

AUDIT REPORT

Global Fund Grants in Republic of Congo

GF-OIG-22-14
26 August 2022
Geneva, Switzerland

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The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, enhances risk management and reports fully and transparently on abuse.

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1. Executive Summary

1.1 Opinion

The burden of HIV, tuberculosis and malaria remains high in the Republic of Congo. In the past 10 years, little progress has been made in fighting the diseases, a result of both limited national government support and the limited scope of Global Fund grants in previous funding cycles.

In view of these challenges, the Global Fund has strengthened its controls and oversight since 2018 by enforcing its Additional Safeguard policy and has doubled grant allocation (from EUR 31 million to EUR 57 million). While grant interventions have been designed to reverse the negative performance trend, key conditions for grant implementation are not optimal. This has led to significant delays in executing grant activities, impacting service delivery to beneficiaries. As a result, processes related to implementing key grant interventions and ensuring government commitments are fulfilled are rated **ineffective**.

While health products are continuously available at the Central Medical Store, recurring stock-outs were noted at health facilities due to weaknesses in the ordering and distribution process. Health facilities cannot account for drugs received due to a lack of supervision, weak capacity of inventory management staff and lack of adequate tools. The adequacy and effectiveness of controls and processes to ensure the continuous availability of commodities and accountability across the supply chain needs **significant improvement**.

Current grant arrangements, which concentrate financial and fiduciary risk management on Principal Recipients, provide good assurance over risks. The malaria grant Principal Recipient's internal controls are robust. However infrequent internal audit reviews, the lengthy time to clear third party payments, and limited controls over workshop/training participants still need addressing. The adequacy and effectiveness of implementers' internal controls to mitigate financial and fiduciary risks are rated **partially effective**.

1.2 Key Achievements and Good Practices

Availability of key drugs and improved traceability at central level

Key antiretroviral (ARV) drugs, first line anti-TB drugs and anti-malaria drugs were continuously available at central level throughout 2021, a notable achievement given the stock-outs of key drugs (particularly ARVs) at national level in previous years. A quantification committee, although not yet functional at the time of our review, was recently established to support the quantification exercise and oversee the availability of drugs across the supply chain.

Good internal control system to address financial and fiduciary risks

The malaria Principal Recipient has strong internal controls to reduce financial and fiduciary risks. The control environment is good with policies and training on ethics and fraud, enforcement of deterrence mechanisms such as sanctions against staff involved in misconduct, and implementation of a whistleblowing system. Procedures and processes over accounting, procurement management, human resources management and sub-recipient management are in place and adequate.

1.3 Key Issues and Risks

Optimal grant implementation conditions are not fully in place, threatening grant objectives

Current grants have ambitious targets to reverse the negative performance trend in fighting the three diseases. Various challenges, however, threaten the achievement of these objectives if not promptly addressed. These include the insufficient number and quality of health workers,¹ the non-fulfilment of government commitments, weak governance mechanisms at the Ministry of Health and the Country Coordinating Mechanism, unresolved conditions precedents, and weak HIV and TB grant coordination between Principal Recipients and Sub-Recipients.

As a result, there were significant delays in implementing workplan activities in 2021, particularly for the HIV/TB grant, with persistent issues around service delivery for HIV interventions. About 25% of antiretroviral therapy (ART) patients were reported as lost to follow-up in 2020. During the first semester of 2021 for every two people initiated on treatment, one was lost to follow-up. The coverage of prevention of mother-to-child transmission remains low (2% in the first semester of 2021), as does viral load test coverage (31% of antiretroviral therapy patients tested in the same semester).

Recurring stock-outs of key commodities at health facilities

Although health commodities are available at central level, health facilities continue to experience stock-outs of key commodities, reaching 60 days in some facilities visited. This is mainly due to delays in preparing and executing drug distribution and a weak logistics information system that does not provide real-time visibility on consumption and stock levels at health facility level.

Health facilities face challenges in accounting for received drugs

Almost half of the health facilities visited did not maintain proper records for managing received drugs. This is due to a lack of supervision, weak human capacity in inventory management and lack of adequate inventory management tools. Insufficient drug traceability increases the risk that health commodities are diverted.

1.4 Objectives, Ratings and Scope

The audit's overall objective was to provide reasonable assurance on the adequacy, effectiveness and efficiency of Global Fund Grants to the Republic of Congo. Specifically, the objectives in the table below were assessed.

Objective	Rating	Scope
Effectiveness of implementation of key grant interventions and fulfilment of government commitments to ensure access to quality care services to beneficiaries.	Ineffective	Audit period: January 2019 to December 2021 Grants and implementers: The audit covered the Principal Recipients and Sub-Recipients of Global Fund supported programs. Scope exclusion:² Financial management system of HIV/TB Principal Recipient
Adequacy and effectiveness of controls and processes in place to ensure continuous availability of commodities and accountability across the supply chain.	Needs significant improvement	
Adequacy and effectiveness of implementers' internal controls to mitigate financial and fiduciary risks.	Partially effective	

¹ National Plan for health development 2018 – 2022 (page 46-50)

² The review focused mainly on the malaria grant Principal Recipient (PR) and sub-recipients. The OIG could not assess the financial systems of the HIV/TB PR (a UN agency) due to restricted access to its financial records as per the Global Fund's agreement with the UN.

Details about the general audit rating classification can be found in [Annex A](#) of this report.

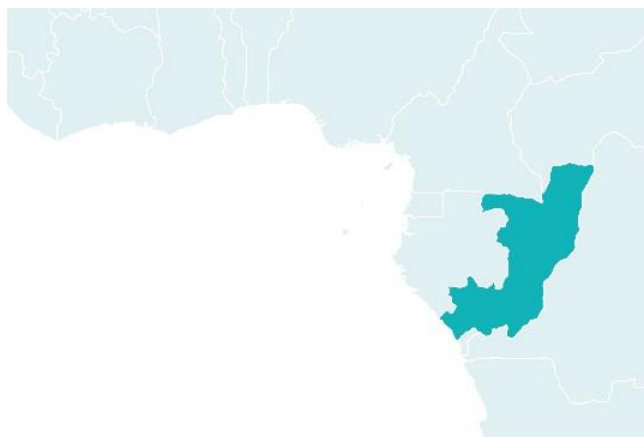
Our auditors visited nine health facilities in the two largest departments in the country, as well as warehouses of the central medical store (CAMEPS). Visited health facilities account for 61% of TB notified cases and 34% of patients under antiretroviral therapy.

2. Background and Context

2.1 Country context

Located in Central Africa, the Republic of Congo has been affected by conflict and faced severe economic challenges in recent years with GDP falling by 43% from 2014 to 2020. This has impacted government spending on health care (from US \$76 per capita in 2014 to US \$48 in 2019) and the population's access to health care. Out-of-pocket spending increased from 30% of health expenditure in 2012 to 46% in 2019.³

The country has a severe shortage of health workers, with 0.1 physicians per 10,000 people (2016, [World Bank database](#)) against a standard of one per 1,000. Most health resources are concentrated in two of the country's 12 departments, Brazzaville and Pointe Noire. Recent decentralization reforms and community health strategies have sought to improve primary health care.



Country data⁴

Population	5.5 million
GDP per capita	US\$1,848
Transparency International	162 of 180
UNDP Human Development	149 of 189
Gov't spending allocated to health expenditure (% of GDP)	3.5% (2020)

2.2 COVID-19 situation

Since April 2020, the Republic of Congo has taken stringent containment measures to slow the spread of the virus, including lockdowns and curfews. Cumulatively, from the start of the pandemic until 6 April 2022, the case fatality rate has been 1.73%.⁵

COVID-19 statistics

([06.04.22](#))

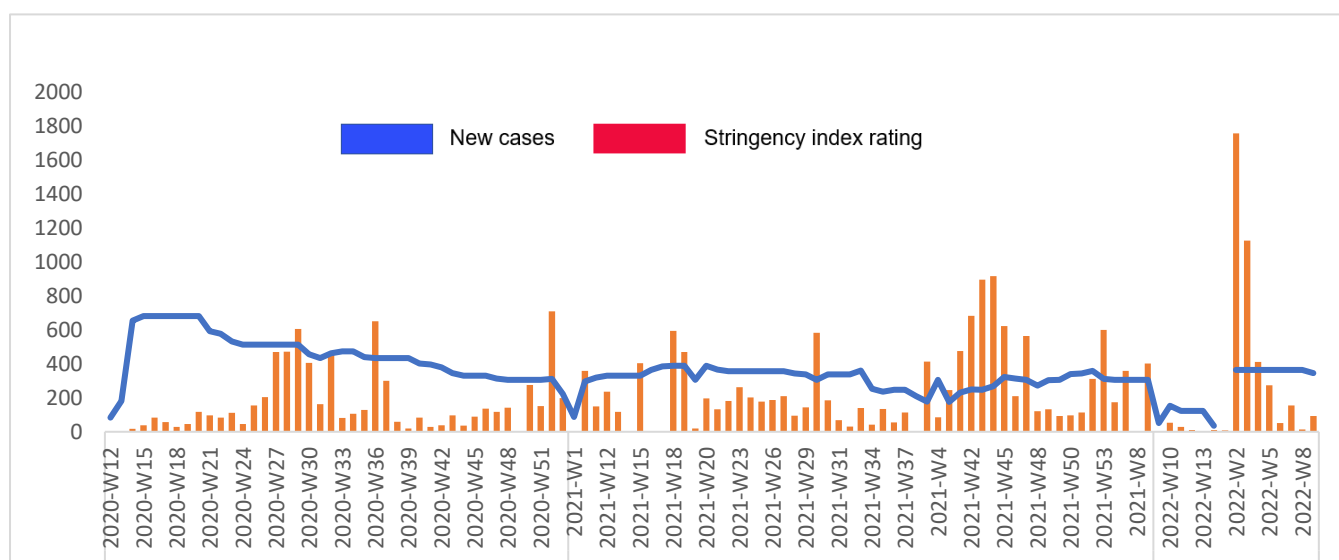
- Cases – 24,079
- Active cases – 3,508

³ Government spending on health and out-of-pocket expenditure data from data.worldbank.org, accessed 25.4.2022

⁴ Sources: population, GDP, Health expenditure from data.worldbank.org; www.transparency.org/en/cpi/2021; <https://hdr.undp.org/en/countries/profiles/COG>; all accessed 21 Feb 2022

⁵ University of Oxford [Our world in data](#) Accessed on 7 April 2022

Figure 1: COVID-19 cases and stringency index in Congo⁶

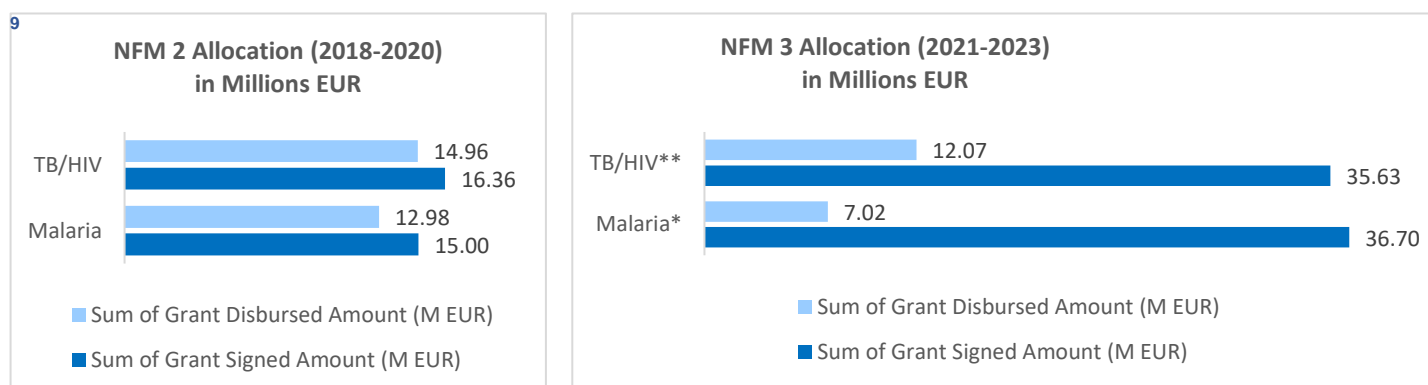


2.3 Global Fund Grants in the Republic of Congo

Since 2005, the Global Fund has signed over US \$195 million and disbursed over US \$137 million to the Republic of Congo. Active grants total EUR 72 million for the 2020-2022 Funding Allocation (January 2021 to December 2023 implementation period), of which 26% has been disbursed. Full details on the grants can be found at [the Global Fund's Data Explorer](#).

Catholic Relief Services and the United Nations Development Programme are the grants' Principal Recipients for Malaria and HIV/TB respectively. Grants are also implemented via the national programs PNLS (HIV), PNLT (TB), and PNLP (Malaria) along with four civil society organizations⁷ as Sub-Recipients.

Figure 2: Funding allocations, prior and current funding cycles (as of December 2021)⁸



Approximately 48% of grant funding goes towards procuring medicines and health products. The central medical store, CAMEPS¹⁰ is responsible for storing and distributing these products.

⁶ University of Oxford [Our world in data](#) Accessed on 7 April 2022. Covid Cases numbers: [Our world in data](#) and [Recovered cases](#)




⁷ Caritas, Médecin d'Afrique, CJID and RENAPC

⁸ [Global Fund Data Explorer](#).

⁹ Both NFM3 HIV/TB and Malaria grants include C19RM grant amount totalling Eur 15.2 million

¹⁰ Centrale d'Achats des Médicaments Essentiels et des Produits de santé (Central Medical Store)



2.4 The Three Diseases

HIV / AIDS 	TUBERCULOSIS 	MALARIA 
<p>An estimated 110k people are living with HIV, of whom 32% know their status (vs. 77% in the region). Among identified PLHIV, 24% were on treatment (vs 73% in the region).</p> <p>Annual new infections increased by 41% from 7,200 in 2010 to 10,000 in 2020.</p> <p>AIDS-related deaths increased by 18% from 5,200 in 2010 to 6,100 in 2020.</p> <p>The epidemic is generalized. Congo has the 2nd highest prevalence rate in West and Central Africa (3.3%) with higher levels among key populations: 41% among men who have sex with men and 8% among sex workers.</p> <p>Source: UNAIDS – Congo fact sheet</p>	<p>Congo is among the 30 high TB and TB/HIV burden countries with 21,000 estimated cases of which 53% are notified.</p> <p>TB incidence has only reduced by 2% since 2010 from 386 to 379 per 100,000 people in 2020.</p> <p>44% of TB patients have a known-HIV status. Of the 17% who are positive, 59% are enrolled in antiretroviral treatment.</p> <p>TB treatment success rate dropped from 77% in 2010 to 62% in 2018 before improving to 72% in 2020.</p> <p>In 2020, MDR/RR-TB was reported for the first time with 163 cases.</p> <p>Source: Global TB Report 2021 and WHO data</p>	<p>Malaria is endemic with a higher than regional average (+7%) and growing incidence (235 per 100,000 people, +7% since 2010).</p> <p>There were 722,000 estimated malaria cases in 2020 (+32% since 2010).</p> <p>Estimated malaria-related deaths grew by 28%, from 1,835 in 2010 to 2,354 in 2020.</p> <p>Source: World Malaria Report 2021</p>



3. Portfolio Risk and Performance Snapshot

3.1 Portfolio Performance

NFM 2 Allocation (2019-2020)

Comp	Grant	Principal Recipient	Total Signed (EUR)	Absorption (EUR)	Absorption (%)	Jun 18	Dec 18	Jun 19	Jun 20	Dec 20
	COG-C-CRF	La Croix-Rouge française	16,356,175	14,957,949	91%	B1	B1	B2	B1	B2
	COG-M-CRS	Catholic Relief Services, United States Conference of Catholic Bishops	14,999,032	12,981,823	87%			B1 ¹¹		
TOTAL			31,355,207	27,939,772	89%					

NFM 3 Allocation (2021-2023)

Comp	Grant	Principal Recipient	Grant Signed Amount (EUR)*	Disbursed Amount (EUR)	% Disbursed (EUR) as of June 21	June21
	COG-M-CRS	Catholic Relief Services, United States Conference of Catholic Bishops*	36,698,700	7,015,737	24%	B1
	COG-C-UNDP	United Nations Development Programme**	35,629,019	12,070,319	44%	B2
TOTAL			72,327,719	19,086,056	26%	

*C19RM grant ending 2023 totals EUR 15,221,413, split between CRS (EUR 7,050,571) and UNDP (Eur 8,170,842)

3.2 Risk Appetite

The OIG compared the Secretariat's aggregated assessed risk levels of the key risk categories covered in the audit objectives for the Republic of Congo portfolio with the residual risk that exists based on OIG's assessment, mapping risks to specific audit findings. The full risk appetite methodology and explanation of differences are detailed in [Annex B](#).

Audit area	Risk category	Secretariat aggregated assessed risk level (March 2022)	Assessed residual risk based on audit results	Relevant audit issues
Program quality	TB	Critical	Critical	Finding 4.1
	HIV	Critical	Critical	Finding 4.1
	Malaria	High	High	Finding 4.1
In-country governance	In-country governance	High	High	Finding 4.1
Procurement and supply chain management	In-country supply chain	High	High	Finding 4.2
Financial assurance framework/mechanism	Grant-related fraud and fiduciary risks	Moderate	Moderate	Finding 4.3
	Accounting and financial reporting	Moderate	Moderate	Finding 4.3

¹¹There is only one rating because the performance framework has only one indicator, related to the 2019 LLIN mass distribution campaign

4. Findings

4.1 Grant effectiveness is constrained by inadequate conditions for implementation

Despite substantial Global Fund investments over the past 20 years, program results, specifically for HIV and TB, remain poor. Grant implementation is adversely affected by issues including human resource gaps, non-fulfilment of government commitments and weak governance.

The burden of the three diseases is severe in the Republic of Congo. The country has the second highest HIV prevalence (3.3%)¹² in West and Central Africa. The HIV epidemic is generalized and concentrated with high prevalence levels among key populations. It is among the top 30 countries with the highest TB incidence and highest HIV/TB co-infection incidence. Malaria is also endemic across the country. Progress against the three diseases remain poor as shown in section 2.4.

Poor results despite Global Fund investments over 17 years

The Global Fund has disbursed nearly US \$137 million in the past 17 years to support the fight against HIV, TB and malaria. The results and impact, however, from these investments have deteriorated in the past 10 years. Performance on HIV and TB is consistently below the regional average. The poor performance is the result of several contributing factors outlined below.

- **Low government investment in the health sector:** There is low capacity and insufficient staffing at the three national disease programs with gaps in human resources at all levels. There has also been non-compliance with co-financing requirements, a key reason for the Global Fund putting the country under its Additional Safeguard Policy¹³ in 2017.
- **Limited Global Fund grant amount has narrowed the scope of interventions:** There was no malaria grant from 2012 to 2017 due to previous poor program performance and an inadequate implementation environment.¹⁴ HIV and TB interventions were mainly focused on treatment with no activities around testing, case detection and prevention. There were no activities to support resilient and sustainable systems for health (RSSH) such as health information systems (HMIS)¹⁵ or community-based interventions.
- **Limited number of partners investing in health:** Other than the Global Fund and the French Development Agency, no other investments were made from development partners in the health sector for the three diseases. This translated into a significant funding gap (up to 83%) for HIV in the past two funding cycles (2014-2019).

¹² <https://www.unaids.org/fr/regionscountries/countries/congo>, accessed 27.5.2022

¹³ ASP is a set of measures that the Global Fund introduces whenever “existing systems to ensure accountable use of Global Fund financing suggest that Global Fund monies could be placed in jeopardy without the use of additional measures”.

¹⁴ Allocation letter for funding cycle 2014 – 2016 dated 12 March 2014.

¹⁵ Investment in HMIS started in 2019.

While current NFM3 grants seek to address the above challenges, the conditions required for grant implementation are not optimal

The current funding cycle aims to reverse the negative performance trend highlighted above. Benefiting from an allocation of over EUR 72 million for the next three years, grants feature new activities including HIV prevention for key affected populations, implementing HIV differentiated testing, malaria case management, community-based interventions, innovative strategies for TB case detection and increasing the TB diagnosis capacity by acquiring 11 additional GeneXpert machines. However, HIV and TB grants are facing significant challenges in carrying out planned activities because certain key prerequisites are not addressed.

- **Human resource gaps at all levels:** Four key program and management positions¹⁶ have been vacant for over a year at the National TB Program (PNLT). The lack of performance-based incentive payments has adversely affected the Ministry of Health (MOH) staff's involvement in implementing HIV/TB grant activities. This issue has been addressed later after the audit in June 2022. No analysis has been conducted to determine how well districts and service delivery facilities could cope with the planned, significant scale-up of interventions, despite the major gaps in human resources at peripheral level, where there is excessive use of unpaid volunteers.¹⁷
- **Non-fulfilment of government commitments:** For the 2020–2022 funding cycle, the government has committed to investing EUR 18.5 million to cover up to 30% of health products needed for the three diseases. As of 30 April 2022, the government has made a total payment of EUR 0.9 million, representing 4% of its commitment. This funding also did not support the procurement of health products for TB and HIV. This resulted in stock-out of HIV test kits during the last two quarters of 2021. There is no confirmation or schedule for further payments. Failing to meet this commitment may impact the availability of key drugs. In 2014-2016, the non-fulfilment of government co-financing resulted in treatment interruption for patients under antiretroviral therapy and inadequate prescription of pediatric ARVs to adult patients.
- **Weak governance over Global Fund grant implementation:** The Country Coordination Mechanism (CCM), which submits funding applications to the Global Fund and oversees grant implementation, is not fulfilling its strategic oversight role effectively. In 2021, the CCM did not address key issues such as unresolved precedent conditions, challenges in co-financing payments and human resources challenges. Oversight activities were limited to health facility visits with no analysis of overall grant performance. At Ministry of Health (MOH) level, national disease programs do not report to the Program Coordination Unit (UCCP), which was set up to ensure program oversight and improve the flow of information. As a result, MOH officials are not promptly aware of performance and key challenges affecting grants.
- **Unresolved conditions precedents:** A conditions precedent is a measure to address a critical risk or an issue which must be fulfilled before a specific event, such as the use of grant funds for a particular activity. If the condition is not met, the grant funds related to the specific activity cannot be used. At the time of drafting this report, limited progress has been made in implementing three key conditions precedents. As a result, key activities are not proceeding as planned (e.g. extending the laboratory network and extending TB diagnosis centers) to address challenges such as low coverage of HIV biological monitoring and missing TB cases.

¹⁶ The four positions are the Head of Monitoring and Evaluation Unit, the Head of the HIV/TB co-infection Unit, the Head of the MDR TB Unit and Head of the Accounting Unit.

¹⁷ In 9 visited health facilities, unpaid volunteers account for 30% - 50% of medical staff.

- **Challenges arising from current implementation arrangements:** Since the previous funding cycle, Global Fund grants have been managed by non-governmental Principal Recipients (PRs). National disease programs are grant Sub-Recipients (SRs), in line with the Additional Safeguard Policy. Grant coordination has been particularly challenging for the HIV/TB PR program due to the PR's limited follow up. Except for monthly coordination meetings between the country team and implementers, there is no evidence that PR and SRs regularly discuss grant performance and implementation bottlenecks. Six key grant activities could not be completed due to conflicts with SR priorities.

These inadequate conditions for implementation contributed to significant delays in implementing workplan activities in 2021, particularly for the HIV/TB grant. Overall, only 51 of 198 (26%) planned activities were completed. Only 4 out of 49 activities planned for the TB program were executed. As a result, key performance indicators for HIV and TB grants remain far below target with persistent service delivery issues for HIV and TB interventions as outlined below.

- **Retention of patients on antiretroviral therapy (ART) is a key challenge affecting HIV treatment.** About 25% of people living with HIV under ART were reported as lost to follow-up (LTFU) in 2020. In 2021 during semester one, 1,957 new patients were enrolled to ART but 1,019 other patients already receiving ART were reported as LTFU in the same period. None of the seven ART clinics visited (which account for 34% of national ART patients) have a mechanism to track and recover lost to follow-up ART patients. Retention of ART patients is expected to improve in the current funding cycle by implementing three main activities: active tracking of LTFU at community level, task-shifting to increase the number of HIV practitioners, and establishing ARV distribution points for stable HIV patients. These activities were planned for 2021 and were either partially or not implemented at the time of the audit.
- **The performance of prevention of mother-to-child transmission (PMTCT) activities remains very low.** Only 2% of expected HIV- positive pregnant women enrolled on ART during H1 2021. Medical staff were only recently trained to deliver PMTCT services. The poor performance is mainly due to recurring stock-outs of HIV rapid tests in health facilities. There were no HIV tests for up to 10 months in three facilities accounting for 23% of ART patients. Performance, mainly regarding PMTCT retention, is expected to improve by implementing a mother mentors' approach. But this did not occur as planned in 2021 due to the issues noted above.
- **Viral load test coverage also remains low.** In 2021 during the first semester, 8,443 or 31% of ART patients were tested. This is mainly due to shortcomings in the laboratory network (e.g. reagent shortages and lack of viral load prescriptions). The HIV/TB grant has a specific module to improve the laboratory network, but none of the planned activities were carried out due to a grant condition precedent not being lifted.
- **Under-notification of TB cases, low TB treatment success rate:** Only 54% of estimated TB cases were notified in 2021. This is mainly due to the low geographical coverage of TB testing centers across the country and weaknesses in TB case finding. The current grant plans to extend the TB testing network starting from 2022, but implementation may be delayed as a related condition precedent was still pending at the time of the audit. Catalytic funding has been allocated to the country to implement innovative TB case search and improve the quality of TB care. Related activities were on track at the time of the audit.

Following the OIG advisory on [Grant implementation in West and Central Africa](#), the Global Fund Secretariat completed a peer review of the Congo portfolio in 2020 to identify challenges and bottlenecks affecting grant implementation. Key observations and recommendations were made around governance, implementation arrangement, supply chain and program performance. However, due to COVID-19 and the above-mentioned weaknesses in the CCM oversight function, the CCM only endorsed the report in 2022. The prioritized action plan arising from this review is yet to be finalized.


Agreed Management Action 1

The Global Fund Secretariat will work with the MoH and relevant partners to review and revise its current approach to intervention design and implementation for HIV/TB high-volume priority sites. This revised approach should address issues including: health product availability and traceability, human resources, oversight, management and coordination.

Specifically, the Secretariat will conduct a diagnostic of the portfolio based on key OIG findings, identify main bottlenecks along with corrective actions, monitor and assess the implementation of corrective actions and provide direction on NFM4 grant approach considering lessons learned.

OWNER: Head of Grant Management Division

DUE DATE: 30 September 2023



4.2 Improved key health product availability at central level, but recurring stock-outs and limited accountability are affecting the supply chain at service delivery level

While no significant shortages were noted at the central level, delays in preparing and executing distribution plans have led to severe stock-outs at health facility level. Inventory management in central warehouses has improved, but health facilities still experience challenges to account for received drugs due to weak inventory management systems.

Health commodities and equipment account for a significant portion of the Global Fund grants: 60% for HIV/TB, 32% for malaria and 49% for the COVID-19 grant. Since 2018, the government has leveraged the UNICEF Vaccine Independence Initiative to support the timely procurement of other health products. Past and ongoing Global Fund grants have helped strengthen the distribution capacity and storage capacity of the Central Medical Store (CAMEPS). To ensure more accurate quantification and oversight over drug availability, the country established a quantification committee in the first quarter of 2022.

Despite these achievements, recurring stock-outs of key commodities, sub-optimal storage conditions, and limited accountability over procured commodities continue to adversely affect the performance of the supply chain at peripheral level.

Health facilities experience recurring stock-outs due to delayed distribution and ordering, despite drugs being available at the Central Medical Store

Key antiretroviral (ARV) drugs, first line anti-TB drugs and antimalaria drugs were continuously available at central level throughout 2021, a notable achievement given the long period of stock-outs of key drugs (specifically ARVs) at national level in previous years. However, HIV rapid tests were stocked out from March to August 2021 at CAMEPS, mainly due to the non-fulfilment of government commitments. Consequently, health facilities¹⁸ that OIG visited had run out of HIV tests and could not perform HIV tests for periods ranging from 6 to 10 months.

Recurring stock-outs for other products were observed at the peripheral level despite being available at central level. For instance, we noted stock-outs of Tenofovir/Lamivudine/Dolutegravir (an ARV regimen) in four health facilities¹⁹ (accounting for 31% of ART patients) for periods ranging from 3 to 60 days in 2021. Two TB treatment centers visited, which account for 30% of TB notified cases, experienced stock-outs of first line anti-TB drugs of 13 and 81 days respectively. For malaria, while we observed shortages of free health products, programmatic impact was partially mitigated by the availability of paid ACT and microscopy tests.

¹⁸ OIG visited 7 ART clinics but could verify stock-out only in four health facilities due to inadequate inventory management tools.

¹⁹ OIG visited 7 ART clinics but could verify stock-out only in four health facilities due to inadequate inventory management tools.

Root causes of stock-outs at health facilities mainly relate to weaknesses in the distribution and ordering process as described below.

- **Delays in submitting distribution plans to the central medical store:** Ten to 23 days in delays were noted for distribution plan submission in the third (HIV/TB) and fourth (HIV) quarter of 2021 respectively. This was due to the slow process for collecting and consolidating orders from health facilities.
- **Lack of health product ordering of anti-malaria commodities and HIV rapid tests:** In some instances health facilities do not place orders despite stock-outs. This issue is not proactively addressed by national disease programs due to the lack of supervision on inventories and a weak logistic information system.
- **Lack of validation of orders from health facilities:** Districts do not validate orders against programmatic data, which could result in over or undersupply of health commodities.
- **Delays in CAMEPS executing its distribution plans:** In 2021, while HIV/TB distribution was generally completed on time, distribution of anti-malaria commodities experienced 26 to 60 days delay in the third quarter of 2021 due to lack of warehouses at district level. The renovation of 10 district warehouses was planned in 2021 to address this issue but were not yet completed at the time of the audit.

Inadequate quantification of anti-malaria commodities will also impact commodity availability or could lead to expiries if unaddressed. In the absence of complete and reliable morbidity and consumption data, quantification exercises for malaria commodities are based on outdated demographic data with no consideration of malaria transmission dynamics.

Sub-optimal inventory management affects health product traceability at health facilities level

Greater assurance over the accountability of health products managed by the central medical store was achieved by implementing periodic inventory checks involving various stakeholders, enforcing physical security measures, and embedding controls in the electronic inventory management system. Assurance could be further strengthened by ensuring timely posting of received drugs into the inventory management system. Delays of up to two months were noted in recording HIV/TB health products at CAMEPS, preventing timely securing and tracing of health products received.

Poor inventory management practices make it challenging for health facilities to account for drugs received from CAMEPS. In 42% of visited health facilities, stock cards were poorly maintained or not up to date. We noted significant discrepancies of up to 53% between stock card entries and drug delivery data. Periodic stock counts were not implemented in 75% of visited health facilities. These are mainly due to the issues identified below.

- **Weak capacity of human resources:** 35% of staff at visited health facilities reported a lack of training on inventory management. There was no formative supervision to strengthen their capacity, with supervision instead focused on data collection.
- **Lack of adequate inventory management tools:** For the current grants, harmonized inventory management tools have been developed. But they are yet to be printed and distributed to health facilities.

The **Agreed Management Action 1** should address the findings in this section as well (see page 11).



4.3 Malaria grant implementation arrangements provide good assurance over financial and fiduciary risks

The malaria grant Principal Recipient has put in place effective internal controls to mitigate financial and fiduciary risks. However, its internal control system still offers room for improvement for validating training-related expenditures and clearing payments to third parties.

Two Principal Recipients (PRs) manage the Global Fund grants in the Republic of Congo. The HIV/TB Principal Recipient (UNDP) was excluded from the financial management review due to the *single audit principle* agreement between the Global Fund and UN Agencies.²⁰ Our review therefore focused on the malaria grant PR (Catholic Relief Services, an International Non-Government Organization) and its Sub-Recipients.

The malaria grant PR has put in place effective internal controls over key financial and fiduciary processes

Finance and fiduciary risk management is concentrated at PR level, with 83% of grant funds directly managed by the PR, an arrangement which typically safeguards against weaker internal controls at the Sub-Recipient level. In particular, the strengths below were noted for the PR's internal control system.

- **Strong control environment:** Policies and training related to fraud and ethics exist and are enforced. Staff involved in misconduct are swiftly and appropriately sanctioned to deter unethical behavior. The PR has implemented a whistleblowing system, which has helped identify four cases of mis-procurement and other fraudulent practices since 2018. These were internally investigated and promptly reported to the OIG.
- **Adequate processes, policies and tools:** The PR has developed and implemented various policies and procedures related to procurement, accounting, payments, administration management and asset management. The PR has also supported Sub-Recipients to develop their procedures to harmonize management rules. It has also established a dedicated Compliance and Risk Unit to assist and supervise them. Appropriate segregation of duties is also enforced.
- **Assurance mechanisms:** PR financial statements are subject to annual external audit. The financial statements were certified without any reserve since the PR's appointment in 2018. The PR does not have an internal audit function but rather leverages the services of its headquarters' internal audit function. (Although it is noted that internal audit reviews are not frequently performed: only one such review has been conducted since 2020).

The OIG reviewed 36% of expenditure incurred in the period under review. Although no material issues were noted, the OIG noted numerous improvement areas to further strengthen and enhance the control environment. These included better reconciliation of participants for training sessions and prompt clearance of advances. It is important to keep strengthening the control environment around the two areas as material amounts are dedicated to these activities in the NFM 3 grants. These issues should be addressed as part of on-going grant implementation.

No Agreed Management Action (AMA) is needed since the severity of the findings is not high.

²⁰ The United Nations General Assembly has adopted a framework known as the "single audit principle", whereby the UN and its subsidiaries cannot consent to third parties accessing their books and records. All audits and investigations are conducted by the UN's own oversight bodies. Accordingly, the OIG cannot provide assurance on activities or procurements directly implemented by UN agencies.

Annex A: Audit rating classification and methodology

Effective	No issues or few minor issues noted. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
Partially Effective	Moderate issues noted. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
Needs significant improvement	One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.
Ineffective	Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

The OIG audits in accordance with the Global Institute of Internal Auditors' definition of internal auditing, international standards for the professional practice of internal auditing and code of ethics. These standards help ensure the quality and professionalism of the OIG's work. The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help safeguard the independence of the OIG's auditors and the integrity of its work.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing is used to provide specific assessments of these different areas. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.

Annex B: Risk appetite and risk ratings

In 2018, the Global Fund operationalized a Risk Appetite Framework, setting recommended risk appetite levels for eight key risks affecting Global Fund grants, formed by aggregating 20 sub-risks. Each sub-risk is rated for each grant in a country, using a standardized set of root causes and combining likelihood and severity scores to rate the risk as Very High, High, Moderate, or Low. Individual grant risk ratings are weighted by the grant signed amounts to yield an aggregate Current Risk Level for a country portfolio. A cut-off methodology on high risks is applied (the riskiest 50% of grants are selected) to arrive at a country risk rating.

OIG incorporates risk appetite considerations into its assurance model. Key audit objectives are generally calibrated at broad grant or program levels, but OIG ratings also consider the extent to which individual risks are being effectively assessed and mitigated.

OIG's assessed residual risks are compared against the Secretariat's assessed risk levels at an aggregated level for those of the eight key risks which fall within the Audit's scope. In addition, a narrative explanation is provided every Time the OIG and the Secretariat's sub-risk ratings differ. For risk categories where the organization has not set formal risk appetite or levels, OIG opines on the design and effectiveness of the Secretariat's overall processes for assessing and managing those risks.

Global Fund grants in the Republic of Congo: comparison of OIG and Secretariat risk levels

Overall, the updated Secretariat risk levels assessment is aligned with the OIG audit assessment.