing ministry. A successful self-assessment program that identifies and addresses potential problems early on should give the MOF more confidence in the management of the organization.

This tool presents a range of indicators that may be useful to ministries as they review internal controls. An internal control assessment should be grounded in the individual needs of the ministry. For some, a comprehensive assessment is necessary; for others, a focus on a particular aspect of Ministry operations is more appropriate. As such, indicators can be added or deselected as necessary.

6. Who should conduct the self-assessment?

Self-assessments should be conducted by an organization's own staff organized into a self-assessment team. An initial step is engaging a broad group from throughout the organization to establish clear objectives and parameters for the self-assessment. Bringing together officials from throughout the organization at the launch of the assessment, including those representing subnational and field-level entities, promotes transparent communication, broad understanding, and buy-in to the process and metrics for assessing internal controls. A launch workshop or meeting may be used to achieve this initial step. Such a meeting would include an overview of internal control principles, the reasons why internal controls are important to the organization achieving its mandate, and the objectives and methods of the assessment. Promoting broad participation can also help to refine the selection of indicators and identify potential strategies to mitigate challenges to completing the assessment and implementing improvements.



The self-assessment team should be divided into a number of subteams depending on the number of sites to be visited. Each subteam should comprise two to six members depending on the size and complexity of the organization and the level of detail desired. This is intended to be a higher-level assessment and the teams' size should reflect that. One member of each subteam should be designated as the team leader responsible for leading the team's activities, coordinating the effort, and delivering weekly status reports.

Each subteam should also have at least one person who is an expert on internal control practices. While health ministry staffing and organizational structures differ from one country to the next, candidates will ideally come from among the ministry's own corps of accounting or financial management personnel. For the pharmaceutical portion of the self-assessment, one member should be an expert on leading health supply chain activities.

7. How long does the self-assessment take?

Based on practitioner experience conducting similar exercises, the self-assessment can take up to three to four weeks to complete, including up to one week for preparation where field/offsite investigation is required of the assessment team.

8. How often should the self-assessment occur?

An assessment should be conducted:

- ▶ At least biannually (every six months)
- ▶ Whenever there are significant changes to personnel responsible for management control and financial administration of the ministry
- ▶ Whenever there are significant changes to management systems or operations
- ▶ Whenever the financial and operational results for the organization are lagging behind targets.

9. What is the process for selecting a sample for data collection at the subnational or facility level?

The process for establishing a sampling methodology for data collection at the subnational or facility level is critical for the overall credibility of the assessment results. The methodology should be tailored to the individual environment, clearly defined, and defensible. The methodology should generally reflect the following factors: Scope of the assessment (whether it is a broad review of the entire Ministry, or a targeted analysis of a particular system or operation) and the available resources. In determining the sample of subnational or facility-level entities, it is important to include the following considerations:

- ▶ Geography - including entities from across the country or region
- ▶ Size - including entities that reflect the spectrum of size and complexity
- ▶ Rural/Urban Mix - including entities in various locations that serve different populations.

10. What is the output of the self-assessment tool?

The output of the self-assessment tool is a snapshot of the relative strengths and weaknesses of the control environment. The assessment does not diagnose the reasons for weak or insufficient controls, but can pinpoint areas for further investigation. Implemented over time, the assessment can also provide a sense of the changes to a ministry's internal controls.

In addition to the completed worksheets, the results of the self-assessment can be presented in two other ways. A written assessment report can be helpful in providing a summary of the entire process and main findings. Such a report would include the following sections:

- ▶ **Background** - Detailing the context in which the assessment is taking place, major changes or initiatives to address internal controls, the scope and scale of the assessment, and the description of the departments and units being reviewed.
- ▶ **Objectives** - Stating the rationale for the self-assessment and the intended use of the findings.
- ▶ **Methodology** - Describing the specific scope of the assessment team, the justification for selection of the specific indicators, and the sampling methodology for data collection subnational and facility-level entities.
- ▶ **Strengths** - Summarizing the areas where internal controls are sufficient, and how that assessment was made.
- ▶ **Weaknesses** - Detailing the areas where internal controls are insufficient or weak, and how that assessment was made.
- ▶ **Change over time** - If the assessment is being completed regularly, identifying any significant changes, either positive or negative.
- ▶ **Next steps** - Describing how the results of the self-assessment will be used to inform efforts to strengthen internal controls.

Another way to present the results of the assessment is to display them graphically.

11. How can the self-assessment tool be used to share information to internal stakeholders?

Effective communication to internal stakeholders is important to ensure that the findings of the self-assessment are used to improve management of health resources. The stakeholders for such an assessment include the following:

Senior Leadership: Responsible for overall Ministry performance and stewardship of resources and for communicating achievements towards government policy to political leaders.

Program Managers: Responsible for monitoring the control environment and identifying potential weaknesses.

Facility Level Managers: Responsible for implementing internal controls.

Employing a self-assessment methodology can help to instill a level of ownership, of both the review process and the findings. It can also aid with internal communication. Ideally, communication to internal stakeholders comes at three stages of the self-assessment process:

1. **Design:** As described above, an initial meeting or workshop with officials from throughout the organization to launch the assessment is important in establishing transparent communication about the assessment process and potential results. The meeting/workshop should be designed to encourage feedback from participants on the assessment design, further increasing buy-in from internal stakeholders. During this meeting, participants can be provided with talking points to share with their colleagues.
2. **Implementation:** During the self-assessment the team should be prepared to engage with colleagues about internal controls. The review is an opportunity to engage a broad set of stakeholders on the importance of internal controls, factors that make a good internal control, and the findings from the data collection effort. This is particularly important in assessing the difference between practice and policy.
3. **Results:** The results of the assessment need to be communicated clearly and transparently. Senior leadership requires a focus on prioritizing the actionable steps to be taken to strengthen internal control weaknesses and highlighting those areas where management systems or procedures are not working. Sharing broadly with other staff is important to build accountability for improving internal controls and management systems.

12. How can the self-assessment tool be used to support enhanced dialogue with the Ministry of Finance?

As noted above, the objective of internal control is to assess whether the following general objectives are being achieved in pursuit of the entity's mission:

- ▶ Executing orderly, ethical, economical, efficient, and effective operations
- ▶ Fulfilling accountability obligations
- ▶ Complying with applicable laws and regulations
- ▶ Safeguarding resources against loss, misuse, and damage.

The management interests of MOFs also need to be considered; therefore, in addition to informing internal management decision making, this tool provides a framework for MOF-MOH dialogue, both during budget preparation and throughout the budget cycle, on the quality of health sector internal controls. By conducting this assessment, and finding either that all is well or that certain deficiencies exist and thereby establishing an action plan to mitigate them, the MOH can provide concrete evidence to MOF stakeholders that it places the highest priority on internal control and is a responsible steward of the public resources appropriated to it. While reporting requirements and formats differ from country to country, MOH leadership can communicate the findings of these assessments through periodic (e.g., mid-year, year-end) reporting, and as part of the narrative justification accompanying its annual budget request.

» THE ASSESSMENT TOOL

The following rapid, self-assessment tool has been developed to allow line management to conduct regular assessments using its own resources. It is much shorter than more formal assessments, which can be 50-100 pages in length, and is divided into two sections:

1. A general assessment covering all of the organization and its normal operations
2. A specific assessment directed at pharmaceuticals and their unique requirements.

The general assessment comprises the following components that are applicable to the general functioning of ministries, including those focused on health:

1. **Control Environment** - An organization's control environment is the foundation for all other components of internal control. It includes the personal and professional integrity of management and staff, the commitment to competence, management's philosophy and operating style, the organizational structure, and an organization's human resource policies and practices. Of all the factors, this is the most qualitative and should involve open dialogue and discussion.
2. **Risk Assessment** - Risk assessment is the process of identifying and analyzing risks relevant to the achievement of the organization's objectives and determining an appropriate response. It includes risk identification, risk evaluation, assessment of the organization's tolerance for risk, and the development of responses to identified risks. Risks in the health sector can include those that are operational, compliance-related, financial, environmental, clinical, and reputational.
3. **Control Activities** - Control activities are the policies and procedures established to address risks and to achieve the organization's objectives. They include authorization and approval procedures, segregation of duties, controls over access to resources and records, verifications, reconciliations, reviews of operating performance, reviews of operations, processes and activities, and supervision. An adequate balance should exist between detecting problems and establishing preventive actions.
4. **Information and Communication** - Information and communication are essential to achieving all internal control objectives. Management's ability to make appropriate decisions is affected by the quality of information available, therefore, information should be appropriate, timely, current, accurate, and accessible. Information must be communicated to the appropriate people.

5. **Monitoring** - Ongoing monitoring of internal control is aimed at ensuring that controls are operating as intended and that they are modified appropriately in response to changes in conditions. Monitoring should also assess whether the general objectives set out in the definition of internal control are being achieved. This is accomplished through ongoing monitoring activities, separate evaluations (including self-assessments), or a combination of both. Since separate evaluations take place only occasionally, ongoing monitoring can often identify problems more quickly.

Recognizing the unique risks facing organizations that order, receive, and dispense pharmaceuticals in many of its partner countries, USAID recently introduced its own SLICE process, an in-depth methodology and tool designed to help assess the effectiveness of internal controls with an aim to ensure that pharmaceuticals provided by USAID reach their target populations, and to mitigate the risk of local or transcontinental diversion. The SLICE tool is divided into eight control dimensions and comprises the following:

1. **Control Environment** - (see #1 above)
2. **Monitoring and Evaluation** - (see #5 above)
3. **Arrival and Customs Clearing** - Arrival and customs clearing includes order/receipt reconciliations, physical security controls, and customs procedures and clearing authorities.
4. **Transportation** - Transportation includes movement from the port to the central warehouse to the regional depots and from the health depots to the health centers.
5. **Receiving** - Receiving includes reports, physical security, and segregation of duties at the central warehouse, region, and health center levels.
6. **Storage** - Storage includes security, appropriate facilities and practices, and inventory controls at the central warehouse, region, and health center levels.
7. **Distribution** - Distribution includes inventory records and shipment and transfer logs.
8. **People** - People includes the process for hiring the right people, training them, evaluating and rewarding their performance, and paying them.

This self-assessment adopts the same eight dimensions, but provides a higher level, less-intensive evaluation than SLICE of relevant internal control elements, providing health sector managers and decision makers a tool with which to more regularly review, report on, and address strengths and deficiencies at each level of the pharmaceutical supply chain.

» THE SCORING SYSTEM

The tool adopts a simple scoring system that applies one of three scores to each internal control element:

1. Inadequate (-1 point)
2. Needs improvement (0 points)
3. Adequate (+1 point).

“Inadequate” generally means that an expected process or procedure is missing or ineffective. “Needs improvement” means that although the procedure exists, something more is needed; for example, inventory inspections are conducted too infrequently, or employees are not trained sufficiently to carry out their responsibilities at a high level. The score (-1, 0, or +1) for each indicator should be entered in the appropriate column. The scores will subtotal for each element and then be totaled for each of the two major sections. There will then be a grand total for the entire exercise.

Any “inadequate” or “needs improvement” score requires an explanation in the Comments column, where the specific gap is identified along with a plan of management action to remedy the deficiency. Additional sheets should be used if necessary (a sample sheet is presented on page 10). The name of the person responsible for the remediation should be included along with an estimated date of completion. If at any time the organization wishes to discuss the best control process through which to address any identified risks, the organization should contact its head of internal audit and/or the MOF.

For any N/A response, a brief explanation is needed as to why the question does not apply. The following table provides sample entries responding to items contained in the General Assessment worksheet, which is provided in Annex A. (Note: Annex B provides the self-assessment worksheet for the Pharmaceuticals Assessment.)

Self-Assessment Worksheet Sample

| General Assessment | | Rating | | | Comments <i>Use Additional Pages If Necessary</i> |
|--------------------|--|--------------------|-----------------------------|------------------|--|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| I. | Control Environment | | | | |
| | A. There Is A Clear Set of Standards for Internal Control. | | | +1 | |
| | B. The Standards Are Based on Legislation or the Constitution. | | | +1 | |
| | C. There Is A Code of Ethics That Is Well Publicized and Understood by Management And Staff. | | 0 | | <p>Gap(S) and Action: Based on a Number of Random Interviews, the Code is Not Well Understood by Either Management or Staff.</p> <p>The Code Will be Posted more Broadly and Made Part of a Widespread Training Program for Management And Staff.</p> <p>Person Responsible: Ethics Officer</p> <p>Due Date: Code Posted Throughout Organization within 3 Months. Training Program Initiated within 6 Months.</p> |



EXAMPLE:

ADDITIONAL PAGE FOR COMMENTS

I. Control Environment

b. Gap(s) & Action: [If an additional page is required, include the entire write up on the additional page. Don't split the discussion onto multiple pages.]

Person Responsible: Finance Officer.

Due Date for Action to be Completed by: Within 1 year.



» ANNEX A. SELF-ASSESSMENT WORKSHEET

GENERAL ASSESSMENT

| General Assessment | | Rating | | | Comments <i>Use additional sheets if necessary</i> |
|-------------------------------|--|--------------------|--------------------------|------------------|--|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| I. Control Environment | | | | | |
| a. | There is a clear set of standards for internal control. | | | | Gap(s) & Action: Responsible Person: Due Date: |
| b. | The standards are based on legislation or the constitution. | | | | |
| c. | There is a "Code of Ethics" that is well publicized and understood by management and staff. | | | | |
| d. | The code of ethics includes requirements of top management and senior staff to disclose gifts, outside interests, personal financial interests, outside positions, and other potential conflicts . | | | | |
| e. | The code of ethics is being followed by staff, and includes disclosure by top management and senior staff. | | | | |
| f. | Management and staff exhibit a supportive attitude toward internal control at all times throughout the organization, including dedicating qualified full-time staff to this function; issuing, updating, and communicating necessary policies and procedures on a regular basis; and recognizing compliance as an element of annual performance. | | | | |
| g. | Management and staff demonstrate a commitment to competence and training is provided on an ongoing basis to ensure that relevant skills are increased and maintained. | | | | |

| General Assessment | | Rating | | | Comments <i>Use additional sheets if necessary</i> |
|------------------------------|--|-----------------|-----------------------|---------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| h. | The organizational structure is supportive of a control environment. For instance, the structure provides assignment of authority and responsibility, empowerment and accountability, and appropriate lines of reporting. For each program, there is an individual clearly responsible for program and budget performance. | | | | |
| l. | Human resources policies and practices are supportive. For instance, recruitment, performance appraisal, and promotion processes are based on merit. | | | | |
| 2. Risk Assessment | | | | | |
| a. | A formal risk management system is in place and operational. | | | | Gap(s) & Action: |
| b. | Risks have been identified, assessed, and ranked. | | | | |
| c. | Internal audit reviews these risks and controls as part of the annual audit program. | | | | Responsible Person: |
| d. | There is a quarterly review of the risks by line management. | | | | |
| e. | There is identification of control gaps and implementation of control actions/treatments in response. | | | | Due Date: |
| f. | There are operational risk committees at appropriate levels of the organization. | | | | |
| 3. Control Activities | | | | | |
| a. | In general, control activities occur throughout the organization, at all levels and in all functions. They include a range of detective and preventive control activities such as authorization and approval procedures; segregation of duties (authorizing, processing, recording, reviewing); controls over access to resources and records; verifications; reconciliations; reviews of operating performance; reviews of operations, processes, and activities; and supervision (assigning, reviewing and approving, guidance, and training). | | | | Gap(s) & Actions: |
| b. | Ministry of Health has its own financial policies and procedures implementing those of the Ministry of Finance. | | | | |
| c. | Ministry adheres to Ministry of Finance and Ministry of Health financial policies and procedures. | | | | |

| General Assessment | | Rating | | | Comments <i>Use additional sheets if necessary</i> |
|--------------------|---|-----------------|-----------------------|---------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| d. | Effective financial accounting system and controls are in place. | | | | Person Responsible: Due Date: |
| e. | Actual and planned budgets are compared and differences explained. | | | | |
| f. | There are reasonable revenue projections in the budget and differences with actual budget are explained. | | | | |
| g. | There is a high degree of stakeholder access to key fiscal information. | | | | |
| h. | There are opportunities for stakeholders to review and comment on budgets before they are finalized. | | | | |
| i. | Policy costs are estimated and forecast properly for future years. | | | | |
| j. | The budget document includes activity statistics and performance information on the effectiveness of existing programs. | | | | |
| k. | Over/under spending is reported to the ministry's budget office. | | | | |
| l. | Commitments are made consistent with procedures. | | | | |
| m. | Existing rules and procedures for making payments are followed. | | | | |
| n. | An appropriate information management system (FMIS) is in place and functioning. | | | | |
| o. | Access controls limit or detect access to computer resources (data, programs, equipment, and facilities) | | | | |
| p. | System software controls limit and monitor access to programs and sensitive files that control the computer hardware and secure applications. | | | | |
| q. | Policies, procedures, and an organizational structure are established to ensure segregation of duties. | | | | |

| General Assessment | | Rating | | | Comments <i>Use additional sheets if necessary</i> |
|---|---|--------------------|-----------------------------|------------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| 4. Information & Communication | | | | | |
| a. | Transactions and events are recorded promptly when they occur. | | | | Gaps & Actions: Responsible Person: Due Date: |
| b. | Recording covers the entire process or life cycle of a transaction or event. | | | | |
| c. | Information is organized, categorized, and formatted such that reports, schedules, and financial statements can be prepared . | | | | |
| d. | Information systems produce reports that contain operational, financial and non-financial, and compliance-related information that make it possible to run and control operations. | | | | |
| e. | Reporting is appropriate, timely, current, accurate, and accessible. | | | | |
| f. | The internal control system and all transactions and significant events are fully and clearly documented (e.g., flow charts and narratives) and readily available for examination. (Extent is appropriate to the organization's size and complexity.) | | | | |
| g. | Management is kept up to date on performance, developments, risks, and the functioning of internal control and other relevant events and issues. | | | | |
| h. | Management maintains formal communication mechanisms that allow for providing staff the information it needs to implement internal controls and for providing feedback and direction to staff on internal control weaknesses. | | | | |
| i. | Management communicates the importance and relevance of effective internal control, the organization's risk tolerance, and makes personnel aware of their roles and responsibilities in effecting and supporting internal control. | | | | |
| j. | Management ensures adequate formal and informal means of communication with external parties, including audit bodies, parliament, civil society, and media to keep them abreast of internal control matters. | | | | |

| General Assessment | | Rating | | | Comments <i>Use additional sheets if necessary</i> |
|----------------------|--|--------------------|-----------------------------|------------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| 5. Monitoring | | | | | |
| a. | Ongoing monitoring of internal control is a normal part of the operation of the organization and is performed continually on a real-time basis. It includes regular management and supervisory activities and other actions personnel take in performing their duties. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | Ongoing monitoring activities cover each of the internal control components and involve action against irregular, unethical, uneconomical, inefficient, and ineffective internal control systems. | | | | |
| c. | The monitoring process reacts dynamically to changing conditions through regular updates to policies and procedures communicated to staff. | | | | |
| d. | Decisions on the scope and frequency of separate evaluations (such as this self-assessment) are based primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. | | | | |
| e. | When making this determination, the organization considers the nature and degree of changes, from both internal and external events, and their associated risks; the competence and experience of the personnel implementing risk responses and related controls; and the results of ongoing monitoring. | | | | |
| f.. | Specific separate evaluations cover the evaluation of the effectiveness of the internal control system and ensure that internal control achieves the desired results. | | | | |
| g. | All deficiencies found during ongoing monitoring or through separate evaluations are communicated to those positioned to take necessary action. | | | | |
| h. | Protocols exist to identify what information is needed at a particular level for effective decision making. | | | | |
| i. | Monitoring internal control includes policies and procedures aimed at ensuring that the findings of audits and other reviews are adequately and promptly resolved. | | | | |

Note: It is of no importance in which order the dimensions in an indicator are assigned the individual scores.

» ANNEX B. SELF-ASSESSMENT WORKSHEET

PHARMACEUTICALS ASSESSMENT

| Pharmaceuticals Assessment | | Rating | | | Comments Use additional pages if necessary |
|-------------------------------|---|--------------------|-----------------------------|------------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| I. Control Environment | | | | | |
| a. | There is a clear set of standards for internal control. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | The standards are based on legislation or the constitution. | | | | |
| c. | Management and employees can describe the roles and responsibilities of their agency. | | | | |
| d. | Management is aware of and has adopted the “Good Governance for Medicines” Program. | | | | |
| e. | There is a regulation describing who is accountable for drug commodities for each point in the supply chain. | | | | |
| f. | There are clear regulations on how audit recommendations, results of inappropriate behavior, and other concerns are documented and tracked to resolution. | | | | |
| g. | There is an operational code of ethics for professional management of government health personnel. | | | | |
| h. | There is a written agreement (e.g., MOU) among the key health-related stakeholders laying out responsibilities, accountability, and recourse. | | | | |

| Pharmaceuticals Assessment | | Rating | | | Comments Use additional pages if necessary |
|---------------------------------------|---|--------------------|-----------------------------|------------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| i. | There are professional public sector organizations such as the supreme audit institution or inspector general that provide oversight for pharmaceutical accountability. | | | | |
| j. | Audit recommendations, results of inappropriate behavior, and other concerns are documented and tracked to resolution. | | | | |
| k. | The ministry makes available the health-related national policies, reports, and supporting documents to the public. | | | | |
| l. | Health-related commodity prices are set at the national level. | | | | |
| m. | There is a regulation for how jobs are to be advertised and awarded. It includes job descriptions for open positions and job postings. | | | | |
| n. | Training is provided to personnel in supply chain facilities. It includes orientation for new staff, on-going training, and qualified trainers. | | | | |
| o. | There is a well-documented process for employee performance evaluation and compensation review. | | | | |
| p. | The compensation structure for employees is based on the employee's background and performance and is defined by level, duties, and geography. | | | | |
| q. | Employees are paid timely for work performed. | | | | |
| 2. Monitoring & Evaluation | | | | | |
| a. | Data are tracked in the facility by stock keeping, transactions, and consumption. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | Data are shared across supply chain locations by manual ledger or electronic tools (better). | | | | |
| c. | The data shared include inventory counts, expiration, damage, or loss. | | | | |
| d. | Product movements across supply locations are analyzed by coordinated donors (best), central medical store, or essential medicine program. | | | | |
| e. | The health systems use computer applications (best) or card systems. | | | | |

| Pharmaceuticals Assessment | | Rating | | | Comments Use additional pages if necessary |
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| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| f. | Access to the information systems is allowed only to management (best) facility supervisors or other authorized users. | | | | |
| g. | Only authorized users have authority to modify records in the information system. | | | | |
| h. | Electronic and/or paper records are updated and archived through a formal records management system. | | | | |
| i. | Data are reviewed and analyzed by an independent review and analysis every month. | | | | |
| j. | An independent pharmaceutical physical inventory audit is conducted across the entire supply chain monthly. | | | | |
| k. | The information from each location is reviewed by an independent party (i.e., donor or drug program). | | | | |

3. Port Arrivals & Customs Clearing

| | | | | | |
|----|--|--|--|--|---|
| a. | Products are shipped by chartered or dedicated planes, ships, or trucks. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | Delivery personnel are subjected to criminal background, reference, and driving record checks. | | | | |
| c. | Products are insured during transit. | | | | |
| d. | Shipments are scheduled to arrive only during business days. | | | | |
| e. | There is a policy or procedures to grant authorizations to pick up commodities at the customs clearing location. | | | | |
| f. | The port and customs documents package is reviewed by the donor for completeness. | | | | |
| g. | Shipments are inspected to verify that the medicines delivered to the port are those that were shipped from the supplier using a separate space, a designated person is responsible for inspection, there is a PO that matches the product, and two or more people are required to be present. | | | | |

| Pharmaceuticals Assessment | | Rating | | | Comments Use additional pages if necessary |
|----------------------------|---|--------------------|-----------------------------|------------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| h. | The time elapsed between arrival at the airport and delivery to the central store is measured in hours (best), days, or weeks. | | | | |
| l | Only MOH is authorized to take possession at the customs location. | | | | |
| 4. Transportation | | | | | |
| a. | Transportation procedures include defined protocols and delivery signoffs, protocols for delivery exceptions, and security methods to protect commodities,. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | Information recorded per delivery includes destination, quantity delivered, date delivered, type of commodity, and appropriate signatures. | | | | |
| c. | Accountability is defined in carrier contract agreements by defined service level targets and incentives/penalties. | | | | |
| d. | Inventory movements are captured by barcodes by carton. | | | | |
| e. | There is a transportation plan for vehicle routes for deliveries. | | | | |
| f. | Security emergency procedures in place include independent escorts with shipments, vehicle communication systems, and chase cars. | | | | |
| g. | There are protocols in place to prevent unauthorized access to vehicles, including locks, accounted-for keys, and seals. | | | | |
| h. | Cargo is insured for full value. | | | | |
| i. | Fleet size is sufficient to serve the supply chain | | | | |
| 5. Receiving | | | | | |
| a. | The standard requisition process is documented, defined, and uses a common form. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | There is a defined and documented notification process for incoming shipments that requires notification of facility management. | | | | |
| c. | The standard receiving procedures are documented, defined, and use a common form. | | | | |

| Pharmaceuticals Assessment | | Rating | | | Comments Use additional pages if necessary |
|----------------------------|---|--------------------|-----------------------------|------------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| d. | The standard inspection process is documented, defined, and uses a common form. | | | | |
| e. | Indicators used for inspection include expiration date, quantity, broken/ripped packaging, and missing pills from blister packs. | | | | |
| f. | Receipt (or delivery) of goods is documented by signed proof of delivery. | | | | |
| g. | Inventory records (paper or electronic) are updated as soon as the product is received. | | | | |
| h. | Facility receiving personnel, national program personnel, and donors are involved in the central store inspection process. | | | | |
| 6. Storage | | | | | |
| a. | The standard storage procedures are documented and defined. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | There is a single application for tracking all commodities in stock. | | | | |
| c. | Inventory counts are conducted by a team: one person counts, the second reconciles to records. | | | | |
| d. | Inventories are conducted monthly (goal). | | | | |
| e. | Stock cards are reconciled to computer records with every transaction (goal). | | | | |
| f. | Expiration dates, quantity, damage, and stock room temperature are checked during inventory counts. | | | | |
| g. | Computers are checked for updates, viruses, etc., during routine maintenance checks. | | | | |
| h. | Damaged or expired products are segregated and held until approved for disposal or return, management verifies damage and quantity, donor notified prior to return or disposal, and committee signs forms authorizing disposal. | | | | |
| i. | Stockroom has sufficient room for all products. | | | | |
| j. | There is a plan to check and maintain facility equipment and cleanliness. | | | | |
| k. | Commodities in the storage area are labeled to prevent mix up and loss. | | | | |

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| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| I. | There are precautions taken to prevent unauthorized access to storage, including double locks with independently controlled keys, camera monitoring 24 hours per day, barred windows and doors, limited access to authorized personnel only, monitoring of entrances and exits, and escort requirements. | | | | |
| m. | Commodities are insured during storage. | | | | |
| 7. Distribution | | | | | |
| a. | Standard procedures for receiving, processing, and filling orders are documented; orders are viewed for reasonableness; and procedures are defined and use a common form. | | | | Gap(s) & Actions: Person Responsible: Due Date: |
| b. | There is a documented process for determining who can make order requests. | | | | |
| c. | The standard process for releasing orders is documented, defined, and received from an approved requestor, and proper documentation and approvals are presented. | | | | |
| d. | Requests are prioritized by urgency of need. | | | | |
| e. | Documents are created for commodity distribution before each transaction is to be signed by both parties. | | | | |
| f. | Stock records are updated on stock cards (on-hand, shipped, received) with every transaction. | | | | |
| g. | Receivers are notified of expected pickup time frame. | | | | |
| h. | Proof of delivery documentation is properly utilized and executed. | | | | |
| i. | Completeness of order for all commodity shipments is reviewed prior to leaving the facility. | | | | |
| 8. People | | | | | |
| a. | Personnel are subjected to background and reference checks prior to hiring. | | | | Gap(s) & Actions: |
| b. | There is a general education baseline requirement for all employees and specific education requirements are defined by position. | | | | |

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|----------------------------|---|--------------------|-----------------------------|------------------|---|
| | | Inadequate (-1) | Needs Improvement (0) | Adequate (+1) | |
| c. | Job roles and responsibilities are communicated to employees in writing and accompanied by a written procedures manual. | | | | Person Responsible: Due Date: |
| d. | There is required training for performance evaluations, other training on a periodic basis, and continuing training on the job; experienced employees are paired with non-experienced employees; training is verified by management prior to employees working alone; and there is a certification requirement with periodic recertification. | | | | |
| e. | Employees are evaluated for job performance using inventory and financial metrics during an annual performance review. | | | | |
| f. | Employees are recognized for good performance with bonus and/or salary increases. | | | | |
| g. | If an employee leaves, procedures are in place for informing stakeholders and keys and access codes are taken from the employee. | | | | |
| h. | The delegation of authority policy is documented and defined by the organization chart. | | | | |
| i. | Compensation is based on a government-defined structure. | | | | |
| j. | Employees are paid timely. | | | | |
| k. | Employees are always paid in full. | | | | |



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