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To Fight AIDS, Tuberculosis and Malaria

The Office of the Inspector General

Country Audit of the Global Fund Grants to the Democratic Republic of Congo

Audit Report No: TGF-OIG-09-007

Issue Date: 10 March 2010

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Acronyms

ABC	Association à Base Communautaire
ANRM	Autorité Nationale de Régulation des Médicaments
AQ	Assurance Qualité
AQ-AS	Amodiaquine Artesunate
ARV	Anti Rétro Viraux
AS	Aire de Santé
BCZS	Bureau Central de la Zone de Santé
BDOM	Bureau Diocésaine des Œuvres Médicales
BM	Banque Mondiale
CCM	Country Coordination Mecanisme
CDRs	Centrales de Distribution Régionales
CPN	Consultation PréNatale
CPNT	coordinations provinciales ()
CPS	Consultation Pré-Scolaire
CQ	Contrôle Qualité
CRS	Catholic Relief Service
CS	Centre de Santé
CSDT	Centres de Santé faisant le Diagnostic et le Traitement (Tb)
CTA/ACT	Combinaison Thérapeutique à base d'Artésunine
CTB	Coopération Technique Belge
DRC/DRC	République Démocratique du Congo
DS	District Sanitaire
DSRP	Document de Stratégie de Réduction de la Pauvreté
FED	Fonds Européen de Développement
FEDECAME	Fédération des Centrales d'achats de Médicaments Essentiels
FM	Fonds Mondial de lutte contre le Sida, la Tuberculose et la Malaria
FM/GFATM	Fonds Mondial
GAS	Gestion des Achats et des Stocks
GAS/PSM	Gestion des Achats et des Stocks/Procurement Supply Management
GDF	Global Drug Facility
HGR	Hôpital Général de Référence
IM	Intrants Médicaux
IPS	Inspections Provinciales de Santé
LFA	Local Fund Agent
LTA	Long Term Agreement
M&E	Monitoring and Evaluation
MCZS	Médecin Chef de Zone de Santé
MII	Moustiquaire Imprégnées d'Insecticide
MILDAs	Moustiquaire Imprégnées de Longue Durée d'Action
MIP	Médecin Inspecteur Provincial
MS	Marketing Social
MSP	Ministère de la Santé Publique
OAI	Office for Audit and Investigation
OI	Les infections opportunistes
OIG	Office de l'Inspection Générale/ Office of Inspector General
OMS	Organisation Mondiale de la Santé

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ONG	Organisation Non Gouvernementale
PMA	Paquet Minimal d'Activités
PN	Programme National
PNAM	Programme National d'Approvisionnement en Médicaments
PNLP	Programme National de Lutte contre le Paludisme
PNLS	Programme National de Lutte contre le Sida
PNMLS	Programme National Multisectoriel de Lutte contre le Sida
PNT	Programme National contre le Tuberculose
PNTS	Programme National de la Transfusion Sanguine
PNUD	Programme des Nations Unies pour le Développement
PR	Principal Récipiendaire
PSM	Procurement and Supply Management
PTME	Prévention de la Transmission Mère Enfant
PVVIH	Personne Vivant avec le VIH
R2	Round 2 Fonds Mondial
R3	Round 3 Fonds Mondial
R5	Round 5 Fonds Mondial
R7	Round 7 Fonds Mondial
R8	Round 8 Fonds Mondial
R9	Round 9 Fonds Mondial
RC	Recouvrement des Coûts
RDC	République Démocratique du Congo
SNIS	Système National d'Information Sanitaire
SP	Sulfadoxine- Pyrimethamine
SR	Sous Récipiendaire
SSP	Soins de Santé Primaires
SSR	Sous Sous Récipiendaire
SSRs	Sous Sous Récipiendaires
SSSR	Sous Sous Sous Récipiendaire
SSSRs	Sous Sous Sous Récipiendaires
STI	Swiss Tropical Institute
TARV	Traitement Anti Rétro Viral
TB	Tuberculose
TB/VIH	Co-infection Tuberculose-VIH
ToR	Terms Of Reference
TPI	Traitement Préventif Intermittent
UICMR	Union
UNDP/PNUD	Programme des Nations Unies au développement
US\$	Dollar Américain
VIH	Virus de l'Immunodéficience Humaine
WB	World Bank/Banque Mondiale
ZS	Zones de Santé

I. Executive Summary

Introduction and overview

1. The Office of Inspector General (OIG), as part of its 2009 work plan, carried out the audit of Global Fund grants to the Democratic Republic of Congo (DRC). The purpose of the audit was to assess the adequacy of the internal control and programmatic systems in managing the Global Fund grants in DRC. The audit objectives were to:

- (a) assess the efficiency and effectiveness in the management and operations of grants;
- (b) measure the soundness of systems, policies and procedures in safeguarding Global Fund resources; and
- (c) assess any risks that GF grants are exposed to and adequacy of measures taken to mitigate them.

2. The audit covered the six active and closed grants out of the eight Global Fund grants made to DRC during the period 2003-2009 as detailed in the table below:

Grant #	Operational Status	Round	Funding Request US\$	Approved Funding Phase I & II US\$	Total Fund disbursed US\$
HIV/AIDS					
ZAR-304-G02-H	Open	3	113,646,453	113,646,453	85,925,597
ZAR-708-G06-H	Open	7	71,403,215	22,675,188	11,626,217
Negotiation process	Open	8	234,540,691	71,309,902	0
Total HIV/AIDS			419,590,359	207,631,543	97,551,814
Malaria					
ZAR-304-G03-M	Open	3	53,936,609	53,936,609	49,864,628
Negotiation process	Open	8	339,692,873	145,520,804	0
Total Malaria			393,629,482	199,457,413	8,182,300
TB					
ZAR-202-G01-T-00	Closed	2	7,625,773	7,625,773	7,601,673
ZAR-506-G04-T	Open	5	36,234,561	20,352,845	19,230,176
ZAR-607-G05-T	Open	6	12,098,081	8,532,548	8,182,300
Total TB			55,958,415	36,511,166	35,014,149
Total			869,178,256	443,600,122	182,430,591

3. By December 2008 the Global Fund had pledged over US\$ 226 million to DRC, and disbursed over US\$ 182 million by June 2009. Six grants are due to be signed under the Round 8 grant in 2009 amounting to US\$ 216 million. UNDP has been the sole PR for all the grants signed between Rounds 2 to 7. Under Round 8, three additional PRs have been nominated by the CCM namely

CORDAID, Association de Santé Familiale (ASF), and Eglise du Christ au Congo (ECC).

4. The DRC has been classified as one of the most difficult countries in which to deliver health care supplies and services. Politically, the country is emerging from a decade of conflict with positive signs of normalization just returning after elections. Part of the country is inaccessible due to poor infrastructure. Because of this, it is classified as a non-family duty station by the UN and this has resulted in a limited number of people who are willing to work in DRC and a high staff turnover. This has affected the program implementation.

Scope and methodology

5. The country audit of DRC was conducted simultaneously with an audit by the UNDP Office for Audit and Investigation (OAI). The UNDP-OAI audit focused on UNDP's role as Principle Recipient (PR) of the Global Fund's grants, and the OIG audit covered the management, governance and operations of all other aspects of the Global Fund grant programs.

6. The OIG audit covered all the six active and closed grants of DRC since the inception of the Global Fund program. It covered all other aspects of the management and operations of the grant programs, i.e. Country Coordinating Mechanism (CCM), the Local Fund Agent (LFA), the Sub-Recipients (SRs) and any other organizations that were involved in the operations of the Global Fund program that are external to UNDP e.g. the procurement agents.

7. In this regard, the areas covered by the audit were:

- (a) *Compliance*: whether structures, systems and processes complied with the established Global Fund policies, procedures and guidelines as well as country laws;
- (b) *Internal control*: whether the internal control structure was adequate in ensuring that grant assets were safeguarded against possible misuse and abuse;
- (c) *Financial review*: whether value for money was obtained from the funds that were sent to the country. This entailed verifying whether program funds are used economically, efficiently and effectively; and
- (d) *Grant management*: whether the systems, processes and controls in place were efficient and effective in supporting the achievement of grant objectives.

Summary of findings

8. This section briefly highlights the findings and conclusions arising from the audit and the detailed findings are contained in the rest of the report. It is, however, essential that this report be read in its entirety in order to comprehend fully the approach to, and findings of, OIG's work.

9. The recommendations have been prioritized. However, the implementation of all recommendations is essential in mitigating identified risks and strengthening the internal control environment in which the programs operate. The prioritization has been done to assist management in deciding on the order in which recommendations should be implemented. The categorization of recommendations is as follows:

- (a) *High priority:* Material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization's interests, significantly erodes internal control, or jeopardizes achievement of aims and objectives. It requires immediate attention by senior management;
- (b) *Significant priority:* There is a control weakness or noncompliance within the system, which presents a significant risk and management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal control or undermine achievement of aims and objectives; and
- (c) *Requires attention:* There is a minor control weakness or noncompliance within systems and proportional remedial action is required within an appropriate time scale. Here the adoption of best practice would improve or enhance systems, procedures and risk management for the organization's benefit.

UNDP audit by OAI

10. UNDP has achieved commendable success in program implementation during the six years it has been the PR. In particular, the HIV/AIDS program reached 106 percent of the overall ARV treatment target.

11. The audit undertaken by the UNDP OAI concludes that the management of Global Fund projects by UNDP as the Principle Recipient was partially satisfactory i.e. internal control and risk management practices were generally established and functioning, but needed improvement. The high-priority risks listed by OAI were:

- (a) delays in negotiation and signature of the Round 8 grant agreement, thereby putting the future supply of antiretroviral drugs at risk;
- (b) weaknesses in project monitoring and evaluation as evidenced by the failure to undertake planned field visits in 2008; a small percentage (20 percent) of the SRs submitted reports to UNDP on time; and deficiencies in the data management capabilities of health zone staff;
- (c) there was no exit strategy in place for the transfer of the Round 8 HIV project by 2011 to the Government;
- (d) weaknesses in asset management systems as evidenced by failure to undertake physical asset verification, lack of effective asset tracking systems, etc;
- (e) delays in overall reporting i.e. by SRs to UNDP, UNDP to the LFA and the Global Fund Secretariat. This affected disbursements and planned project implementation; and
- (f) delays in the supply of certain drugs.

Grant Management

12. OIG identified a number of material deficiencies in the financial management of SRs implementing the Global Fund programs. The recommendations should assist the UNDP and its SRs in mitigating the financial risks that Global Fund grants are exposed to. The weaknesses identified mainly relate to a lack of:

- (a) An effective interaction between UNDP and the SRs. UNDP has only two officials responsible for financial oversight of the Global Fund grants to over 90 SRs and SSRs. The audit revealed that there were delays in the disbursement of funds which resulted in a hold-up of various project activities.
- (b) Documented/formal guidelines and manuals outlining the operational, financial and budgeting requirements that SRs should comply with when administering Global Fund grants. There were also deficiencies noted in the grant agreements signed between UNDP and its SRs e.g. some agreements were not dated, while others had undefined grant periods, amounts and phases.
- (c) Appropriate financial accounting and reporting systems and processes at SR level. Most SRs did not perform regular analyses of actual expenditure against budget resulting in poor tracking of budget utilization and unapproved over-expenditures. Instances were also noted of lack of or late submission of financial reports. Reconciliations of bank, cash, grant disbursements and program imprests were also not carried out.

13. OIG's key recommendations to UNDP to address the issues raised above are:

- (a) UNDP should develop a formal operational and financial management framework for the effective management and oversight of GF grants in the DRC i.e.
 - i. specific manuals which outline operational and financial procedures and guidelines for contracting of SRs and SSRs, budgeting and award-process, grant implementation, monitoring and reporting, procurement, grant closure, communication and coordination of work, insurance, title of assets, audit, identification and reporting on social marketing etc;
 - ii. standardized financial management tools and templates for budgeting and financial reporting;
 - iii. financial management capacity building trainings and on-the-job support for SRs and SSRs; and
 - iv. capacity building guidelines and mechanisms to help SRs and SSRs address fraud, corruption and conflict of interest e.g. whistle-blowing policies (including hotlines, websites), self-declarations, independent SR review on authenticity of payment documents, documented action on violations, internal audit review, etc.;
- (b) SRs should be assisted in developing and maintaining appropriate budgetary controls over GF grants; and
- (c) The financial accounting and reporting systems used by SRs should be strengthened to address the various control deficiencies highlighted in this report.

14. A detailed review of one SR -- i.e. Association de Santé Familiale, which was selected on the basis that it was nominated as a PR under Round 8 -- revealed significant weaknesses such as:

- (a) poor budgetary control;
- (b) poor internal control over expenditure resulting in ineligible expenditure;
- (c) inability to reconcile income, expenditure and fund balances to bank statements due to the absence of specific bank accounts for Global Fund program expenditure and lack of proper books of account that separate bank balances by funding source;
- (d) lack of control over income from social marketing activities.

Most of the OIG's findings i.e. points (a) to (d) above are supported by a qualified audit opinion of ASF's financial statements.

Program Management - Delivery

15. The selection of UNDP as PR for a particular country is intended to be a transitory mechanism. At the time of the audit, UNDP had not put in place a mechanism to build capacity within the national structures for the eventual transfer of programs to the national structures and systems.

16. UNDP has set up parallel structures especially for the Malaria and HIV interventions. These structures were set up at a time when the national systems were perceived to be nonfunctional. However, the parallel structures established have been detrimental to the national systems. Because of the transitory nature of UNDP's management of Global Fund grant programs, the parallel systems are not sustainable and funds that would have otherwise been used to strengthen national systems are being used to build parallel systems. The parallel systems have in other instances been ineffective in delivering results e.g. the PSM of TB drugs that has been plagued with many delays resulting in the national TB program having to increase the buffer stock held from 6-12 months to 18 months.

17. There have been delays in program implementation mainly due to delays in procurement. These delays have resulted in the needs set out in the original proposals being far lower than the actual needs at the time of implementation. A review of the indicators and targets of existing grants is recommended in order to have an up-to-date position of the actual needs of the country and the development of an accelerated work plan to ensure that the grants remain on track.

18. The Round 3 work plan included activities that were meant to promote the HIV/TB collaboration. The Round 5 TB grant provided for all TB patients to be tested for HIV. However, there has been a stock-out of the tests kits and in consequence planned activities in the work plan could not be undertaken. Apart from the planned activities, there is no other evidence of proper coordination of the activities between the HIV and TB programs. The OIG noted, however, that the Round 5 HIV proposal that provided for the majority of funding for TB/HIV coordination activities was not approved.

19. There were no control mechanisms in place to ensure that products distributed under social marketing reach their intended beneficiaries at a reasonable price. The impact of social marketing as part of the programs had not been assessed at the time of the audit. The impact of social marketing towards the achievement of grant objectives should be assessed. Proper internal control to foster accountability and to ensure that the program benefits the intended population should be instituted.

Program management - Monitoring and Evaluation (M&E)

20. The work of the Monitoring and Evaluation unit at the PR concentrated on ensuring that the targets set for the PR were achieved without assessing the overall impact of the programs on fighting the three diseases. UNDP attributed this to a lack of capacity within the unit.

21. The delay in implementing these programs without any adjustment to the indicators and targets as reflected in the grant proposal has created some reporting challenges. The Malaria program is far behind its target at the time of the audit while the HIV/AIDS program's targets are below actual needs due to the errors in drafting the proposal in which assumptions used were not validated. None of these issues had been addressed well by the PR's M&E unit at the time of the audit.

22. A parallel data collection process is in place for Malaria and HIV programs regardless of the fact that there is an existing national data collection system. There are also no standard data collection tools for the HIV program. The results reported to the Global Fund by the PR are also not verified. There is a need to harmonize data collection by strengthening the existing national data collection.

Procurement and Supply Management

23. The PR has established its own PSM unit despite the country having an existing national supply and distribution system in place. The PR did not seek to develop the capacity of the national supply and distribution systems which the Secretariat considers to be weak. This PSM unit is top heavy resulting in unnecessary red tape and delays of procurement which has impacted the program implementation.

24. The forecasting of needs was also not based on the requests from SRs but on the targets set by the PR for SRs i.e. it was top-down. The goods procured therefore were not reflective of needs and often resulted in stock-outs across the country.

25. A long-term agreement signed between UNDP and some firms or organizations commonly used for procurement of drugs did not always provide a competitive price and sometimes resulted in delays in the procurement process.

26. Contrary to the Global Fund policy, the PR did not follow the national quality assurance mechanisms. Drugs were procured that were not registered with the National Drugs Authority. There is also no evidence that pre and post delivery inspections are conducted.

27. During the sites visits, OIG noted that there were stock-outs, overstocking and expired drugs. There is a need for better coordination amongst implementing agencies of different donors to avoid such problems.

28. Two systems have been used by the PR to track the inventory movement, one at the UNDP and the second at Agetraf's office (the agent contracted for warehouse management and distribution). However, neither

tracking system was functional at the time of the OIG visit as evidenced by their failure to provide a stock position at the time of the audit. The only information available was the result of inventory stock taking undertaken in March 2009. OIG undertook a review of the stocks held in the stores and noted discrepancies between stock recorded and the physical stock.

29. It was also noted that Agretraf has a great experience in customs clearance, transportation and storage of non-pharmaceutical products but not in pharmaceutical products. The storage capacity is too small and drugs are not maintained in appropriate conditions e.g. refrigeration. For products procured using Global Fund resources the capacity of the existing national storage and distribution system should be assessed with the aim of building capacity and transitioning all storage and distribution functions there.

Oversight

30. The CCM has been successful in its role of coordinating the development of grants proposals. However, the CCM does not have any mechanism in place for oversight of program implementation.

31. OIG noted that organizations nominated as PR were involved in the writing of proposals before the selection process began. The CCM should foster a transparent process for identifying prospective PRs.

32. OIG noted that the quality of work undertaken by the LFA could have been better. The LFA needs to strengthen its assessments and verification of implementation in order to identify and report to the Global Fund on key aspects that are critical to the success of the program.

33. The Global Fund Secretariat should follow up all recommendations made to the country to ensure that they are implemented in order to strengthen the programs further.

Report Structure

34. This report is presented by functional areas such as grant management, program management, logistic and supply management, and oversight functions. The functional areas have been broken down into specific functional areas. Good internal control practices or significant achievements found during the audit are mentioned in the report, but they are not discussed in depth given that the purpose of the audit was to identify important risks and issues that need to be addressed.

II Introduction

Background

35. The Democratic Republic of Congo (DRC) is one of the most difficult countries to deliver health care supplies and services due its poor infrastructure. The DRC has one of the most vulnerable populations on earth. The DRC is one of the 11 countries with the highest population affected by tuberculosis in the world, 30 million cases of malaria are reported and it has about 300,000 HIV/AIDS patients who need ART. The country ranks 168th of 177 on the Human Development Index.

36. Politically, the country is emerging from a decade of violent conflict. The recent armed conflicts have caused the collapse of basic infrastructure. Annual income per capita has fallen to nearly US\$ 87 and accordingly it is estimated that in 2002 nearly 80 percent of the population lived on less than a dollar a day per person. DRC follows a decentralized system with a central government and 11 provincial governments which are accountable to the Provincial Assembly. The new Constitution of the DRC provides for an increase in the number of provinces to 26.

37. The health system is managed by the Ministry of Public Health represented in 11 provinces by the Provincial Ministers of Health and Provincial Health Inspectors. There are five programs within the Ministry of Health for the day-to-day coordination, management and monitoring of the fight against the three diseases namely:

- (a) Programme National Multisectoriel de Lutte contre le Sida (PNMLS), Programme National de Lutte contre le Sida (PNLS), Programme National de la Transfusion Sanguine (PNTS) for HIV;
- (b) Programme National de Lutte contre le Paludisme (PNLP) for Malaria; and
- (c) Programme National contre le Tuberculose (PNT) for Tuberculosis.

38. In order to provide geographical accessibility to primary health care centres i.e. soins de santé primaires (SSP), the country was divided into 515 health zones i.e. zones de santé (ZS) in 2004. They each serve on average 100,000 inhabitants in rural areas and 150,000 in urban areas. Each ZS includes a central office i.e. a bureau centrale de la zone de santé (BCZS), a 'hôpital général de référence' (HGR) and 15-20 health centres i.e. centre de santé (CS). Each CS serves a local community referred to as aire de santé (AS).

United Nations Development Program as PR

39. UNDP has been the only PR for the Global Fund programs in DRC. Under Round 8, the CCM selected three other PRs namely CORDAID, ASF/PSI and ECC. This is in line with the Global Fund encouragement for countries to follow dual track financing i.e. having public and private sector PRs. Under each disease component, a government entity i.e. PNMLS, PNLS, PNTS PNLP or PNT will be appointed as SR for coordination or monitoring of the program implementation of each disease.

40. As sole PR, UNDP has worked with various stakeholders at national, international and private sector level to execute the program. UNDP has appointed over 90 SRs/SSRs, who are involved in implementing program activities on a contractual basis.

41. UNDP has worked well in integrating the Global Fund programs in the national TB program. Although there are still some challenges with that partnership, there are lessons that the HIV and Malaria programs can learn and follow as they endeavour to integrate their programs into the national programs.

42. UNDP's success can be seen through its achievement of implementation targets such as:

- (a) HIV/AIDS program: By Q16, 23,280 patients were receiving ARV treatment i.e. 106 percent of target;
- (b) Tuberculosis program: By Q16, the program had reached 100 percent coverage and more than 80 percent of patients had completed treatment; and
- (c) Malaria program: Over 4,432 health workers were trained; and mosquito nets and ACTs were distributed.

Scope of the audit

43. Audits of UNDP are guided by the single-audit principle which states that *"The United Nations Board of Auditors and the appointed External Auditors of the specialized agencies and of the International Atomic Energy Agency retain the exclusive right to carry out external audit of the accounts and statements of the United Nations Organizations. If special reviews are required, governing bodies should request the appointed External Auditor to carry out specific examinations and to issue separate reports to them on the results"*.

44. The financial regulations and rules of the United Nations give the UN's external auditors the exclusive right to audit the accounts and statements of the UN. The UN's external auditors comprise three members appointed by the General Assembly, each of whom is the Auditor General (or officer holding the equivalent title) of a member state. The three members of the Board have joint responsibility for the external audit of the United Nations and its funds and programs. The auditors report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions. Comparable principles apply to the specialized agencies of the UN system.

45. Whilst the Global Fund can access the generalized reports of the work undertaken by the UN Board of Auditors, UNDP policy does not allow the Global Fund access to the reports of the Office of Audit and Investigations on the basis of the single-audit principle and policy on confidentiality. UNDP asserts that internal audit reports are confidential and may only be disclosed to member states in limited situations. Since the GF is not a member state, it is not eligible to review such reports.

46. The OIG held several discussions with UNDP to seek appropriate access to program sites, records and audit reports. This has culminated in some improvements in the arrangements for access. For this audit, it was agreed that the audit of activities funded by the Global Fund would be carried out simultaneously by the UNDP OAI and the OIG. All PR-related work would be audited by the OAI with them providing the OIG with a summary of their audit report. The OIG audit focused on implementation of grants by partners other than UNDP.

III UNDP as Principal Recipient

Summary of audit provided by UNDP OAI

47. In line with the UN policies on audits, OAI has provided the OIG with a summary of the audit findings of their work and this is summarized in the following paragraphs.

48. The audit covered the activities during the period from 1 January 2007 to 30 April 2009. OAI assessed the management of the Global Fund projects by UNDP as the PR as partially satisfactory, which means that internal control and risk management practices were generally established and functioning, but needed improvement. One or more high- and medium-risk areas were identified that may impact on the achievement of office objectives. The OAI summary listed the following as areas that needed improvement:

- (a) drug system;
- (b) monitoring and evaluation;
- (c) asset management;
- (d) donor reporting; and
- (e) stock management. Details are provided in the paragraphs below.

49. There have been delays in the Round 8 grant negotiation and signing process which puts the future supply of ARVs at risk. OAI recommended the prompt submission of all necessary grant documents to the Global Fund Secretariat in order to expedite grant signing process. A contingency plan to ensure bridge funding in case further delays occur was also proposed.

50. OAI noted that there were weaknesses in the project monitoring and evaluation. A small fraction of the planned field visits had been carried out in 2008. OAI also noted that only 20 percent of UNDP's SRs submitted reports on time, OAI also noted significant data capacity weaknesses at health zone level. UNDP is already in the process of recruiting more monitoring and evaluation staff in order to conduct all the required field visits, OAI recommended a closer monitoring of the SR report submissions as well as training of the Health Zone employees in order to address the aforementioned weaknesses.

51. There was no exit strategy in place for the transfer of the Round 8 HIV project to the Government (Ministry of Health), due to happen by 2011. OAI recommended the establishment of such a strategy as well as the development of the Ministry of Health's capacity in order to ensure a sustainable transfer of the Global Fund projects.

52. OAI noted that controls over assets were inadequate. The UNDP country office's use of UNDP's ERP system (Atlas) required enhancement for proper asset tracking. The country office also did not undertake periodic physical

verification of assets in order to strengthen control over assets.

53. OAI noted that there were reporting delays by SRs to the PR, PR to the Local Fund Agent as well as the PR to the Global Fund Secretariat. This resulted in delayed disbursements as well as slower than planned project implementation. OAI recommended the establishment of a reporting plan as well as the recruitment of a Budget Specialist in order to strengthen the PR's reporting capacity.

54. OAI noted that there were long lead times/delays in the supply of certain drugs (typically six to nine months) by the country office.

55. Prior to this DRC country audit, OAI conducted a special review in response to allegations that UNDP-managed Global Fund projects in DRC suffered severe stock-outs of ARVs. OAI noted that during the review period (1 July 2007 to 20 June 2008) the UNDP-managed Global Fund Project in DRC never exhausted its one-month security stock of ARVs. However, the review also found that inventory levels were sometimes low. OIG established that stock-outs on a limited number of other health products have occurred on several occasions (but were not reviewed by the OAI).

56. These shortfalls were resolved by borrowing stocks from other agencies working in the country, mainly WHO. OAI believed that this contributed to rumors of stock-out at UNDP. SRs were also involved in borrowing commodities and swapping activities. The review did not find any indicators that the described shortfalls led to interruptions of patients' treatment cycles.

57. The suspension of business with Missionpharma (MP) and World Response Consultants was identified as the main contributing factor to these supply problems in DRC. In fact, the in-house Procurement Supply Management team, which was established at the UNDP country office to provide services previously rendered by MP, was still not fully staffed at the time of OIG review. In addition, the review identified workflow and communication problems between the Global Fund project team and the Service Centre within the UNDP country office. OIG has made recommendations to the country office to address these issues.

58. An additional factor that contributed to the supply problems was the absence of a legal framework between UNDP and the Global Fund during the transition period between Phase I and Phase II of the Round 3 HIV and Malaria grants. In consequence, no disbursements were made to these grants pending signature of the Phase II grant agreement.

Other UNDP-related issues arising from the OIG audit

59. The UNDP support cost paid by the Global Fund Program is governed by the correspondence between Global Fund and UNDP. This has amounted to over US\$ 12.6 million over the past six years. A letter from UNDP on 2 May 2008 confirmed the following arrangements:

- (a) The 7 percent standard rate is the maximum rate that will be applied to all Global Fund grants where UNDP is Principle Recipient (up to May 2009 has had involved payments of over US\$ 12.6 millions);
- (b) For Phase II renewals of grants for which negotiation were initiated prior to 1 January 2008, a rate of 5 percent will apply; and
- (c) For all other Phase II renewals, the terms of the new cost recovery policy will apply, with a rate of 7 percent.

60. OIG noted that in addition to the UNDP support cost, UNDP allowed the SRs/SSRs to charge 5 percent for what is referred to as an “SR management fee”. The total payment to SRs by May 2009 was US\$ 58 million bringing the SR management fee paid to almost US\$ 3 million. Based on the selected sample of SR expenditure on support cost, it was evident that the utilization of this fee varied and could not be supported in many instances. Cases were noted where an SR implementing several programs received 5 percent for the different programs they managed.

61. Furthermore, there were multiple levels of management fees. UNDP as well as its SRs, SSRs and SSSRs all charged a management fee on the same funds. For example, in the TB program, UNDP, the one SR and three SSRs all charged a management fee. As a result of this, the overall management fee escalated from 5-7 percent to 20-22 percent of costs thus reducing the amount of money available for implementing Global Fund programs and fighting the three diseases.

Recommendation 1 (High)

The LFA should review the eligibility of all management support fees charged by UNDP to the Global Fund program. The LFA should on the basis of the report findings review and recommend the most cost-effective way to cover the reasonable costs of implementers.

Compliance with the grant agreement

62. The Global Fund signed six grant agreements with UNDP and these agreements require UNDP to comply with the conditions in the grant agreement and the laws and regulations of DRC. This would ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks to which Global Fund money is exposed. Instances of non-compliance were noted especially relating to audit arrangements e.g. submission of SRs audit plans, submission of audited biennial financial statements and delayed submission of quarterly reports.

Recommendation 2 (Significant)

The PR should ensure compliance with all the terms and conditions stipulated in the grant agreement. This will strengthen the control environment in which Global Fund programs are being implemented.

IV. Grants Management

Background

63. UNDP implements the grants activities through Sub-Recipients and sub-SRs (sub-sub-recipients). The PR has contracted over 63 SRs. The total disbursements to SRs is about US\$ 58 million as at June 2009 which is 32 percent of the total amounts disbursed by the Global Fund to UNDP. Twelve out of 63 SRs funded by UNDP were selected for review as part of the OIG audit based on a risk analysis undertaken by UNDP, materiality of the amounts involved, representations from the program managers for the three diseases and a selection of active and non-active SRs. The total amount disbursed to these 12 SRs was US\$ 41 million i.e. 72 percent of the total grant money disbursed to SRs. However, this amount excludes medical supplies and equipment procured directly by the PR.

64. The 12 SRs audited were Deutsche Gesellschaft für Technische Zusammenarbeit-International Services (GTZ-IS), Cordaid, Actions Communautaires contre le Sida - Avenir Meilleur pour les Orphelins- Congo (ACS/AMOCONGO), PNLS, Conseil National des ONG de Santé (CNOS), PNMLS, PNTS, PNLP, PNT, Horizon Santé, Association de Santé Familiale (ASF) and Eglise du Christ au Congo (ECC/IMA). Details on the grants managed by the 12 SRs are presented in Appendix 2. The OIG's audit identified common weaknesses that cut across the various SRs that should already have been identified by the UNDP. Their failure to do so is a reflection of the UNDP's management of the grants. These are elaborated in the paragraphs below.

Findings

65. UNDP did not have a manual that set out the mandatory systems, policies and procedures that SRs responsible for implementing grants were obliged to comply with. This resulted in significant internal control weaknesses at SR/SSR level and exposed Global Fund resources to the risk of loss. An example is the misinterpretation of the allocation of administration fees and overheads at SR and SSR level which resulted in an overcharge of indirect costs to grants in three of the SRs audited of US\$ 101,021.

66. The lack of proper guidance from UNDP contributed to the internal control weaknesses noted across the SRs as listed below. A weak internal control environment undermines the ability of the SRs to safeguard resources and as a result exposes the GF resources to loss, mismanagement and/or misuse.

- (a) there were weak cash management controls as evidenced by the failure to prepare timely bank reconciliations, failure to undertake regular and surprise cash counts and the holding large cash amounts due to having

- undefined cash limits;
- (b) ten out of the 12 SRs audited had long-outstanding advances that had not been accounted for at the time of the audit;
 - (c) Most SRs reviewed undertook procurement of non-medical supplies e.g. publication of AIDS/HIV material, TV/radio advertisements, office suppliers and stationery, conference facilities and car hire services etc without following procurement best practice;
 - (d) Some SRs had inter-project borrowing;
 - (e) Data backups were not prepared by all SRs and stored off-site implying that critical information may be lost in the event of an unforeseen disasters such as a fire; and
 - (f) There were inadequate fixed-asset and stock management controls as evidenced by poor storage facilities, absence of inventory listings, lack of periodic physical verification exercises and assets not being tagged.

Recommendation 3 (High)

(a) *UNDP should establish and implement comprehensive grant management procedures that cover all areas of grant management for the SRs. Reference to this manual should be made in the grant agreement that SRs are obliged to comply with. The policies and procedures should at least cover the following:*

- *Disbursement and accountability;*
- *Programmatic and financial reporting (including formats);*
- *Budget tracking and analysis;*
- *Maintenance of accounting records;*
- *Monitoring and inspection of SR and SSR performance;*
- *Guidance on internal and external auditing;*
- *Assets management including inventory management;*
- *Charging of administration and overhead costs;*
- *Accounting for contributions in-kind;*
- *Identification and reporting on social marketing; and*
- *Procurement policies.*

(b) *UNDP should develop and introduce standard templates for reporting of financial and programmatic results. An enforceable reporting timetable should be developed for SRs and their compliance with the timetable should be one of the criteria for assessing performance.*

(c) *UNDP should have an established threshold for overhead costs. This will ensure that funds are used for their intended purposes i.e. fighting the three diseases.*

67. UNDP is responsible for ensuring that SRs have capacity to implement GF grant programs. Although SR assessments were undertaken, there was no

evidence that UNDP undertook any initiatives to address the capacity gaps at the time they were identified i.e. in 2007. UNDP only undertook training of SRs in late 2008.

Recommendation 4 (Significant)

The PR should train all SRs should be undertaken to inform them of the Global Fund and UNDP's expectations as elaborated in the grant agreements. This will address capacity gaps and ensure uniform and strong internal control across all SRs/SSRs involved in program implementation. Such training should provide details about the basic internal control system that is mandatory for managing and safeguarding Global Fund grant monies. It should also cover the basic books of account and records that be maintained as well as the formats that should be followed in programmatic and financial reports. Future UNDP training should address the deficiencies in book keeping and internal control processes identified in this audit.

68. OIG reviewed the adequacy of the books of accounts maintained and internal control systems by SRs/SSRs in recording and reporting transactions. Exceptions noted in the SR finance functions were:

- (a) There were some SRs that were maintaining manual books of account raising the risk of errors in recording, processing and reporting Global Fund transactions;
- (b) There were no guidelines on how program advances should be addressed. Most of the SRs audited had not liquidated accountabilities received at the time of the audit;
- (c) Budgeting as a control mechanism was not operational at most of the SRs. UNDP should have developed guidelines for budget control in areas such as budget preparation, eligible expenditure, cost ceilings, budgetary allocations, approvals, budget revisions, allowable rates for per diems and incentives etc. Budget reallocations were made without obtaining requisite authority. Budget/actual analyses were also not undertaken;
- (d) Financial reporting to the Global Fund was driven more by request for disbursements of funds to SRs as opposed to complying with the reporting requirements;
- (e) There were no standardized reporting formats by SRs to UNDP. The information provided by different SRs differed, raising a challenge for consolidation of results for reporting purposes;
- (f) At the time of the audit, it was noted that PNMLS had not submitted any financial reports to UNDP;
- (g) Instances of late submission of financial reports were noted;
- (h) OIG noted that the expenditure reported by GTZ-IS was based on estimates and not actual expenditure;
- (i) In-kind contributions were not recognized in financial reports;

- (j) Documentation relating to the Global Fund program activities was not stored well to enable the fast retrieval of documents. Horizon Santé did not have financial supporting documents for quarters 1 to 8; and
- (k) Some instances were noted where the financial reports to UNDP were not in agreement with the underlying books of account.

Recommendation 5 (High)

- (a) *UNDP should strengthen the finance functions of the SRs it funds. This measure taken should include utilization of an accounting package and maintenance of up-to-date financial records. All outstanding accountabilities should be followed up with immediate effect to establish whether the funds were used in accordance with program objectives and to establish any balances that remain unaccounted for before further disbursements are made. UNDP should also develop proper budget control guidelines as part of the policies manual for use at the SR level.*
- (b) *Horizon Santé should submit all financial supporting documents for the period quarters 1 to 8 to UNDP before any further disbursements are effected. Otherwise, Horizon Santé should reimburse all advances made by UNDP since without these supporting documents, there is no evidence that the Global Fund resources were used for their intended purposes.*

69. Grant agreements contain conditions that should be in place to safeguard the GF grants. Grant agreements were signed between UNDP and its SRs. A review of the grant agreements signed between UNDP and SRs revealed the following:

- (a) The grant agreement with PNT was not dated. The grant periods as well as the amounts to be provided under the two phases were also not defined;
- (b) OIG noted that activities continued to be undertaken by PNMLS, ASF and Horizon Santé for grant agreements that expired in June 2008;
- (c) Instances of non-compliance were noted especially in regard to financial reporting, audit and conflict of interest/ anti corruption; and
- (d) There was no evidence that UNDP reviewed compliance with the grant agreement by SRs and SSRs.

70. OIG reviewed the audit arrangements at SR and SSR level. The grant agreement between UNDP and the SRs does not set out minimum acceptable audit practices. The weaknesses noted with audit arrangements at SR level were:

- (a) Some SRs/ SSRs did not have audited financial statements;
- (b) For those with audited financial statements, some SRs/SSRs had qualified audit opinions;
- (c) There was no evidence that UNDP considered and addressed the audit

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- findings with the SRs; and
- (d) For the SRs receiving significant amounts of Global Fund money, there was no internal audit function.

71. OIG's review of the SR audit reports revealed the following instances of qualified reports for 31 December 2007. As already mentioned, the OIG did not see evidence of the follow-up of the issues raised even though many of them were considered to be serious:

Sub recipients	Basis of qualification
GTZ - IS	- Expenses amounting to US\$ 134,637 for the year 2006 were accounted for in 2007 which implies that expenditure was recognized in the wrong period; - There were unsupported expenses amounting to US\$ 400,000; and - The balance in the general ledger could not be reconciled to that held as cash and in the bank. The cash and bank balance was US\$ 1,742,293 and the GL balance was US\$ 1,342,785.
Cordaid	US\$ 289,548 was pre-financed by Cordaid for GF program expenditure without authorization from UNDP.
ACS/AMO-CONGO	- Actual expenditure for "other direct costs" exceeded budget by 33 percent. This was not authorized by the PR. - US\$ 287,812 was pre-financed by the SR without authorization from PR.
CNOS	- US\$ 96,380 was not supported; - US\$ 406,523 disbursed to SSRs were not audited; and - No bank reconciliations were prepared during the period under review.
PNMLS	- There were no confirmations from SSRs that they had received US\$ 56,219; - US\$ 432,332 was unsupported; and - A disbursement of US\$ 11,000 was made to an SSR that was not in the pre-approved SSR list of UNDP.
PNTS	The PR transferred US\$ 319,593 to this SR but the SR records showed US\$ 219,593. The difference of US\$ 100,000 was accounted for in 2008.
PNT	- Actual expenditure exceeded budget by 20 percent. This was not authorized by the PR. - SR procured goods worth US\$ 15,369 without complying with the related procurement policies.
ECC - IMA	The PR transferred US\$ 261,546 to this SR but the SR records showed US\$ 287,855. The variance remained unresolved at the time of the audit.
ASF	- Expenditure worth US\$ 228,847 was spent under the Human Resources category for expatriate salaries without justification; - Expenditure for training and planning worth US\$ 131,802

Sub recipients	Basis of qualification
	cannot be reconciled to the financial statement and general ledger. There is an over expenditure of US\$ 22,376; • Expenditure for goods and services in the general ledger was US\$ 35,841 and it cannot be reconciled to the financial statements which show a negative balance of US\$ 2,800; and • The general ledger for other expenditure could not be reconciled to the figure in the financial statements. The amount in the general ledger was US\$ 41,086 and the amount in the financial statements was US\$ 33,558.

Recommendation 6 (Requires attention)

- (a) *UNDP should review all its grant agreements with SRs to ensure that they contain appropriate information to safeguard Global Fund interests invested in the SRs. All weaknesses noted should be addressed. The SR grant agreements should include a mandatory requirement for annual audited accounts. UNDP should ensure that corrective action plans are developed and implemented for all SR audit findings. Further, larger SRs should consider the need for an internal audit function.*
- (b) *UNDP should follow up and resolve all the qualifications of SR financial statements. All unsupported and unexplained variances should be recovered.*

72. SRs did not undertake visits to their SSRs to assess the implementation of program activities and verify the systems, records and results reported in regard to Global Fund activities. This resulted in delays and errors in financial reporting.

Recommendation 7 (Requires attention)

UNDP should ensure that all its SRs have proper monitoring frameworks for their SSRs. These should cover:

- *Well-defined indicators and targets at SR and SSR level against which performance can be measured;*
- *Plans detailing when, how and whom monitoring will be undertaken;*
- *Methods of data collection and verification for reporting;*
- *Site visits covering financial and programmatic aspects; and*
- *Follow-up of findings and provision of feedback to SSRs.*

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73. The table below provides a summary of the common weaknesses noted by SR:

	PNLS	PNLP	PNT	PNMLS	ACS/ AMO- CONGO	PNTS	ASF	HORIZON SANTE	CNOS	GTZ IS	EEC IMA	Cor id
There was a lack of awareness of conflict of interest, anti fraud and corruption processes.	✓	✓	✓	✓	✓	✓	✓	✓	✓			
Program activities continued to be undertaken after the grant agreement had expired.				✓			✓	✓				
No comparisons of actual expenditure against budget were undertaken	✓	✓	✓	✓		✓		✓	✓	✓	✓	
Manuals and Guidelines on Global Fund's operational and financial requirements were not yet developed.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lack of capacity development and training on Global Fund financial accounting requirements by the UNDP	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
No evidence of self review of grant compliance by SRs and SSRs.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Absence of formal budget preparation guidelines outlining the budgeting process, eligible expenditure, cost, ceilings, budgetary allocations, approvals, budget revisions, allowable per diem and incentives.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Lack of analyses on regular budget to actual resulted in weak tracking of budget utilization and unapproved over-expenditures.	✓	✓	✓	✓		✓		✓	✓	✓	✓	
No process for approving expenditure which has exceeded approved thresholds.	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	

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	PNLS	PNLP	PNT	PNMLS	ACS/ AMO- CONGO	PNTS	ASF	HORIZON SANTE	CNOS	GTZ IS	EEC IMA	Corda id
Lack of understanding regarding administration fees and allocation of overheads at SR and SSR level. In the SRs identified, the administration fees varied between 6 percent and 12 percent, against a threshold of 5 percent.			✓	✓			✓					
Use of manual and/or MS Excel based financial systems, which are not integrated with stocks and procurement reporting systems.		✓	✓					✓	✓			
No evidence of structured plans for field visits to outposts and SSRs to ensure timely and accurate reporting on implementation of budgets and work plans.		✓		✓			✓	✓	✓			
A number of weaknesses of the financial reports and reporting process for: 1) No standardized reporting formats and minimum reporting requirements were not defined; 2) Financial reporting is tied to request for funds; 3) Late of submission of financial reports; 4) At GTZ-IS, expenditure reported were based on estimates; 5) In-kind contributions are not currently recognized in financial reports.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Instances where cash and bank reconciliations were not prepared reviewed and approved.				✓				✓	✓			

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	PNLS	PNLP	PNT	PNMLS	ACS/ AMO- CONGO	PNTS	ASF	HORIZON SANTE	CNOS	GTZ IS	EEC IMA	Corda id
Lack of other forms of reconciliations, e.g. grants funds per PR/SR, programme advances, etc.	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	
Lack of surprise and regular cash counts			✓	✓	✓				✓			
Inadequately defined cash holding limits						✓		✓	✓			
There was no use of cash forecasts	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Instances of delays in securing accountabilities and liquidating advances	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
No guidance on inter-project borrowings resulting in Global Fund funds being used on non-Global Fund activities		✓	✓									
Frequent use of cash to effect payments		✓	✓	✓	✓	✓		✓	✓	✓		
Instances of noncompetitive procurement by SRs for non-medical supplies including publication of AIDS/HIV material, TV/radio advertisements, office suppliers and stationery, conference facilities and car hire services.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Absence of inventory listings							✓	✓	✓			
Instances where assets were not tagged	✓	✓	✓		✓	✓	✓		✓	✓		
Audit arrangement:			✓	✓	✓	✓	✓		✓	✓	✓	✓

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	PNLS	PNLP	PNT	PNMLS	ACS/ AMO- CONGO	PNTS	ASF	HORIZON SANTE	CNOS	GTZ IS	EEC IMA	Corda id
- Instances where no external audits were carried out or; - For year 2007 financial period, nine qualified audit reports or; - No evidence of documented internal corrective action plans for audit findings or; - Absence of internal audit functions.												
Lack of data backup and off-site storage.	✓	✓	✓	✓	✓	✓		✓	✓	✓		
Weak document storage or missing project document	✓	✓	✓	✓	✓	✓		✓	✓	✓		

Association de Santé Familiale (ASF) - Proposed PR

Background

74. L'Association Santé Familiale (ASF) is a nonprofit and non-governmental organization. ASF was created on the 25 March 1990. The main objective of ASF is to create and support actions which promote family health. At the time of the audit, ASF had signed a grant agreement with UNDP as an SR for the HIV/AIDS program for US\$ 1,901,515 and for the Malaria program for US\$ 706,549. This NGO was selected for a detailed review because it is one of the new PRs proposed by the CCM.

Contracting party

75. The National Reconstruction Planning Ministry (Ministère du Plan de Reconstruction Nationale) has registered this NGO as "L'Association de Santé Familiale" (ASF). However, all legal and financial documents issued either by the SR (ASF) or the PR (UNDP) also include the name of another NGO "Population Service International" (PSI). OIG could not establish what the relationship between the two NGOs was. The only relationship that seemed to exist between the two was that one of the founding members of ASF was the president of PSI. The PR and the PSI appointed administrator-delegate of ASF acknowledged that there was no legal relationship between the two organizations and committed to taking actions to address this issue.

76. Such an anomaly should have been picked up in the LFA assessment of the potential PR under the Round 8 grant when it undertook the institutional assessment of ASF (not PSI). Better still, UNDP should as part of its assessment have picked up this anomaly before contracting them as an SR. The consequence is that it is unclear on what legal basis PSI was involved in the grant activity and has access to Global Fund funds. Having two organizations involved without a clear relationship poses a risk of confusion over who is responsible for what and who takes responsibility, should any disputes arise during program implementation.

Recommendation 8 (High)

The legal status of ASF and PSI should be clarified immediately. If the PR for Round 8 is PSI then the LFA should undertake another assessment to ensure that PSI has the capacity to manage Global Fund grants. The Global Fund should not sign an agreement with this PR until their legal status is clarified.

77. UNDP signed its initial grant agreement with ASF/PSI as SR on 19 August 2005 with an initial amount for US\$ 1,901,515. This contract related to the HIV/AIDS program and has been amended seven times, either to extend the

duration or to change the amount. The second grant agreement was signed on the same date for US\$ 706,549 and related to the Malaria program. It was amended three times to extend the duration or change the amount. Most of these amendments were made after the expiry of the dates of the agreements meaning that there were periods during which program implementation was not covered by a legal document due to the delays in signing the contract amendment. This exposes Global Fund assets held by the SR to the risk of loss without any possible remedial action during the periods that are not covered by any legal documentation.

78. The targets set for the initial HIV/AIDS program grant agreement were the distribution of 30 million condoms. However, this target was not met at the end of the initial grant agreement date due to delays in the procurement and delivery of condoms by UNDP. The grant agreement was signed on 19 August 2005, but the first condom delivery happened in May 2006, i.e. almost after nine months from the signature of the agreement. ASF borrowed USAID's condoms for distribution until they took delivery of the ones from UNDP. This necessitated an extension of the agreement term due to the delay in the procurement process by the PR resulting in an increase in ASF's human resource budget from US\$ 445,815 to US\$ 1,006,708. Initially the human resources budget represented 23 percent of the ASF total budget and this increased to 53 percent of the total budget by the end of the project.

Recommendations 9 (Significant)

(a) UNDP should ensure that all inputs for program implementation are provided timeously. Proper procurement planning would ensure that the inputs are available when required for program implementation.

(b) UNDP should ensure that contract amendments are signed before the end of the contract.

(c) In the future such cost overruns should not be met from the program funds and should be recovered from the PR.

79. The grant agreements signed with this SR provided for ASF to conduct social marketing for 30 million masculine condoms and 196,000 bed nets in urban centres. The condoms were mostly sold to main suppliers and not to end users as intended. The price per box containing 540 condoms was US\$ 5 and US\$ 3 for conical bed nets and US\$ 2 for serena bed nets. However, the issues related to this activity were:

- (a) proper controls were not instituted by UNDP or ASF to ensure that the health products reached their intended users at a minimal cost;
- (b) The agreed upon price for sale by the suppliers was very high thus making the nets and condoms unaffordable to a large section of the

- intended population;
- (c) There was no mechanism in place to follow up suppliers and ensure that they stuck to the maximum price agreed upon with ASF;
- (d) The creation of various middlemen inevitably pushed up the price. Without proper monitoring in place, there was also no guarantee that the products were sold at the agreed upon prices.
- (e) ASF did not have a system to accumulate data to support the results reported under these activities. UNDP did not have an effective system in place to monitor the activities that relate to social marketing.

80. Paragraphs 120 to 125 consider the service delivery implications of social marketing.

81. OIG's review of ASF's income generated from program activities revealed the following:

- (a) The income from nets of US\$ 463,142 and condoms of US\$ 313,000 was not recorded in the financial statements provided by ASF to UNDP. The grant agreement signed between the Global Fund and UNDP requires that all income from program activities should be accounted for and used solely for program purposes. As a good practice, activities funded from these activities would need to be approved by the CCM because they are not part of the work plans and budgets;
- (b) At the time of the audit, part of this income i.e. US\$ 71,888 had already been used to pay expenditure related to the shipment of condoms. There was no evidence that the use of the program generated income was approved by the CCM;
- (c) Furthermore, at the time of the audit, the income from the sale of condoms under HIV/AIDS projects had not been returned to UNDP, despite the program ending in 2007; and
- (d) ASF informed the OIG that the program bank accounts did not generate any interest income.

Recommendation 10 (High)

- (a) *In accordance with the grant agreement signed with UNDP, all income generated from program activities should be recorded and reported to the Global Fund. UNDP should present to the CCM a work plan on the proposed use of program generated income for approval before it is spent.*
- (b) *UNDP should recover all income generated from program activities from ASF.*

Recommendations 11 (Requires attention)

UNDP should commission an evaluation of the impact of social marketing in order to confirm that the products reach their intended beneficiaries and that the program objectives are achieved. Lessons learned should be used to strengthen the control environment within which social marketing operates and how it can be improved to make it more effective.

82. There were weaknesses in the grant agreement signed between UNDP and ASF. Although the ASF was contracted to promote, distribute and sell the products received from UNDP e.g. condoms and bed nets, the contracts did not stipulate the prices at which such products should be sold to the intended beneficiaries. This raised the risk of over pricing the products resulting in the goods not reaching their intended beneficiaries. As an example condoms and bed nets priced at rates that were prohibitive to the intended beneficiaries. Other issues relating to social marketing are consider further at paragraph 120 to 125.

83. Moreover, the contracts did not specify to whom ASF would sell the products which were provided freely by UNDP. ASF informed OIG that some of these products were sold to bulk suppliers. However, ASF could not confirm that the products reached their intended beneficiaries. Without the assurance that products reached their intended beneficiaries, one cannot say the program is achieving its objectives.

84. The contracts also did not stipulate that the revenues generated from sales and the expenditure related to those revenues should be included in the financial statement or regular reporting mechanism for this activity. This is contrary to the grant agreement signed between UNDP and the Global Fund that states that all funds raised from program activities should be reported and used for program activities.

85. UNDP did not develop a proper system to monitoring of the implementation of the program activities and to measure the results achieved against targets agreed with ASF. At the time of the audit, there was no information available about how many of the products had reached their intended beneficiaries. The only information available was in ASF's program report which that stated the numbers of condoms and nets distributed by ASF without providing any assurance that they reached their intended beneficiaries.

Recommendation 12 (Significant)

UNDP should modify the clauses of its agreement with ASF to cover:

- (a) Acceptable pricing to ensure that the products reach the intended beneficiaries;
- (b) A monitoring system to ensure that the products reach their intended beneficiaries and program objectives are achieved; and
- (c) Revenues collected from the social marketing activities are recorded, reported and reach the intended population according to the program objectives i.e. in reasonable numbers and at a reasonable price.

86. At the end of the two and a half year program, ASF reported that it had achieved its targets i.e. 38.5 million condoms and 196,000 bed nets had been sold and educators trained. However, this came at a price of lost time as the grant agreement had to be amended several times and at an extra cost. The reallocation of the budget across the various budget lines without necessarily affecting the overall performance of the program points to less value for money being achieved than was initially planned i.e. less output was obtained for the inputs provided than planned. It also points to the budgeted figures being inflated as evidence by ASF's ability to meet objectives using less funds. The table below summarizes the changes in the budget after all the amendments had been made.

	Initial budget US\$	First amendment US\$	Second amendment US\$	Third & Final budget approved
Human resources	445,815	639,395	1,006,708	1,006,708
Infrastructure/ Equipment	27,500	21,066	21,066	21,066
Training/Planning	74,900	79,400	100,553	100,553
Merchandise/ Products	464,780	42,490	42,490	42,490
Monitoring and Evaluation	155,000	114,449	119,449	119,449
Other direct costs	274,000	263,645	263,645	331,942
Field activities	368,971	230,944	230,944	230,944
Management fee (5%)	90,549	69,569	89,242	92,657
Total	1,901,515	1,460,958	1,874,097	1,945,809.

87. At the end of the HIV/AIDS program, ASF had spent US\$ 1,806,167 of the total budgeted amount of US\$ 1,945,809. While ASF did not exceed the overall budget, OIG noted that the actual expenditure of some budget lines significantly exceeded budgeted amounts e.g. training and planning where the budget was US\$ 100,553 but actual expenditure was US\$ 376,951 as detailed the table below. The over spend on this budget line was funded by left over balances from other budget lines.

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	Final budget approved US\$	Actual expenditure US\$	% of expenditure to approved budget
Human resources	1,006,708	957,489	95%
Infrastructure/ Equipment	21,066	20,652	98%
Training/Planning	100,553	376,951	375%
Merchandise/ Products	42,490	26,094	61%
Monitoring and Evaluation	119,449	53,772	45%
Other direct costs & Field activities	562,886	285,199	51%
Management Fee (5%)	92,657	86,007	93%
TOTAL	1,945,809	1,806,166	93%

88. Significant budget over and under runs after three budget amendments are a reflection of weaknesses in the planning and budgeting process. Because significant budget overruns such as these do not affect the overall budget, it suggests that the budget estimates were overstated. Such significant budget overstatements should ideally be identified and resolved at the time of assessing the reasonableness of budget estimates and assumptions at the planning stage.

89. The grant agreement signed between the UNDP and ASF stipulates that the SR should not exceed the budgeted amounts for any budget line without obtaining pre-approval from UNDP. OIG noted that the over expenditure in training and planning noted above that was equivalent to 375 percent over budget was not pre-approved by UNDP.

Recommendation 13 (High)

UNDP should strengthen the budgetary control function by reviewing the budget assumptions and estimates for reasonableness before they are approved. This will ensure that the estimates provided are reasonable. In order to enforce budgeting guidelines put in place, UNDP should inform its SRs of the consequences of SRs exceeding 20 percent of their budgets without obtaining pre-approval from the PR. This should constitute ineligible expenditure and be refunded.

90. The agreements between UNDP and ASF included 5 percent of the total budget as the management fee (frais de gestion). In addition to the 5 percent management cost, ASF also charged other direct cost such as bank charges, rent, other cost related to management etc. This brought the total budgeted cost for administration-related costs to over 22 percent as reflected in below.

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	HIV/ AIDS Program		Malaria Program	
	Amount disbursed US\$	Percentage of program disbursement amount	Amount disbursed US\$	Percentage of program disbursement
5% management fee	86,007	5	33,610	5
Other overhead costs e.g. rent, bank charges, running cost	285,199	16	119,528	17
Total	371,207	22	153,138	22

91. The Global Fund grant agreement with UNDP stipulates that its resources shall only be used for covering program-related costs. Based on this, OIG sought to understand the justification for the 5 percent charged as a management fee to the Global Fund program. OIG noted the following discrepancies:

- (a) OIG noted that the management fee was not included in ASF's financial statements. This suggests that the amount that has been spent under this budget category cannot be accounted for and may have been used for activities that do not relate to Global Fund activities.
- (b) There was no justification for the percentage charged i.e. 5 percent. Any organization should come up with a management fee after identifying all the overhead costs that would be incurred as a consequence of undertaking program activities. This should be cost based without any profit element attached to it.
- (c) OIG noted that ASF did not have a mechanism for allocating operational/ administrative costs amongst its donors. Although ASF was handling many projects alongside the Global Fund ones, costs were allocated in a haphazard manner. Some monthly expenditures which should have been shared among the donors were directly charged to the Global Fund e.g. rent, fuel etc. ASF explained that such mechanism did not exist at the time of the audit but that they were in the process of establishing one.
- (d) ASF was unable to provide supporting documentation for the costs that were covered by the management fee was applied to. ASF explained that the management fee was considered a lump sum payment given to PSI and that they were not obliged to justify it.
- (e) In addition to charging the 5 percent management fee, ASF still charged the Global Fund program for other administration-related costs like rent, bank charges, human resources etc which were the type expenditure that should have been covered by the management fee paid by the Global Fund. Paying for the costs and then charging a management fee represents a double charge to the Global Fund.

Recommendation 14 (High)

- (a) *UNDP should develop proper guidance for the management fees charged by SRs. Such guidance should include the following:*
- *Justification for the management fee charged to the Global Fund program. The management fee cannot be a flat fee charged by all SRs but should be derived from an estimate of the additional costs that an organization incurs in managing Global Fund grants. Such fees should be based on cost estimates and not include any profit element;*
 - *All SRs that charge the Global Fund for management fees should provide UNDP with their rationale for sharing costs among their various funders to ensure that the Global Fund is not carrying the costs of other funders and to rule out the possibility of double dipping by the SRs.*
 - *Once management fees are paid, UNDP should identify what costs such fees will cover and ensure that these are not charged separately by the SR to the Global Fund; and*
 - *All management fees should be recorded and accounted for in the SR's financial statements.*
- (b) *UNDP should seek an explanation for the management fees charged to the Global Fund not being recorded in ASF's financial statements. In the event that these funds were not used for Global Fund program-related activities and cannot be accounted for, UNDP should seek a refund from ASF.*

92. Two separate bank accounts were opened at City Bank Congo (821-400117-136 for Malaria and 821-40017-128 for HIV/AIDS) exclusively used to receive funds and income and also to pay expenditures related to the programs. OIG observed that the two bank accounts were mostly used to receive project disbursements from UNDP, and later some of the funds were transferred to another account (821-40017-101) in which the funds for all other donors were held. This represents commingling of funds which is unacceptable under Global Fund policies that provide for transparency and traceability of its funds.

93. In the event that Global Fund monies are commingled with other donor funds, proper books of account should be maintained and reconciliations prepared that show what Global Fund monies have been spent on and what share of the remaining bank balances relates to the Global Fund. OIG noted that ASF could not isolate what portion of the bank balances related to the Global Fund. Commingling of donor funds without a proper supporting accounting system raises the risk that Global Fund resources will be used to fund activities that are not related to its programs.

Recommendation 15 (Significant)

Global Fund resources should not be commingled with funds from other donors. In the event that this happens, proper books of account should be maintained and reconciliations prepared that show what Global Fund monies have been spent on and outstanding balances at any point in time. As part of its site visits, UNDP should verify that Global Fund monies are not commingled with the funds of other donors.

94. OIG noted that there was a misclassification of expenditure across budget lines. An example is training costs that were charged to the human resources budget line. ASF could not explain why expenditure was charged to incorrect budget lines. The misclassification of expenditure suggests that financial statements are not representative of the actual activities and transactions that took place. OIG also noted that noted variances between budget and actual expenditure that could not be explained. ASF commented that the charging of expenditures to different budget lines was agreed by UNDP. However, ASF could not provide OIG with documentary evidence of such authorization and UNDP's program officer denied having authorized such a practice.

Recommendation 16 (Requires attention)

Misclassification of expenditure by budget line should be discouraged since it misrepresents the actual financial transactions that have taken place and therefore provides a false impression of what actually happened.

95. OIG noted the following expenditures that were either not supported or were ineligible i.e. were either not budgeted or the costs incurred were not related to program activities:

- (a) US\$ 40,205.72 was charged to the HIV/AIDS program for expatriates' salaries yet this was not in the approved program work plan and budget. These expatriates were contracted by PSI. Additional charges to the Global Fund relating to these expatriates were for two amounts i.e. US\$ 15,873.04 and US\$ 82,687.74. ASF explained that the first amount was charged to pay taxes related to the expatriates from the United States of America and the second amount corresponded to their related overhead costs. This represents charges to the Global Fund for people that the Global Fund does not have contractual obligations with and is ineligible expenditure amounting to US\$ 138,765.
- (b) OIG also observed that there is some expenditure that was not in the

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approved work plan with UNDP as detailed in the table below. This amounts to US\$ 35,849 and is ineligible since it was incurred on activities that were not program-related:

Date	Vr. Number	Description	Amount paid US\$
Project number 2696			
05.08.2006	2870	Country representative rent for May to July 2006	9,000
05.11.2006	KN06/05/24	Rent May, June and July	3,750
02.22.2007	KN07/02/59	Allowance	378
08.28.2007	19494	Security expense for one staff member paid for August 2007	1,169
10.07.2005	K2005/10/10	Education Allowance	30
12.21.2007	JKN/7/12/35	Staff and Family's visas purchase	627
08.23.2006	KN06/08/33	R&R/Home Leave Airfare	493
05.12.2006	KN06/05/30	Airfare to Washington	8,154
Project number 2697			
01.11.2007	KN07/01/12	child Passport purchase	189
10.02.2006	JKN06/10/1	R&R/Home Leave Airfare	1,710
10.04.2006	KN06/10/13	R&R travel paid 'complement'	58
12.22.2006	JKN06/12/11	Airfare Training mission to Nairobi	983
01.12.2007	JKN07/01/6	Air ticket purchase for one staff to Boston	7,485
11.14.2006	JKN06/11/2	Per diem fees mission to Ouagadougou	828
07.25.2006	JKN06/07/13	Airfares to Washington	760
07.25.2006	JKN06/07/13	Per diem to Washington	280
Total			35,849

Recommendation 17 (High)

UNDP should recover all ineligible costs noted above from ASF that is the US\$ 138,765 used to cover expatriate-related costs and the US\$ 35,849 that was not in the work plan and budget.

V. Program Management

Service Delivery

Tuberculosis

96. According to the World Health Organization (WHO), around 22 countries account for about 80 percent of Tuberculosis in the world. The DRC is ranked as the 11th among the 22 countries most affected by Tuberculosis in the world and is in the 5th position in Africa. Until 2008, the DRC had detected and treated free of charge approximately 102,000 cases of tuberculosis. The country has a detection rate of 67 percent close to the threshold recommended by WHO of 70 percent. The cure rate of all forms of TB in the DRC is 81 percent while the rate recommended by WHO is 85 percent. According to the National Program against Tuberculosis (PNT), the extent of HIV/AIDS among TB patients in DRC is difficult to assess because only 10 percent of TB patients have access to HIV testing. TB patients are willing to get tested for HIV, but this test does not exist in many health facilities in the DRC. The total cost of the 2006-2015 Tuberculosis strategic plan is estimated at more than US\$ 500 million.¹

97. The National Program against Tuberculosis (PNT) manages its program in a decentralized way with provincial coordination, health zones and health centre involvement. The PNT has established the TB Task Force which brings together all key actors i.e. implementing partners and donors in the fight against tuberculosis by coordinating their activities. The strategic plan and operational plan has been developed with the participation of all partners. The forecast for the procurement of drugs and reagents is prepared by the PNT and its partners for the entire country. The Global Fund contributes two thirds of this budget. The PNT receives and ensures the distribution of drugs and reagents to all provincial coordinators and across all HGRs and health centres.

98. Despite the fact that PNT has been recognized by and integrated within the international partners of the International Union Against Tuberculosis and Lung Disease 'the Union' (IUATLD), the Damien Foundation, WHO and Global Drug Facility (GDF), UNDP has established a parallel PSM structure for the Global Fund TB program. The parallel structures created are ineffective in ensuring the timely supply of health products resulting in PNT having to increase the buffer stock held from 6-12 months to 18 months.

¹ Tuberculosis Strategic Plan, 2006-2015

Recommendation 18 (High)

As far as is practical and in compliance with the Global Fund principle of using national systems, UNDP should move towards using the national systems in place to implement the TB program. PNT's capacity should be assessed and a capacity enhancement plan developed to strengthen it to a level where it can take on the responsibility of managing the TB program.

HIV/AIDS

99. Since March 2004, the multi-sector commitment to fight against AIDS was led by the Head of State through the establishment of the National multi sector body to fight against HIV / AIDS (PNMLS). The PNMLS manages the MAP projects funded by the World Bank and UNDP manages the programs funded by the Global Fund. The total number of people living with HIV is estimated at 1,376,230, and the number of annual deaths related to AIDS (adults and children) was estimated to be 110,220 in 2008². The disease has had devastating effects and the country has listed HIV as one of its priority development issues³. The prevalence of HIV infection in the population aged 15-49 years is 1.3 percent⁴. The prevalence rate is higher among women than men, while the ratio between women and men with HIV is 1.78. HIV prevalence reached 4.4 percent among women with ages of 40-44 years and 1.8 percent at men with ages at 35-39 years. It is two times higher in urban than rural areas i.e. 1.9 percent against 0.8 percent respectively.⁵

100. The Global Fund HIV program has been implemented in parallel to the national HIV system. UNDP created this parallel health system since the start of Round 3 in 2005. This approach was not consistent with the Paris declaration that advocates for (i) national systems exercising effective leadership over their development policies, strategies, and to coordinate development actions; (ii) donors basing their overall support on receiving countries' national development strategies, institutions and procedures; and (iii) donors working to ensure that their actions are harmonized, transparent and collectively effective. Nevertheless, UNDP's contracting of large numbers of SRs to implement the Global Fund programs has significantly contributed to the achievement of grant targets e.g. the number of people on ARV treatment. Some changes in strategy are referred to in paragraph 134. However, these changes do not overcome the problems associated with government institutions not having overall responsibility, parallel systems and the need to build capacity at zonal level.

² Plan stratégique de lutte contre le VIH 2009-2013

³ <http://www.societecivile.cd/node/523>

⁴ Enquête Démographique et de Santé, République Démocratique du Congo, 2007, Ministère du Plan avec la collaboration du Ministère de la Santé, Kinshasa, République Démocratique du Congo, Macro International Inc. Calverton, Maryland, USA août 2008.

⁵ Rapport national de suivi de la mise en œuvre de la déclaration d'engagement des chefs d'état et de gouvernement Sur le VIH/SIDA (UNGASS), 31 janvier 2009

101. UNDP's approach although successful comes at the cost of weakening existing national systems. The established systems are also not sustainable. PNMLS is recognized internationally as the overall coordinator of the HIV response in the DRC. However, PNMLS' role of national and multi-sectoral coordinator has been undermined by UNDP's parallel system since SRs appointed by UNDP are not accountable to PNMLS. This has resulted in difficulties in the overall coordination and harmonization of the response to the HIV epidemic. This approach to the disease has also been haphazard resulting in a lower rate of patients on ART than expected. The private structures set up outside the national systems have created crises when SRs⁶ have been changed during the different grants and grant phases and these SRs have threatened not to cooperate thus endangering the lives of patients on treatment. SRs do not seem to understand that the system established by UNDP is provisional and should inevitably revert to the national systems over time.

102. Instances were also noted where the approach applied was in contravention of the national strategy. The guidelines on the diagnosis and treatment have been developed at national level in conformity with internationally recognized guidelines. However, OIG observed that in order to achieve the targets in the work plan, SRs have taken over the implementation of activities allotted to Health Zones in the action plan. A number of SRs have put in place centres where patients are tested and treated. However, the national program advocates for SRs to conduct tests but not to get involved in treatment. Under the directive of the PR, the SRs are directly handling patients on ART thus 'by passing' health centres mandated by the Government to undertake this role.

103. As a result of this, the health centres are not associated with the implementation of the work plan⁷. Until the end of 2007, none of Health Zones offered the complete proposed HIV package of activities⁸. While SRs may fill part of this gap, they do not have the capacity to do so entirely. This becomes a 'quick fix' and can be equated to putting a 'small band aid over a large wound'.

104. There is also a lack of uniformity with the approaches SRs are following even in cases where they are undertaking similar activities. As an example, there are inconsistencies in the way in which SRs identify patients eligible for ART. The criterion for treatment is often based on clinical observations as opposed to the recommended biological monitoring. This is due to the stock-out of test kits. At the time of the audit, there had been an average of 52 days of stock-outs in the past six months. In cases where biological monitoring is

⁶ Rapport d'activités menées de 2004 à 2008, décembre 2008, Cordaid

⁷ Mission conjointe consolidée de suivi évaluation des SR, province bas Congo, juin 2008

⁸ Mission conjointe consolidée de suivi évaluation des SR, province bas Congo, juin 2008

available, at application of results to guide eligibility for treatment also differs by SR. For example the hospital staff of LEKA apply a Cluster of Differentiation 4 (CD4) count reading of 500 instead of the prescribed 200-350 for eligibility for treatment. This measure has been taken without consulting and getting approval of the Chief Medical Officer of the Health Zone.

105. The establishment of parallel systems has several disadvantages some of which are elaborated below:

- (a) It undermines as opposed to complementing the Government policy setting environment as it creates many ‘chiefdoms’ as has been the case in DRC with SRs not willing to cooperate in the event that they are changed;
- (b) It increases the likelihood of duplication of otherwise scarce resources as there is no system to establish which donors are funding what;
- (c) It often results in the duplication of roles as similar activities are undertaken by different parties and because there is no synchronization of activities e.g. M&E where different systems are set up to collect information that would otherwise have been collected at one central point; and
- (d) This system is not sustainable and would only probably last for as long as UNDP manages the Global Fund resources thus creating a crisis if there is no system to pick up the patients that have been managed by the SRs.

106. This is not to say that SRs do not have an important role in the overall response to the three diseases but that this response should be led by government. SR input should be targeted at areas where there are capacity gaps in the national systems and/or where it is more efficient and effective to use SRs. The involvement of SRs should be better defined and coordinated to ensure that there are synergies derived from their involvement and all activities are working towards meeting common goals.

Recommendation 19 (Significant)

A capacity building plan should be established for PNLMS and its provincial coordinators to enable them take over the leadership of implementing the national HIV strategic and provincial plans. This should aim at providing services to all PLWHA up to the health centre level. In the medium to long term, all patients should be able to receive treatment without the intermediary SRs. A process to transition patients from the SRs to more sustainable systems should be started.

107. There were many delays noted across the programs for various reasons. The activities as detailed in the approved Global Fund work plans were never implemented on time resulting often in a large reallocation of resources towards meeting personnel and management costs. These resources would

otherwise have been used for program-related activities and not overhead costs. Another reason to ensure the timely implementation of programs is that with the passage of time, the environment in which the programs are operating changes from what was envisaged at the time of the writing the proposal. More economic, efficient and effective strategies may have developed rendering the anticipated activities and related indicators at the time of writing the proposal almost redundant.

Recommendation 20 (Significant)

- (a) The LFA as part of its verification of implementation should assess the status of implementation of the Global Fund programs against the work plans and provide an analysis of the reasons for the delays and what can be done to get the program back on track.*
- (b) The PR in consultation with Country Programs should consider consolidating the outstanding grants to create efficiency in the program implementation and to avoid the inconsistencies arising from differences between the original proposal and current program environment. If done, this should include a revision of activities and indicators based on the national priorities.*

108. OIG interactions with staff at SR level responsible for implementing Global Fund activities revealed the following:

- (a) Despite the fact that UNDP had undertaken training for SR staff, there was an apparent difference in the capacity of staff responsible for implementing Global Fund activities. One of the outputs of undertaking assessments and field visits should be for UNDP to identify SRs with inadequate capacity and to find solutions as to how such capacity can be enhanced to enable them to implement Global Fund programs effectively.
- (b) As already mentioned, UNDP did not have a comprehensive capacity building plan for the transfer of requisite skills at PR and SR level to relevant national structures.
- (c) OIG noted that there was no standardization or harmonization of various allowances paid to staff e.g. performance bonuses, per diems etc involved in the implementation of grants at various levels i.e PR, SR and SSR etc. Failure to regulate the payment of allowances may result in financial loss of program funds. Definition of types and amounts of such allowances payable under GF programs would ensure consistency and safeguard GF resources from abuse or misuse.

- (d) There were large disparities in the allowances paid to staff at SR level involved in program implementation compared to government salaries. This resulted in disgruntled staff in the public sector which is detrimental to the overall program. Payment of disproportionate allowances between those directly involved in the implementation of programs e.g. SRs and those that provide direct support to successfully implement programs in the public sector often results in less commitment among those that are not paid allowances. The payment of such allowances is often not sustainable and it also affects the commitment shown to the work of other development partners in the health sector as staff only show commitment to those donors that are willing to pay a little more.
- (e) Furthermore, public sector wages are extremely low with cases of non-payment of salaries noted. This increases the risk of trained staff leaving the public sector for the private sector or other countries that can offer them better pay.

Recommendation 21(Significant)

The CCM should undertake a review to regulate the payment of allowances at PR and SR level across the health sector. The type of allowances and amounts payable under the GF program should be defined. These should be harmonized across the health sector with what other funders are paying. Rates that are payable to staff as incentives for undertaking Global Fund activities should also be defined. This will ensure that the GF does not substitute the responsibility of employers in meeting employment costs. Once these rates have been agreed upon, they should be consistently applied across PRs and SRs.

109. Part of the fight against HIV/AIDS relies heavily on prevention measures. Wherever there is HIV, all three routes of transmission i.e. sexual, blood and mother to child transmission will be present. For each route of transmission there are prevention interventions that have been proven to work at community, local and national level to reduce or eliminate the related risk. OIG noted that there was lesser emphasis placed on prevention than treatment. This did not change between 2005 and 2007 as more emphasis has been placed on access to treatment ⁹ and the number of patients on ARVs as a main performance indicator of PRs. Also the quality of prevention services rendered at ZS and SR level ¹⁰ level do not meet the standard set out in the national guidelines resulting in the quality of health care provided being compromised. Because the SRs were not linked to PNLS in anyway, PNLS could not ensure that the national guidelines were enforced within this group.

⁹ Id. Ungass report, 31 Janvier 2009

¹⁰ Rapport de l'évaluation des performances des sous récipiendaires (SR) du volet VIH/SIDA finance par le PNUD sur financement du fonds mondial de lutte contre le sida, la tuberculose et le paludisme en RDC

110. The number of infections resulting from each route of transmission varies greatly between countries and population groups. The *UNAIDS guidelines for HIV prevention state that* "Knowing your epidemic in a particular region or country is the first, essential step in identifying, selecting and funding the most appropriate and effective HIV prevention measures for that country or region." The share of resources allocated to each area should reflect the nature of the local epidemic - for example, if most infections occur through sexual transmission then this group should be a primary target for prevention efforts. OIG noted that the emphasis on prevention is on mother to child (PMTCT) and sexual transmission. However, the related prevention interventions were plagued by the following problems:

- (a) Condom use has been promoted more as a family planning measure than as a preventive measure for HIV/AIDS;
- (b) There has been limited availability of condoms as characterized by frequent stock-outs of condoms as observed during the site visits; and
- (c) Condoms are also often not used on religious grounds.

111. Continuity of treatment of PLWHA on ARV therapy is provided by physicians at Health Zones. They are responsible for managing the problem of ARV stock-outs. Even with resource constraints, these health care structures have been able to operate in a satisfactory manner and overall, the index of PLWHA satisfaction is good¹¹.

Recommendation 22 (Significant)

- (a) *UNDP and PNLS should work together to ensure that the HIV prevention at national and local level is comprehensive by making use of all approaches known to be effective rather than just implementing one or a few select actions in isolation. This is because many people will not fit into only one "risk category". The success of the HIV prevention programs will not only depend on giving information, but also building skills and provide access to essential commodities such as condoms or sterile injecting equipment.*
- (b) *UNDP should work with PNLS in assessing the availability, accessibility and quality of services for prevention and care in HIV/AIDS in Health Zones with the aim of undertaking corrective action in instances where entities implementing are noted to fall short of established standards.*
- (c) *UNDP should work with PNLS to ensure that there is full commitment by all stakeholders to implementing the national health policy,*

¹¹ Global de la mission effectuée pour le PNUD/FM/PNLS en RDC sur la traçabilité des médicaments et la qualité, l'efficacité de la prise en charge médicale et communautaire des PVVIH Pr C. Courpotoin, Mr D. da Conceição, Dr P. Lokadi et Dr F. Balanda, Février - Mai 2009

particularly in prevention. In order to enforce implementation, PNLS may wish to apply suctions of funding to organizations that do not comply with national guidelines to fight against the disease and who do not actively fight the stigma that PLWHAs are facing.

- (d) UNDP should work with PNLS to ensure that there is consistency of interventions for treatment in the health zones and ensure the quality of service among service providers i.e. whether through national structures or SRs.*

112. The number of patients on ARV treatment i.e. about 28,000 and the patients actually under ART i.e. 22 000 is very low given the prevalence of HIV within the country. OIG observed that the number of patients under treatment was based on the targets set by the PR as opposed to being driven by the actual need for ARVs. Under the Round 3 grant, the target of 26,000 patients put on treatment was based on the number of people SRs could put on ARVs and was not reflective in any way of the number of people that actually needed to be put on ARVs and it was not clear how UNDP would move towards achieving that number. To illustrate this further, when you apply the HIV prevalence rate of between 1.3 percent and 4 percent¹², to the country's general population of 66.5 million people then the number of people needing ARVs may be more than 300,000. UNDP's target of having 26,000 people on ARVs shows a satisfactory result i.e. 85 percent achievement¹³ and is a reflection of the effectiveness of medical care. But it represents a 'drop in the ocean' when contrasted with the estimated number of people in need i.e. 15 percent of the people in need.

113. UNDP aims to scale up the number of patients on ARVS to 35,000 by the end of 2009. However, it has been suggested to OIG that this target is still too low. There have been problems with estimating the exact number of people that need ARVs because of inconsistencies in the information available due to weakness arising out of the parallel structures set up to collect information and the unreliability of the available information.

Recommendation 23 (Significant)

- (a) UNDP should work with PNLS to strengthen the systems in place that collect, analyse and report information relating to HIV/AIDS. This is because the effectiveness of interventions depends on reliable information being available to aid decision making at national, local and community level.*
- (b) Once accurate information is available about the need for ARVs, the scaling up of treatment interventions should be driven by the need to*

¹² Rapport de l'analyse de situation de l'épidémie du VIH en RDC Institut de Médecine tropicale d'Anvers, ASAP (ONUSIDA), Université de Kinshasa, école de Santé Publique - unikin, nov 2008

¹³ Id. Rapport sur la traçabilité des ARV

meet the need at a national, local and community level. The CCM should call on PRs and PNLS to increase their mobilization efforts to reach the patients that need ARVs.

Malaria

114. Ninety-seven percent of the population lives in equatorial and tropical areas that have a high prevalence of Malaria. The central basin permanently has cases of people suffering from Malaria. It is a hyper-endemic area (50 to 75 percent of the people that live there get infected) and holoendemic (over 75 percent of those that live there are infected)¹⁴. There are 60-100 million cases reported each year with an average of 180,000 annual deaths of children under five years due to this disease. Malaria is a major determinant of poor health and malnutrition of mothers, contributing directly or indirectly to the increased maternal mortality. The data presented by one of the hospitals in the country indicated that 5 percent of maternal deaths could be directly attributed to malaria.¹⁵ The resistance to treatment i.e. Sulfadoxine-Pyrimethamine /Chloroquine (SP/CQ) has led to a change in the therapeutic strategy to Amodiaquine Artesunate (AQ-AS). This led to an amendment of the Round 3 submission. By 2007, coverage targets set out in the Abuja Declaration had not been met, although progress has been made¹⁶. They have not improved in 2009.

115. For malaria, UNDP has also created a parallel health system for treatment. One example of such a system is where the training in microscopy is allocated to an SR that lacks the skills to carry out microscopy. The SR then appoints PNLP to conduct the training which is finally undertaken by the Provincial Health Inspector. The PNLP should have been directly appointed to manage the whole process instead of setting up unnecessary intermediary arrangements that cost the program money.

116. The structures that UNDP has established also do not take into account the already established structures in place. There has been role reversal where SRs are taking responsibility for activities with ZS reporting to them and yet it should be the other way round. The OIG noted during site visits that the plan of action for a ZS was reviewed by the SR. This review by the SR appeared to be driven towards meeting the SR targets as set by UNDP and not to identify and address the actual needs of the ZS. For example, if the ZS needed 20 microscopes, the SR only got an allocation of nine based on its targets and at the time of the audit, only three had been delivered. The mandate to get health services lies with the ZS and SRs should work to support the ZS mandate and not to take over that mandate. This is because, as already mentioned, the

14 Kazadi W et al, Urbain Malaria in Kinsahsa, The American Society of Tropical Medicine and Hygiene, 2000, Poster presentation, N.602.

15 Malaria Strategic Plan, 2009-2013

16 Déclaration de politique nationale de lutte Contre le paludisme, juin 2007

SR involvement is temporary, undermines national systems and is not sustainable.

Recommendation 24 (Significant)

- (a) As far as is practical and in compliance with the Global Fund principle of using national systems, UNDP should use the systems in place to implement the Malaria program. PNLP's capacity should be assessed and a capacity enhancement plan developed to strengthen it to a level when it can take on the responsibility for managing the Global Fund Malaria program.*
- (b) UNDP should review the effectiveness of established SR structures when assessed against the backdrop of existing national structures. Duplication of roles and creation of unnecessary intermediaries should be addressed.*
- (c) UNDP should in the future create work plans and budgets based on identified needs at community, local and national level i.e. being demand driven and following the bottom up approach as opposed to being supply driven and following a top-down approach.*

117. The delay in the procurement of Insecticide Treated Nets (ITNs) or Moustiquaire Imprégnées d'Insecticide (MII) as they are referred to in French created shortages at provincial level. There were stock-outs at all sites except for one site which was reselling the ITNs to pregnant women. Instances were also noted where the Global Fund nets were mixed with those of the World Bank. There were problems noted with the distribution of ITNs arising from the complexity of involving local SRs and MCZs in the distribution process.

Recommendation 25 (High)

- (a) PRs should plan effectively for the purchase and distribution of nets. PRs should ensure that there is a sufficient volume of nets for the mass campaign planned under Round 8. Priority should be given to the availability of basic stock over the nets for social marketing activities. The acquisition of medical inputs should be undertaken in conjunction with the Ministry of Public Health which has overall responsibility for managing the Malaria interventions country wide.*
- (b) The CCM should review its strategies for free distribution of available ITNs with priority being given to pregnant women and children. There should be accurate monitoring of the distribution of nets.*

- (c) *DRC should be encouraged to join the Voluntary Pooled Procurement (VPP) under Round 8 to ensure the timely receipt of inputs for the programs. This would remove the use of 'middlemen' that pushed up the costs of inputs.*

118. DRC changed its malaria treatment regimen from SP/CQ to AQ-AS due to resistance to the former as a treatment drug. The transition from SP/CQ to AQ/AS was not well managed by the PR. The sensitization drives of the change in treatment policy have not been effective as evidenced by providers who at the time of the audit were unaware of the change in policy. This resulted in providers still selling the SP/CQ, not providing the correct dosage to patients etc.¹⁷ Moreover, with poor sensitization, many providers did not understand the rationale of changing the treatment regimen and so continued to stock AQ/CQ. This is not consistent with the recommendations of the Roll Back Malaria (RBM) guidelines adapted to the national context of the DRC. The use of drugs without following the prescribed dosage creates the risk of disease resistance to treatment regimens.

Recommendation 26 (Requires attention)

UNDP should ensure that providers are sensitized and that creation awareness campaigns are undertaken targeting the general population on the change in the malaria treatment regimen. Although there should be a transition period from the old to the new regimen, this period should not be too long since it comes at the cost of lives lost.

HIV/TB collaboration

119. The Round 3 Phase I and II work plan included activities that were meant to promote HIV/TB collaboration. The Round 5 grants provided for all TB patients to be tested for HIV. However, this has been affected by a stock-out of the tests kits. In consequence planned activities in the work plan have not been undertaken. There was no evidence seen of proper coordination of the activities between the HIV and TB programs.

Recommendation 27 (Significant)

UNDP should support PNLS and PNLT to develop a comprehensive strategy for the HIV/TB collaboration. This strategy should be endorsed by the highest levels within the Ministry of Health. This strategy should be accompanied by a clear implementation plan with time-bound achievable targets and associated resources and inputs to achieve these. There should be clearly defined roles, responsibilities and lines of accountability for the implementation plan. This

¹⁷ Déploiement des traitements de l'artesunate-amodiaquine en République Démocratique du Congo: Cas du Bas-Congo et du Kasai Occidental, Rational Pharmaceutical Management Plus, Centre for Pharmaceutical Management Management Sciences for Health Mai 2007, USAID

plan should also advocate for the strengthening of cooperation between the HIV and TB programs not only at national level but at provincial and local level. Regular meetings should be held for all stakeholders involved in the HIV/TB collaboration at the central and provincial level.

Social marketing under the HIV and Malaria programs

120. Under the social marketing strategy, health products are sold by private sector organizations as a complementary distribution channel aimed at enhancing the coverage of health products at household level. The social marketing approach is largely private sector driven with no involvement of government. In DRC, the social marketing of HIV and malaria products as elaborated in the related program work plans is undertaken by ASF. Social Marketing was provided for in the Round 3 HIV and Malaria grants for condoms and mosquito nets.

121. OIG noted that there were problems associated with the implementation of social marketing undertaken under the programs. Under the HIV program, condoms were distributed to SRs without putting any control measures in place on the price at which they would be sold. OIG noted during its site visits that the centre of Mbankana did not receive ITNs for free distribution. However, there were nets available for sale but only six people were registered as having purchased the nets. In such a remote area, social marketing was not an effective approach of getting health products to their intended beneficiaries.

122. Various studies showed unclear impact on social marketing to the fight against the three diseases and experience has shown that social marketing funded solely by sales revenue can not have a significant health impact among low-income clients. If an essential health product of acceptable quality can be supplied regularly to those who need it, at the time they need it and where they need it, without state subsidy, social marketing is not appropriate. Social marketing programs cannot be maintained on only the profits made from sales because either their sales are insufficient to assure sustainability since their targeted clients are few i.e. middle or high income earners in the countries where the diseases are rife¹⁸.

123. Social marketing is difficult to apply in a country with most of its population being extremely poor making health products unaffordable; with a low appreciation of the benefits of health products e.g. condoms and nets on their health and livelihood; and with insufficient stocks to cover the whole country. It is important to assess the effectiveness of this approach to the country and related impact as a disease intervention before more resources are invested into this area.

¹⁸ Document de position sur la pérennisation, PSI.org

124. Government policy provides for cost recovery to ensure that the supply of key health products is sustained. However, OIG noted that however much the products were subsidized, the prices still remained prohibitive to certain members of the population. OIG noted that there is no policy guiding what health products social marketing should be applied to, which ones service providers can apply cost recovery to and which ones should be provided free of charge. A review undertaken revealed that only 47 percent of people are able to pay the charged subsidized rates and 35 percent of patients had to give up examinations because of the cost¹⁹. Certain health products should be provided free of charge especially if they would result in death if not accessed e.g. treatment drugs.

125. It was noted also that different suppliers charged differently for the same health products. OIG noted that rates were not always clearly displayed raising the risk that patients can be charged higher rates than those prescribed. It was also noted that the tablets e.g. ACTs are sold individually instead of selling the prescribed dosage as prescribed and packed. This raises the risk of creating resistances to drug regimens and also failure to cure the targeted diseases. There were no proper accounting records maintained to record and report all income arising from social marketing or cost recovery activities.

Recommendation 28 (Requires attention)

- (a) UNDP should undertake an assessment of the effectiveness of social marketing as a distribution approach of health products and its impact when assessed against its objective of getting health products to their intended beneficiaries at a reasonable cost.*
- (b) UNDP should work with Government to define what products can be distributed under social marketing, which ones should be subjected to cost recovery and which ones should be provided free of charge. Priority should continue to be given to getting free health products to the most vulnerable targets groups like pregnant women and children under the age of 5.*
- (c) There should also be controls put in place to ensure that the products sold under social marketing and products to which cost recovery is applied are reasonably priced and cost recoveries from patients remain within the stipulated range.*
- (d) Proper records should be maintained with proper guidance on how monies raised from social marketing will be repatriated back to the centre. The use of revenues generated from Global Fund program activities should be used in accordance with the grant agreement that*

¹⁹ Document de position sur la pérennisation, PSI.org

stipulates that they should be used for approved program activities. Plans to use this money should be submitted to the CCM and the Global Fund for approval.

Coordination within the programs

126. OIG noted that there were no mechanisms in place to promote coordination and harmonization of disease interventions between the SRs appointed by UNDP and the established government institutions at provincial and community level e.g. the BCZS and the Provincial Medical Inspector (MIP)²⁰. The interventions by SRs were in some cases not complementary and may have resulted in duplication and/or areas that were not covered by the SRs and government. There is also no system in place to monitor activities undertaken. For example, OIG noted that AMOCONGO set up an independent NGO centre next to the health centres without consulting the BCZSs. Coordination and harmonization would ensure consistent approaches to diseases by different service providers, quality assurance of services, clarity of roles and better accountability for work undertaken, avoid duplications and gaps in interventions etc.

Recommendation 29 (Significant)

- (a) *UNDP should work with government to put in place better coordination mechanisms for the activities undertaken by the different stakeholders to ensure that they are complementary and contribute to the overall objective of fighting the three diseases. Ideally there should be one comprehensive plan of action for each disease intervention at national, provincial, local and community level, with activities allocated to different stakeholders and with mechanisms to supervise implementation.*
- (b) *A proper accountability framework that allocates roles and responsibilities should be developed for all stakeholders involved in the fight against the three diseases at all levels of implementation. In order to ensure sustainability of interventions, Government should take overall responsibility for all disease interventions. Mechanisms should be put in place for coordination and supervision of work e.g. holding of regular meetings.*
- (c) *UNDP should ensure that all the actions of SRs are complementary to the established government institutions and that SRs work to strengthen and not undermine established government institutions.*

²⁰ Rapport mission de consultation intégration des aspects du vih/sida dans la réponse humanitaire à l'est de la RDC, abdoul karim ben wahab, dr vindicien murhabazi, mai 2009

127. OIG also noted that there is no coordination between the different government organs that are responsible for the three disease interventions i.e. PNT-PNLS and PNMLS-PNLS and PNT-PNLP. This resulted in duplications across programs. For example, each program bought its own microscopes and these were not always consistent with the needs of the field. UNDP supplied microscopes based on program activities without considering the needs of both programs on the ground. The microscopes procured could be used under Malaria and TB grant activities and in any case were in many instances used by the same laboratory technicians.

Recommendation 30 (Significant)

- (a) UNDP should support the various programs in developing mechanisms that promote coordination between the programs involved in the three disease interventions e.g. through meetings. Such meetings should be used to discuss the activities be taking place and how other programs can better leverage and have synergies from each other's programs in areas such as procurement, training, maintenance etc.*
- (b) UNDP should work with the relevant government institutions to develop a comprehensive list of equipment and related inputs for purchase. Purchases should be based on need and not be activity driven as it is now.*

128. The OIG review also covered the coordination of the efforts made by different development partners towards the fight against the three diseases. A meeting was held by a group of development partners²¹ focusing on the pooling of resources for optimization in a context of budgetary restrictions. The results of this meeting were not translated into actions at provincial, local and community level. The risk that an implementer would propose funding for the same project from different funders remained.

Recommendation 31 (High)

The CCM should promote more coordination between the Global Fund and other development partners working in the health sector to ensure that the funding is complementary and not duplicated for the same activities. This may be through having comprehensive national strategies for the three diseases with different development partners and the government identifying what aspects they would fund. Mechanisms that bring development partners together to discuss their programs should be promoted. UNDP should work with the relevant government to ensure that agreed upon actions from these meetings are implemented by the relevant stakeholders.

²¹ Forum de Haut Niveau sur l'Efficacité de l'Aide (Kinshasa 15-16 Juin2009)

Compliance with international and national guidelines

129. To implement its work plan, UNDP as the PR has placed reliance on SRs for implementing Global Fund activities. These SRs were selected from public institutions, national and international NGOs and religious denominated NGOs. The SRs have received logistical, technical, financial and medical inputs for the implementation of activities.²²

130. The PNT has established a national and provincial structure integrated with primary care services. The country is organized into 24 provincial coordinators, 515 BCZs and 1,515 CSDTs which are held accountable for activities at their respective levels. The HIV and Malaria programs have similar national and provincial structures but this strategy is mired by the SRs being superimposed on the national structure. UNDP stated that it remains committed to support the decentralization process and strengthen related national capacities. The frequent changes within the Ministry of Health especially at minister level have also affected the programs mainly because of continuity issues²³.

131. For the three diseases, PNLT is the only government institution that has retained its responsibility for activities undertaken using Global Fund resources. UNDP has identified 33 SRs to implement HIV-related activities and 16 SRs to implement malaria-related activities. Some of the organizations identified lacked the requisite knowledge and experience of implementing activities in the three diseases. PNLs and PNLP only got involved as SRs in the Global Fund activities during Phase I of Round 3 grants. Government institutions at provincial, local and community level were excluded because they 'lacked capacity' to implement Global Fund program activities.

132. The Government has expressed its dissatisfaction at the way the Global Fund programs were set up especially under Phase I of the Round 3 grants. During this time, SRs implemented activities without regard for the national guidelines in place. The selected SRs implemented the activities wherever they liked without taking into account the risk and needs mapping of the country²⁴. Since 2004 the Health Areas have developed plans that were consolidated at BCZ level resulting in a risk and needs mapping for the country by ZS. The ZS has the power to engage other potential partners²⁵ that can support the implementation of its plan.

133. UNDP tried to correct this situation, without much success, under Round

²² Plan de suivi évaluation, Projet Fonds Mondial/PNUD-RDC, Unité de Suivi Evaluation PNUD/FM, Version actualisée Septembre 2008

²³ Forum de Haut Niveau sur l'Efficacité de l'Aide (Kinshasa 15-16 Juin 2009)

²⁴ http://www.cnosrdc.org/index.php?option=com_content&task=view&id=50&Itemid=62

²⁵ Plan stratégique paludisme 2007-2011, Juin 2007

3 Phase II. Despite its significant weaknesses, this implementation structure was still proposed under the Global Fund Round 8 grants.²⁶ The consequences of failing to integrate the SR activities in the ZS plan under the Round 3 Phase I grants were:

- (a) SR chose the ZSs that they wanted to "support" without consultation taking place at national and provincial level. This resulted in ZSs in the most remote areas i.e. those that were most difficult to access, remaining unserved areas yet these were probably the ZSs most in need of support. There was no interaction and support provided to the Zones Equipes Cadres de Santé (ECZS).
- (b) The SRs do not cover all aspects of any disease intervention. They either target certain physical areas within a district or zone and in these areas provide a limited scope of services e.g. only providing services in care and not prevention and vice versa.
- (c) The ZS should take responsibility for the implementation of all the activities. However, because SRs were working at district and zonal level and not linked to the government systems, there were no mechanisms in place to 'supervise' or monitor the activities undertaken.
- (d) For almost a year, no Global Fund activities were undertaken in most areas because of delays in selecting SRs and this impacted the performance and impact of the program.
- (e) The current system of having SRs not being accountable to government institutions raises the risk of double funding by development partners of the same activities.

134. UNDP has aligned its approach to support the strategy of strengthening the health system. PLWHA on ARV therapy are to be considered and treated as patients of a health facility and not affiliated to any SR. In so doing UNDP seeks to achieve a systemic and horizontal approach that not only supports the health systems but also ensures sustainability of the treatment for PLWHA. The move to this approach is commendable but it still does not address the problems relating to (a) government institutions not having overall responsibility for all disease-related interventions at zonal level (b) SRs parallel systems undermining established health systems and (c) the need to build capacity at zonal level so that ZSs can take over the programs with time.

135. OIG noted that there has been limited commitment from development partners to support capacity building at zonal level. There has been little alignment of partners to health system strengthening as evidenced by resources

²⁶Activity report palu Q16 final

136. Although the country states that it follows a decentralized system, OIG noted that there is limited involvement of stakeholders at provincial and lower levels in planning for and implementing programs funded by aid ²⁷.

137. OIG noted that there has been competition between the SRs to ‘win’ ZSs. During its field visits, OIG witnessed conflicts between Amocongo, Armee du Salut, GTZ and ECC/IMA. There is limited collaboration among the SRs in fighting the three diseases as they compete to ‘win’ the most ZSs.

Recommendation 32 (Significant)

- (a) *UNDP should work with the programs to ensure that proper planning of activities takes place, with the government institutions taking overall responsibility for the plans and SRs coming in to support identified activities in these plans. These plans should take into account the risk and needs mapping undertaken by government and interventions should be concentrated in the areas that have the most need. In addition to the monitoring undertaken by UNDP, the established government institutions should undertake supervision of the program activities being undertaken at zonal level.*
- (b) *The CCM should engage development partners to support the capacity building to strengthen national, provincial, local and community structures and systems in order for them to effectively undertake their respective roles of leading and managing the disease interventions within the country.*
- (c) *The CCM should ensure that the progressive integration of public sector institutions or community organizations is included in the consolidation of grants in progress.*

Monitoring and Evaluation (M&E)

M&E setup

138. UNDP has a monitoring and evaluation unit ²⁸ as part of its project coordination team. The project coordination team coordinates support across the three diseases and with the other units i.e. procurement and supply management, operations and finance within UNDP. It also provides leadership

²⁷ Forum de Haut Niveau sur l'Efficacité de l'Aide (Kinshasa 15-16 Juin 2009)

²⁸ Plan de suivi évaluation, Projet Fonds Mondial/PNUD-RDC, Unité de Suivi Evaluation PNUD/FM, Version actualisée Septembre 2008

and managerial support to SRs including strengthening the capacity of the national systems in areas such as monitoring and evaluation.

139. The M&E Unit is responsible for collecting, analyzing and disseminating information relating to the results derived from the three disease components. The M&E plans that were prepared in accordance with guidance provided²⁹. They were, however, prepared in isolation and were not reflective of the national M&E program plans.

140. UNDP established systems for the Global Fund programs were parallel to the existing national systems. UNDP's M & E unit was only involved in assessing SR capacity for implementation and collating information from SRs for reporting to the Global Fund. The unit did not actively follow up the implementation of activities by SRs to assess the effectiveness of planned activities nor were site visits undertaken to verify the results reported by the SRs³⁰. No evaluation has been undertaken by UNDP to assess the impact of the program activities undertaken to meet the objectives of the grants. This resulted in activities undertaken by SRs remaining unchecked and resulted in the absence of timely information to inform PR management's decision making.

Recommendation 33 (High)

- (a) *UNDP's M & E plans should align to national M&E plans to reflect the contribution of the Global Fund programs to the overall national disease interventions.*
- (b) *The mandate of UNDP's M&E Unit should be revisited so that it can effectively execute its mandate i.e. verifying whether the program activities are happening according to plan and make recommendations to management of any corrective actions to get the programs back on track.*
- (c) *UNDP should undertake an evaluation for the Global Fund programs it is responsible for implementing. This will inform its decisions about effectiveness of activities undertaken and what factors have affected the performance of the program and how these can be addressed to ensure that the activities reach the target group.*
- (d) *Field trips should be organized at least quarterly to the different provinces with reports being prepared and shared with implementers for corrective action. These trips can be joint missions with government officials in order to integrate them into the Global Fund activities happening at SR level.*

²⁹ Organizing Framework for a Functional National HIV Monitoring and Evaluation System, UNAIDS, 2008

³⁰ Phase II Request Assessment Report Tuberculosis, Price waterhouse Coopers, Kinshasa 02 March 2005

Indicators and targets

141. The TB Indicators were aligned to the procurement and supply management activities and financial budget. They have remained in line with reality. The Round 3 grant indicators and targets were set in 2003 and these have been overrun by events caused by delays in implementation. The targets have been distorted with the passage of time i.e. a lot had changed from six years ago when the proposal was written and submitted. Targets have not been achieved for Malaria. Some targets remain below 55 percent and this is below the recommendations of WHO / RBM coverage for LLINs and Traitement Préventif Intermittent (TPI). Following the recommendations of National Programs, targets were reviewed and realigned with the strategic plans.

142. For the Round 3 and 7 HIV grants, the bases for data estimation had not been adequately formulated and the assumptions were not validated and supported. Basic values are not available for all indicators. Factors that should typically guide the setting of targets like epidemiology studies, projection of cases and interventions etc had not been sufficiently analysed. Typically the number of patients eligible for ARVs would vary as grant implementation continued. However, the targets were well below the level needed and adjustments should be made.

143. The target for the number of people on ARVs is based on the patient records maintained at ART centres. However, it appears that in many institutions, officials assume that there is a limited supply of drugs and therefore limit the inclusion of new patients so as to ensure the continuity of treatment for patients already on ARVs.³¹

144. The Malaria and Tuberculosis estimates and assumptions have been better formulated. In the case of the Malaria grants, the targets and action plans have been difficult to achieve due to a change of treatment protocol after the approved proposal was already under implementation. The transition from SP to ACT has significantly affected the performance of Global Fund Malaria programs. Delays in disbursement of funds have also affected the performance of these grants against target. RBM has called for an alignment of Global Fund program activities and indicators to the national strategy³².

145. According to the LFA ToRs, “the LFA, through its Monitoring and Evaluation capacity, is required to assist the Global Fund in negotiating the incorporation of appropriate indicators for monitoring performance against targets and periodic grant disbursement in the Grant Agreement”. A review of the targets and performance indicators indicate that several indicators were

³¹ Progress report RBM

³² Progress report RBM

not measurable while some did not meet international standards. In order to report results for some of the indicators, periodic surveys had to be undertaken which was not possible because of the related costs³³. Consequently some targets were not achievable while others were underestimated. This points to inadequate technical input by the LFA at the time of work plan and budget approval.

146. OIG noted many instances where no measures were put in place to correct the under performance noted in Global Fund programs.³⁴ UNDP did not have accelerated plans that addressed the causes of delays in implementation. A few proposed adjustments to plans appear not to have been implemented. Recommendations made are often not implemented with the same recommendations being repeated a year or even eighteen months later.

147. There has not been any monitoring of implementation of programs from provincial level downwards. Issues raised are never followed up and UNDP does not have sanctions for SRs that are not implementing grants in accordance with plans. Because of the failure to monitor and provide recommendations for improvement, programs have remained the same without any improvement in services rendered being registered.

148. Following the recommendations of UNDP's Office of Audit and Investigation, UNDP has launched a call for applications for the recruitment of Provincial Focal Points for joint provincial teams (one post per province) Province Orientale, Kasai Oriental, North Kivu, Katanga, Bas Congo and Ecuador.³⁵ It may be prudent for UNDP to first assess whether the work it is recruiting provincial focal points for cannot be undertaken by government health staff at the provincial level. If this is the case, then UNDP would just need to train and facilitate the work of the relevant health staff and as a result have one less parallel system established. If this is not possible then the recruitment should take into consideration that capacity needs to be built within national structures and therefore the positions created would be temporary.

Recommendation 34 (Significant)

- (a) *Key partners should ensure that the targets set at the beginning of grants are reflective of the conditions in the country at the time and are backed by valid assumptions. In future, more reliable baseline data should be obtained prior to setting of targets, to ensure reliable*

³³ Rapport de l'enquête sur l'évaluation du niveau actuel des indicateurs de base de, « faire reculer le paludisme » dans les zones d'intervention de la première année du projet fonds mondial, avril 2008, RDC, université de Kinshasa, Ecole de Santé Publique

³⁴ UNDP Audit, PricewaterhouseCoopers DRC, 28 July 2008

³⁵ Points Focaux Provinciaux pour les équipes conjointes provinciales, UNDP, 27 July 2009

performance measurement. The setting of targets should also consider parallel work undertaken by other sector players to cater for results from such efforts.

- (b) The current indicators and targets should be reviewed within the proposed acceleration plan to ensure these meet best practices and can be achieved within the remaining implementation time frame.*
- (c) UNDP should put in place a process for reviewing indicators and targets to ensure that they remain relevant and stay abreast of changes in the environment in which implementation of Global Fund grants is being undertaken. This process should be collaborative involving key stakeholders in the health sector.*
- (d) UNDP should establish acceleration plans for areas where implementation is behind schedule. Such plans should take into account the recommendations for addressing the causes of the delays to implementation.*
- (e) UNDP should set up mechanisms for following up the implementation of recommendations. Sanctions for failure to implement recommendations should be established e.g. not disbursing further money until matters raised are addressed.*
- (f) Before concluding the recruitment of provincial focal officers, UNDP should assess whether the work it is recruiting for can be undertaken by government health staff at the provincial level. This will ensure that unnecessary parallel structures are not put in place.*

Data collection and quality

149. PNT has developed tools for collection of data in consultation and with the support of development partners. These data collection tools bring together data for all partners at the operational level. They are integrated in the work done by health providers with the roles for collection, centralization, validation and transmission to the intermediate and central defined.

150. There is no standardization of data collection tools for Health Zones for the HIV program. This is especially the case for collecting data relating to counseling, patients on ART, number of ART patients per protocol and monitoring of stocks of ARV drugs. OIG observed that there were multiple data collection forms at the health zone and data for populating the indicators were not always present e.g. pre and post test counseling. OIG found the SNIS data collection forms at several sites visited and they were completed well.

151. Data collection and reporting harmonization across development

partners has not been done for HIV. The data collection forms are different for each of the donors and for almost every SR. In the disparity in the methods of collection and the different number of forms that need to be completed by nurses each month has resulted in a work overload. The lack of a uniform data collection framework has also resulted in data capture errors thus complicating the collection, validating and analyzing of data e.g. for morbidity and hospital fatality arising from malaria.

152. Data management is not systematic and was not computerized at the peripheral level. Program information is transmitted manually from the Health Zone. Collection forms are not pre-printed thus requiring that each institution reproduce their own forms for data collection.³⁶ There are frequent stock-outs of forms for data collection. There is no mechanism in place to consolidate data between UNDP and what the national system, SNIS, has collected and no validation of data is carried out by UNDP.

153. The TB program has a proper system that utilized the SNIS national system which ensures data quality through the analysis, interpretation and feedback by the MCZs on adjustments required to correct information provided. For HIV and Malaria, given that the SNIS only collects a limited set of data for malaria and HIV, UNDP and its SRs have established a parallel system to the SNIS. This system does not have data validation processes and therefore may result in data of questionable quality. There were also inconsistencies noted between the data reported by SRs and BCZS. The parallel systems established have also created the risks of having duplications in data reported, and inconsistencies in the information collected and reported to UNDP. The establishment of a parallel system has been justified on the grounds that SNIS produces incomplete and often tardy information. However, this contradicts the principles of the Global Fund that advocate for the use of national systems and discourages the creation of parallel systems. Such systems also further weaken the national system.

154. A lot of the time, the MCZs are not aware of the interventions that SRs are putting in place. The SRs work in most cases in isolation without consulting and providing feedback to or being supervised by the national systems established in their areas of operation. Moreover, the PR has established a database for SRs and appointed a data manager to manage. These resources would have been put to effective use if they were applied to the strengthening national capacity than being put to a system that may not be permanent. This is contrary to the national guidelines that require that MCZs collect all the health-related information in the zone and results in incomplete records of health-related activities at zonal level.

³⁶ Points Focaux Provinciaux pour les équipes conjointes provinciales, UNDP, 27 July 2009

Recommendation 35 (Requires attention)

- (a) *The current process for collection, assembling, reporting and review of data through the entire programme structures should be reviewed with the view to generate reliable information. UNDP should work with the Government structures to standardize data collection, validation and reporting. A capacity plan for the strengthening of the SNIS should be presented to development partners for consideration.*
- (b) *Data collection tools should be harmonized across all development partners and training provided to data collectors to ensure they collect data well.*
- (c) *The tools of data collection should be reproduced and distributed to all establishments that provide services and supervision missions in order to ensure compliance with the instructions and methodology of collection.*

155. The massive size of the country makes it difficult to collect data on a timely basis. It is difficult to get information from ZS to the PR in the stipulated time frame recommended by the Global Fund i.e. 45 days. There are delays in the submission of reports as they have to go through the provincial level before they get to the centre. UNDP has not formulated a proper reporting framework that allows for data collected to be validated and analysed before it is reported. SR reporting dates almost coincide with the PR's reporting dates to the Global Fund. Reports are as a result hurriedly prepared with no mechanism to check data quality in order to meet the deadline and also access the next period's finances.

Recommendation 36 (Significant)

- (a) *UNDP and/or the LFA should undertake data quality audits of the information that is collected and reported to the Global Fund. This will ensure that the completeness and accuracy of information used for decision making especially since there is no validation process for data, monitoring processes have been ineffective, and in order to follow up activities in remote areas where accessibility is difficult.*
- (b) *UNDP should revisit its reporting framework to allow for the receipt, validation, analysis and reporting of data before it is presented to the Global Fund. This should be done in conjunction with the review of targets and indicators so that they are all aligned.*

VI. Procurement and supply management

Background

156. Overall, a good procurement and supply management (PSM) system should provide the intended beneficiaries with products in sufficient quality and quantity at the lowest price possible, on time and in accordance with national and international laws.

157. As PR, UNDP has taken overall responsibility of the PSM activities. It is important to reiterate that the OIG audit does not cover an audit of UNDP's PSM activities due to the single-audit principle. Therefore, this section covers the audit of PSM activities at SR level. OIG expects other aspects of PSM activities to have been covered by UNDP-OAI. It is also noteworthy that there is limited PSM activity at SR level, if at all, since SRs are completely dependent on the PR for their supplies in accordance with the agreement signed between the PR and the SR.

PSM within the three Programs

158. For the TB grants, the OIG noted that PNT has been handling the PSM-related activities effectively for a number of years³⁷ with set targets being met.³⁸ The PNT has benefited from capacity building and regular monitoring from the Damien Foundation and IUATLD.

159. The supply of TB medical inputs from 2002 to 2005 was made directly from GDF. However, since 2006, UNDP took over responsibility for supplying TB medical inputs from GDF. The creation of an intermediary between PNT and GDF (i.e. UNDP) resulted in delays in the procurement and supply of TB drugs. Because of these delays, PNT has been obliged to increase its buffer stock by 50 percent i.e. from 12 month consumption buffer stock levels to 18 months. This increases the volume of stocks carried with the associated risks of pilferage, expired products³⁹ etc.

Recommendation 37 (Significant)

UNDP should assess PNT's capacity to undertake the procurement of TB drugs as was done before 2005. If procurement responsibility is passed back to PNT, UNDP can then institute control measures to ensure that the procurement is done in accordance to Global Fund procedures.

³⁷ Voir rapports d'activités PNT entre 2003 et 2008

³⁸ Voir rapports d'activités PNT entre 2003 et 2008

³⁹ Discussion avec les responsables du PNT

160. Procurement for Malaria and HIV / AIDS was undertaken following two mechanisms:

- (a) Between 2005 and mid 2007, UNDP subcontracted the whole PSM process to MissionPharma (MP) and World Response; and
- (b) From mid 2007 to date when MP's contract was terminated, UNDP has taken over the procurement of grant inputs through the use of vendors with long-term agreements with UNDP e.g. PSI and subcontracting logistics support to Agetraf covering customs clearance, storage and distribution.

161. UNDP's establishment of its own PSM Unit for Global Fund programs has been costly especially in terms of personnel as evidenced by the recruitment of 10 staff with an additional unit in Copenhagen providing support to the local team plus staff in New York that supervise the distribution agent. The existing PR system has resulted in delays in procurement and supply of grant inputs. This is another example where parallel systems have been established without taking into consideration the national systems in place to procure and distribute drugs. The established parallel systems further weaken the national PSM structures and are not sustainable.

Recommendation 38 (High)

UNDP should undertake an assessment of the national structures and systems and develop a capacity building plan aimed at strengthening these systems and working towards the eventual transition of PSM activities there.

162. At the beginning of the audit, the OIG circulated to all SRs a list of documents required for the audit. A meeting was held on 1 June 2009 with the UNDP's PSM team where OIG requested the UNDP to provide SR PSM⁴⁰ related information and documentation in order to reconcile this information with what was available at SR level. OIG expected that this information should have been readily available since it should have been provided to the LFA as part of the verification of implementation exercise. It should have included:

- (a) Information relating to the information entered into the Price Reporting Mechanism;
- (b) Details of the mechanism to establish needs, specifications, purchase orders, receipts and stock balances;
- (c) Details of the stock monitoring reports and expiry dates of medical inputs;
- (d) Details of the number of people under ART treatment; and
- (e) Details of stocks that have expired.

163. Most of the information requested was either not provided or partially

⁴⁰ Voir PJ Psm02

provided during this audit and could not be used to make any conclusions. The procurement procedures that should be followed have been documented clearly. However, because OIG could not review the actual procurement processes followed in identifying grant inputs, OIG could not provide assurance that value for money was obtained on the inputs purchased. OIG also cannot give assurance that the health inputs procured were required; that all requisitions received were procured; and distributed to their intended beneficiaries and that there was no waste from expired drugs.

164. OIG noted that there were a number of program activities in particular for HIV/AIDS and Malaria program that were delayed due to tardy supply of grant inputs. There were also stock-outs noted during the field visits. Forecasting appears to have been done at the beginning of the grant period without updates being made to reflect changes in the environment in which the programs were being implemented. Forecasts were made at the beginning of the Phase, orders placed on the basis of these forecasts and deliveries scheduled in a fairly rigid manner. The buffer stocks held for drugs were noted to be too low in some instances.

Recommendation 39 (Significant)

(a) UNDP should assess its processes for forecasting needs and, procuring and distributing program inputs. The estimation of needs should take into account the need to hold buffer stock in the event that there are delays in receiving stock.

(b) UNDP should establish a mechanism that tracks procurements and stock levels at all levels. Periodic reports should be prepared to guide management's decision making.

(b) UNDP should develop a PSM manual that guides SRs on forecasting, proper stock management and monitoring of the rational use of medicines funded by the Global Fund.

Quality assurance

165. OIG noted that in implementing the Global Fund program, UNDP respects the DRC national legislation and international agreements in regard to supply and logistics management. OIG was informed that the Quality Assurance processes were included in the clause of each LTA. A review of the quality assurance mechanisms revealed the following:

- (a) Most of the drugs that were supplied were not registered with the National Regulation Authority of Drugs (ANRM). These drugs were however, prequalified by WHO. This is contrary to the Global Fund policy that requires PRs to comply with quality standards and requirements of National Drug Regulatory Authority in the recipient country;

- (b) There are several quality control laboratories in the DRC, but they are not on the list of laboratories prequalified by WHO.
- (c) Neither ARVs nor ACTs are checked at their arrival in the DRC through a quality control laboratory pre-qualified by WHO;
- (d) The OIG was unable to obtain certificates of pre-shipment inspections undertaken. Only the certificates of analysis undertaken by the laboratories of manufacturers were available;
- (e) Although samples were collected at each point of arrival into the country to control quality, products were not placed in quarantine pending the results of the safety of products; and
- (f) The OIG was unable to obtain certificates of quality control post-arrival in the DRC.

Recommendation 40 (Significant)

- (a) *UNDP should ensure that all essential drugs that it imports under the Global Fund Programs are duly registered with the pharmaceutical Authority of DRC. Consideration should be given to building capacity within this Authority as has been the case in other Global Fund programs across the world.*
- (b) *As part of its quality assurance role as PR, UNDP should ensure that all health products are inspected pre and post shipment as recommended by best practice. UNDP should obtain and keep a record of the appropriate certificates as evidence that the inspections happened.*
- (c) *Medicines such as ARVs and ACTs must be checked upon their arrival in the DRC by a laboratory pre-qualified by WHO.*

Storage and distribution

166. During the sites visits, OIG noted there were stock-outs, overstocking in some cases and/or expired drugs. At a country level, most donors undertake procurement independent of each other. There is no coordination of supply amongst the various donors that supply the health products often resulting in duplications of interventions and under stocking of other products as donors assume that products will be supplied by another donor. OIG observed situations where there is a stock-out of drugs provided by one donor while there is expired stock of the same medicines by another donor.

167. There is no effective process at country level that coordinates the stock positions of health products across the country in order to ensure that there is sufficient quantity of stock across the country. This coordination should be the role of the national programs. However, in order for them to effectively undertake this role, they should be more involved in planning and coordinating the various programs that fall under their mandate in the country. A

recommendation has already been made for UNDP to work with programs to ensure that there is better coordination of activities across the three diseases.

168. DRC has a proper national logistics supply system in place which still needs to be strengthened. The national logistics supply system is supported by several donors in particular the Coopération Technique Belge (CTB), the European Union and USAID. The national logistics system has four structural levels namely the (1) Programme National d'Approvisionnement en Médicaments (PNAM); (2) Fédération des Centrales d'achats de Médicaments Essentiels (FEDECAME); (3) Centrales de Distribution Régionales (CDRs); and (4) Zones / Existing Health Sites.

169. At central level, PNAM coordinates the selection of medicines and needs assessment among the various donors and FEDECAME procures stores and distributes through its CDRs. FEDECAME and its CDRs are already supplying the essential generic drugs across the country and are already integrated into the countrywide storage and supply of ACTs and ARVs under a World Bank project.

170. FEDECAME also recently moved to its new storage facility that has been established to meet international storage and pharmaceutical standards. The renovation has been funded by the development partners and through CTB financing, there is full-time international technical assistance available for capacity building. FEDECAME has CDRs which are the supply structures at regional level. These have technical assistance supported by the EU⁴¹. Below this level, there are local government structures which store and distribute drugs to the end user.

171. The PSM work plan for Round 3⁴² provided for capacity building of national PSM systems. While capacity building is planned particularly in the PNAM, the director of PNAM informed OIG that there were no capacity building initiatives implemented in the past four years that the Global Fund has been funding programs in DRC.

172. UNDP on the other hand, has set up its own system for storage and distribution. UNDP's storage and distribution system is organized around the SR/SSRs responsible for implementing the Global Fund programs⁴³. At central level, UNDP allocates program inputs based on targets set for the SRs/ SSRs and uses Agetraf to distribute the inputs to SRs. SRs receive the program inputs and are responsible for storing them and distribution to SSR level. The UNDP system is not sustainable and weakens the national structures already in place.

⁴¹ Lors de la visite de l'OIG à la Fédécame, il a pu rencontrer l'assistant technique international chargé de l'évaluation des CDRs

⁴² Voir plan GAS R3 P1 et P2 Vih sida

⁴³ Ces sites peuvent être des sites existants (appartenant à la pyramide sanitaire de RDC) ou des sites créés de toutes pièces par les ONGs/SR comme AMOCONGO qui crée des sites dont on peut douter de la pérennité car complètement dépendant des financements du FM

173. Distribution of program inputs was based on the ‘push method’ where the SRs do not control the medicals inputs. The volume of inputs sent by the PR to the SRs do not take into consideration the needs of SRs as stipulated in the SR requests nor do they take into consideration previous consumption by SRs. The LFA has on several occasions in the past recommended that UNDP considers SR needs in determining what is distributed but these recommendations have not been implemented.⁴⁴ Distribution is based on the targets set up in the SR agreements e.g. the number of patients on treatment, number of nets or condoms to distribute etc. The delays in deliveries and low level of central stocks at PR level often resulted often in stock-outs at the SR level.

174. UNDP has appointed Agetraf to store and distribute its program inputs to implementers. Agetraf has very good demonstrated experience in customs clearance, transportation and storage of non-pharmaceutical products but with less experience for health products. Agetraf’s current storage capacity is too small especially the cold storage unit in the light of subsequent procurement volumes planned. Storage pallets were not available in the store visited. At SR and SSR level, storage facilities varied greatly from one SR (or SSR) to another and ranged from very good to very bad.⁴⁵ The very bad storage facilities lacked stock cards; did not maintain the drugs at prescribed temperatures; lacked security etc⁴⁶.

Recommendation 41 (Significant)

- (a) *UNDP should undertake an assessment of the storage capacity of the national structures and develop plans to strengthen capacity with the objective of transitioning to these national structures. The plans should provide for the gradual transfer of responsibility as capacity at National logistic supply system and CDRs is strengthened.*
- (b) *UNDP should take into consideration SR needs in estimating the needs and distribution of medial inputs to SRs.*
- (c) *UNDP should develop a manual that guides the stock management processes at all levels of the logistics chain. Regular physical inventory counts should be instituted at all levels with explanations sought for all variances between stock levels and records.*

⁴⁴ Voir les rapports trimestriels du spécialiste GAS du LFA

⁴⁵ Observations faites par l'OIG pendant les visites de terrain

⁴⁶ Observations faites par l'OIG pendant les visites de terrain

Monitoring of PSM

175. Effective PSM monitoring is dependent on having reliable information to inform decision making at all levels of the PSM chain. Two systems have been used by the PR to track the inventory movement; one by UNDP and the second by the Agetraf office. At the time of the audit, the stock monitoring program at Agetraf was down.⁴⁷ UNDP was not able to provide OIG with the monthly inventory monitoring reports since the inception of the Global Fund programs i.e. when under Agetraf and Mission Pharma's management. Agetraf was not able to provide OIG with a schedule of expired drugs held within the warehouse at the time of the visit. OIG conducted a physical inventory check and found variances between the physical count and the Agetraf system.

176. The OIG noted during its site visits that regular physical verification of inventory is undertaken at SR/SSR level. However, at central level, the first physical inventory took place on 31 March 2009 almost two years after entering into a contract with the subcontractor, Agetraf. OIG was informed that stock takes would be undertaken on a quarterly basis in the future. There were also no inventory counts at the treatment sites.

Recommendation 42 (High)

UNDP should develop a mechanism through which reports containing information about PSM activities are provided to management for decision making. Such a system should be able to receive information from all levels of implementation and generate reports that provide information about:

- *Needs specifications , forecasting and procurement;*
- *Order tracking i.e. orders made, shipments, delivery date etc;*
- *Monitoring of prices;*
- *Monitoring of stock balances i.e. physical inventory, expiry dates etc;*
- *Comparison of stock balances against consumption etc.*

⁴⁷ Visites de l'OIG chez Agetraf

VII Oversight

Background

177. The Global Fund's fiduciary arrangements for grant recipients comprise of Principle Recipients (PRs) and sub-recipients (SRs) implementing the programs. The implementers are overseen by a Country Coordinating Mechanism (CCM). A Local Fund Agent (LFA) provides assurance on programs to the Global Fund Secretariat on the implementation of grant programs. These fiduciary arrangements place reliance on effective oversight arrangements. The entities responsible for oversight of GF grant programs are:

- (a) Country Coordinating Mechanism (CCM);
- (b) Principle Recipients (PRs) over Sub-Recipients (SRs);
- (c) Local Fund Agent (LFA); and
- (d) GF Secretariat.

Country Coordination Mechanism

178. As per the Global Fund policy, the CCM is a country-level public-private partnership which: (a) coordinates the development of grant proposals to the Global Fund based on priority needs at the national level; (b) Selects one or more appropriate organization(s) to act as the Principle Recipient(s) (PR) for the Global Fund grant; (c) Monitors the implementation of activities under Global Fund approved programs, including approving major changes in implementation plans as necessary; (d) Evaluates the performance of these programs, including of PRs in implementing a program, and submits a request for continued funding prior to the end of the two years of initially approved financing from the Global Fund; and (e) Ensure linkages and consistency between Global Fund assistance and other development and health assistance programs in support of national priorities, such as PRS or SWAPs.

179. The DRC CCM comprises of 40 members with representation from the various institutions as required by Global Fund. This comprises of 12 members (30 percent) from government, one member (2.5 percent) from academic/education sectors, four members (10 percent) from NGOs and CBOs, four members (10 percent) from People Living with Diseases, six members (15 percent) from religious/faith-based organizations, 12 members (30 percent) from bilateral or multi-/bilateral development partners and one (2.5 percent) from the private sector. The CCM is chaired by the Minister of Public Health.

180. The current composition of the CCM creates some conflicts of interest with key SRs being members of the CCM. However, the CCM has a conflict of interest policy that mitigates the risk.

Achievements

181. The DRC CCM has been successful in the proposals it has submitted for Round 2, 3,5,6,7 and 8 resulting in over US\$ 443 million being committed by the Global Fund from over US\$ 869 million funds requested. The CCM has a conflict of interest policy incorporated in its CCM Manual. The CCM holds regular meetings and gathers a wide section of national and international partners directly and indirectly engaged with the fight against the three diseases. The CCM has a secretariat that manages its daily relationships and information flows and performs its core functions relatively well. However, the timely distribution of CCM documents and minutes can be strengthened further.

182. OIG however noted that the CCM has not been effectively undertaking its oversight role. While it is evident that the CCM members are aware of this responsibility, the CCM has not yet thought through how it intends to undertake this role in the future. There are various models of oversight as practiced by different countries that the DRC CCM can learn from. There are available on the Global Fund website.

Recommendation 43 (Significant)

- (a) *Oversight by the CCM should be strengthened. The CCM should establish, document and implement an oversight work plan that it will follow in undertaking this important function. The CCM should consider establishing a technical sub committee in order to strengthen its oversight role in addition to the existing sub committee i.e. for coordination amongst the three programs.*
- (b) *The CCM should establish communication protocols and tools to improve timely information flow between constituencies and their members.*

183. Two of the most important CCM roles are proposal writing and the selection of PRs who will be responsible for implementation. These two aspects are pivotal to the success of the grants. The CCM does not have defined guidelines to follow in the selection of PRs. OIG noted that the candidates selected as potential PRs for Round 8 and 9 provided funds to support the writing of the respective proposals and were in some instances even involved the writing of the country proposal. Best practice requires that once an organization is involved in an activity, it should not compete for down stream work that is a result of the activity it has undertaken.

184. Three of the proposed PRs under Round 8 i.e. ASF (PSI), Cordaid and ECC-IMA have been SRs to UNDP under previous Global Fund rounds. As part of this audit, OIG reviewed all three SRs and noted significant internal control

weaknesses for two out of the three nominated organizations. Furthermore, the audit opinions for the audited financial statements for the three nominated organizations were qualified. The CCM needs to develop a proper system to identify, assess and select potential PRs.

Recommendation 44(Significant)

The CCM should develop guidelines for nominating candidates to act as PRs. These should cover how cases where organizations that are involved in providing support to the proposal writing process bid as potential PRs.

185. Based on review of the Round 8 proposal submitted by the DRC CCM, OIG noted that some cost elements were very high, particularly those relating to the Malaria program. This analysis is supported by the review conducted by the STI with the overall conclusion that the budget could be reduced by up to 25 percent i.e. by US\$ 98 million over the five-year period without canceling activities or reducing performance targets.

186. The report concluded that “the detailed budget review indicated a significant potential for budget adjustments and reductions”. Major economies without compromising on activities and program targets were particularly linked to:

- (a) Utilization of lower unit costs for LLINs. With realistic unit costs for LLINs with a life span of more than five years assumed to be US\$ 5.30 instead of US\$ 6.10, a budget reduction in the range of US\$ 18.6 million over the program duration was considered to be possible.
- (b) Reduced procurement and supply management costs for health products and medicines. In particular lower unit distribution costs per LLIN distributed. With unit costs per LLIN distributed (including logistics) assumed to be US\$ 1.90 per LLIN distributed instead of US\$ 3.50 to US\$ 3.80, a budget reduction in the range of US\$ 41 million over the program duration was considered possible. Given recent experiences with the large-scale distribution of LLINs in settings similar to DRC, unit cost of US\$ 1.90 was considered realistic.
- (c) Lower unit costs for the storage of drugs (ACTs, Paracetamol, Quinine, Glucose serum): With unit costs for storage of drugs assumed to be US\$ 0.10 instead of around US\$ 0.60 per unit, a budget reduction in the range of US\$ 18 million was considered possible.
- (d) Consistent application of overhead rules, e.g. 5 percent for NGOs on all activities except procurement of health and pharmaceutical products and no overheads for governmental entities. If such rules were applied, a budget reduction in the range of US\$ 12 million was considered possible.
- (e) If DRC shifted the formulation of the Artemisinin Combination Therapy (ACT) from co-blistered AS+AQ to ASAQ Winthrop, budget savings in the

range of US\$ 7.6 million over the program duration were considered possible.

Recommendation 45 (Significant)

The CCM should have mechanisms in place to quality assure the proposals made to the Global Fund for funding. Instances such as the one noted above do are evidence of a weak proposal formulation and do not reflect well on the country proposals.

Recommendation 46 (High)

The Global Fund Secretariat should incorporate a budget review mechanism to the Technical Review Panel process for reviewing all proposals.

187. OIG noted that there are likely to be interlinked activities among the three disease interventions. Coordination of these activities has been easier in the past since all the activities were under one PR. However, the Round 8 grants will be managed by four PRs which may create a coordination challenge since the activities will be managed by different organizations. The PRs would need to work together on certain activities in order to ensure that there is no duplication of activities and to ensure that there are synergies derived for the country from the activities undertaken by the individual PRs.

188. The proposal for Round 8 clearly mentioned the need to establish a coordination committee amongst new PRs selected. This had not happened at the time of this audit. There had been delays in signing Round 8 and at the time of the audit concerns were being expressed that there was a risk of ARV stock-outs because of the delay.

Recommendation 47 (High)

- (a) The CCM should dialogue with the Global Fund Secretariat to explore possible ways in which the supply of ARVs will not be compromised in the event that the Round 8 signing is delayed.*
- (b) As a key oversight body, the CCM should devise a mechanism to define how the four PRs will work together and how their activities will be coordinated. This is important for interlinked activities and in areas where the PRs may face a common problem e.g. managing the storage, issuance and distribution of drugs.*

Local Fund Agent

189. The LFA is a crucial part of the Global Fund's system of oversight and risk management. PricewaterhouseCoopers (PwC) has been DRC's LFA since the inception of the grants. The LFA's key roles are to (a) assess the key capacities and systems of PRs before grant signing and at other stages of grants implementation; (b) provide independent and continuous oversight through verification of implementation by grant recipients throughout the lifetime of a grant to make recommendations to the Global Fund on disbursement amounts and adjustment to grant implementation arrangement; (c) carry out on-site data verification visits; (d) review the CCM Request for Continued Funding for Phase II of the grant and make a recommendation on funding for year three onwards of the grant; (e) provide country updates on key issues and events that impact grant implementation and pose risks to grant resources, and (e) carry out other services as requested by the Global Fund such as support for country visits by the Global Fund staff and consultants, grant consolidation and closure.

190. The LFA has verified 60 Progress Updated Disbursement Requests (PUDRs), undertaken 15 assessments of PR capacity in M&E and PSM and undertaken nine field visits.

191. OIG noted that in the six years PwC has been LFA, it has only conducted nine sites visits out of Kinshasa. This was attributed to security reasons. PwC has had to rely on desk reviews to provide the Global Fund with assurances that the information reported is accurate. However, the greater risk to Global Funds resources would probably be in the areas that are not easily accessible and there should be agreed upon mitigating factors put in place to review such areas.

192. The LFA highlighted to the OIG that they have been restrictions to access to information in UNDP and this has affected the effectiveness of their work. This problem has been on going for some time and has been brought to the attention of the PR. However, there has been no noted improvement in this area.

193. OIG noted that the review of the budget by the LFA was limited. The LFA concentrated on reconciling the quarterly budgets to the annual budget with no assessment being undertaken on the reasonableness of program budget lines e.g. by looking at rates charged.

194. Some assessments were not thoroughly done. They were based on interviews with no verification being undertaken on the information provided. An example is the LFA assessment report that incorrectly noted that the SRs

provided financial supporting documents to the PR while in fact OIG established that none of the SRs provides financial supporting documents to the PR, but just quarterly financial reports. Another example noted is the failure of the LFA to pick up and report to the Global Fund that there were issues surrounding the legal status of one of the proposed PRs. OIG also noted that during the audit in this particular instance, the LFA was helping ASF/PSI to solve the issue by providing advice to the ASF on how to regularize its legal relationship with PSI.

195. The LFA also does not appear to have taken note of the past audited financial statements and management letters of the prospective PRs in assessing their capacity. Key issues raised in these reports were not highlighted in the assessment reports presented to the Global Fund.

Recommendation 48 (Significant)

The LFA team should institute an effective quality assurance process for all reports submitted to the Global Fund. Because of the assessed high risk associated with the operations of the country, the LFA Central team should provide an independent layer of review to the reports submitted to the Secretariat.

Role of development partners

196. Learning from other countries, good relationships with the development partners within the country provides an additional benefit for the program monitoring.

197. During the visit with various development partners that exist in DRC, OIG noted a lot of good will among them especially in wanting to work with the Global Fund towards the achievement of its goals. Some of the development partners are happy to provide input or collaboration and would be amenable to approaches to provide technical support. This relationship should be continued to obtain a maximum added value.

198. In addition to debrief meeting with the CCM members and the PR/SRs, OIG debriefed various health partner groups at DRC such as Groupe Inter Bailleurs Santé (GIBS) and Groupe Thématique des Nations Unies sur le VIH/SIDA at the end of field audit. The objective of this meeting was to invite the input on the emerging issues and likely recommendation for the improvement of the program.

The Global Fund Secretariat

199. OIG observed that the Secretariat's County Team have been proactive in supervising the grant implementation through regular missions including a joint mission with UNDP, and holding meetings with the PR and SRs. The Secretariat is also actively requesting further assessments by LFA when risks are identified. As a result of these proactive actions, a number of recommendations have emerged to strengthen program implementation.

200. However, OIG noted that there had been no systematic process in place to monitor these recommendations, including various LFA recommendations. Follow-up action had been mainly on an ad hoc basis. This poses risk that some recommendations that are not implemented may go undetected. As illustration, OIG observation on the weakness of inventory information system had been identified by the LFA since end of 2007 but no result has been observed to improve the current system.

Recommendation 49 (Requires attention)

The DRC country team should follow up all recommendations issued to ensure their implementation.

201. OIG also noted that there was no guidance provided by the Secretariat on the management fees to be charged as a percentage of the grant disbursements. Different organizations charge different rates and the rates vary even by country. The management fee is usually determined as part of the grant negotiations. As an example, PSI now acts as PR for nine countries. In DRC for Round 8, it was selected as PR and requested for an administrative fees or support cost of 10 percent in addition to all administrative costs. While in another country recently audited by OIG (Nepal), PSI charged 12 percent for non-procurement and 5 percent for procurement. The STI independent review of the Round 8 proposal expressed the view that an overhead rate of 5 percent was appropriate (paragraph 186) for all activities except procurement.

202. Overall conclusion from this independent review stated: Whereas the Global Fund typically does not accept administrative costs on the side of governmental entities to be imputed to program costs, there are no standard rules by the Global Fund for administrative costs of NGOs. Thus, assessing the budget proposal of the Round 8 malaria program from DRC, the following aspects should be kept in mind:

- Administrative costs at the level of governmental entities are typically considered by the Global Fund as governmental contribution to the successful program implementation. Thus, the Global Fund typically does not accept any overhead costs at the level of governmental entities.

- The budget of the malaria Round 8 program is extremely high. Given the size of the budget and the volume of activities, an overhead rate of 5 percent should be considered as point of departure for the negotiations between the Global Fund and the two NGOs proposed as PR.
- It should exclude the budget categories of procurement of health products, health equipment and pharmaceutical products from the overhead budget (or apply procurement related to overhead only for year 1 for the related budget categories) as the related activities are typically one-time investments. By applying such a rule the overhead costs would be reduced by US\$ 12 million.

Recommendation 50 (High)

The Global Fund Secretariat should conduct a comprehensive review of management fee costs and issue a guideline for the implementation across all grants. This guideline should include a need for benchmarking of the fees paid under Global Fund programs to what other funders pay.

Annex 1: Background of Sub-Recipients Audited

Sub-Recipient (SR)	Disease component(s)	Grant period	Budget & disbursements (US\$)			Regions covered by the SR																								
GTZ-IS	HIV/AIDS and Malaria	HIV/AIDS Phase I (P1) 1 Sep 2005 - 30 Sep 2008 Phase II (P2) 1 Oct 2008 - 31 Dec 2009 Malaria P1 1 Sep 2005 - 30 Sep 2008 P2 1 Oct 2008 - 30 June 2009	HIV/AIDS <table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>6,426,148</td><td>6,099,775</td></tr><tr><td>P2</td><td>7,492,926</td><td>3,400,000</td></tr><tr><td>Total</td><td>13,919,074</td><td>9,499,775</td></tr></table> Malaria <table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>566,631</td><td>566,003</td></tr><tr><td>P2</td><td>1,379,910</td><td>1,051,565</td></tr><tr><td>Total</td><td>1,946,541</td><td>1,617,568</td></tr></table>				Budget	Disbursement	P1	6,426,148	6,099,775	P2	7,492,926	3,400,000	Total	13,919,074	9,499,775		Budget	Disbursement	P1	566,631	566,003	P2	1,379,910	1,051,565	Total	1,946,541	1,617,568	Five provinces namely: Kinshasa, Katanga, Kananga, South Kivu and Oriental.
	Budget	Disbursement																												
P1	6,426,148	6,099,775																												
P2	7,492,926	3,400,000																												
Total	13,919,074	9,499,775																												
	Budget	Disbursement																												
P1	566,631	566,003																												
P2	1,379,910	1,051,565																												
Total	1,946,541	1,617,568																												
Cordaid	HIV/AIDS	P1 1 Sep 2005 - 30 Sep 2008 P2 1 Oct 2008 - 31 Dec 2009	<table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>2,720,841</td><td>2,215,165</td></tr><tr><td>P2</td><td>2,346,094</td><td>938,437</td></tr><tr><td>Total</td><td>5,066,935</td><td>3,153,602</td></tr></table>				Budget	Disbursement	P1	2,720,841	2,215,165	P2	2,346,094	938,437	Total	5,066,935	3,153,602	Eight provinces in namely: Kinshasa, Kasai Occidental, Kasai Oriental, Province Orientale, North Kivu, South Kivu and Maniema.												
	Budget	Disbursement																												
P1	2,720,841	2,215,165																												
P2	2,346,094	938,437																												
Total	5,066,935	3,153,602																												
ACS/AMO-CONGO	HIV/AIDS	P1 1 June 2005 - 30 June 2008 P2 1 July 2008 - 31 Dec 2009	<table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>2,532,817</td><td>2,532,655</td></tr><tr><td>P2</td><td>2,462,703</td><td>1,296,317</td></tr><tr><td>Total</td><td>4,995,520</td><td>3,828,972</td></tr></table>		Budget	Disbursement	P1	2,532,817	2,532,655	P2	2,462,703	1,296,317	Total	4,995,520	3,828,972	Eight provinces in namely: Kinshasa, Bas-Congo, Katanga, North Kivu, South Kivu, Kasai Occidental, Equateur, Kasai Oriental.														
	Budget	Disbursement																												
P1	2,532,817	2,532,655																												
P2	2,462,703	1,296,317																												
Total	4,995,520	3,828,972																												

Country Audit of the Global Fund Grants to the Democratic Republic of Congo

Sub-Recipient (SR)	Disease component(s)	Grant period	Budget & disbursements (US\$)			Regions covered by the SR
PNLS	HIV/AIDS	P1 1 June 2005 - 30 June 2008 P2 1 July 2008 - 31 Dec 2009		Budget	Disbursement	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.
			P1	2,959,765	2,959,765	
			P2	1,087,821	426,796	
			Total	4,047,586	3,386,561	
CNOS	HIV/AIDS	P1 1 June 2005 - 30 September 2008 P2 1 November 2008 - 31 December 2009		Budget	Disbursement	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.
			P1	546,042	546,041	
			P2	585,523	105,050	
			Total	1,031,565	651,091	
PNMLS	HIV/AIDS	P1 1 September 2006 - 30 June 2008 P2 1 October 2008 - 31 December 2009		Budget	Disbursement	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.
			Phase 1	1,773,300	1,362,928	
			Phase 2	246,750	-	
			Total	2,020,050	1,362,928	
PNTS	HIV/AIDS	P1 1 June 2005 - 30 September 2008 P2 1 November 2008 - 31 December 2009		Budget	Disbursements	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.
			P1	1,194,267	1,158,520	
			P2	701,668	645,985	
			Total	1,895,935	1,804,505	

Country Audit of the Global Fund Grants to the Democratic Republic of Congo

Sub-Recipient (SR)	Disease component(s)	Grant period	Budget & disbursements (US\$)	Regions covered by the SR																								
PNLP	Malaria	P1 - 3 June 2005 - 30 September 2008 P2 - 1 October 2008 - 30 June 2009	<table><tr><td></td><td>Budget</td><td>Disbursements</td></tr><tr><td>P1</td><td>1,536,392</td><td>1,371,311</td></tr><tr><td>P2</td><td>891,652</td><td>501,901</td></tr><tr><td>Total</td><td>2,428,044</td><td>1,873,212</td></tr></table>		Budget	Disbursements	P1	1,536,392	1,371,311	P2	891,652	501,901	Total	2,428,044	1,873,212	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.												
	Budget	Disbursements																										
P1	1,536,392	1,371,311																										
P2	891,652	501,901																										
Total	2,428,044	1,873,212																										
PNT	Tuberculosis	Round 5 1 October 2006 - 30 September 2009 Round 6 1 August 2007 - 31 July 2009	<table><tr><td></td><td>Budget</td><td>Disbursements</td></tr><tr><td>R 5</td><td>5,931,543</td><td>5,931,540</td></tr><tr><td>R 6</td><td>3,016,241</td><td>1,729,281</td></tr><tr><td>Total</td><td>8,947,784</td><td>7,660,821</td></tr></table>		Budget	Disbursements	R 5	5,931,543	5,931,540	R 6	3,016,241	1,729,281	Total	8,947,784	7,660,821	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.												
	Budget	Disbursements																										
R 5	5,931,543	5,931,540																										
R 6	3,016,241	1,729,281																										
Total	8,947,784	7,660,821																										
ECC -IMA	HIV/AIDS and Malaria	HIV/AIDS P1 5 Aug 2005- 31 Dec 2006 P2 July 1 2008 - 31 Dec 2009 Malaria P1 - SR 5 Aug 2008- 30 Sept 2008 P2 - SSR to PNL P October 2008- Sept 2009	HIV/AIDS <table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>956,473</td><td>674,908</td></tr><tr><td>P2</td><td>831,584</td><td>719,304</td></tr><tr><td>Total</td><td>1,788,057</td><td>1,394,212</td></tr></table> Malaria <table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>1,390,961</td><td>1,298,252</td></tr><tr><td>P2</td><td>1,521,663</td><td>974,130</td></tr><tr><td>Total</td><td>2,912,624</td><td>2,272,382</td></tr></table>		Budget	Disbursement	P1	956,473	674,908	P2	831,584	719,304	Total	1,788,057	1,394,212		Budget	Disbursement	P1	1,390,961	1,298,252	P2	1,521,663	974,130	Total	2,912,624	2,272,382	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.
	Budget	Disbursement																										
P1	956,473	674,908																										
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Total	2,912,624	2,272,382																										

Country Audit of the Global Fund Grants to the Democratic Republic of Congo

Sub-Recipient (SR)	Disease component(s)	Grant period	Budget & disbursements (US\$)			Regions covered by the SR																		
ASF	HIV/AIDS and Malari a	HIV/AIDS P1 - 19 August 2005-30/09/2008 Malaria P1 - 19 August 2005-31 March 2007	HIV/AIDS <table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>1,945,808.65</td><td>1,806,166.42</td></tr><tr><td>Total</td><td>1,945,808.65</td><td>\$1'806'166.42</td></tr></table> Malaria <table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>706,549.00</td><td>705,819.89</td></tr><tr><td>Total</td><td>706,549.00</td><td>705,819.89</td></tr></table>				Budget	Disbursement	P1	1,945,808.65	1,806,166.42	Total	1,945,808.65	\$1'806'166.42		Budget	Disbursement	P1	706,549.00	705,819.89	Total	706,549.00	705,819.89	11 provinces namely : Kinshasa, Province Orientale, Kasai Oriental, Kasai Occidental, Maniema, Katanga, Sud-Kivu, Nord-Kivu, Bas-Congo, Équateur and Bandundu.
	Budget	Disbursement																						
P1	1,945,808.65	1,806,166.42																						
Total	1,945,808.65	\$1'806'166.42																						
	Budget	Disbursement																						
P1	706,549.00	705,819.89																						
Total	706,549.00	705,819.89																						
Horizon santé	Malaria	Malaria P1 - 14 June 2005- 31 March 2008	Malaria <table><tr><td></td><td>Budget</td><td>Disbursement</td></tr><tr><td>P1</td><td>174,822.00</td><td>705,819.89</td></tr><tr><td>Total</td><td>174,822.00</td><td>705,819.89</td></tr></table>			Budget	Disbursement	P1	174,822.00	705,819.89	Total	174,822.00	705,819.89											
	Budget	Disbursement																						
P1	174,822.00	705,819.89																						
Total	174,822.00	705,819.89																						

Annex 2: Detailed Qualified audit reports

Sub-recipients	Qualified audit reports for year ended 31 Dec 2007	
	Expenditure	Cash and bank balances
GTZ - IS	Qualified on the basis of expenses amounting to US\$ 134,637, for the year 2006 were accounted for in 2007 and unsupported expenses amounting to US\$ 400,000.	Qualified on the basis of that balance of cash and bank indicated was US\$ 1,742,293, and the balance in the GL was US\$ 1,342,785
Cordaid		Qualified on the basis that an amount of US\$ 289,548 was pre-financed by Cordaid without authorization from UNDP.
ACS/AMO-CONGO	Qualified on the basis that the budget variance for the budget line other direct costs was 33 percent. This was not authorized by PR.	Qualified on the basis that an amount of US\$ 287,812 was pre-financed by the SR without authorization from PR.
CNOS	Qualified on the basis that expenditure totalling to US\$ 96,380 was qualified and an amount of US\$ 406,523 disbursed to SSRs were not audited.	Qualified on the basis that no bank reconciliations were prepared during the period under review
PNMLS	Qualified on the basis that no written confirmations by the SSR for financing worth US\$ 56,219, no supporting documents for expenditure worth amounting to US\$ 432,332 and a disbursement of US\$ 11,000 was made to an SSR that was not in the pre-approved list of UNDP.	
PNTS		Qualified on the basis that an amount of US\$ 319,593 reported to have been disbursed by the PR, but the SR recorded US\$ 219,593. The difference of US\$ 100,000 was accounted for in 2008.

Country Audit of the Global Fund Grants to the Democratic Republic of Congo

Sub-recipients	Qualified audit reports for year ended 31 Dec 2007	
PNT	Qualified on the basis that the budget variations for expense lines were above the 20 percent set limits and SR not complying with procurement policies amounting to US\$ 15,369.	
ECC - IMA	Qualified on the basis of variances in disbursements recorded by PR (US\$ 261,546) to SR (US\$ 287,855) as at 31 December 2007.	
ASF	Expenditure for Human Resources included US\$ 228,847 for expatriate salaries without justification; Expenditure for training and planning US\$ 131,802 does not reconcile between financial statement and general ledger. Also the budget is negative for US\$ 22,376; Expenditure for good and services in the general ledger is US\$ 35,841 while financial statement is negative US\$ 2,800; Other expenditure is noted difference for US\$ 41,086 between actual expenditure (US\$ 74,644) and the financial statement (US\$ 33,558)	

Annex 3: Secretariat comments and responses

Secretariat comments and responses to the Report of the Audit of the Global Fund Grants in the Democratic Republic of the Congo (DRC) issued by the Office of the Inspector General (OIG)

Background

This report presents the Secretariat's comments and responses to the Report of the Audit of the Global Fund Grants in the Democratic Republic of the Congo (DRC) issued by the Office of the Inspector General (OIG). Overall the Secretariat concurs with most of the findings and recommendations contained in the report. However, The Secretariat notes that several of the recommendations did not identify clear deliverables and as a consequence the tracking of implementation will be a challenge. Country Programs Cluster has also identified the non-provision of the defined timeline by key respondents including the CCM and UNDP as one of the major challenges to track the implementation of the OIG's recommendations.

The DRC has a population of over 60 million, a land mass the size of Western Europe and one of the lowest GDPs per capita (US\$139) in the world. The DRC has recently emerged from a prolonged period of armed conflict and civil unrest, with an estimated 3 million people having been displaced throughout the country. Some degree of instability remains in several areas in the country, including the Eastern Provinces. The prolonged period of political and civil instability has contributed to a massive decay in basic physical infrastructure, which has left significant areas of the country inaccessible. Additionally, there is a need to rebuild several key institutions and administrative systems in the country. The government has made significant strides to address the political, economic and social issues over the last few years. The country has recently enjoyed a period of relative peace and several donors including the World Bank and IMF have supported efforts to stabilize the economy. However the overall development of the country remains challenging within the context of the huge need and current financial environment.

To date, the Global Fund has committed US\$ 555,255,333 to fight the three diseases in the DRC of which US\$ 298,746,788 has been disbursed. The DRC portfolio of Global Fund grants is one of the most challenging within the East Africa Region. A weak institutional framework, weak human resources, decayed infrastructure, ongoing political instability in some regions of the country and the scale of the need are some of the key drivers contributing to the overall complexity of working in the DRC.

The Democratic Republic of the Congo Country Coordination Mechanism has continued to take measures to strengthen its monitoring and oversight role. The Regional Team has worked with partners to facilitate technical assistance programs aimed at strengthening the CCM and the National Programs. The active engagement of the government is one of the notable positive developments within

the CCM. Additionally, the active participation of both people living with the diseases and community based organizations within the CCM has improved the functioning of the body.

The East Africa and Indian Ocean (EAIO) Team has worked with the CCM, PR and national and international partners to address identified challenges and risks in order to support effective program implementation. The challenges are generally similar to those mentioned in the OIG report and include procurement and human resources. The absence of a clear strategy to rebuild the national system and weak leadership in the health sector has unfortunately led to fragmented support by partners in some areas. Several measures have been put in place to mitigate identified risks including ongoing LFA reviews of the procurement and supply chain and active support of measures to strengthen national structures.

Key challenges

The Secretariat concurs with the following major challenges identified by the OIG in the implementation and roll out of the National Health Programs in the DRC, particularly as they relate to the Global Fund support:

1. United Nations Development Program (UNDP) as PR
2. Procurement and Supply Management (PSM) Systems Challenges
3. Coordination Challenges
4. Service Delivery Challenges
5. Continuity / Sustainability of Treatment Challenges (ARV and ACT - given massive gaps)
6. Governance Challenges

1. United Nations Development Program (UNDP) as PR

To date, UNDP has served as PR for all ongoing Global Fund grants in the DRC. This arrangement has covered a period of more than 6 years. While additional PRs were nominated for Round 8, it is anticipated that UNDP will continue to be PR during Phase 1 of some of the Round 8 grants. One of the key reasons for UNDP to have been selected to serve as a PR was the fragile political and institutional environment that has existed in the DRC over the past years.

The UNDP has effectively contributed to the start up and roll out of essential services in the complex and challenging DRC environment. It should be noted that there was ongoing sporadic armed conflict

Within Kinshasa and other areas during the program's inception in the DRC. Some of the key achievements to date include:

- Ongoing HIV/AIDS prevention, care and treatment activities in 196 Health Zones in the country with more than 30,000 persons on ART to date.
- 80% of all first line TB drug needs financed by the Global Fund and ensured accessibility to TB treatment in all 515 Health zones in the country.
- Malaria prevention and treatment activities in 119 Health Zones (with mass distribution of bed nets through campaigns planned under Round 8).

However the Secretariat team has identified several weaknesses in UNDP's performance as PR, including: the management of Sub-Recipients, coordination with the national stakeholders and other partners and weak oversight. Additionally, the rigorous enforcement of UNDP policies, particularly in relation to procurement and recruitment of staff, has proved to be one of the major bottlenecks in program implementation.

As noted in the OIG report the UNDP role as PR is intended to be transitory. Therefore the identification of appropriate national structures to serve as PR and building relevant capacity should be a key component of the UNDP's engagement as PR. To date UNDP has not effectively conducted this function. The EAIO team recognizes the challenges within the DRC and has committed to working with the government, UNDP and other stakeholders to finalize and implement capacity building and transition plans.

It should be noted that a similar approach to capacity building will be followed with the other Round 8 PRs.

2. Procurement and Supply Management (PSM) Systems Challenges

Procurement and supply management challenges have been one of the key bottlenecks in the implementation of programs in the DRC. When Global Fund activities started in 2003, the absence of a functioning national system required the creation of parallel procurement and distribution systems to ensure that programs could be implemented and drugs could be delivered. There is a need to rebuild the national system. However, the lack of a clear national strategy and leadership, as well as the limited availability of resources have made overcoming the bottlenecks very challenging. Additionally, there is a lack of skilled human resources and supporting infrastructure such as road networks to deliver health products throughout the vast country. Consequently, air is often used to transport products. These factors have contributed to the high costs of delivering health products in the DRC.

The Regional Team has taken several measures to improve the procurement management system within the context of the challenging DRC environment. Some of the measures include ensuring that the PR hires appropriate staff, constantly reviewing and assessing the procurement and supply chain by the LFA and working with partners to support the strengthening of the national system such as the regional distribution centers.

3. Coordination Challenges

There is a need for effective national coordination in the health sector to ensure the successful implementation of programs in the DRC. The EAIO team has committed to working with partners to support the national planning process as well as aligning the various coordinating structures and mechanisms throughout the country. These efforts are particularly critical in view of the ongoing decentralization and the parallel structures being put in place by various donors.

The EAIO team is working closely with partners including UNICEF, RBM, World Bank and other stakeholders on the bed nets distribution campaigns with the aim of contributing to universal coverage. EAIO has identified the need to enhance coordination to strengthen monitoring and evaluation systems and programmatic reporting. The EAIO team will continue working with partners at all levels including to solicit/coordinate technical assistance from our traditional partners WHO, UNAIDS and RBM.

4. Service Delivery Challenges

Service delivery needs to be improved to ensure the effective use of much needed resources in the DRC. The EAIO team has continued to work with the PR and CCM to address identified challenges in service delivery. These challenges include late disbursement of funds to sub-recipients by the PR, delayed procurement and a lack of monitoring of the quality of the services provided. It should be noted that the CCM and other stakeholders have also identified an improved performance by the PR as critical to enhancing the quality of service delivery. In this regard, the CCM has taken the step to increase the number of PRs under Round 8. Additionally, the CCM has also focused on seeking resources from the Global Fund and partners to support the country's health systems strengthening needs.

5. Continuity / Sustainability of Treatment Challenges (ARV and ACTs - given massive gaps)

The DRC has a reported treatment gap of 300,000 people living with HIV who require ARVs and a gap of approximately 10 million bed nets to attain universal coverage by 2010. The Global Fund is the major donor providing ARVs, first line TB drugs, bed nets and other related services. There is an urgent need for the government and partners to address the identified gaps in funding. The large gaps in resources needed for people requiring anti-retrovirals places a tremendous burden on ongoing programs to which it is difficult not to register additional patients. As a result the sustainability of treatment for those currently on treatment is put at risk (including for the area of TB/HIV co-infection). The GF must play a pivotal role in addressing sustainability and continuity of services in the DRC.

6. Governance Challenges

The government and partners are committed to strengthening governance structures especially at the provincial, district and community levels to ensure a smooth flow of information, transparency and accountability. The EAIO Team will work with the CCM and other structures to ensure the active engagement of these decentralized structures particularly regarding their important oversight role to ensure quality health service delivery.

Comments on the response of the CCM and the UNDP

The EAIO Regional Team noted that some of the recommendations in the report require coordination with the CCM, partners and the Secretariat. The EAIO team will serve as a focal point to coordinate the relevant parties to address the recommendations and issues raised. Additionally we note that several of the responses by the CCM and the UNDP were incomplete as there no mention of a timeframe for completing the agreed upon.

Comments on the findings and recommendations

The EAIO Regional Team noted that some of the recommendations in the report require coordination with the CCM, partners and the Secretariat. The EAIO team will serve as a focal point to coordinate the relevant parties to address the recommendations and issues raised. Additionally we will welcome the opportunity to discuss some issues such as the inclusion of named individuals in the report.

Annex 4: Action Plan

Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 1 (High) <i>The LFA should review the eligibility of all management support fees charged by UNDP to the Global Fund Program. The LFA should on the basis of the report findings review and recommend the most cost effective way to cover the reasonable costs of implementers.</i>	UNDP management comments The UNDP management fee of 7% is a corporate rule, agreed with the Global Fund. With regard to management fees charged by SRs and SSRs, the audit comment is well taken. New SR/SSR contracts will only include a 5% management fee for actual activities carried out by the SR/SSR. In the case of an SR signing a contract with an SSR, a 0.5% management fee will be charged, in line with UNDP “passing through” approach. LFA Comments As we indicated during the audit process, UNDP has already agreed the computation of management fees with the GF. In addition, we noted that there is no specific policy on exactly which expenses should be covered by this management fee computation. The LFA will monitor compliance with the fees agreed between the PR and GF. The LFA will also comment on the proposed levels of fees GF Secretariat Comments: In principle the Global Fund does not encourage the use of flat rate percentages as a means of including management fees/overheads in grant budgets unless there is a specific written agreement with the implementer (eg: UNDP has such an arrangement). However the Secretariat recognises the fact that such arrangements have been accepted on some grants and this has led to inconsistencies across the portfolio. At the instigation of the PR Working Group, a group of International NGOs which act as PRs and/or SRs, the Secretariat began discussions to see if such arrangements could be made on a consistent basis at a corporate level. As part of this process, the Secretariat did a review of how management fees are included in grants and looked at how other organisations dealt with this issue. With a view to showing efficiencies and value-for-money in grant arrangements, the Secretariat wants to ensure that any such arrangements show good transparency and accountability for these funds as well as being simple to apply for the implementers. The discussions are ongoing at this moment [February 2010]. The current draft of Budget Guidelines (being finalised for approval by OPC) reflect these principles in the budgeting of management fees.” This is further elaborated on under the GF Secretariat Comments under Recommendation 50. In addition it should be noted that as part of the updated “LFA Checklist for Budget Review” document for 2010, The GF Finance department instructed the LFA to consider the following when assessing budget reasonableness: • as a minimum the LFA should request the details of the services provided by the HQ (which type of services? financial? legal? IT? procurement? monitoring?) and explanation of the related costs and the basis on which the budgeted amount was calculated; • determine the legal basis for the application of the management fee and obtain copies of the relevant documents; • consider the basis on which the percentage is applied: for example, if the grant includes a large amount of procurement, should it be included in the basis of the calculation?;	LFA team leader	Ongoing and at the end of each semester, supplemented by a special review when the Secretariat has prepared the guidelines as per Recommendation 51.	As per OIG audit, UNDP and the Global Fund agreed on the percentage of support cost charged by UNDP but no agreement or conclusion was reached on what the support cost would include. It is important that agreement is reached on what UNDP is entitled to charge as support costs for payment to SRs and SSR, and the eligibility of SRs and SSRs to charge Support cost.

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Recommendation	Response and action	Responsible	date	OIG Comment
	- consider the services provided by HQ and activities performed locally: what will be HQ's involvement in the implementation of the grant? i.e. what direct benefits will the grant enjoy as a result of the HQ costs? - consider the incremental factor: if this PR is already charging HQ fees for managing other grants then what is the need to charge an additional fee?; - consider the performance factor on previous grants managed by the same PR: unsatisfactory performance could be taken into account in assessing reasonableness; - compare with other types of fees charged on similar grants and particularly possible arrangements already negotiated with the same PR in other countries.			

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 2 (Significant) <i>The PR should ensure compliance with all the terms and conditions stipulated in the grant agreement. This will strengthen the control environment in which Global Fund programs are being implemented.</i>	UNDP management comments Noted. The status of the implementation of the CP/CS is included in the quarterly financial reports submitted to the GF.			

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 3 (High)	UNDP Management comments As part of its selection process, UNDP conducted through KPMG and Deloitte comprehensive capacity assessments of its partners. Only those with the minimum required capacity have been selected. Obligations between the 2 parties (PR and SRs) are included in the signed Grant agreement. This agreement covers areas such financial reporting, management of assets, audit, etc. UNDP systems exist and are in place. There is however, room for improvement in the implementation of SR agreements. Standard templates for financial and programmatic reporting exist and are in use. Those are mandatory for UNDP and other UN agencies under the HACT approach (Harmonized Approach for Cash Transfer). Quarterly reporting is mandatory for all SR. SR/SSR management fees are 5% in accordance with UNDP rules and regulations. According to UNDP regulations and general common practice, provision of the breakdown of management fees is not a requirement. If required by the GF, UNDP could request from its SR/SSR thorough justification of their Admin fees (management fees). Regular formal training sessions in addition to on-the job coaching have been carried out since the inception of the programme in 2004. Unfortunately, the high turnover of SR/SSR personnel does hinder UNDP training efforts.			
(a) UNDP should establish and implement comprehensive grant management procedures that cover all areas of grant management for the SRs. Reference to this manual should be made in the grant agreement that SRs are obliged to comply with. The policies and procedures should at least cover the following: • Disbursement and accountability; • Programmatic and financial reporting (including formats); • Budget tracking and analysis; • Maintenance of accounting records; • Monitoring and inspection of SR and SSR performance; • Guidance on internal and external auditing; • Assets management including inventory management; • Charging of administration and overhead costs; • Accounting for contributions in kind; • Identification and reporting on social marketing; and • Procurement policies.	GF Secretariat Comment: The East Africa and Indian Ocean (EAIO) team has taken note of the recommendation and response and has taken into account also the response provided by UNDP under Recommendation 14. The PR is responsible for negotiating any administrative costs to be charged by SRs following principles also described under GF Secretariat Comments under Recommendation 51. During grant negotiation the PR shall provide to the Global Fund the required documentation to support the budget for SR administrative costs to the satisfaction of the Global Fund. For the recently signed Round 8 HIV and Malaria grants between the GF and the UNDP, the following Special Term is formulated in the grant agreements: "In accordance with Article 10(b)(1) of the Standard Terms and Conditions of this Agreement, prior to disbursement of grant funds to a Sub-recipient, the Principal Recipient shall have executed an agreement with such Sub-recipient that is consistent with this Agreement, including appropriate performance frameworks and budgets. The Principal Recipient shall submit to the Global Fund all detailed Sub-recipients budgets in the first Progress Update. The Principal Recipient shall not exceed the total approved Sub-recipient budget in the Grant agreement".			
(b) UNDP should develop and introduce standard templates for reporting of financial and programmatic results. An enforceable reporting timetable should be				

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Recommendation	Response and action	Responsible	date	OIG Comment
<i>developed for SRs and their compliance with the timetable should be one of the criteria for assessing performance.</i> (c) <i>UNDP should have an established threshold for overhead costs. This will ensure that funds are used for their intended purposes ie fighting the three diseases.</i>				
Recommendation 4 (Significant) <i>The PR should train all SRs should be undertaken to inform them of the Global Fund and UNDP's expectations as elaborated in the grant agreements. This will address capacity gaps and ensure uniform and strong internal control across all SRs/SSRs involved in program implementation. Such training should provide details about the basic internal control system that is mandatory for managing and safeguarding Global Fund grant monies. It should also cover the basic books of account and records that be maintained as well as the formats that should be followed in programmatic and financial reports. Future UNDP training should address the deficiencies in book keeping and internal control processes identified in this audit.</i>	UNDP Management comments Noted.			
Recommendation 5 (High) (a) <i>UNDP should strengthen the finance functions of the SRs it funds. This measure taken should</i>	UNDP management comments Noted.			

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Recommendation	Response and action	Responsible	date	OIG Comment
include utilisation of an accounting package and maintenance of up to date financial records. All outstanding accountabilities should be followed up with immediate effect to establish whether the funds were used in accordance with program objectives and to establish any balances that remain unaccounted for before further disbursements are made. UNDP should also develop proper budget control guidelines as part of the policies manual for use at the SR level. (b) Horizon Santé should submit all financial supporting documents for the period quarter 1 to 8 to UNDP before any further disbursements are effected. Otherwise, Horizon Santé should reimburse all advances made by UNDP since without these supporting documents, there is no evidence that the Global Fund resources were used for their intended purposes.				
Recommendation 6 (Requires attention) (a) UNDP should review all its grant agreements with SRs to ensure that they contain appropriate information to safeguard Global Fund interests invested in the SRs. All weaknesses noted should be addressed. The SR grant agreements should include a mandatory requirement for annual audited accounts. UNDP should ensure that corrective	UNDP management comments Audit requirements are included in the SR/SSR Grant agreements. SR/SSR audits are carried out according to UNDP rules and regulations. All SR/SSR with a cumulative expenditure of \$100,000 and above for a calendar year are audited. Corrective action plans are updated twice a year by the NIM/DIM Unit of UNDP. The position of an internal auditor is not a UNDP requirement and if required shall be validated by the GF as this will result in an increase of SR budgets. GF Secretariat Comment: The EAIO team has taken note of the recommendation and response. All relevant grants will not be closed until the qualifications in relation to SR financial statements are resolved.			OIG observed that not all SRs were audited on time. The UNDP should ensure that all SRs are audited on a timely basis as per agreement.

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Recommendation	Response and action	Responsible	date	OIG Comment
<i>action plans are developed and implemented for all SR audit findings. Further, larger SRs should consider the need for an internal audit function.</i> <i>(b) UNDP should follow up and resolve all the qualifications of SR financial statements. All unsupported and unexplained variances should be recovered.</i>				
Recommendation 7 (Requires attention) <i>UNDP should ensure that all its SRs have proper monitoring frameworks for their SSRs. These should cover:</i> <i>• Well defined indicators and targets at SR and SSR level against which performance can be measured;</i> <i>• Plans detailing when, how and whom monitoring will be undertaken;</i> <i>• Methods of data collection and verification for reporting;</i> <i>• Site visits covering financial and programmatic aspects; and</i> <i>• Follow up of findings and provision of feedback to SSRs.</i>	UNDP Management comments Noted. Individual M&E plans will be requested from each SR and SSR.			

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 8 (High) <i>The legal status of ASF and PSI should be clarified immediately. If the PR for Round 8 is PSI then the LFA should undertake another assessment to ensure that PSI has the capacity to manage Global Fund grants. The Global Fund should not sign an agreement with this PR until their legal status is clarified.</i>	PSI/ASF Comments With respect to the organizational relationship between ASF and PSI, the Office of the Inspector General will recall that <u>not only</u> was the President of PSI a founding member of ASF, <u>but also</u> two of three members of the ASF Governing Board are appointed by PSI, and are currently PSI staff members, and that under generally accepted accounting practices, ASF's accounts are consolidated with those of PSI. PSI has maintained its financial and operational role in ASF since ASF was founded, and it was on that basis that PSI agreed to take management responsibility for project implementation. With respect to the contractual relationship between PSI and ASF, since OIG completed the draft audit report, ASF and PSI have embodied the terms of their ongoing collaboration in a Accord de Collaboration ASF-PSI, and may, when appropriate, supplement the Accord de Collaboration terms from time to time for specific projects and tasks. This clarifies the contractual relationship between PSI and ASF. We hereby confirm that PSI, not ASF, is the PR for the Global Fund Round 8 grant. PSI's ability to implement the grant with and through its local affiliate, ASF, was assessed by the LFA. We believe therefore, that this concern has been fully addressed. GF Secretariat Comments: The EAIO team and legal unit have taken note of the recommendation and the response and would like to add the following: At the time of the Round 8 grant signing the secretariat requested the LFA to verify the legal relationship between ASF and PSI. The LFA confirmed that in its assessment of ASF's statutes, PSI has effective control over the operations of ASF. In its comments to the OIG recommendations, PSI also confirmed that that in accordance with generally accepted accounting practices, ASF accounts are consolidated with those of PSI. In accordance with the grant agreement between the Global Fund and PSI it is PSI's responsibility to ensure that the obligations therein are passed on to all implementing entities (whether they are under PSI's effective control or not). In any event, PSI is held accountable for all obligations in the grant agreement and the activities undertaken in the program whether or not it has delegated responsibility regarding these obligations. While the Global Fund can request to review any sub-recipient or other agreements under the grant agreement, the Secretariat does not consider it to be in the Global Funds' best interest to approve Sub-Recipient agreements and/or similar agreements. Doing so would expose the Global Fund to unnecessary risks in that a principal recipient could rely on this approval in case something has gone wrong in the relationship between the principal recipient and the sub-recipient. In addition, giving a principal recipient the opportunity to ask the Global Fund whether a sub-recipient meets the standards of the grant agreement with the Global Fund would detract from the principal recipient's obligations under the grant agreement both in practical and legal terms. Given the LFA's confirmation that PSI has effective control over ASF operations and that ASF will be mainly responsible for the implementation of the Round 8 grant activities, the Secretariat considered it more prudent to assess ASF's capacity to implement the grant in DRC as opposed to a review of PSI Washington.			

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendations 9 (Significant) (a) UNDP should ensure that all inputs for program implementation are provided timeously. Proper procurement planning would ensure that the inputs are available when required for program implementation. (b) UNDP should ensure that contract amendments are signed before the end of the contract. (c) In the future such cost overruns should not be met from the program funds and should be recovered from the PR.	UNDP Management comments Weaknesses raised by the audit refer to the initial stage of the setting up of the PSM team. Actions taken by UNDP to strengthen the PSM team procurement capacity resulted in substantial improvements. Since the inception of Round 7, funding for the procurement of health products is included in 1st disbursement requests. PSI/ASF Comments Recommendation 9a, b, c: In a meeting with UNDP on August 19, 2008, PSI/ASF discussed condom procurement lead times and project implementation. However, Phase 2 continued to suffer from procurement delays, noted in our quarterly reports. PSI/ASF postponed signature of Phase 2 and the required scale up of its staffing until it was reasonably certain that commodities might be available. Even so, procurement delays (of condoms, packaging, and shipping of commodities to provinces) continued to impact implementation.			The procurement delays also related to more recent periods.
Recommendation 10 (High) (a) In accordance with the grant agreement signed with UNDP, all income generated from program activities should be recorded and reported to the Global Fund. UNDP should present to the CCM a work plan on the proposed use of program generated income for approval before it is spent. (b) UNDP should recover all income generated from program activities from ASF.	UNDP Management comments Noted. This is the actual practice. Income from the social marketing of bednets and condoms were presented in 2007-2008 to the CCM for approval prior to their use. It was the CCM decision to use the revenues for the procurement of additional bednets worth \$400,000 and cover Pointe-Noire (Congo) to Kinshasa (DR Congo) condom transport costs. A copy of the relevant documentation has already been shared with the OIG audit team. An in-depth review of the income generated by PSI will be initiated. A request for total reimbursement will be made to PSI upon finalisation of this review. PSI/ASF Comments Recommendation 10a: PSI/ASF agrees with this recommendation. In addition, for future SR contracts, clauses related to the reporting and use of program generated income should be included. Although reporting during the Phase 1 grant period was not systematic, all income for the HIV grant was indeed reported and its use reconciled. In Phase 2, we have included condom social marketing program income generated in our quarterly reports. We consider this matter closed. Recommendation 10b: For the malaria grant, in 2007 PSI/ASF returned to UNDP all program income generated. For the Phase 1 HIV grant, PSI/ASF proposed and received authorization from UNDP to use program income, and reported on its use. We consider this matter closed. We believe that the matter of reporting program income from Phase I to UNDP, and the return of unused income has been resolved.			OIG received from UNDP a copy of correspondences between UNDP and ASF/PSI to authorize PSI/ASF to use the social marketing's income for transportation cost of condoms procured from Brazzaville to DRC. However there was no evidence provided to OIG that the CCM authorized this. Therefore, UNDP to provide the OIG with copy of the CCM decision to use the income ,for both programmes Malaria and AIDS as per the comments. OIG has not seen evidence of PSI's returning part of the money it raised and accounting for the balance. Until such a time when UNDP reviews and provides the accountability to the CCM for retrospective approval, this matter is not closed.

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Recommendation	Response and action	Responsible	date	OIG Comment
	GF Secretariat Comments: The EAIO team has taken note of the recommendation and the response.			
Recommendations 11 (Requires attention) <i>UNDP should commission an evaluation of the impact of social marketing in order to confirm that the products reach their intended beneficiaries and that the program objectives are achieved. Lessons learned should be used to strengthen the control environment within which social marketing operates and how it can be improved to make it more effective.</i>	UNDP Management comments Noted PSI/ASF comments Recommendation 11: (note: comments on paragraphs 121-126 follow at recommendation 29) It is difficult to accurately assess the impact of social marketing when the interventions funded by the Global Fund cannot be implemented as programmed. Social marketing <u>is complementary</u> to other efforts. It provides cost-effective access to goods by harnessing the distribution power of the commercial sector. It has been proven particularly effective for fast-moving consumer goods by increasing geographical and temporal accessibility. For general knowledge, we have attached a bibliography of independent articles concerning social marketing and its impact. At the time of the Round 3 malaria award to DRC, social marketing of nets was a part of accepted policy, both in DRC and internationally. The international environment evaluated the impact of various methodologies and since 2007, partners have reached a common agreement to adopt a “catch up, keep up” strategy. This entails seeking funding first for mass campaigns (to catch up), then for routine clinical distribution (to “keep up” coverage of the most vulnerable) and for social marketing (to “keep up” coverage of all other members of the population, by providing a cost-effective solution to their health seeking behavior). In an environment where mass campaign and routine clinical distribution needs have been met, social marketing also helps ensure that nets intended for routine clinical distribution are not diverted into the commercial sector. In an environment where the economy is functioning well, commercial full-cost recovery of nets should eventually replace social marketing of subsidized nets. For HIV, condom social marketing has a 20-year history in the Congo and its value has long been established. Given that a key factor for success is an adequate and timely supply of condoms, and that the estimated need for socially marketed condoms is 100 million per year, PSI/ASF has recommended to the Ministry of Health and its partners that the small quantities of condoms provided under Rounds 7 and 8 be used for targeted interventions through clinics and with high-risk groups as well as for demand creation in health zones where the condom is still relatively unknown. PSI/ASF is using the condoms from phase 2 of Round 3 to re-establish a functional commercial distribution system which could be evaluated in mid 2010. PSI/ASF has provided the evidence base that documents the utility of social marketing. GF Secretariat Comments The evaluation mentioned can only be conducted on grants which have a social marketing component. The EAIO team suggests that Recommendation 11 and 28 are combined.			The Global Fund has provided for an evaluation of its program activities. This evaluation should assess the impact of social marketing and also help identify what obstacles need to be addressed in the future in order to make it more effective. OIG agrees that the follow up to Recommendations 11 and 28 can now be combined.

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 12 (Significant) UNDP should modify the clauses of its agreement with ASF to cover: (a) Acceptable pricing to ensure that the products reach the intended beneficiaries; (b) A monitoring system to ensure that the products reach their intended beneficiaries and program objectives are achieved; and (c) Revenues collected from the social marketing activities are recorded, reported and reach the intended population according to the program objectives i.e. in reasonable numbers and at a reasonable price.	UNDP Management comments Noted. A revised mechanism will be put in place to ensure price setting by the CCM, adequate monitoring, reporting and proper use of the generated income. PSI/ASF Comments Recommendation 12a, b, c: PSI/ASF agrees. PSI has developed, tested, and published monitoring tools appropriate to meeting these recommendations. Future proposals and grants involving social marketing should include funding for adequate monitoring and evaluation. In the DRC, pricing is always discussed with the Ministry and partners to ensure political support. For nets, a consumer price was discussed with a pilot committee of partners in 2003 when DFID-funded social marketing was initiated. This pricing was evaluated by an external evaluator funded by the DFID project in 2005 and subsequently reduced. Nets socially marketed under the Global Fund round 3 Phase I grant respected this price. The consumer price for condoms (50FC for 3 condoms) has remained unchanged since 1995. Street prices increase for very different reasons. Price gouging occurs when demand exceeds supply. This may be due to an absolute lack of product (as is the case in the DRC) or to a temporal lack of competition (only one seller in the evening outside a bar). When there is adequate product available and competition has been established, an increase in price is likely in line with inflation and accepted by the consumer. In the latter case, the social marketing institution should increase the price to wholesalers to improve cost recovery and force the commercial sector to restore normal profit margins on the product. A fully funded social marketing program includes research to determine the cause and evaluate the appropriate level of pricing to maximize both use and cost recovery. PSI/ASF will review its current contract with UNDP for Phase 2 of Round 3 for reference to the recommended clauses and will consider amendments proposed by the PR. The PR should determine the date. GF Secretariat Comments The EAIO team has taken note of the recommendation and the response and would like to point out that the modification of the clauses of UNDP's agreement with PSI/ASF can only be applied for those grants which have not yet ended.			
Recommendation 13 (High) UNDP should strengthen the budgetary control function by reviewing the budget assumptions and estimates for reasonableness before they are approved. This will ensure that the estimates provided are reasonable. In order to enforce budgeting guidelines put in	UNDP management comments Noted. Following the audit, a note has been sent in September 2009 to all SR regarding this issue. The note will be re-sent soon and reminders will be sent to SRs twice a year. Reinforcement of the UNDP Finance Unit will involve strengthening SR budget development and control function. PSI/ASF Comments Recommendation 13: PSI/ASF questions the OIG's final approved project budget. Our own does not match and our actual			The OIG finding was based on quarterly Financial Statements submitted by ASF to UNDP. The finding was discussed and agreed to by the ASF staff during the audit.

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<i>place, UNDP should inform its SRs of the consequences of SRs exceeding 20% of their budgets without obtaining pre-approval from the PR. This should constitute ineligible expenditure and be refunded.</i>	expenditures versus budget are all within the 20% margin. The invoices for the HIV Phase one social marketing project do not include separate lines for ‘training/planning’ and for ‘field activities’ as originally budgeted. It appears that the line budgeted for ‘field activities’ is rolled up together with ‘training/planning’ in the invoice, which would explain the recorded overspend. The underspend on ‘other direct costs’ noted in the auditor’s summary in paragraph 85 is due to the assumption that the budget for ‘field activities’ should be rolled up with that of ‘other direct costs’. Given that each invoice clearly provided the budget (period, cumulative and total budgeted) versus expenditures, and that these invoices were reviewed and paid without question, we suspect that the grouping of the budget line of ‘field activities’ with ‘training and planning’, rather than with “other direct costs”, had been discussed and approved but never documented. PSI/ASF will conduct a review of the expenses and with UNDP will determine whether or not this was an unjustified over-expenditure or simply a failure to document approval. We agree with the recommendation to review budget assumptions and estimates for reasonableness. The operational clause in the 2005 contract required consultation between UNDP and the SR in the event of a line item overspend beyond 20% but did not stipulate written approval. As agreed under Action 6, PSI/ASF will conduct a review of the expenses discussed in paragraphs 84 and 85 and with UNDP will determine whether or not the line item deviations constitute an unjustified over-expenditure or simply a failure to document approval, by March 15, 2010.			
Recommendation 14 (High) <i>(a) UNDP should develop proper guidance for the management fees charged by SRs. Such guidance should include the following:</i> • Justification for the management fee charged to the Global Fund program. The management fee cannot be a flat fee charged by all SRs but should be derived from an estimate of the additional costs that an organization incurs in managing Global Fund grants. Such fees should be based on cost estimates and not include any profit element; • All SRs that charge the Global	UNDP management comments Noted. There is a common understanding and practice that SR/SSR do not have to provide justification of their management fees (5%). Based on the OIG audit, the following actions will be taken: 1. Requesting a detailed budget of the management fees prior to the signing of SR/SSR contracts; 2. Ensuring that quarterly financial reports include a detailed/comprehensive expenditure report regarding the use of management fees. 3. Performing an audit of management fees and revenues from social marketing activities. Ineligible expenditures and undeclared revenues will be recovered. PSI/ASF Comments Recommendation 14 a. As the office of the Inspector General is aware, PSI has engaged with the Global Fund Secretariat to negotiate a common fee agreement for Global Fund grants. We have been told that the Global Fund expects to issue more guidance to implementers on the use of overhead fees in 2010, which we welcome. In 2009, PSI provided extensive documentation to show how overheads are used to support grant implementation. We have provided overhead justification documents, signed by the Chief Financial Officer of PSI, to every PR that has requested it, and to the Global Fund. PSI has many donors, and is required to share common costs equally. Our Common Cost Allocation policy explains this policy. We emphasize that the Global Fund does not carry the costs of any other funders, and that there is no “double dipping”. PSI is audited annually by external auditors and has had no findings regarding any over allocating or “double dipping”.			The finding and related recommendation related to ASF/PSI as an SR of UNDP and not PSI as a PR.

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<i>Fund for management fees should provide UNDP with their rationale for sharing costs among their various funders to ensure that the Global Fund is not carrying the costs of other funders and to rule out the possibility of double dipping by the SRs.</i> • Once management fees are paid, UNDP should identify what costs such fees will cover and ensure that these are not charged separately by the SR to the Global Fund; and • All management fees should be recorded and accounted for in the SR's financial statements. <i>(b) UNDP should seek an explanation for the management fees charged to the Global Fund not being recorded in ASF's financial statements. In the event that these funds were not used for Global Fund program related activities and cannot be accounted for, UNDP should seek a refund from ASF.</i>	As noted in the draft report, ASF at the time of the IG audit had not fully implemented the common cost allocation policy, although shared costs were divided among donors. It is important to draw a distinction between overhead or indirect costs, which are mostly incurred by PSI headquarters, from costs incurred by the field office. According to our accounting procedures, which are similar to other international non-governmental organizations, costs directly associated with a project, whether incurred in the field or at headquarters, are directly charged to the project. Shared costs, often incurred at headquarters, are charged as overhead. We emphasize that there is no "double charge" to the Global Fund as these costs are separate and are fully transparent to the donor through approved budgets. Both the direct charges and the overheads are reported to the PR and approved in our budgets. PSI is a non-profit organization and there is no profit gained through our Global Fund activities. Recommendation 14b. PSI will be pleased to submit a written explanation of our overhead charges to UNDP. However, indirect costs are not attributable to each project, because they are pooled. We can provide PSI's detailed annual budgets for the years in question and show the contribution of each grant to overhead. However, in accordance with generally accepted accounting principles, we cannot provide detailed expenditure reports for the use of overhead. We reiterate that there is no profit made, that the Global Fund does not financially support the work of any other donor, and that PSI is audited annually by external auditors. Action 14a: PSI/ASF will furnish requested information to UNDP. The DRC entity, PSI/ASF will evaluate and report on its implementation of the PSI common cost allocation policy by March 31, 2010. Action 14b: PSI/ASF will provide requested information by Feb. 28, 2010. GF Secretariat Comments: The EAIO team has taken note of the recommendation, the response and the OIG comment that part (b) of the recommendation applies to ASF/PSI as SR. The EAIO Team refers to the GF Secretariat Comments provided under Recommendation 3 and 51.			
Recommendation 15 (Significant) <i>Global Fund resources should not be commingled with funds from other donors. In the event that this happens, proper books of account should be maintained and reconciliations prepared that show what Global Fund monies have been spent on and outstanding balances at any point in time. As part of its site</i>	UNDP management comments Noted. We understand that this recommendation applies to SR. A request to open separate accounts per grant has been sent to all SR together with a request to submit bank reconciliation along with financial reports. Financial reports not supported by bank reconciliation will be considered incomplete and ineligible for payment. ASF/PSI comments Recommendation 15: PSI/ASF is concerned by this finding, which is different from policies explained to us by the Global Fund Secretariat. The Secretariat is clear that separate bank accounts are not required, although they may make sense in certain circumstances. Following the recommendation here, PSI would need separate bank accounts in project sites where there are no banking facilities, payments are made in cash, and cash is held in a safe. Strict interpretation will entail the purchase of a separate safe for each location where Global Fund and other projects exist			At any point in time, a PR/SR should be able to provide the balance of funds that relate to the Global Fund. The Global Fund encourages the maintenance of separate bank accounts since this would directly address the risk that a PR/SR is unable to account for resources held. Where an entity has an accounting system that can show funds by donor, there is no need to maintain a separate bank account. The above two scenarios were not the case for ASF and thus the recommendation remains open.

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visits, UNDP should verify that Global Fund monies are not commingled with the funds of other donors.	jointly. PSI's accounting system is designed to support fund accounting whereby the receipt and disbursements of funds is segregated and maintained by individual project agreement. Revenue from grants, contracts and cooperative agreements wherein the organization agrees to perform specified services is recognized only to the extent that project-related expenses are incurred. Revenue is earned as project-approved expenses are incurred, not upon receipt of funds. Expenses are segregated and tracked by donor-specific project codes. The PSI accounting system tracks expenses and generates reports and bills to donors based on the expenses assigned to each project agreement. PSI can track all donor funds at any point in time. None of the bank accounts in which GF monies in DRC were held accrued interest so there is no interest to allocate. Action 15: PSI/ASF has physically demonstrated its fund accounting system to UNDP and has systematically supported its Round 3, Phase 2 invoices with ledger details. This project closes in March. For Round 8, we believe this matter has been resolved. GF Secretariat Comment: The EAIO team has taken note of the recommendation and response by PSI/ASF and would like to add that in the Round 8 Malaria grant agreement between GF and PSI, the following Special Terms are stated to ensure that GF funds can be tracked and internal control mechanisms are in place: "Until otherwise agreed in writing between the Global Fund and the Principal Recipient, the Principal Recipient will receive disbursed funds in the designated US bank account, and shall ensure that a separate bank account is in place in DRC to receive grant funds for expenditures in the DRC" and; "No later than 12 months from the Phase 1 Starting Date and, again, no later than the Phase 2 request, the Principal Recipient shall submit to the Global Fund a report (two in total), in form and substance acceptable to the Global Fund, detailing the progress the Principal Recipient has made on the implementation of measures to strengthen its internal control mechanisms, particularly regarding the management of Grant funds, in DRC".			
Recommendation 16 (Requires attention) Misclassification of expenditure by budget line should be discouraged since it misrepresents the actual financial transactions that have taken place and therefore provides a false impression of what actually happened.	UNDP Management comments Noted. Strengthening of UNDP Finances Unit should result in a substantial decrease of the number of such cases. PSI/ASF comments Recommendation 16: PSI/ASF concurs with the recommendation but notes that there are ambiguities that should be addressed. We recommend that while reviewing the budget at inception, the financial manager of a Sub-recipient should meet with the financial manager of the PR to clarify and agree on the crosswalk which translates their chart of accounts into that used by the PR for the Global Fund. For example, our chart of accounts includes a line for training, but it also includes lines in personnel for the staff members who conduct the training as well as lines for travel, lodging, per diem, supplies, and equipment rental...all of which may be training-related expenses.			

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Recommendation	Response and action	Responsible	date	OIG Comment
	Action 16: Please refer to actions 6 and 13 above. PSI/ASF and UNDP will meet to clarify if there has been any misclassification of expenses by March 15, 2010. PSI/ASF will also review with UNDP the cross-walk of expenses from PSI/ASF's chart of accounts to that of the Global Fund invoice for the Phase 2 project not yet closed by March 15, 2010. In the event of misclassification, these expenses will be reclassified correctly by the time of the final bill to be submitted for the period January - March 2010.			
Recommendation 17 (High) <i>UNDP should recover all ineligible costs noted above from ASF that is the US\$ 138,765 used to cover expatriate related costs and the US\$35,849 that was not in the work plan and budget.</i>	UNDP Management comments Noted. Once the review is finalised and all relevant documentation gathered, a request to reimburse will be sent to ASF. PSI/ASF Comments Recommendation 17: The expatriate salaries, overhead and taxes referenced in Paragraph 93(a), and the expenditures referenced in Paragraph 93(b) and its table were identified in the work plan and budget and supported work on activities directly related to the Global Fund program. With respect to the expatriate salaries, fringes and taxable benefits, these were all included in the budgets submitted to and approved by the PR. Furthermore, the fact that the Global Fund (or, for that matter, the PR) had no direct contractual relationship with these expatriates should not be the relevant consideration. ASF, the SR, used these services to implement the project under its understanding with PSI regarding project management and support. With respect to the expenditures, rent, security, allowance, education, home leave, R&R and visas all refer to expenses included in the expatriate package. PSI can provide a detailed explanation of this package to the PR, or to the OIG. With respect to the air tickets and per diems for Ouagadougou, Nairobi and Washington, PSI/ASF will review these with UNDP to determine whether these were project related expenses, and whether they were approved by the PR. Accordingly, because the above-referenced salaries, overhead, taxes and expenditures were identified in the work plan and budget, and were used by ASF to implement activities directly related to the Global Fund program; and because OIG cites no other grounds for disallowance, there is no basis for OIG to require that the funds be returned. Action 17: PSI/ASF will review the individual vouchers cited in paragraph 93b, taking into account the explanations provided in the detailed text, together with UNDP to confirm their eligibility, by March 15, 2010.			OIG have confirmed again that such expenditures were not identified in the workplans and budgets for HIV/AIDS and malaria signed on 19 August 2005

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 18 (High) <i>As far as is practical and in compliance with the Global Fund principle of using national systems, UNDP should move towards using the national systems in place to implement the TB program. PNT's capacity should be assessed and a capacity enhancement plan developed to strengthen it to a level where it can take on the responsibility of managing the TB Program.</i>	UNDP Management comments As early as 2006, i.e. 4 years ago, UNDP has embarked on a devolution process with the PNT. Such process led to an organizational capacity assessment, the development of a capacity-building plan and the production of a Devolution Plan which was presented by UNDP to the CCM for approval. At the time, the Ministry of Health chose not to proceed with the process. Since then, an up to date Transfer Plan together with a roadmap for the Devolution process has been shared with the MoH (December 2009). GF Secretariat Comment: The EAIO team has taken note of the recommendation and the response and would like to point out that the PNT (the national TB program) is the main SR under the GF financed R5/R6 TB grant and implements all its activities through the national health/TB structures, including the provincial and district levels. The PNT is effectively managing the TB program in DRC with GF funding. The EAIO team would like to add that a distinction should be made between capacity building of the national programs -- in terms of their natural role of sector leader in the fight against the disease, and coordination of the response at national, provincial and district level -- and the capacity building of the national programs in taking on the PR role for GF grants. In terms of capacity development of the PNT to take on a future PR role, the UNDP should share the updated Transfer Plan with a roadmap for the Devolution process with the CCM as well as with the GF Secretariat.			
Recommendation 19 (Significant) <i>A capacity building plan should be established for PNLS and its provincial coordinators to enable them take over the leadership of implementing the national HIV strategic and provincial plans. This should aim at providing services to all PLWHA up to the health centre level. In the medium to long term, all patients should be able to receive treatment without the intermediary SRs. A process to transition patients from the SRs to more sustainable systems should be started.</i>	UNDP Management comments Initial capacity assessments were carried out as early as 2007. Following the rejection of the Round 7 health system strengthening (HSS) proposal, it is only in 2010-2011 that the country can expect HSS funding thanks to the success of its Round 9 HSS proposal. Round 9 resources should allow for the strengthening of national MoH programmes. Mobilization of additional resources for the PNLS, which do not fall under MoH, are all the more critical now that the MAP funding is coming to an end. UNDP will support such efforts given the importance of ensuring the multisectoral character of the national response to HIV as well as reducing the country's dependence on Global Fund resources. GF Secretariat Comment: The EAIO team has taken note of the recommendation and the response and kindly notes that in DRC, the Government response to HIV/AIDS is divided between the National AIDS Programme (PNLS) of the Ministry of Health, and the Multisectoral National AIDS Programme (PNMLS) attached to the Presidency. The PNMLS provides coordination across the sectors to the HIV programmes in DRC, at national, provincial and local levels, but there are overlapping responsibilities between the PNLS and the PNMLS, including for clinical HIV services. Attempts are currently underway to rationalize and clearly define the functions of the PNLS and the			

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Recommendation	Response and action	Responsible	date	OIG Comment
	PNMLS. The World Bank MAP has aimed to strengthen the PNMLS while GF funds have been mostly targeted to support the health sector response led by the PNLS. Since capacity building of the above structures is a national effort and process and should involve the coordinated efforts of all stakeholders, partners and donors active in the fight against HIV/AIDS, the EAIO team supports this recommendation in the sense that UNDP should provide support to such efforts in general, but is not necessarily the best placed to develop a capacity building plan for the PNMLS. The recommendation states that “in the medium to long term, all patients should be able to receive treatment without the intermediary SRs”. It should be noted that the PNLS is a main Sub-Recipient under the HIV grants. The PNLS selects its own Sub-Sub Recipients (SSRs) among which Zones de Santé (district level) who oversee service provision at the lowest level. Some of these SSRs are associations/NGOs/faith-based organizations’ which support the Zones de Santé with their service delivery and prevention activities. In all cases the services are to be provided under the mandate of the Zone de Santé.			
Recommendation 20 (Significant) (a) The LFA as part of its verification of implementation should assess the status of implementation of the Global Fund programs against the work plans and provide an analysis of the reasons for the delays and what can be done to get the program back on track. (b) The PR in consultation with Country Programs should consider consolidating the outstanding grants to create efficiency in the program implementation and to avoid the inconsistencies arising from differences between the original proposal and current program environment. If done, this should	UNDP Management comments (a) LFA (b) Noted. UNDP has consolidated R5 and R6 TB. LFA Comments The LFA has commented on a regular basis in its PUDR reports. During the verification process the LFA compares actual results achieved against intended targets and provides a brief description of the LFA’s understanding of the reason for underperformance. In many instances the LFA raised the issue that the PR needed to put in place adequate reporting tools and procedures to monitor the implementation of its work plan and detailed budget to enable all parties to understand and comment on potential bottlenecks. The LFA notes the recommendation and will provide more detailed information in the future. GF Secretariat Comments: On part (a) as stated above, the LFA has provided comments and recommendations, but it should be noted that the prime responsibility for the analysis of the reasons for delays and getting the program back on track lies with the PR. On part (b) the EAIO team would like to note that the UNDP consolidated the Round 5 and Round 6 TB grants with their Phase 2 request. A consolidated Phase 2 grant amount was approved by the Phase 2 panel in November 2009. Consolidation of other grants is to be considered where appropriate and feasible.	LFA Team Leader	Already actioned last quarter 2009.	

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Recommendation	Response and action	Responsible	date	OIG Comment
include a revision of activities and indicators based on the national priorities.				
Recommendation 21 (Significant) <i>The CCM should undertake a review to regulate the payment of allowances at PR and SR level across the health sector. The type of allowances and amounts payable under the GF program should be defined. These should be harmonised across the health sector with what other funders are paying. Rates that are payable to staff as incentives for undertaking Global Fund activities should also be defined. This will ensure that the GF does not substitute the responsibility of employers in meeting employment costs. Once these rates have been agreed upon, they should be consistently applied across PRs and SRs.</i>	UNDP Management comments With regard to allowances, UNDP has initiated a thorough audit of incentives paid to the 3 MoH programmes since 2004. The outcomes of this internal audit will allow UNDP to (internally) standardize allowances and put in place a monitoring mechanism for claimed “performances”. In addition, UNDP will actively participate in CCM-led discussions on harmonization of allowances across all MoH partners. GF Secretariat Comment: The EAIO team has taken note of the recommendation and the response. The EAIO team does not fully concur with the formulation of this recommendation. It is the MoH who takes the lead on this issue as far it concerns the health sector. The EAIO concurs with the additional OIG comment that the type of allowances and amounts payable under the GF program should be well defined and harmonized for all implementing bodies. The CCM should play a coordination and oversight role in terms of actual application by the PRs. The EAIO team would like to add that the following Special Term is stated in the Round 8 Malaria and HIV grant agreements between the GF and the UNDP: “Prior to the disbursement of Grant funds to the Principal Recipient for payment of salary top-ups based on performance or use of grant funds by the Principal Recipient for payment of salary top-ups based on performance, the Principal Recipient shall provide to the Global Fund a detailed methodology for the determination of such salary top-ups and specify intended recipients, in consultation with the Country Coordination Mechanism and in form and substance acceptable to the Global Fund”. The EAIO team shall request UNDP to share the main findings of the internal audit of incentives paid to the 3 national programs, mentioned in the UNDP response above, with the CCM and GF secretariat. CCM Comments This case is being analyzed by the MOH through a Steering Committee in which CCM is represented. The CCM will share its opinion to the MOH by a sectoral decision.	CCM Chair Technical Secretariat Coordinator	June 2010	OIG considers that the type of allowances and amounts payable under the GF program should be harmonized for all implementing bodies. OIG agrees that the MOH should take the lead on this issue but that it would be appropriate for the CCM to encourage such a review.

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 22 (Significant) <i>(a) UNDP and PNLS should work together to ensure that the HIV prevention at national and local level is comprehensive by making use of all approaches known to be effective rather than just implementing one or a few select actions in isolation. This is because many people will not fit into only one "risk category". The success of the HIV prevention programs will not only depend on giving information, but also building skills and provide access to essential commodities such as condoms or sterile injecting equipment.</i> <i>(b) UNDP should work with PNLS in assessing the availability, accessibility and quality of services for prevention and care in HIV/AIDS in Health Zones with the aim of undertaking corrective action in instances where entities implementing are noted to fall short of established standards.</i> <i>(c) UNDP should work with PNLS to ensure that there is full commitment by all stakeholders to implementing the national health policy, particularly in prevention. In order to enforce implementation, PNLS may wish to apply sanctions of funding to organizations that do not comply with national guidelines to fight against the disease and who do not actively fight the stigma that PLWHAs are facing.</i>	UNDP Management comments UNDP and PNLS are already working closely together in ensuring that Sub Recipients comply with national HIV policies and protocols, in particular in relation to Voluntary Counseling and Testing, prevention of Mother-to-Child Transmission of HIV and provision of ART treatment. As far as HIV prevention is concerned, UNDP is also committed to ensuring that Sub Recipient interventions comply with the National HIV/AIDS Strategic Plan for 2010-2014 produced in 2009 under the leadership of the PNMLS, and with technical and financial support from UNDP and UNAIDS (among other partners). In relation to treatment, an assessment of the quality of GF funded, community and health facility based treatment and care programmes have been carried out in February 2009 (and is a CP of R7). Main findings from the assessment were shared with stakeholders in May 2009. A follow-up planning workshop is scheduled early this year. The quality of treatment and care programmes is a national issue. Therefore leadership of the response to the 2009 assessment should be given to MoH. UNDP as PR will do its best to support the Ministry's efforts. As far as the comment on how UNDP's method had not allowed the achievement of expected ARV treatment targets (page 50), UNDP has to state the fact that even at the time of the audit (June 2009), Round 3 ART provision targets had already been achieved. Round 3 HIV ended in December 2009 with +31 000 patients on ART against 26 000 expected ones. GF Secretariat Comments The EAIO team has taken note of the recommendation and the comments and suggests that the wording in the recommendation should be changed from "UNDP and PNLS should work together" into "UNDP should support the PNLS" to better reflect the ownership over and responsibility for these activities by the PNLS.			Following UNDP comment, the CCM and the MOH should establish a specific time bound action plan for the implementation of this recommendation. Agreed UNDP should always support national ownership

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Recommendation	Response and action	Responsible	date	OIG Comment
(d) UNDP should work with PNLS to ensure that there is consistency of interventions for treatment in the health zones and ensure the quality of service among service providers i.e. whether through national structures or SRs.				
Recommendation 23 (Significant) (a) UNDP should work with PNLS to strengthen the systems in place that collect, analyze and report information relating to HIV/AIDS. This is because the effectiveness of interventions depends on reliable information being available to aid decision making at national, local and community level. (b) Once accurate information is available about the need for ARVs, the scaling up of treatment interventions should be driven by the need to meet the need at a national, local and community level. The CCM should call on PRs and PNLS to increase their mobilization efforts to reach the patients that need ARVs.	UNDP Management comments UNDP has consistently supported PNLS in improving its monitoring and evaluation in accordance with the commitments contained in the signed grants (confer action plans and progress reports). Since Round 3 Phase 2 the implementation strategy for HIV interventions has been corrected towards full integration into the country's national health system. The Global Fund related data collection and analysis system is now embedded into the normal national system. The PNLS Monitoring and Evaluation Plan has been updated to allow control of the overall data collection and analysis system. This integration effort will continue throughout the implementation of Round 8. However, integration requires effective and sustained participation of all key partners within the system. CCM Comments Noted. A sub committee of the Monitoring and Coordination Committee is being established.	CCM Reform Commission	March 2010	

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 24 (Significant) (a) As far as is practical and in compliance with the Global Fund principle of using national systems, UNDP should use the systems in place to implement the Malaria program. PNLP's capacity should be assessed and a capacity enhancement plan developed to strengthen it to a level when it can take on the responsibility for managing the Global Fund Malaria Program. (b) UNDP should review the effectiveness of established SR structures when assessed against the backdrop of existing national structures. Duplication of roles and creation of unnecessary intermediaries should be addressed. (c) UNDP should in the future create work plans and budgets based on identified needs at community, local and national level i.e. being demand driven and following the bottom up approach as opposed to being supply driven and following a top down approach.	UNDP Management comments Overall the draft Audit Report disregards the degree of UNDP commitment to rebuilding national leadership and capacity-building. UNDP has always considered its role as a capacity building one. Management of the TB programme has always been done in tandem with the national TB programme. UNDP staff had been seconded to the national Malaria programme as part of a capacity development intervention. In depth capacity analysis of the national programmes has been conducted as part of broader capacity building strategies. What the Report refers to as "parallel systems" put in place with the support of UNDP, especially during Round 3 Phase I, were set up with the agreement of national authorities. Since the beginning of Round 3, Phase 2, UNDP has endeavoured to fight against parallel systems by placing PNLS, PNLP and PNT at the centre of its institutional framework and by having Sub Recipients contract with them directly (and not UNDP). Sub Recipients have been since 2008 Sub SubRecipients of PNLS, PNLP and PNT and have clear contractual relationships with these governmental entities. Malaria and Tuberculosis interventions funded by UNDP SR are integrated in the health system. As far as HIV is concerned, UNDP through its "approche structures" (from Phase 2 of Round 3 onwards) has more or less forced SRs to integrate their services in public health centers. Also, since 2008, especially for HIV, the Zones de santé are the implementers of Global Fund funded interventions and not SR. SR role is limited to procuring medical and non medical inputs as well as necessary funding to the Zone de santé. In the procurement area, UNDP conducted capacity assessment of 10 Regional Drug distribution Centers in 2008-2009 with the view to integrating them in its procurement chain. In a word, UNDP has managed to transition from a Round 3 Phase I during which SR were implementing vertical programmes to a Phase II where they are contractually accountable to the Ministry of Health at central, provincial and peripheral level. This UNDP gain, which was obtained with strong resistance from some SRs, should be recognized. Finally, it has to be said that while capacity gaps have been assessed several times, the resources required to strengthen the national health system have always been lacking. All HSS submissions by the CCM to the Global Fund have been rejected until 2009 where the Round 9 HSS submission was approved, giving desperately needed, but still insufficient, resources to rebuild the system. UNDP is intent on pursuing its capacity-building efforts by documenting progress achieved and responding to identified needs with the limits of its resources. The review of National MoH Programmes has been carried out and capacity-building plans and budgets will be submitted to GF for approval. Ways to optimize the use of the recently approved Health Systems Strengthening submission under Round 9 shall be sought. Other PRs should also be involved in the national capacity strengthening efforts. Note: UNDP malaria programme, which, according to the Draft Audit Report, was "far from attaining its targets at the time of the audit" (Paragraph 21, page 7) ended with an A1 Global Fund rating in September 2009 GF Secretariat Comments: The EAIO team has taken note of the recommendations and the response and would like to add the following: Activities financed with Global Fund funds fall under the national strategic plans and contribute to the implementation of those plans. Although the National Programs perform a role of SR this does not replace or change their natural role of leader in the sector in the fight against the disease, their ownership over the programmes and coordination of the response at national,			OIG recognizes UNDP's efforts but the finding is based on the fact that after 6 years as PR, the parallel systems are still in place and there has not been a significant effort to rebuild national leadership and capacity-building. This is in line with the overall Global Fund policies that promote the use of existing structures.

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	provincial and district level. The UNDP role as PR is intended to be transitory. Therefore the identification of appropriate national structures to serve as PR and building relevant capacity should be a key component of UNDP's engagement as PR. The EAIO team recognizes the challenges within the DRC and has committed to working with the government, UNDP and other stakeholders to finalize and implement capacity building and transition plans. It should be noted that a similar approach to capacity building is followed with the other Round 8 PRs.			

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	In the Round 8 HIV and Malaria grant agreements between the GF and the UNDP the following Special Term is stated: "No later than 12 months from the Phase 1 Starting Date, the Principal Recipient shall submit to the Global Fund a costed plan on how the Principal Recipient (within its mandate of the Program) will work with national structures to strengthen their capacities (the "Capacity Building Plan"). The Capacity Building Plan should be developed in consultation with the other principal recipients implementing Round 8 grants in DRC and presented to the Country Coordination Mechanism, and it should take into account similar activities by other partner organizations in DRC. The cost of such plan shall be borne by the Program unless otherwise agreed between the Principal Recipient and the Global Fund. In case the Principal Recipient intends to use resources external to the Program Management Unit for the development of the Capacity Building Plan, the Principal Recipient shall submit to the Global Fund a budget, in form and substance acceptable to the Global Fund, for such external resources." A similar Special Term is stated in the other PRs' Round 8 grant agreements.			
Recommendation 25 (High) (a) PRs should plan effectively for the purchase and distribution of nets. PRs should ensure that there is a sufficient volume of nets for the mass campaign planned under Round 8. Priority should be given to the availability of basic stock over the nets for social marketing activities. The acquisition of medical inputs should be undertaken in conjunction with the Ministry of Public Health which has overall responsibility for managing the Malaria interventions country wide. (b) The CCM should review its strategies for free distribution of available ITNs with priority being given to pregnant women and children. There should be accurate monitoring of the distribution of nets. (c) DRC should be encouraged to join the Voluntary Pooled Procurement (VPP) under Round	UNDP Management comments These comments are relevant for (a) PSI (b) CCM (c) PSI CCM Comments Concrete actions are being in place where the CCM is involved in the bed nets distribution campaign. PSI/ASF comments Recommendations 25a and b: The program design of Round 8 was thoroughly reviewed by Global Fund's Technical Review Panel before the Round 8 proposal was approved and the contracts were signed. The volume of nets required for the mass campaigns has been determined with the best knowledge currently available to the country and these estimates have been reviewed thoroughly by Global Fund's Technical Review Panel. As discussed above (recommendation 11), the country proposed a catch up/keep up approach. The keep up approach funded by Round 8 is limited to routine clinical distribution. No social marketing of nets is planned for Round 8. PSI/ASF has planned a short-term technical assistance by PSI to train MOH designated parties in its net tendering process. Recommendation 25c: PSI is the VPP agent for ITNs. PSI/ASF is working directly with PSI/Washington on the procurement of the ITNs for its part of the Round 8 grant. The procurement fee is the same as that charged under VPP. Note that under a strict VPP arrangement, PSI/ASF would not be in a position to promise training in the tender process using the actual tender documents. The DRC proposal specifically separated procurement of nets for mass campaigns from that for routine clinical distribution. The objective was to ensure that the appropriate national systems gain	CCM Chair	March 2010	

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8 to ensure the timely receipt of inputs for the programs. This would remove the use of 'middlemen' that pushed up the costs of inputs (see paragraph 94-96).	experience in procuring nets for the latter. GF Secretariat comments: The EAIO team has taken note of the recommendation and response and would like to note in relation to (b) that: The Round 8 Malaria proposal clearly describes the country's strategy to scale up for impact through mass distribution of free LLITNS as well as continued routine distribution of free LLINS to pregnant women and children in selected health zones. The TRP noted among others as key strengths that the proposal was well aligned with GF objectives of rapid scale-up of proven interventions on high burden countries; outstanding background information and gap analysis for prevention and treatment commodities was provided and that there was a demonstrated capacity to deliver mass campaigns.			
Recommendation 26 (Requires attention) UNDP should ensure that providers are sensitized and that creation awareness campaigns are undertaken targeting the general population on the change in the malaria treatment regimen. Although there should be a transition period from the old to the new regimen, this period should not be too long since it comes at the cost of lives lost.	UNDP Management comments Noted			
Recommendation 27 (Significant) UNDP should support PNLs and PNLT to develop a comprehensive strategy for the HIV/TB collaboration. This strategy should be endorsed by the highest levels within the Ministry of Health. This strategy should be accompanied by a clear implementation plan with time-bound achievable targets and associated resources and	UNDP Management comments The finding noted by the auditors relates to a weakness with the Phase I of the implementation of the R5 and R6 grants. This has been corrected in the consolidated Phase II of R5/6. The regular meetings mentioned in the recommendation are now adequately budgeted for. UNDP is committed to supporting the development of the TB/HIV co-infection strategy within the framework of the National Strategic Plans (HIV and TB). The GF Secretariat comments The EAIO team has taken note of the recommendation and the response and would like to add that the final responsibility of such plan lies with the respective national programmes and the Ministry of Health. The EAIO team would also like to underline the importance of coordinating the support to			

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<i>inputs to achieve these. There should be clearly defined roles, responsibilities and lines of accountability for the implementation plan. This plan should also advocate for the strengthening of cooperation between the HIV and TB programs not only at national level but at provincial and local level. Regular meetings should be held for all stakeholders involved in the HIV/TB collaboration at the central and provincial level.</i>	further develop the TB/HIV co-infection strategy and strengthen linkages between TB and HIV/AIDS control activities with other partners already active in this area.			
Recommendation 28 (Requires attention) (a) <i>UNDP should undertake an assessment of the effectiveness of social marketing as a distribution approach of health products and its impact when assessed against its objective of getting health products to their intended beneficiaries at a reasonable cost.</i> (b) <i>UNDP should work with Government to define what products can be distributed under social marketing, which ones should be subjected to cost recovery and which ones should be provided free of charge. Priority should continue to be given to getting free health products to the most vulnerable targets groups like pregnant women and children under the age of 5.</i>	UNDP Management comments Noted. UNDP will support the PNLN and the other PRs in implementing these recommendations with the experience it has gained in DR Congo over the last 5 years. GF Secretariat Response The EAIO team refers to the comments provided under Recommendation 11. It is suggested that Recommendation 11 and 28 are combined.			OIG agrees that the follow up to Recommendations 11 and 28 can be combined.

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(c) There should also be controls put in place to ensure that the products sold under social marketing and products to which cost recovery is applied are reasonably priced and cost recoveries from patients remain within the stipulated range. (d) Proper records should be maintained with proper guidance on how monies raised from social marketing will be repatriated back to the centre. The use of revenues generated from Global Fund program activities should be used in accordance with the grant agreement that stipulates that they should be used for approved program activities. Plans to use this money should be submitted to the CCM and the Global Fund for approval.				
Recommendation 29 (Significant) (a) UNDP should work with government to put in place better coordination mechanisms for the activities undertaken by the different stakeholders to ensure that they are complementary and contribute to the overall objective of fighting the three diseases. Ideally there should be one comprehensive plan of action for each	UNDP Management comments Noted. Implementation of recommendations (a) and (b) are the responsibility of the CCM and the Ministry of Health. Following the June 2009 Aid Effectiveness Forum in Kinshasa, the MoH is currently implementing its own agenda for donor harmonization and coordination. UNDP will provide its technical assistance and share its experience upon request. With regard to recommendation (c), it has been mandatory since Phase II of Round 3 for candidate SR/SSR to obtain approval of local health authorities before submitting a proposal to UNDP. This aims to ensure that activities carried out by SR/SSR are complementary to those already existing. As mentioned above, SR/SSR are also contracted by the National MoH Programmes under UNDP support and supervision. GF Secretariat Comments Realisation of (a) and (b) of this recommendation goes beyond the UNDP.			

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disease intervention at national, provincial, local and community level, with activities allocated to different stakeholders and with mechanisms to supervise implementation. (b) A proper accountability framework that allocates roles and responsibilities should be developed for all stakeholders involved in the fight against the three diseases at all levels of implementation. In order to ensure sustainability of interventions, Government should take overall responsibility for all disease interventions. Mechanisms should be put in place for coordination and supervision of work e.g. holding of regular meetings. (c) UNDP should ensure that all the actions of SRs are complementary to the established government institutions and that SRs work to strengthen and not undermine established government institutions.				
Recommendation 30 (Significant) (a) UNDP should support the various programs in developing mechanisms that promote coordination between the programs involved in the three disease interventions e.g. through meetings. Such meetings	UNDP Management comments A monthly PR-SR meeting has been in place since 2007. This meeting is a forum for all parties to share experiences, constraints and ways forward. Procurement and M&E Task Force meetings have also been introduced by UNDP which will be pursued under Round 8. In addition, PR Coordination meetings are planned under Round 8 as per the Memorandum of Understanding signed among the 4 PRs in October 2009. All these consultation mechanisms should help in developing synergies in areas such as procurement, training, M&E etc. Internally, weekly inter-project meetings are held by the UNDP/GF Coordinator to ensure adequate implementation of and synergies among the 3 projects (HIV, Malaria, Tuberculosis).			

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<i>should be used to discuss the activities be taking place and how other programs can better leverage and have synergies from each other's programs in areas such as procurement, training, maintenance etc.</i> <i>(b) UNDP should work with the relevant government institutions to develop a comprehensive list of equipment and related inputs for purchase. Purchases should be based on need and not be activity driven as it is now.</i>	With regard to procurement, bulk purchasing is made whenever possible. It is important to note that procurement plans are related to the actual needs of the Zones de santé. Procurement mechanisms supported by field visits will help avoid the duplication of procurement orders for a given Zone de santé.			
Recommendation 31 (High) <i>The CCM should promote more coordination between the Global Fund and other development partners working in the health sector to ensure that the funding is complementary and not duplicated for the same activities. This may be through having comprehensive national strategies for the three diseases with different development partners and the government identifying what aspects they would fund. Mechanisms that bring development partners together to discuss their programs should be promoted. UNDP should work with the relevant government to ensure that agreed upon actions from these meetings are implemented by the relevant stakeholders.</i>	UNDP Management comments In August 2009, the DRC CCM set up a Reform commission whose mandate included the strengthening of information sharing and consultation processes between the CCM and the National Multisectoral AIDS council on one hand (CNMLS), and between the CCM and the Ministry of Health National Steering Committee on the other hand. In doing so, the objective was to develop coordination and synergies among various health interventions in the country. Noted as far as the recommendation related to UNDP is concerned. CCM Comments The CCM participates in the National Steering Committee of Health Sector which had been established as one pilot project of intervention in this sector. One disease committee and one HIV/AIDS/Malaria committee are being in operational. This is one of the considerations to be taken into account to deal with the harmonization problem. GF Secretariat Comments: The EAIO team has taken note of the recommendation and response. This recommendation should only pertain to the CCM and not the UNDP.			Agreed.

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 32 (Significant) (a) <i>UNDP should work with the programs to ensure that proper planning of activities takes place, with the government institutions taking overall responsibility for the plans and SRs coming in to support identified activities in these plans. These plans should take into account the risk and needs mapping undertaken by government and interventions should be concentrated in the areas that have the most need. In addition to the monitoring undertaken by UNDP, the established government institutions should undertake supervision of the program activities being undertaken at zonal level.</i> (b) <i>The CCM should engage development partners to support the capacity building to strengthen national, provincial, local and community structures and systems in order for them to effectively undertake their respective roles of leading and managing the disease interventions within the country.</i> (c) <i>The CCM should ensure that the progressive integration of public sector institutions or community</i>	UNDP Management comments Point (a) Since Round 3 Phase 2, programme planning is led by the National MoH Programmes in their status as “Principal Technical Recipients” contracting with SRs. In addition to overall planning, programme supervision, including at zonal level is also the responsibility of National MoH Programmes. Points (b) and (c) CCM and national programmes with UNDP support upon request. Other PRs should also be involved. CCM Comments The CCM participates in the National Stirring Committee of Health Sector which has been established as one pilot project of intervention in this sector. One disease committee and one HIV/AIDS/Malaria committee have been in place. This is one of the considerations to be taken into account to deal with the harmonization problem.			

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organizations is included in the consolidation of grants in progress.				
Recommendation 33 (High) (a) UNDP's M & E plans should aligned to national M&E plans to reflect the contribution of the Global Fund programs to the overall national disease interventions. (b) The mandate of UNDP's M&E Unit should be revisited so that it can effectively execute its mandate i.e. verifying whether the program activities are happening according to plan and make recommendations to management of any corrective actions to get the programs back on track. (c) UNDP should undertake an evaluation for the Global Fund programs it is responsible for implementing. This will inform its decisions about effectiveness of activities undertaken and what factors have affected the performance of the program and how these can be addressed to ensure that the activities reach the target group. (d) Field trips should be organized at least quarterly to the different provinces with reports being prepared and shared with implementers for corrective action. These	UNDP Management comments The UNDP M&E Plan does not differ from that of the PNLS. During 2009, UNDP along with other partners supported PNLS in updating its M&E Plan. It is this M & E Plan which was/will be used to develop the M&E component of current and upcoming Global Fund grants. As stipulated in the UNDP M&E Plan, the mandate of UNDP M&E Unit is precisely monitoring the implementation of programme activities. Periodically, UNDP plans and organises various types of evaluations on both the quality of activities performed and on the performance of MoH National Programs as well as SSRs. These evaluation reports are regularly published and used to improve strategies and activities. Field trips have been planned and conducted by UNDP in conjunction with MoH National Programmes. This activity has been disrupted during 2008 because of plane crashes that occurred in the DRC. GF Secretariat Comments The EAIO team has taken note of the recommendation and the response and would like to add the following for: (a) It is standard GF approach that PRs use the National M&E plan if this exists which is the case in DRC for all diseases. If the national M&E plan for the disease does not include sufficient details, the PR is requested to submit an Annex to the Plan with complementary information. In the case of DRC, the UNDP as PR has also been involved in national M&E assessment and action plan development and/or update process for each disease. (d) An important component of the UNDP Round 8 Malaria and HIV grants is the quarterly supervision together with the National Programmes down to the Health Zones and service providers.			

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Recommendation	Response and action	Responsible	date	OIG Comment
trips can be joint missions with government officials in order to integrate them into the Global Fund activities happening at SR level.				
Recommendation 34 (Significant) (a) Key partners should ensure that the targets set at the beginning of grants are reflective of the conditions in the country at the time and are backed by valid assumptions. In future, more reliable baseline data should be obtained prior to setting of targets, to ensure reliable performance measurement. The setting of targets should also consider parallel work undertaken by other sector players to cater for results from such efforts. (b) The current indicators and targets should be reviewed within the proposed acceleration plan to ensure these meet best practices and can be achieved within the remaining implementation timeframe. (c) UNDP should put in place a process for reviewing indicators and targets to ensure that they remain relevant and stay abreast of changes in the environment in which implementation of Global Fund grants is being undertaken. This process should be collaborative involving key stakeholders in the health sector. (d) UNDP should establish	UNDP Management comments a) UNDP will do its best to assist CCM and national programmes to achieve this recommendation. However, it is important to highlight that this practice is already in place and resulted in an in-depth review of the TB targets from Phase I Round 5 and Round 6 to the consolidated Phase II. It is also important to state that under estimation of needs in original proposals is first and foremost a national planning issue. Implementation delays do exacerbate the impact of the underestimation of needs but are not their direct cause as paragraph 17, on page 7 of the Draft Report seems to imply. b) Noted. Current indicators for HIV (R7 and R8), TB R5/6 and Malaria R8 will be revised at the end of each phase. This will occur for R7 HIV at end of 2010 when access to Phase II funding will be negotiated with the Global Fund. c) Noted d) Noted. Quarterly reviews of indicators performance by the M&E unit aims to ensure the timely correction of under-performing indicators by Project teams. e) Noted. An official note has been circulated to ensure timely and adequate implementation of all recommendations (audits, M&E, PSM, etc.) by SRs. f) Noted. Decision was made with the GF EAIO to use Government health staff GF Secretariat Comments The EAIO team and M&E Support Unit have taken note of the recommendation and the response and would like to add that indicators are harmonized with the National M&E plans and data collection and reporting system. (a) In the GF Performance Framework targets set are identified as tied or untied to cater for results from other actors on the same activity. (b) Indicators that are reported on are best practice indicators and in line with the M&E toolkit. (c) Opportunity to review indicators and targets is at Phase 2 and during grant implementation if necessary within the remits of the OPN on Changes in Scope and Scale. . (d) Under the Round 8 HIV and Malaria grants and the TB Round 5/6 grant, existing provincial focal officers working under the national programmes will be selected and their capacity strengthened to assume the role of M&E focal points. (f) In the Round 8 Malaria and HIV grant agreements between the GF and the UNDP it is stated that "Prior to the disbursement of Grant funds by the Global Fund to the Principal Recipient for the selection of seven additional monitoring and evaluation focal points (the "Additional M&E Focal Points") or use of Grant funds by the Principal Recipient for the selection of the Additional M&E Focal Points, the Principal Recipient shall submit to the Global Fund the Terms of Reference of the M&E Focal Points, to be agreed upon between the Global Fund and the Principal Recipient, and a detailed budget for the activities to be undertaken by the Additional			

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acceleration plans for areas where implementation is behind schedule. Such plans should take into account the recommendations for addressing the causes of the delays to implementation. (e) UNDP should set up mechanisms for following up the implementation of recommendations. Sanctions for failure to implement recommendations should be established e.g. not disbursing further money until matters raised are addressed. (f) Before concluding the recruitment of provincial focal officers, UNDP should assess whether the work it is recruiting for can be undertaken by government health staff at the provincial level. This will ensure that unnecessary parallel structures are not put in place.	M&E Focal Points”.			
Recommendation 35 (Requires attention) (a) The current process for collection, assembling, reporting and review of data through the entire programme structures should be reviewed with the view to generate reliable information. UNDP should work with the Government structures to standardize data collection, validation and reporting. A capacity plan for the strengthening of the SNIS should be presented to development partners for consideration.	UNDP Management comments These recommendations correspond to M&E activities which are already planned in UNDP M&E Plan but are not being implemented due to lack of funding. This said, the SNIS capacity strengthening is part of the overall national health system strengthening strategy led by the Ministry of Health, with the support of its partners. GF Secretariat Comments: Indicators are harmonized with the National M&E plans and data collection and reporting system. Unfortunately with the Round 8 proposals, the HSS component was not approved, but with the Round 9 HSS approval opportunities to strengthen the national systems are in place. The realization of (a) and (b) of this recommendation goes beyond the UNDP’s responsibility. See also the comments provided under recommendation 49.			

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Recommendation	Response and action	Responsible	date	OIG Comment
(b) Data collection tools should be harmonized across all development partners and training provided to data collectors to ensure they collect data well. (c) The tools of data collection should be reproduced and distributed to all establishments that provide services and supervision missions in order to ensure compliance with the instructions and methodology of collection.				
Recommendation 36 (Significant) (a) UNDP and/or the LFA should undertake data quality audits of the information that is collected and reported to the Global Fund. This will ensure that the completeness and accuracy of information used for decision making especially since there is no validation process for data, monitoring processes have been ineffective, and in order to follow up activities in remote areas where accessibility is difficult. (c) UNDP should revisit its reporting framework to allow for the receipt, validation, analysis and reporting of data before it is presented to the Global Fund. This	UNDP Management comments With regard to recommendation (a) UNDP and the LFA started since September 2009 audit of the data information reported by SR. Findings of these missions were shared with concerned SR. Review mechanism of data reported by SR was enhanced accordingly. Regarding recommendation (b) the existing reporting framework was reviewed to improve quality and timeliness of SR reporting. LFA Comments The Global Fund commissions data quality audit from independent third parties and not the LFA. Nevertheless the process of on site verification visits (OSDV) by the LFA can provide additional insights. Unfortunately the OSDV was delayed by the death of the LFA's M&E expert and given the constraints in DRC it took a considerable period to find a suitably qualified replacement. The LFA has since resumed verification visits, with OSDVs being performed in the provinces of Kinshasa, Bas Congo, Katanga and South Kivu during the period from October to November 2009. More OSDVs are planned for 2010. GF Secretariat Comments: On a quarterly basis the PR and National Programmes will conduct Routine Data Quality Audits and report through the PUDR.	LFA Team Leader	Last quarter of year 2009.	

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Recommendation	Response and action	Responsible	date	OIG Comment
<i>should be done in conjunction with the review of targets and indicators so that they are all aligned.</i>				
Recommendation 37 (Significant) <i>UNDP should assess PNT's capacity to undertake the procurement of TB drugs as was done before 2005. If procurement responsibility is passed back to PNT, UNDP can then institute control measures to ensure that the procurement is done in accordance to Global Fund procedures.</i>	UNDP Management comments Overall capacity assessment of the PNT was carried out in 2006 within the framework of the aborted transfer process. A new capacity assessment will have to be carried out prior to the transfer of part or all of PR responsibilities to the PNT. This said, and following the last two PNT audit reports, it is UNDP opinion to withhold transfer of management of procurement and financial functions.			
Recommendation 38 (High) <i>UNDP should undertake an assessment of the national structures and systems and develop a capacity building plan aimed at strengthening these systems and working towards the eventual transition of PSM activities there.</i>	UNDP Management comments First of all, it is important to underscore the fact that Copenhagen and New York teams are not exclusively set up for the purposes of supporting UNDP GF interventions in the DR Congo.. Those 2 sections are supporting all UNDP offices throughout the world. The setting of the PSM team has been decided to replace international procurement and distribution entities. It is clear that the new setting (internal procurement unit) is less costly than the Mission Pharma approach. The new setting resulted in substantial improvement of procurement in terms of effectiveness and efficiency. UNDP did undertake the assessment of national procurement structures in 2008-2009 by completing the organizational capacity assessment of the country's 10 Regional Drug Distribution Centers. This was done as part of UNDP's double mandate of capacity-building and transfer of its PR role and will be pursued in 2010-2011. GF Secretariat Comments The absence of a clear strategy to rebuild the national procurement, storage and distribution system has unfortunately led to fragmented support by partners. Several measures were put in place from the side of the EAIO team to mitigate identified risks including ongoing LFA reviews of the procurement and supply chain and active support of measures to strengthen national structures. It is the responsibility of the government to take the lead in developing and implementing a capacity building plan aimed at strengthening these systems. The assessment undertaken by UNDP, as well as assessments already conducted by other partners, contribute to the development of such a plan.			

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 39 (Significant) (a) UNDP should assess its processes for forecasting needs and, procuring and distributing program inputs. The estimation of needs should take into account the need to hold buffer stock in the event that there are delays in receiving stock. (b) UNDP should establish a mechanism that tracks procurements and stock levels at all levels. Periodic reports should be prepared to guide management's decision making. (b) UNDP should develop a PSM manual that guides SRs on forecasting, proper stock management, and monitoring of the rational use of medicines funded by the Global Fund.	UNDP Management comments: OIG should provide more factual information regarding stock-outs.. UNDP has frequently audited the level of stocks and no major issues were highlighted. With regard to the procurement process established by UNDP, it is worthy to note that procurement weaknesses were addressed with the increasing workforce with the PSM team (3 procurement officers instead of 1 in 2007). That resulted in timely procurement of goods. Regarding the issue of customs clearing and distribution, it is important to analyze these issues taking into account the DRC context. Recommended actions are already in force. Weekly procurement dashboard is shared with the SM giving the actual status of the implementation of the PSM plan. Weekly note is shared with the SR regarding the distribution of products. The PSM manual exists and trainings were conducted for use of the manual.			The stock out of various medicals and non medicals were observed during the field visits to Kasai Oriental and around Kinshasa. The stock outs were also mentioned in the various LFA report e.g. R3 Malaria PUDR Q11 or Q14
Recommendation 40 (Significant) (a) UNDP should ensure that that all essential drugs that it imports under the Global Fund Programs are duly registered with the pharmaceutical Authority of DRC. Consideration should be given to building capacity within this Authority as has been the case in other Global Fund programs across the world. (b) As part of its quality assurance role as PR, UNDP should ensure that all health products are inspected pre and post shipment as	UNDP Management comments The PSM plan is prepared and finalized with full participation of the national MoH programmes. All products included in the PSM Plan and purchased are duly registered with the National Authority. Drugs purchased are inspected pre-shipment. As far post-shipment inspection is concerned, initially drugs were inspected locally by the National Authority. Inspection by an international WHO qualified laboratory is carried out on a sample basis since September 2009. Pre and post shipment inspections are not mandatory under Global Fund grants. GF Secretariat Comments: Whereas it is correct that Pre-and Post-Shipment Inspection as defined by the World Trade Organization (WTO) are not mandatory under Global Fund grants, PRs are required under the Grant Agreement to ensure compliance with the Global Fund Quality Assurance (QA) Policy for Pharmaceutical Products, which includes implementing pre-and post-shipment quality control processes. In line with the signed Grant Agreement, the Secretariat has reminded the PR of their obligation to ensure that they check upon receipt that all pharmaceutical products purchased with grant resources meet all of the requirements - including adhering to the Global Fund QA Policy; specifications; terms and conditions of the purchase order. In addition, the PR shall ensure that			

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Recommendation	Response and action	Responsible	date	OIG Comment
<i>recommended by best practice. UNDP should obtain and keep a record of the appropriate certificates as evidence that the inspections happened.</i> <i>(c) Medicines such as ARVs and ACTs must be checked upon their arrival in the DRC by a laboratory pre-qualified by WHO.</i>	random samples of pharmaceutical products are obtained at different points in the supply chain - from initial receipt of the products in-country to delivery to end-users/patients - for the purpose of monitoring the quality of such products, including quality control testing. The quality control testing shall be performed in a laboratory that meets one of the following criteria (i) Pre-qualified by WHO Pre-qualification programme, or (ii) Accredited in accordance with ISO 17025 and the PR shall submit the results of the quality control tests to the Global Fund Secretariat.			
Recommendation 41 (Significant) <i>(a) UNDP should undertake an assessment of the storage capacity of the national structures and develop plans to strengthen capacity with the objective of transitioning to these national structures. The plans should provide for the gradual transfer of responsibility as capacity at FEDECAME and CDRs is strengthened.</i> <i>(b) UNDP should take into consideration SR needs in estimating the needs and distribution of medial inputs to SRs.</i> <i>(c) UNDP should develop a manual that guides the stock management processes at all levels of the logistics chain. Regular physical inventory counts should be instituted at all levels with explanations sought for all variances between stock levels and records.</i>	UNDP Management comments For recommendation (a) it is important to note that use of the national structure (mainly CDRs, the Regional Drug Distribution Centers) was at the core of UNDP Procurement strategy for Round 7 HIV. However, and after the assessment of 8 out of 10 CDR (assessment by UNDP and the GF LFA) few were found to have the required storage and distribution capacity. It has been decided to conduct the assessment of the remaining CDRs and submit to the GF a budget for the capacity building of the CDR. Regarding recommendation (b), distribution of products is based on SR monthly Stock / Consumption reports and therefore on SR needs. For recommendation (c) as stated earlier, the procurement manual exists and SRs have been trained in its use.			

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 42 (High) UNDP should develop a mechanism through which reports containing information about PSM activities are provided to management for decision making. Such a system should be able to receive information from all levels of implementation and generate reports that provide information about: • Needs specifications , forecasting and procurement; • Order tracking i.e. orders made, shipments, delivery date etc; • Monitoring of prices; • Monitoring of stock balances i.e. physical inventory, expiry dates etc; • Comparison of stock balances against consumption etc	UNDP Management comments UNDP takes good note of the audit recommendation to enhance its existing system. As stated during the audit mission, physical counts are undertaken on a quarterly basis and compared to the stock balance as per the UNDP and Agetraf book. Regarding actions recommended on procurement, the existing dashboard allows good order tracking and price monitoring.			
Recommendation 43 (Significant) (a) Oversight by the CCM should be strengthened. The CCM should establish, document and implement an oversight work plan that it will follow in undertaking this important function. The CCM should consider establishing a technical sub committee in order to strengthen its oversight role in addition to the existing sub committee i.e. for coordination amongst the three programs.	CCM Comments A CCM reform committee is in place. It is planned to provide basic guidelines to be developed by sub committees. The funding arrangement is become an issue for all these structures.	CCM Chair	June 2010	

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Recommendation	Response and action	Responsible	date	OIG Comment
<i>(b) The CCM should establish communication protocols and tools to improve timely information flow between constituencies and their members.</i>				
Recommendation 44 (Significant) <i>The CCM should develop guidelines for nominating candidates to act as PRs. These should cover how cases where organizations that are involved in providing support to the proposal writing process bid as potential PRs.</i>	CCM Comments These structures exist and are included in the PR (s) selection guidelines. Surely these should be amended. A PR (s) designated committee is establish during the process of elaboration of proposals.	CCM Technical Secretariat and CCM Secretariat	Mars 2010	
Recommendation 45 (Significant) <i>The CCM should have mechanisms in place to quality assure the proposals made to the Global Fund for funding. Instances such as the one noted above do are evidence of a weak proposal formulation and do not reflect well on the country proposals.</i>	CCM Comments Mechanisms to ensure the quality of proposal elaboration is exist at CCM. Such as a seminar of consensus which be held during each of proposal writing process. In addition, it should be noted that during the writing of proposals, they are shared with all CCM members through e-mail and meeting per component. All these mechanism have been proven by the rate of success of proposals to the Global Fund. However, improvements of the processes are not excluded.			
Recommendation 46 (High) <i>The Global Fund Secretariat should incorporate a budget review mechanism to the Technical Review Panel process for reviewing all proposals.</i>	GF Secretariat (Proposals Team) Comments : This recommendation builds on the pilot introduction in Round 9 of external analysis support to the TRP. Five independent financial experts and one independent procurement expert were available to review the budgets of large Proposals (e.g. with five-year requests over US\$100 million) or Proposals for which the TRP had significant concerns, and provide recommendations to the TRP. For Round 9, 12 grants are undergoing TRP budget reviews. Findings from these independent reviews were used to inform the TRP-clarifications process - and in a number of cases led to the reduction, by the TRP, of the upper-ceilings of certain proposals. While this pilot was considered a success by the TRP, the Secretariat, and the Board, the Secretariat now needs to assess the resource requirements of independent budget reviews, and to develop methods for institutionalizing them so they become a routine part of TRP assessments in the future.			

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 47 (High) (a) <i>The CCM should dialogue with the Global Fund Secretariat to explore possible ways in which the supply of ARVs will not be compromised in the event that the Round 8 signing is delayed.</i> (b) <i>As a key oversight body, the CCM should devise a mechanism to define how the four PRs will work together and how their activities will be coordinated. This is important for interlinked activities and in areas where the PRs may face a common problem e.g. managing the storage, issuance and distribution of drugs.</i>	GF Secretariat Comments: The EAIO team has taken note of the recommendation and would like to add the following: (a) Prior to finalizing all Round 8 grant negotiations, a Round 8 HIV mini grant was signed with the UNDP in December 2009 to provide funds to place a procurement order for ARVs and other essential treatment drugs to avoid an ARV stock-out mid 2010. The Round 3 grant was extended for a period of 3 months until April 2010, to allow a continuation of service delivery under the Round 3 grant and a smooth transition from Round 3 to Round 8 in the first Quarter of 2010 without treatment interruption. (b) Both for the Round 8 Malaria and Round 8 HIV grants, the respective PRs signed a Memorandum of Understanding on coordination of activities and submitted an updated integrated plan of activities.			CCM to develop an action plan and appropriate time bound actions.
Recommendation 48 (Significant) <i>The LFA team should institute an effective quality assurance process for all reports submitted to the Global Fund. Because of the assessed high risk associated with the operations of the country, the LFA Central team should provide an independent layer of review to the reports submitted to the Secretariat.</i>	LFA Comments Additional quality assurance has now been implemented with further layers of independent work review from other LFA teams and at the Central Team level.	LFA and Central Team Leader	Initiated Last quarter 2009.	
Recommendation 49 (Requires attention) <i>The DRC country team should follow-up of all</i>	LFA Comments The LFA will review implementation of the above PR recommendations. GF Secretariat Comments	LFA Team Leader	Quarterly until all recommendations are implement	OIG agrees that the follow up to Recommendations where there is some overlap can be combined. OIG would encourage the Secretariat to support the various in country actors to decide who

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Recommendation	Response and action	Responsible	date	OIG Comment
recommendations issued to ensure their implementation.	The EAIO team takes note of the recommendation and shall work together with the CCM, the PR and LFA on the follow-up of the recommendations issued. The EAIO team suggests that the recommendations in the report which overlap are combined. It should be noted that a number of recommendations do not have clear deliverables or required action. It also not always clear which actor has the final responsibility. For other recommendations their realization depends on actors beyond the CCM, the PR and the LFA. Additionally for most recommendations no implementation deadlines were provided. The EAIO team will work with the stakeholders to address this issue. There are a number of recommendations that require an evaluation to be undertaken or a plan to be produced. The realization of such actions will depend on funding available. In addition, such evaluations and plans should build on other partners/donors work already done in these areas and duplication of work should be avoided. In addition, in light of the recommendations issued related to the PR-SR relationship, it should be noted that the Global Fund in principle does not monitor the contractual relationship and obligations between the PR and its SRs, nor takeresponsibility for this relationship. In light of the Global Fund's principle of country ownership, the Secretariat does not consider it to be in the Global Funds's interest to approve Sub-Recipient agreements and/or similar agreements. Important to note is that the DRC context has changed from the time of the audit. The UNDP Round 3 Malaria and HIV grants have ended or are coming to an end shortly. A number of other PRs are now involved in the implementation of GF grants in DRC who also have a role to play in the strengthening of the national structures. Action has been taken to address the several risks identified in the report with a particular focus on the following areas: - SR management: spot audits of SRs under all PRs to be undertaken to review internal control systems and management of funds. CPs in place on SR budgets and compliance with GF requirements in grant agreements. - Procurement and supply management: LFA reviews of the supply chain down to service provision level and focus on stock management. - M&E: Increased data quality audit and strengthening of national data collection and reporting systems. - Capacity building in harmonization with partners: ensuring coordinated efforts among PRs and with other partners through e.g. joint missions to support capacity strengthening efforts in the country.		ed. Ongoing	is best placed to take forward some of the recommendations.

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Recommendation	Response and action	Responsible	date	OIG Comment
Recommendation 50 (High) <i>The Global Fund Secretariat should conduct a comprehensive review of management fee costs and issue a guideline for the implementation across all grants. This guideline should include a need for benchmarking of the fees paid under Global Fund programs to what other funders pay.</i>	GF Secretariat (Finance) Response: The Finance department has noted the recommendation and would like to point out that the existes on management fee costs are the following: The specific cases of management fees and headquarters costs 1. Other than as agreed in writing with the Global Fund, management fees expressed as a % of other direct costs or funds under management are not eligible for funding through Global Fund grants. 2. Where Global Fund grants are requested to finance services to be provided by the Headquarters of the implementing organization, such costs must be itemized by nature and detailed and verifiable cost estimates provided to the Global Fund. 3. Only costs directly related to services delivered by the parent organization to the in-country organization in order for the latter to implement the Global Fund grant shall be eligible for funding. Other indirect costs of the parent organization's own activities, such as public communication, new business development and fundraising activities are not eligible for funding by the Global Fund. 4. The PR must provide: (i) A detailed description of the services to be provided indicating the expected outputs and deliverables; the need for support shall be assessed in light of the existing in-country capacity; (ii) An itemization of the related costs showing the rationale and methodology for attribution of any indirect costs; and (iii) If specifically requested by the Global Fund, a special audit of the headquarters costs charged to the grant. The specific case of Government PRs 5. Government PRs must only charge direct costs to the Global Fund budget. Indirect costs such as use of facilities and utilities such as heat and lighting are assumed to be funded through the national budget unless, following the principle of additionality, it is clearly demonstrated that the additional costs are essential and cannot be financed by the government or through other sources eg: a new grant results in the need to rent additional office space. In such cases the PR must provide evidence of determination and verification of those costs to the satisfaction of the Global Fund. Sub-recipients 6. The PR is responsible for negotiating any administrative costs to be charged by SRs based on the same principles as the ones described above. During grant negotiation the PR shall provide to the Global Fund the required documentation to support the budget for SR administrative costs to the satisfaction of the Global Fund.			

