

Memorandum on Democratic Republic of Congo Programme Audit report

The attached Gavi Audit and Investigations report sets out the conclusions of the programme audit of Gavi's support to the Government of the Democratic Republic of Congo's immunisation programmes. The audit was conducted in July 2015 with a follow up mission in October 2016 to review additional supporting documentation. The audit covered the Democratic of Republic's Health Service's management of HSS, VIG, Measles campaign and CSO funds during the period from 1 January 2012 to 31 March 2015.

The report Executive Summary (pages 3 to 5) sets out the key conclusions (the details of which are set out in the body of the report):

1. There is an overall rating of Partially Satisfactory (page 3) which means that "Internal controls, financial and budgetary management processes were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entity".
2. Thirteen issues were identified, mainly caused by various operational and programmatic weaknesses, as well as non-compliance with Gavi's Transparency and Accountability Policy (page 4).
3. Key issues were identified in the following areas (pages 4 and 5): weak fiduciary agent oversight and transition arrangements in moving to a new fiduciary agent; expenditure management; and vaccine supply management.
4. Key findings were that:
 - a) There were questioned expenditures totalling US\$ 1,235,131 (relating to unsupported, inadequately supported and irregular expenditures);
 - b) There were US\$ 220,467 of excessive fees billed by the former fiduciary agent, subsequently paid for by the MOH;
 - c) An amount totalling US\$ 77,841 as determined by Gavi's 2013 investigation was still unpaid (table on page 5);
 - d) Stock records need to be reconstituted to record approximately 17 million syringes which were not accounted for.

The results of the programme audit were discussed and agreed with the Minister of Health, with a commitment -to remediate the identified issues. Further, in a letter of 18 August 2017 the Minister committed to reimburse Gavi the total amount of misuse as determined by Gavi, by eight monthly instalments paid from September 2017. At year-end December 2017, US\$ 400,000 has been received by Gavi.

In addition, the Ministry of Health indicated that there had been improvements to strengthen controls and systems. Gavi will follow through with the Ministry of Health to validate the remediation steps taken and to review the improvements made to assess whether they are responsive to the issues identified in the audit.

Geneva, January 2018

DEMOCRATIC REPUBLIC OF CONGO

Gavi Secretariat, Geneva, Switzerland
(hereinafter Gavi)

Final audit report – 26 march 2017



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1. Summary

In July 2015, the Audit and Investigations department carried out an audit of the Gavi-funded immunization programmes in the Democratic Republic of Congo (DRC).

The audit's scope was to review the Ministry of Public Health's (MOH) programmatic expenditures undertaken by the Department of Studies and Planning (DEP) and the Expanded Programme of Immunization (EPI) for the period 1 January 2012 to 31 March 2015, respectively. During this period, the local office continued as a fiduciary agent but was replaced by the incoming fiduciary agent Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) in January 2015, the latter which formally took over on 1 March 2015.

Funds earmarked for Civil Society Organizations (CSOs) were managed separately by a consortium of four non-governmental organizations (NGOs) including: SANRU, the Rotary Club of Congo, the DRC Red Cross and the National Council of NGOs working in health. Additional Gavi funding was paid to SANRU, in respect of its coordinator role for the other three members of the consortium.

During the period under review, from 1 January 2012 to 31 March 31 2015, the country's reported Gavi fund expenditures totalling more than \$39 million. The table below illustrates the disbursements and expenditures for the period audited (amounts shown in USD):

Grant	Disbursement	Expenditures	Tested expenditures
CSO Type B (outside of HSS)	4,448,601	4,114,621	1,043,996
HSS/ Vaccine introductions/ Product Switch ¹	19,283,068	25,972,642 ²	13,916,223
Measles campaign operational costs	9,727,500	9,083,102	2,795,016 ³
Total	33,459,169	39,170,365	17,755,235

For the same period (up to 31 March 2015), a total of \$187.5 million was also disbursed to UNICEF as procurement agent to purchase vaccines, as follows: \$5.5 million for measles, \$54.8 million for pentavalent, \$112 million for pneumococcal, \$11.3 million for yellow fever and \$3.9 million for the IPV.

Opinion

The Audit team from Gavi's Audit and Investigation unit assessed the Democratic Republic of Congo MOH's management of Gavi funds as **partially satisfactory**, which means that "internal controls, financial and budgetary management processes were generally established and functioning, but needed improvement. Several issues were identified that may negatively affect the achievement of the objectives of the audited entity".

¹ These three grants were tested as a single block of funds, since the monies were pooled.

² Part of these expenditures related to historic funds remaining from a total transfer of \$41.6 million initially transferred by Gavi in 2008.

³ With respect to expenditures not tested, the Audit team placed reliance upon the verification and work done by the outgoing fiduciary agent, in accordance with its functions.

Key issues

The audit team highlighted 13 weaknesses, as a result of various operational and programmatic weaknesses, and from non-compliance with Gavi's Transparency and Accountability Policy.

To address these weaknesses, the audit team made 13 recommendations, of which 31% were rated as essential, which means that "action is required to ensure that the programme is not exposed to significant or material incidents. Failure to take action could potentially result in major consequences, affecting the programme's overall activities and output".

Among the shortcomings identified in this report, the most significant are:

<i>Internal Control weaknesses</i>	During the transition period between the outgoing and the incoming fiduciary agent, the effectiveness of oversight mechanisms significantly reduced. As a result of the Programme Management Support unit's (CAG) limited capacities and capabilities, the majority of operational activities were undertaken by the fiduciary agent, resulting in its inability to focus on fulfilling its supervisory role (Finding 3.1.1).
<i>Incomplete transition between fiduciary agents</i>	The handover of responsibilities to the incoming fiduciary agent is still incomplete. More than three months after the signing of the contract, the incoming fiduciary agent was not in a position to assume all of its responsibilities. Moreover, Gavi funds were still frozen due to a legal dispute between the former fiduciary agent and its subcontractors (Finding 3.1.2).
<i>Questionable expenditures</i>	Questionable expenditures were identified by the former fiduciary agent, the external auditors and by the audit team (Findings 3.3.4 to 3.4.3). The outgoing fiduciary agent overbilled his respective professional fees (Finding 3.4.1). In addition, duplicate per diems were paid to several MOH officials for activities scheduled to take place on the same dates and at identical venues. (See Finding 3.4.2 and Annex 1.4)
<i>Vaccine supply management weaknesses</i>	For the period 2013-2014, at least 19 million syringes were not recorded in the stock records. Moreover, the vaccine registers and the stock management system contained errors and incorrect data (Findings 3.3.2 and 3.3.3).
<i>Stock-outs</i>	As a result of payment disputes between the MOH and several air-freight forwarders on their 2013 and 2014 invoices, the forward distribution of vaccines has been obstructed, resulting in stock-outs at the sub-national level. Until additional warehouses are constructed, the supply chain management of vaccines and immunisation supplies is vulnerable to external shocks due to the dependence on freight forwarders (Finding 3.3.1).

The following questionable expenses are summarized in the table below:

Expenditures/ detail	Total (USD)	Report section
Unsupported expenditures	350,810	Annex 1.1
Inadequately supported expenditures	171,135	Annex 1.2
Freight forwarding – inadequately supported expenditures	133,103	Annex 1.3.1
Freight forwarding – irregular expenditures	21,945	Annex 1.3.2
Workshops – irregular expenditures	32,920	Annex 1.4
Bank fees – irregular expenditures	45,962	Section 3.4.2
Unsupported expenditures – CNOS (external audit)	10,469	Section 3.5.2
Unsupported expenditures – Measles campaign	468,787	Section 3.3.4
Total	1,235,131	

Other expenditures which were also questioned include:

Expenditures/ detail	Total (USD)	Report section
Excessive fees billed by the former fiduciary agent and paid by the MOH (2012-2015) – i.e. preceding GIZ.	220,467	Annex 1.5
Amount determined by Gavi’s 2013 investigation as repayable to Gavi.	77,841	
Total	298,308	

In addition, as part of its review of MOH transactions, the audit team reviewed a sample of expenditures incurred under a single contract totalling US \$7,399,993 for which the use of the funds was questionable. The programmatic concept for this contract was initially part of the Independent Review Committee’s approval of the country’s overall HSS grant request in June 2007. The contract performance only partially met its objective of establishing working capital funds for the sustainability of essential medicines. As such, the working capital replenishment mechanism was deficient, with an actual replenishment rate of less than 30%. Instead and contrary to the activity’s objectives, the sale of essential medicines was partly used to finance the operating costs of health facilities. As a result, it appears that only a small part of the revenues generated from the sales of essential medicines was returned to the distribution centres (CDR) as a working capital injection. Therefore the overall replenishment mechanism as designed by the MOH and funded by Gavi, did not achieve the expected outcomes and performance and did not correspond to the activity approved within the HSS1 grant.

Due to the size and duration of this single contract, which began before the period covered by this report, Gavi reserves the right to (i) request additional clarifications with regard to the poor performance of the contract; and (ii) to conclude on questionable expenditures relating to this contract in subsequent exchanges with the Government. As a result, conclusions on this contract are not included within the scope of this report.