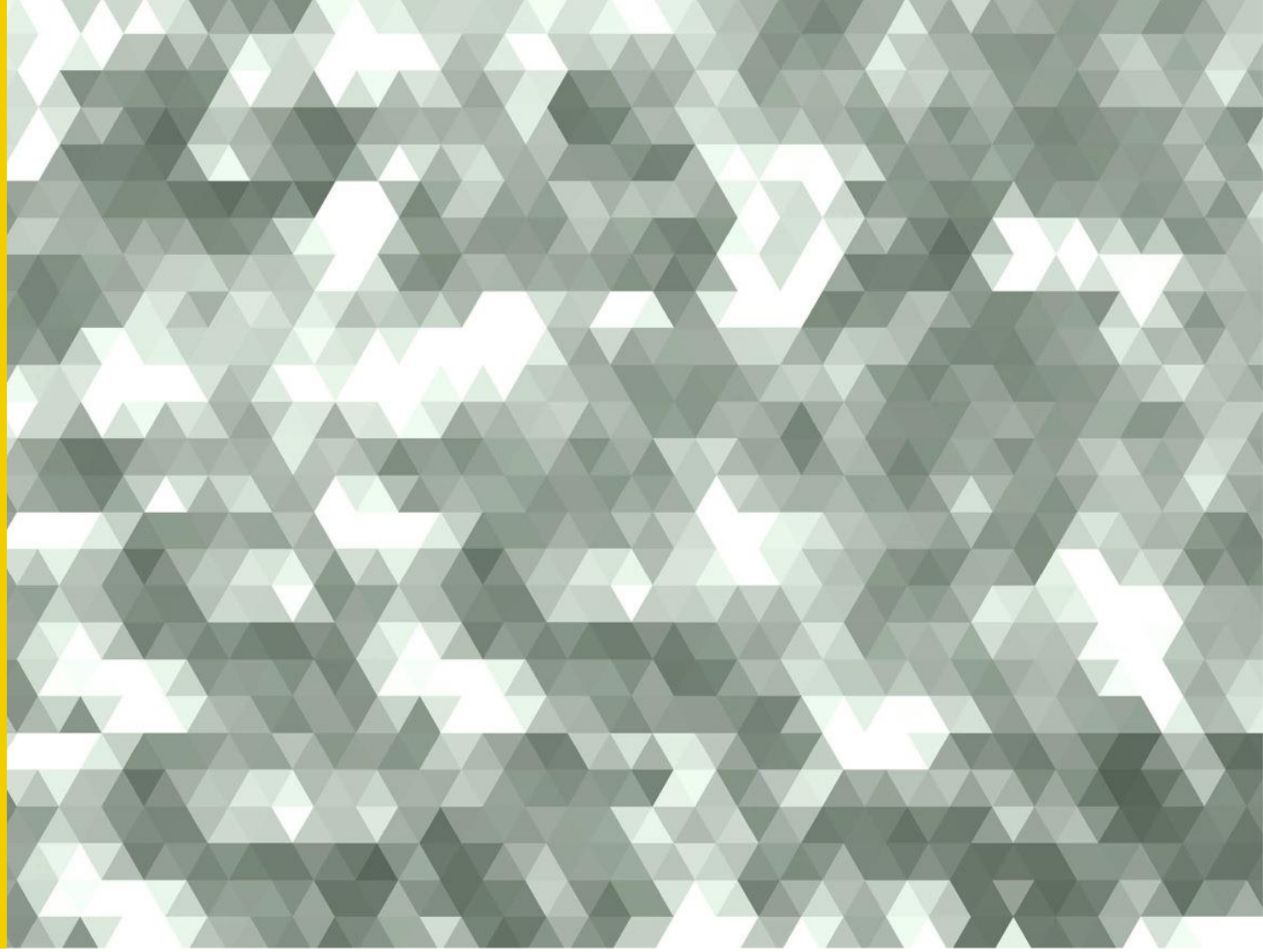

Audit Report

Follow-up audit of Global Fund Grants in the Democratic Republic of Congo

GF-OIG-19-014
16 July 2019
Geneva, Switzerland

The Global Fund
Office of the Inspector General

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1. Executive Summary

1.1. Opinion

The Democratic Republic of Congo (DRC) is one of the Global Fund's three largest portfolios; as such, it is critical to the organization's mission to end HIV, tuberculosis and malaria. DRC grants are implemented in a challenging operating environment characterized by poor infrastructure, recurring armed conflicts and repeated Ebola outbreaks.

Despite the challenging environment, Global Fund-supported programs have achieved impact in DRC. A wide-ranging Long-Lasting Insecticidal Nets (LLIN) mass campaign and expanded community case management have contributed to malaria mortality decreasing from 43 deaths/100,000 people in 2015 to 28 deaths/100,000 in 2017. HIV treatment coverage has increased, from 34% in 2015 to 59% in 2017.

The most recent OIG audit in 2016[1] identified various deficiencies regarding programmatic oversight, delivery of quality health services, internal financial controls, and mechanisms to trace health commodities to health facility level. Since then, the Global Fund Secretariat has put in place enhanced safeguards to improve program implementation and oversight, supply chain management and financial controls. This follow-up audit assesses the actions taken by the Secretariat and in-country implementers to correct the problems identified in 2016. While some measures taken have mitigated previously identified risks, others will require more effort.

The in-country **supply chain process** has enabled continuous availability of the most in-demand antiretroviral drugs[2]. Implementer efforts have resulted in improved drug tracking from zonal warehouses to health facilities, as well as reduced amounts of expiries. In 2017, 41% of the health facilities visited had stock-outs of at least one form of artemisinin-based combination therapies (ACTs) and of malaria rapid diagnostic tests. Commodities availability had improved by 2018, with only 30% of the health facilities visited reporting ACT stock-outs. HIV test kit availability remains a concern, with recurrent stock-outs lasting on average over one month. This area is rated **Partially Effective.**

Regarding **quality of services**, HIV patients did not experience major treatment disruption during the period under review. However, as a result of pervasive HIV test kits stock-outs at health facilities, an estimated 2,314 pregnant women (or 27% of pregnant women visiting the health facilities in 2018) were not diagnosed when required. Furthermore, at all treatment centers there were inaccuracies and inconsistencies in the reported number of people living with HIV (PLHIV) under antiretroviral therapy, making it difficult to determine and monitor numbers lost to follow-up. The Secretariat has planned an audit of PLHIV on treatment to address this issue. For malaria, commodity stock-outs barely affected the diagnosis and treatment of cases due to microscopy testing being used instead of Rapid Diagnostic Tests (RDTs), and there were few instances of simultaneous stock-outs of all forms of antimalarial tablets. This area is rated **Partially Effective**.

Financial management of grants implemented by the Ministry of Health (MoH) is performed by the Financial Management and Support Unit (CAGF), supported by a Fiscal Agent. Fiscal Agent reviews have been extended to all grant-related payments made by the Principal Recipient at both central and provincial level. CAGF's capacity has been strengthened and now includes a permanent coordinator, an internal audit unit and a purchasing department. CAGF financial performance is closely monitored by the Secretariat and has been enhanced in order to manage Global Fund grants. However, the financial controls set by the Secretariat are not consistently identifying and preventing gaps in financial reporting, and the verification of financial transactions is inefficient. For instance, the Fiscal Agent does not consistently check the accuracy of transactions recorded in the accounting

[1] https://www.theglobalfund.org/media/2663/oig_gf-oig-16-022_report_en.pdf
[2] We are referring to the first line HIV treatment regimen "tenofovir/lamivudine/efavirenz" (TLE) which is used by almost 85% of HIV patients under antiretroviral Therapy

system or of financial statements, leading to duplicate recording of transactions and unexplained variances in the financial amounts reported to the Global Fund. Similarly, sub-recipients' transactions are not verified by the Fiscal Agent. By the time of the OIG's review, PSI (a previous malaria grant Principal Recipient) had exited the country, and the corresponding financial records relating to the grant were not available for audit. This part of the audit will be subject to a follow-up review in 2019. Overall, this area **Needs Significant Improvement.**

1.2. Key Achievements and Good Practices

Streamlined implementation arrangements: Three major changes have affected the implementation landscape. First, the number of Principal Recipients has been reduced from five to three, and the number of grants from eight to five, with the HIV and TB components being combined in one grant. Second, donor interventions are now well-delineated by provinces for malaria and tuberculosis, and by health zones for HIV, helping to avoid overlapping interventions and improving supply chain efficiency and coordination with provincial authorities. In the 16 provinces dealing with all three diseases, one sub-recipient manages the supply chain for all diseases, whereas previously each program had its own sub-recipients, making coordination among implementers difficult at a time when all programs were facing the same supply chain challenges. A matrix of responsibilities at national and provincial level has been established and approved by MoH, enabling better coordination and accountability between all stakeholders.

Significant progress made in reducing the burden of the three diseases: Significant progress has been achieved in the fight against HIV over the past five years[3]. Antiretroviral treatment coverage has more than tripled, from 15% in 2012 to 55% in 2017, with new infections falling by 25% over the same period. HIV-related deaths have declined by half, from 36,000 in 2012 to 17,000 in 2017. Regarding malaria, the proportion of confirmed cases through rapid diagnostic testing has surged from 23% (of 9.1 million cases) in 2012 to 91% (of 15.2 million cases) in 2017[4], 90% of which were treated in accordance with national malaria treatment guidelines. For tuberculosis, treatment success rates improved from 77% in 2013 to 87%[5] in 2018, while annual notified cases increased by almost 10% between 2017 and 2018. A rolling three-year LLIN mass campaign has achieved good coverage (80%) and there is increased coverage of community case management, from 3,890 sites in 2017 to 5,000 sites in 2019.

Increased availability of antiretroviral (ARV) and antimalarial drugs: In 2014, the SARA[6] survey revealed availability rates of up to 45% for first line ARVs in health facilities. ARV treatment coverage subsequently increased from 24% in 2014 to 55% in 2017[7], and the 2018 Health Systems performance assessment survey[8] (EPSS) covering 505 health facilities providing ARV treatment indicated an availability of ARVs in 80% of facilities, while a 2017 End Users Verification survey[9] confirmed the availability of antimalarial drugs in 66% of health facilities. First line ARV drugs were continuously available in the reviewed period (January – October 2018) at the 15 health facilities visited for this audit.

[3] http://www.unaids.org/fr/keywords/democratic-republic-congo
[4] http://apps.who.int/iris/bitstream/handle/10665/275867/9789241565653-eng.pdf?ua=1 p143
[5] https://extranet.who.int/sree/Reports?op=Replet&name=/WHO_HQ_Reports/G2/PROD/EXT/TBCountryProfile&ISO2=CD&outtype=html
[6] Service Availability and Readiness Assessment (SARA) 2014 report p20
[7] http://www.unaids.org/fr/keywords/democratic-republic-congo
[8] Evaluation de la performance des systèmes de santé (EPSS)
[9] Vérification de l'utilisation finale des médicaments et commodités de lutte contre le paludisme en république démocratique du Congo

1.3. Key Issues and Risks

Pervasive stock-outs of HIV test kits: Around 67% of health facilities visited experienced HIV test kit stock-outs, in many cases lasting over a month. These recurring stock-outs have contributed to the low number of new identified HIV cases: the number of people living with HIV who know their status was 59%[10] in 2017, compared to the UNAIDS target of 90%. This situation is mainly due to the fact that HIV test kits procured under the Global Fund grant are aimed at key populations and populations at risk (e.g. Sexually Transmitted Infections patients, injecting drug users, TB patients and pregnant women) while health facilities extend HIV testing to the general population.

Insufficient stock of malaria commodities at health facilities: In the second half of 2017, around 41% of health facilities visited experienced stock-outs of at least one age category of anti-malaria drugs (mainly infant ACTs) and of malaria RDTs. In many instances, stock-outs lasted several months. A main contributing factor is the absence of buffer stocks at upper levels of the supply chain, namely at zonal and provincial warehouses. Treatment disruption caused by these stock-outs was limited, however, with only 10% of health facilities experiencing stock-outs of all forms of anti-malaria drugs.

Inaccurate number of people living with HIV (PLHIV) on treatment, and lack of monitoring of PLHIV lost to follow-up: The reported number of PLHIV under ARV treatment was overstated in almost all health facilities. In 38% of cases, discrepancies exceeded 10%. Health facilities did not take steps to investigate these instances for subsequent follow-up.

Financial management is inadequate due to limited controls in place at the Ministry of Health, an absence of quality assurance over the work of the Fiscal Agent, and limited Secretariat oversight: Grant funds worth approximately US$117 milion, representing 21% of total Global Fund investments in DRC, are implemented by the Ministry of Health - CAGF. MoH financial management controls are not able to effectively and efficiently manage grant transactions and their related risks. Design flaws in finance mechanisms are negatively impacting financial oversight. For example, financial reports for all grants submitted to the Global Fund are inaccurate, for many reasons: limited oversight from the Secretariat over the Fiscal Agent's role and mandate; lack of control by the CAGF and the Fiscal Agent over accounting procedures and long outstanding advances; and inadequate administrative manuals to guide grant activities, especially those implemented in provinces where capacity is limited.

Fiscal Agent reviews are too narrowly focused and contain inconsistencies, with some transactions being validated which do not meet minimum control requirements. Despite being part of their Terms of Reference, transactions totaling US$7 million were not reviewed by the Fiscal Agent. The OIG was not able to audit the malaria grants previously managed by PSI as the financial records were not available at the time of review; the OIG will follow up on this in 2019.

1.4. Rating

Partially Effective	Objective 1: Improvements to the supply chain to increase the availability and traceability of health products
Partially Effective	Objective 2: Effective program management and delivery to ensure quality of services
Needs Significant Improvement	Objective 3: Adequate and effective controls over financial management in place

[10] http://www.unaids.org/fr/keywords/democratic-republic-congo

1.5. Summary of Agreed Management Actions

The OIG and the Global Fund Secretariat have agreed on several management actions to address the audit findings.

In response to the persistence of HIV and malaria commodities stock-outs at health facilities level, the Secretariat will support the design and implementation of a stock-out warning/reporting system and the decentralization of the Bluesquare supply chain dashboard. The Secretariat will also ensure that sub-recipient Terms of Reference are updated to include additional controls.

In order to address HIV test stock-outs and HIV retention, the Secretariat will work with MoH to promote targeting testing and expand the coverage of Tiernet software.

To address the identified financial risks and further improve the controls and mitigation measures, the Global Fund will revise the Terms of Reference of the Fiscal Agent to clarify its scope and responsibilities, and integrate a Quality Assurance mechanism for reporting to Global Fund.

The Secretariat will provide support to strengthen the internal controls of the Government Principal Recipient (CAGF) for adequate processing of financial transactions, effective advances management, and accurate presentation of financial reports and accounting information. The Global Fund will define a set of minimum performance requirements for CAGF and any progress will be measured against these requirements.

2. Background and Context

2.1. Overall Context

The Democratic Republic of Congo (DRC) is the second largest country in Africa, with a land mass of over 2.3 million[11] square kilometers. The population is dispersed, with fewer than 40% of the country's inhabitants living in urban areas.

The health system is organized into 516 health zones ("Zones de Santé") spread over 26 provinces. The human resources for health professional density is 6 doctors[12], nurses and midwives per 10,000 people, far below both the World Health Organization's recommendation of 23 and the regional average.

Population: **81 million**

GDP per capita: **US$562** (World Bank, 2018)

UNDP Human Development Index: **176 of 188** (2018)

Transparency International Corruption Perceptions Index: **161 of 180** (2018)

UNDP Gender Inequity Index: **176 of 189** (2017)

The DRC is a challenging operating environment due to its limited infrastructure, military instability in parts of the country, and the threat of deadly epidemics. In August 2018, the DRC experienced its tenth Ebola outbreak in 40 years[13], producing 319 confirmed Ebola cases and 167 deaths by 31st December 2018.

2.2. Differentiation Category for Country Audits

The Global Fund has classified the countries in which it finances programs into three overall portfolio categories: focused, core and high impact. These categories are primarily defined by size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics. Countries can also be classed into two cross-cutting categories: Challenging Operating Environments and those under the Additional Safeguard Policy. Challenging Operating Environments are countries or regions characterized by weak governance, poor access to health services, and man-made or natural crises. The Additional Safeguard Policy is a set of extra measures that the Global Fund can put in place to strengthen fiscal and oversight controls in a particularly risky environment.

DRC is:

	Focused: (Smaller portfolios, lower disease burden, lower mission risk)
	Core: (Larger portfolios, higher disease burden, higher risk)
X	**High Impact: (Very large portfolio, mission critical disease burden)**

X	**Challenging Operating Environment**
X	**Additional Safeguard Policy**

[11] https://www.diplomatie.gouv.fr/fr/dossiers-pays/republique-democratique-du-congo/presentation-de-la-republique-democratique-du-congo/
[12] https://www.who.int/hrh/fig_density.pdf?ua=1
[13] https://www.msf.org/drc-2018-ebola-outbreak-crisis-update

2.3. Global Fund Grants in the Country

The Global Fund has signed over US$1.99 billion and disbursed US$1.58 billion to DRC[14] since 2003; this includes US$542.9 million related to five active grants for the January 2018 to December 2020 implementation period and US$597.4 million for the period 2015 - 2017.

For the new funding cycle 2018 – 2020, Population Service International (PSI) and CARITAS Congo, previously Principal Recipients (PRs) for the period 2015 – 2017, have been discontinued. Although the malaria grant managed by PSI was part of the audit scope, the OIG could not perform any review of this grant because the supporting documentation was not available in an auditable format at the time of the audit. This area will be followed up on in 2019.

The Ministry of Health and two Non-Governmental Organizations (Santé Rurale and Stichting Cordaid) are the three PRs selected to manage the five active Global Fund grants during 2018 - 2020. The Ministry of Health through its Financial Management and Support Unit (Cellule d'Appui et de Gestion Financière –CAGF) manages three grants, pertaining to each disease, while CORDAID and SANRU are respectively responsible for supply chain components for HIV/TB and malaria.

Grant Number	Principal recipient	Disease component	Grant period	Signed amount US$	Disbursed to date US$
COD-H-SANRU	Santé Rurale (SANRU)	HIV	01/07/2015 to 31/12/2017	84,856,358	80,862,837
COD-H-CORDAID	Stichting Cordaid	HIV	01/07/2015 to 31/12/2017	82,173,142	79,322,625
COD-M-SANRU	Santé Rurale (SANRU)	Malaria	01/01/2015 to 31/12/2017	174,379,559	170,367,046
COD-M-PSI	Population Services International	Malaria	01/01/2015 to 31/12/2017	165,787,738	162,728,154
COD-T-CARITAS	Caritas Congo ASBL	Tuberculosis	01/07/2015 to 31/12/2017	31,596,067	31,448,908
COD-T-MOH	Ministry of Health and Population	Tuberculosis	01/07/2015 to 31/12/2017	13,831,917	12,159,036
COD-H-MOH	Ministry of Health and Population	HIV	01/07/2015 to 31/12/2017	22,977,929	22,704,332
COD-M-MOH	Ministry of Health and Population	Malaria	01/01/2015 to 31/12/2017	38,256,922	37,823,266
Sub-total New Funding Model (2015 - 2017)				**613,859,632**	**597,416,204**
COD-M-SANRU	Santé Rurale (SANRU)	Malaria	01/01/2018 to 31/12/2020	275,717,435	68,380,587
COD-C-CORDAID	Stichting Cordaid	HIV/TB	01/01/2018 to 31/12/2020	149,742,258	33,250,901
COD-H-MOH	Ministry of Health and Population	HIV	01/01/2018 to 31/12/2020	23,913,524	5,197,701
COD-M-MOH	Ministry of Health and Population	Malaria	01/01/2018 to 31/12/2020	74,908,613	9,655,886
COD-T-MOH	Ministry of Health and Population	Tuberculosis	01/01/2018 to 31/12/2020	18,679,294	3,006,069
Sub-total New Funding Model (2018 - 2020)				**542,961,124**	**119,491,143**
Total				**1,156,820,756**	**716,907,347**

[14] https://www.theglobalfund.org/en/portfolio/country/?loc=COD&k=8821256b-ea63-4407-adbf-3ddf43878055

Malaria and HIV health commodities are procured through the Global Fund's Pooled Procurement Mechanism while TB drugs are procured by the Principal Recipient through the Global Drug Facility.

The two current non-governmental Principal Recipients are mainly responsible for the procurement and distribution of health products, and for conducting HIV prevention-related activities. The government Principal Recipient is tasked with monitoring and evaluating the three programs, and implementing activities for diagnosis, treatment and health system strengthening. A Fiscal Agent has been appointed whose role has been upgraded to include verifying the government Principal Recipient's financial management system and building its capacity.

2.4. The Three Diseases

HIV/AIDS: DRC has a generalized HIV epidemic, with pockets of concentration affecting specific key populations. DRC accounts for 1.2[15] of the world's HIV burden with an estimated 390,000 people living with HIV (63% women, 24% men over age of 15 and 13% children aged 0-14)[16]. 15,000 people were newly infected in 2017, a decline of 25% compared to 2012.

HIV prevalence among key populations is higher than the national average of 0.7%: Female Sex Workers 5.7%; Men who have Sex with Men 3.3%; People who inject Drugs 5.9%.

PEPFAR/United States Agency for International development (USAID) and The Global Fund are the largest donors for the DRC HIV program. A nationwide survey on the quality of services as well as the availability of HIV (EPSS) was conducted in 2018.

210,000 people on anti-retroviral therapy

52% decline in HIV related deaths between 2012 to 2017

Malaria[17]: The country accounts for approximately 11% of the global malaria burden and 19% of all deaths. Malaria is endemic in the entire country. Estimated cases increased from 22 million in 2012 to 25 million in 2017. By contrast, the estimated number of malaria deaths decreased by 6%, from 48,763 in 2012 to 46,007 in 2017.

The Global Fund and the United States President's Malaria Initiative are the largest donors for the DRC malaria program.

Various surveys, including an End User Verification (EUV) and an assessment of healthcare services provided at health facilities (EPSS), were conducted in 2017 and 2018 to assess the quality of service and availability of drugs.

55.2 million Long Lasting Insecticide nets (LLIN) distributed from 2015 to 2017

Tuberculosis[18]: DRC is a high TB prevalence country, accounting for 2.6% of the global TB burden. DRC is listed in the top 20 by estimated absolute number of TB cases, for TB/HIV cases and MDR TB cases.

Notified TB cases in 2017 account for 57% of total estimated cases, with missing cases at 43%.

TB/HIV co-infection is estimated at 10%. About 82% of TB/HIV patients are on anti-retroviral treatment. The Global Fund is the largest donor for the DRC TB program.

151,832 cases notified in 2017

89% treatment success rate for 2016 cohort

[15] As per 2017-2020 Global Fund allocation methodology
[16] http://www.unaids.org/en/regionscountries/countries/democraticrepublicofthecongo
[17] http://apps.who.int/iris/bitstream/handle/10665/275867/9789241565653-eng.pdf?ua=1 p38, p43, annex 3-D and 3-F ,
[18] https://extranet.who.int/sree/Reports?op=Replet&name=/WHO_HQ_Reports/G2/PROD/EXT/TBCountryProfile&ISO2=CD&outtype=html

3. The Audit at a Glance

3.1. Objectives

This review is a follow-up of the 2016 audit of Global Fund Grants to the Democratic Republic of the Congo. The audit's overall objective was to provide reasonable assurance on whether the Governance, Risk Management and Internal Controls underlying grant management and implementation have improved since the 2016 audit.

Specifically, the follow-up review assessed whether:

- Improvements to the supply chain have increased availability and traceability of health products
- Program management and delivery are effective to ensure quality of services
- Adequate and effective controls over financial management are in place

3.2. Scope

The audit followed the methodology described in Annex B, covering the period January 2016 to August 2018. Where relevant, the period was extended to enable the auditors to assess progress made by the Secretariat and implementers in addressing identified issues. The audit covered specific aspects of the programmatic and supply chain implementation by the three current Principal Recipients: CORDAID, SANRU and the Ministry of Health. In addition, OIG reviewed the financial management controls and process at CAGF and PSI (a discontinued PR).

The OIG visited 17 zonal warehouses and 55 treatment centers and health facilities across six provinces. The audit focused on the issues identified in 2016, monitoring the following indicators:

- Stock-outs of health products: to verify if health products were absent for at least three days in health facilities and zonal warehouses (BCZ);
- Expiries of pharmaceutical products: to check if expired commodities were used at the health facilities level;
- Traceability of pharmaceutical products at BCZs and health facilities: to ensure the existence of proper documentation of stock movements (orders, delivery receipts, delivery and stock records) from BCZs to health facilities;
- Interruptions to patient treatment due to commodity stock outs;
- Review of the Ministry of Health's financial management, including its Financial Management and Support Unit (CAGF) and the updated role of the Fiscal Agent.

Scope Limitation
The OIG was not able to audit the PSI malaria grant as the financial records were not available at the time of our review. This will be covered in a follow-up audit in 2019.

Previous relevant OIG audit work
Audit of Global Fund Grants to the Democratic Republic of Congo, 2016 (GF-OIG-16-022)

3.3 Progress on Previously Identified Issues

All Agreed Management Actions (AMAs) from the 2016 OIG[19] audit were closed by 30 September 2018.

Description	AMA status
AMA 1: Guidelines, tools and TORs should be developed for integrated supervision pertaining to the three diseases.	The AMA was closed in March 2018 as the tools and guideline for integrated supervision have been developed. However, they were yet to be approved and implemented at the time of the audit. See finding 4.2.
AMA 2: The Global Fund Secretariat will conduct a cost reasonableness analysis of PR expenditures. The analysis will cover SANRU, Caritas, Cordaid and PSI and will include a cross-PR comparison of unit cost categories for: HR costs and numbers; LLIN prices; storage and distribution; and daily subsistence allowances.	The AMA was closed in October 2017. The LFA has performed a cost reasonableness analysis and compared PR costs with those of other partners operating in DRC. The Country Team used this information to make budgeting decisions for the 2018-20 grants and to ensure reasonable unit costs and alignment whenever possible. The Secretariat has also changed its implementation arrangements to ensure better cost alignment. The country team's review and measures taken were considered sufficient to address the issue raised during the audit.
AMA 3: The Global Fund Secretariat will present an analysis to the Global Fund's Supply Chain Task Force of on-going and planned actions and pilot initiatives to strengthen the DRC supply chain arrangements for HIV and malaria health products financed by the Global Fund. The analysis should cover the challenges around the last mile distribution, warehousing, transformative supply chain project for essential medicines.	Closed on January 2018 as a result of overlapping AMAs arising from the OIG audit of supply chain processes at the Secretariat. A supply chain diagnostic review has been performed to identify bottlenecks and challenges across the supply chain, and an action plan to strengthen the in-country supply chain has been drafted.
AMA 4: A quality assurance plan for health products should be developed by SANRU and submitted to the Country Team for approval.	The AMA was closed in September 2017. All procurements of health commodities are now channeled through PPM or GDF, reducing product quality risk.
AMA 5: A Monitoring and Evaluation capacity strengthening plan for the 3 diseases with a focus on data collection, quality and analysis should be developed.	Closed in March 2017 due to strengthened monitoring and evaluation capacity and increased coverage of District Health Information System. Reported data of HIV patients under treatment was however found inaccurate during the audit. See finding 4.2
AMA 6: A set of minimum performance requirements should be defined for the 'Cellule d'Appui et de Gestion (CAG)' within the Ministry of Health in order for the CAG to continue to be considered as PR.	The AMA was closed in January 2018 after completing an assessment of the PR's performance against 24 indicators: 15 indicators were met, 4 were on track and 5 were not achieved.
AMA 7: The Global Fund Secretariat will complete an assessment of the CAG to determine progress against the set of minimum requirements communicated to the CAG.	Closed in January 2018 as the Secretariat has established a set of requirements and a subsequent assessment has been performed. The capacity of CAGF still requires significant improvement; the audit identified material weaknesses which require immediate mitigation. See finding 4.3.

[19] Audit report GF-OIG-16-022

4. Findings

4.1. While anti-malaria drug traceability has improved, stock-outs of health commodities at facility level persist.

Since the last OIG audit in 2016, various corrective actions have been implemented to improve the in-country supply chain and increase the availability of anti-malaria drugs and malaria rapid diagnostic tests (RDT). These include:

- Incentivizing health workers to transport health commodities from district warehouses to health facilities, a practical measure to offset the absence of a strong distribution system.
- Revising sub-recipient terms of reference and putting in place key performance indicators on health product availability and stock status at health facilities, enhanced through sub-recipient monitoring of consumption, stock records and stock balances. The accountability of sub-recipients with respect to stock availability has increased as a result of the introduction of performance-based contracts.
- Implementing reviews of stock availability at health facilities through supervision missions by health zonal offices (BCZ).

Drug traceability has improved and the level of expiries has reduced.
The corrective measures noted above have contributed to improved drug traceability and reduced wastage at the 53 health facilities and zonal warehouses[20] visited. The traceability of malaria drugs from zonal warehouses to heath facilities was successfully verified in 70% of visited facilities, compared to 55% in 2016.

Likewise, malaria health commodity expiries were reasonable, with total expiries at central warehouses amounting to US$350,810 (less than 3% of total drugs received) in the period under review, while expiries in health facilities and zonal warehouses visited were immaterial (approximately US$1,000). These good results are due to the high turnover and rapid distribution of health commodities (with remaining shelf life consistently exceeding 6 months) from central warehouse/zonal warehouse to health facilities.

Availability of malaria health commodities at health facilities needs to improve.
Stock-outs of malaria drugs were persistent during June – December 2017 but had reduced significantly by October – November 2018.

- 41% of health facilities experienced stock-outs of at least one age category of ACT[21] in the second half of 2017. This stock-out rate is in line with the End User Verification survey[22] results, which tested a larger sample, and with the EPSS study[23]. Except for Artesunate/Amodiaquine for teenagers (an antimalarial drug), whose supply was temporarily suspended in 2018 due to overstock of ACT for adults, only 10% of health facilities were experiencing stock-outs of ACTs during the OIG's visit.
- Stock-outs for infant Artesunate/Amodiaquine were the most significant, with 28% and 39% of health facilities affected respectively in the third and fourth quarter of 2017. Stock-outs lasted over 30 days in 39% of health facilities visited. However, these stock-outs did not cause any treatment disruptions as other quantities or formulations were used.

[20] 40 health facilities and 13 zonal warehouses (BCZ)
[21] ACT is the first line anti malaria drug recommended by the DRC guideline for diagnosis and treatment of malaria. Two forms have been adopted by the country: Artesunate/Amodiaquine (ASAQ) and Artemether/lumefantrine (ALU), recently introduced in urban areas. Both drugs are available in four categories depending on the age range: babies (0-1 year old), children (1-5 years old), teenager (6 – 13 years), and adult (above 13 years old).
[22] The EUV was a survey conducted in 2017 by the national Malaria Programme with assistance from Chemonics in over 400 health facilities. It was co-financed by the Global Fund and the United State Agency for International Development (USAID)
[23] Évaluation des Prestations des Services de soins de Santé (EPSS) study conducted in 2017-2018 by l'Ecole de Santé Publique de l'Université de Kinshasa (ESPK).

- 41% of the health facilities visited experienced stock-outs of malaria RDTs in the second semester of 2017, but that had fallen to 5% by October 2018. In two instances, stock-outs of RDTs lasted more than 100 days, and in 9 instances they lasted between 20–50 days.
- The five provinces visited were unevenly affected by stock-outs of malaria health commodities. While two had almost 100% availability of all malaria commodities, two others had commodity availability ranging from 46% to 80%.

Observed stock-outs were mainly due to the absence of buffer stocks at the upper level (zonal and central warehouses) as well as additional causes identified by the Secretariat's supply chain diagnostic. In almost all identified stock-outs at health facilities, the related zonal warehouses lacked stocks at the same time. In November 2018, a visit to SANRU's main warehouse found there had been stock-outs of all forms of ACTs (ASAQs) for the previous five months.

Despite this, treatment and diagnosis of uncomplicated malaria cases were not significantly disrupted. The treatment rate of uncomplicated malaria cases exceeded 90% in 90% of health facilities visited, while 87% of malaria cases were confirmed through testing. The low disruption of treatment rates was mainly due to there being almost no simultaneous stock-outs of all four forms of ACT at health facilities, enabling continuous treatment for all ACT age ranges. Most health facilities used microscopic tests (blood smear tests) as a substitute for malaria rapid diagnostic tests (RDT) during stock-outs. NB: malaria RDTs are free of charge whereas patients must pay for microscopic tests, a financial barrier to patients wishing to access treatment.

Agreed Management Action 1

The Secretariat will:

(a) support the design and implementation of a stock-out warning and reporting system that will be the first real time and independent source of information for potential stock-outs;

(b) support the decentralization of the Bluesquare supply chain dashboard to allow sub-recipients and provincial health directorates to analyze in a systematic manner the stock situation in the provinces;

(c) ensure the sub-recipient(s) Terms of Reference will be modified to include monthly review of BCZ stock and sending confirmations to the Division Provinciale de la Santé and Principal Recipient on the existence of an adequate buffer stock.

Owner: **Head, Grant Management**

Due date: **30 June 2020**

4.2. HIV drug traceability and treatment has improved, but pervasive stock-outs of HIV tests remain.

The country adopted the UNAIDS Test-Treat-Retain strategy in 2016. Antiretroviral Therapy (ART) coverage increased from 40% that year to 55% in December 2017. The continuous availability of antiretroviral drugs (ARV) is critical to avoiding any interruption of ART treatment.

No major disruption of HIV treatment

OIG auditors visited 15 hospitals and health facilities accounting for 8% of the national reported number of people living with HIV (PLHIV) on treatment. The first line ARV (tenofovir/lamivudine/efavirenz), used to treat 85% of PLHIV on treatment, was continuously available in all the facilities visited. A second line ARV drug (lopinavir-ritonavir) had limited stock-outs (up to 5 days on average). Material stock-outs were noted for paediatric ARVs in 67% of visited health facilities, lasting on average 24 days. This did not however result in treatment disruption, as reduced dosages of first line ARVs for adults were used as a substitute.

Pervasive stock-outs of first line HIV test kits has affected the detection of new HIV cases

The availability of HIV diagnostic tests has declined compared to the previous audit period. There were recurring stock-outs of the first line HIV test (Determine) in 60% of facilities visited, with stock-outs lasting on average 45 days (in 2015 stock-outs lasted 24 days on average). The pervasive stock-outs result mainly from the lack of funding to finance the national strategy: the assumptions underlying test kit quantification focus on key populations and patients at risk, while the national testing strategy in health centers involves voluntary testing of the general population. Based on the records of the health facilities visited, around 5,132 people and 2,314 pregnant women (or 27% of pregnant women visiting the concerned health facilities in 2018) could not receive HIV diagnosis as a result of stock-outs of test kits.

Better traceability of HIV commodities

There has been significant improvement in the traceability of HIV commodities (ARVs and HIV tests). All sampled commodities were successfully traced from zonal warehouses to health facilities (in comparison, the 2016 OIG audit revealed that only 56% of HIV tests were traceable).

Overstatement in the number of PLHIV on treatment and inadequate monitoring of HIV patients lost for follow up

With the number of PLHIV under ART increasing, patient monitoring is critical in achieving the 90:90:90 targets. An electronic HIV patient management system (Tiernet) was rolled out in 2017 in seven provinces; however, Tiernet data were out-of-date in 80% of facilities visited. In all facilities visited, discrepancies were noted between reported and actual numbers of PLHIV under ART. In 38% of cases, the number of PLHIV on treatment was overstated by at least 10%, and in one case by 364%. The discrepancies mainly refer to patients who are lost to follow-up. Treatment centers have no way to track this population or to identify inaccuracies in reported figures. The Secretariat and the in-country stakeholder conducted an audit of the HIV cohort in December 2018 to ascertain the accurate number of PLHIV under ART and lost to follow-up. Results were presented to all stakeholders in May 2019 and the report will be published soon. A major root cause for the above issues is ineffective supervision to ensure continuous updating of patient records and Tiernet. Integrated supervision guidelines and tools have been developed (as recommended by the previous OIG audit) and validated, and will be disseminated for use in Q4 2019.

Table 2. Reliability of reported numbers of PLHIV on treatment, against source. OIG verification of 7,326 medical files, in 13 facilities.

Health Facility	#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11	#12	#13
Reported no. of PLHIV	334	715	920	754	709	764	461	957	383	623	430	334	777
No. of PLHIV as per medical files	72	426	794	656	647	708	436	914	379	638	444	344	868
Variance	**364%**	**68%**	**16%**	**15%**	**10%**	**8%**	**6%**	**5%**	**1%**	**-2%**	**-3%**	**-3%**	**-10%**

Agreed Management Action 2:

The Secretariat will:

(a) support the MOH to develop a new screening tool and communications materials to promote targeted testing at the site level in accordance with the new HIV differentiated service delivery models.

(b) support the MOH to improve use of, and expand coverage of, Tiernet software to monitor HIV patient data.

Owner: **Head Grant Management**

Due date: **31 March 2020**

4.3. Financial management controls for government grants and the risk mitigation measures set up by the Secretariat need significant improvement.

Since the 2016 audit, the Global Fund has strengthened its financial safeguards for the Government Principal Recipient, CAGF, implementing mitigation measures to address the continued high fiduciary risks. These include:

- Establishing an administrative manual to guide CAGF's day-to-day operations.
- Decentralizing the Fiscal Agent presence in 14 of 26 provinces. Fiscal Agent headcount was increased at the central (six staff) and provincial levels (28 staff) in order to build CAGF capacity and perform a secondary control over financial processes and transactions.
- Enhancing CAGF's capabilities - the unit now has a permanent coordinator, an internal audit unit, a procurement department and accounting software that links central and provincial operations, reducing instances of unsupported documents.
- Strengthening the Secretariat's oversight mechanism through reviews of the Principal Recipient's financial performance.

These enhanced controls over provincial expenditures have reduced the number of long-outstanding advances and improved the flow of supporting documents to Central level.

In response to an agreed management action from the 2016 audit, CAGF's performance was evaluated by the Secretariat against 24 key performance indicators. While the unit was found to be well positioned to manage Global Fund grants, areas for improvement remain.

Limited capacity and control mechanisms to produce accurate financial reports.
CAGF lacks sufficient control mechanisms to ensure the accuracy of the financial expenditure information reported to the Global Fund, resulting in unjustified variances between amounts in the accounting system and in the financial reports remitted. For example, there was a variance of US$1,151,876 in 2018 for the malaria grant, of US$1,137,700 in 2017 for the HIV grant, and of US$346,868 in 2018 for the TB grant. These differences were reconciled at the end of the grant, but they are a consequence of the ineffective internal controls of the PR and Fiscal Agent.

The root causes for these control weaknesses are CAGF's low capacity to monitor and control each transaction before it is recorded in the accounting system, and gaps in the fiduciary agent's oversight to prevent and correct inefficiencies. For example, the Fiscal Agent is unable to independently monitor the number of transactions booked in the Principal Recipient's accounting system, to ensure the accuracy of financial reports issued to the Global Fund, or to detect and correct reporting anomalies. Instead, the Fiscal Agent uses financial information submitted by the Principal Recipient and extracted from its own system, and no independent verification is performed over this information. While no ineligible expenditures were identified, the following errors were noted:

- The estimated cost of planned activities worth US$2m were charged to the Global Fund as actual expenses, though the activities were yet to be implemented.
- CAGF's accounting system does not detect and block the duplicate recording of expenses. As a result, over US$130,000 of duplicated transactions were registered between 2016 and 2018 before being partially corrected in 2018. Some 2018 transactions are yet to be corrected.
- The lack of a system to reconcile supporting documents to respective advances has led to long-outstanding advances (amounting to US$1.7m since 2016).
- Transactions worth US$1.6m were not appropriately allocated to the correct budget line.
- Significant volumes of expenses were recorded as one transaction in the accounting system (43 provincial transactions for a total amount of US$10m).

Absence of a quality assurance framework at the Fiscal Agent, and limited Secretariat oversight

While the Fiscal Agent's role has been clarified since the previous audit, the Secretariat's quality assurance mechanism over Fiscal Agent operations needs improvement. At the time of the audit, an assessment of Fiscal Agent work in relation to its terms of reference had not been performed. This is now on-going as part of a wider project resulting from an Agreed Management Action in the OIG's 2018 Chad audit. No evidence was retained of the review of transactions worth US$7m incurred by the national programs as sub-recipients, even though this review is part of their terms of reference.

There is no independent review of the work performed by Fiscal Agent staff at lower levels: the Fiscal Agent's central team does not perform quality assurance over the work performed by its staff at all levels, and there is no evidence that the financial unit (based at CAGF in Kinshasa) regularly reviews work executed by its team in the provinces. Similarly, the Fiscal Agent's head office in Kinshasa does not effectively provide quality assurance over the operations of its financial unit.

The Fiscal Agent lacks a system to track the transaction verification process, which should include processing time, rejections of payment (including reasons for rejections), and anomalies, to effectively assess the progress of the agents' capacity building activities with CAGF. Furthermore, expenditure reviews were not performed in a consistent manner due to the absence of checklists or tools for the 2017-mid 2018 period. Although checklists were developed in late 2018, they are not being used consistently, leading to ineffective and inefficient Fiscal Agent reviews. For instance:

- No evidence was retained of bank reconciliation reviews performed.
- Penalties for contract delivery delays with a value of US$402k were not applied and not identified. These amounts should be assessed by the Secretariat and a decision about recoveries should be made.
- 139 procurements totaling US$237k which did not have sufficient evidence of competition were not highlighted.
- 255 instances of cash payments above the allowable limit, for a total amount of US$893k, were wrongly processed.
- No original supporting documents were available to support transactions for a total amount of US$92,777; these amounts should be classified as ineligible and should be recovered.
- Although immaterial, no information of training/workshop participants was available for 1,108 cases (for example, identity card, telephone number etc.), as required by CAGF's procedure manual.

Incomplete coverage of financial activities in the CAGF procedure manual.

In 2017, CAGF formalized its manual of procedures to better manage grant funds. However, several financial management elements are not included, leading to the establishment of informal procedures and individual interpretation of general procedures. The procedure manual is unsuitable for implementation at provincial level, where there is limited or no infrastructure (e.g. for cash payments, the absence of receipts for purchased products, limited quotations etc). It also does not cover the posting of accruals (cancellation, reversal, account adjustment correction, modification, reclassification etc), does not describe the process for disbursements and justification of advances, and contains no information on how to deal with waivers.

Agreed Management Action 3:

Based on the most recent performance assessment of the Fiscal Agents against the existing Terms of Reference (ToRs), the Global Fund will revise the Terms of Reference of the Fiscal Agent to clarify its scope and responsibilities. This will be achieved by integrating a Quality Assurance mechanism to address gaps in the independent verification of transactions, reconciliations and validation of financial reporting before being submitted to the Global Fund.

Owner: **Head, Grant Management**

Due date: **30 April 2020**

Agreed Management Action 4:

The Secretariat will provide support to strengthen the internal control of CAGF towards adequate processing of financial transactions, effective advances management, and accurate presentation of financial reports and accounting information. In addition, The Global Fund will define a revised set of minimum performance requirements for CAGF, including monthly closure of accounts, performance of key accounting reconciliation, timely follow up of advances retirement, booking and validation of transactions in accordance with accounting manual. Progress of CAGF will be assessed against the set of minimum performance requirements.

Owner: **Head, Grant Management**

Due date: **30 September 2021**

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
1. The Secretariat will: • support the design and implementation of a stock out warning and reporting system that will be the first real time and independent source of information source for potential stockouts; • support the decentralization of Bluesquare's supply chain dashboard to allow the SR and provincial health directorates to analyze in a systematic manner the stock situation in the provinces; • ensure the Subrecipients Terms of Reference will be modified to include monthly review of BCZ stock and to send confirmations to the Division Provinciale de la Santé and PR on the existence of an adequate buffer stock.	30 June 2020	Head, Grant Management
2. The Secretariat will: • support the MOH to develop a new screening tool and communications materials to promote targeted testing at the site level in accordance with the new HIV differentiated service delivery models. • support the MOH to improve use of and expand coverage of the Tiernet software to monitor HIV patient data.	31 March 2020	Head Grant Management
3. Based on the most recent performance assessment of the Fiscal Agents against the existing Terms of Reference (ToRs), the Global Fund will revise the Terms of Reference of the Fiscal Agent to clarify the scope of responsibility of the Fiscal Agent integrating a Quality Assurance mechanism to address gaps in independent verification of transactions, reconciliations and validation of financial reporting submitted to the Global Fund.	30 April 2020	Head, Grant Management
4. The Secretariat will provide support to strengthen the internal control of CAGF towards adequate processing of financial transactions, effective advances management, accurate presentation of financial reports and accounting information. In addition, The Global Fund will define a revised set of minimum performance requirements for CAGF, including among others monthly closure of accounts, performance of key accounting reconciliation, timely follow up of advances retirement, booking and validation of transactions in accordance with accounting manual. Progress of CAGF will be assessed against the set of minimum performance requirements.	30 September 2021	Head, Grant Management

Annex A: General Audit Rating Classification

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

Annex B: Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) and code of ethics. These standards help ensure the quality and professionalism of the OIG's work.

The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help our auditors to provide high quality professional work, and to operate efficiently and effectively. They also help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

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

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

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