

## Memorandum on Democratic Republic of Congo Programme Audit report

The attached report sets out the conclusions of the programme audit of the implementation of the Gavi-supported immunisation programmes by the Ministry of Health for the Democratic Republic of Congo. The audit was conducted between May and December 2018. The audit covered the Democratic Republic of Congo EPI activities, including the management of health system strengthening, a new vaccine introduction grant, three campaigns (Measles, MenA and yellow fever), a product switch grant and the cold chain equipment optimisation platform, during the period January 1<sup>st</sup> 2015 to December 31<sup>st</sup> 2017.

The report Executive Summary (pages 3 to 5) sets out the key conclusions (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. Twenty issues were identified in the following areas: (i) Governance and organisation; (ii) Financial and accounting management; (iii) Budgetary oversight; (iv) Procurement; (v) Expenditures and disbursements; (vi) Vaccine supply management.
3. Key findings were that:
  - a. Programmatic expenditures totalling US\$ 231,500 were categorised by the audit team as unsupported, inadequately justified, irregular or ineligible (table 1, page 5).
  - b. For the years 2015, 2016 and 2017, open advances were identified totalling US\$ 387,734, for which supporting documents had not been provided at the central level. The overall questioned expenditures amount to US\$ 619,234.
  - c. Weaknesses were found in the governance of the CAGF (the “Cellule d’Appui à la Gestion Financière”), including its procedural framework, the internal audit function and assurance by external audit.
  - d. The contractual framework regulating the HSS community activities needs to be strengthened in order to meet the requirements provided for in the Partnership Framework Agreement and its appendices (in particular the Grant Management Requirements or GMR) to make sure that grant management and accountability are in line with key principles.
  - e. Noteworthy weaknesses were identified in the procurement plan tracking, the procurement process and contract execution.
  - f. Vaccine stockouts in 2018 occurred because of delays in finalising the government’s co-financing payments as well as the funding of traditional vaccines.

The results of the programme audit have been discussed and agreed with the Ministry of Health, including their commitment to remediate the identified issues.

Regarding the questioned amounts totalling US\$ 619,234, the MOH provided additional elements allowing Gavi to validate the execution of various activities, for which the expenditures had been classified as

inadequately justified. This validation allowed Gavi to bring down the amount to be reimbursed by US\$ 89,456, to a final amount totalling US\$ 529,788.

In a letter dated 23 June 2020, the MOH committed to reimburse this amount in two instalments, by the end of September 2021.

Geneva, 9 November 2020

# DEMOCRATIC REPUBLIC OF CONGO

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**Gavi Secretariat, Geneva, Switzerland**  
(hereinafter Gavi)

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**Final audit report – March 2020**



## 1. Executive Summary

### 1.1. Audit ratings by category and finding

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<b>4.1</b>	Governance and performance management		9
4.1.1	Incomplete and weak organisational framework	■	9
4.1.2	External audit reports not issued in accordance with the agreed terms and conditions, and the resulting recommendations were poorly implemented.	■	11
4.1.3	Inadequacies in oversight and internal audit functions	■	12
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4.2.1	Ineffective configuration and usage of the accounting system	■	14
4.2.2	Accounting practices were non-compliant with applicable standards	■	15
4.2.3	Significant outstanding advances with insufficient follow up	■	16
4.2.4	Lapses in financial accounting and analysis in 2015 and 2016	■	17
4.2.5	Inadequate documentation archiving and filing	■	18
<b>4.3</b>	Budgetary management		19
4.3.1	Gaps in budgetary consolidation, execution and tracking	■	19
4.3.2	Financial reports were incomplete, overdue and non-compliant with agreed terms and conditions	■	20
<b>4.4</b>	Procurement		21
4.4.1	Procurement plan not monitored or followed up	■	21
4.4.2	Single source procurements routinely employed	■	22
4.4.3	Discrepancies in the application of procurement procedures	■	23
4.4.4	Defects identified in the execution of contracts	■	24
<b>4.5</b>	Expenditures and disbursements		25
4.5.1	Questioned expenditures	■	25
<b>4.6</b>	Vaccine supply management		26

Section*	Finding	Risk*	Page
4.6.1	Delays in vaccine deliveries due to the ineffective processing of requests	■	26
4.6.2	Stockouts occurred at the central-level in 2018 due to delays in co-financing payments	■	27
4.6.3	Central-level vaccine store not fit for purpose and non-compliance with the “First Expired First Out” principle.	■	28
4.6.4	Inadequate vaccine stock records	■	29

### 1.2. Overall audit opinion

For the period under review, the audit team assessed that the management of Gavi’s support to the MoH was overall **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.

In order to mitigate the risks associated to the above-cited findings, the audit team made 20 recommendations, of which 8 (40%) were rated as essential, requiring implementation of the remedial action plan (as outlined in annex 14 to this report).

\* The audit ratings attributed to each section of this report, the level of risk assigned to each audit finding and the level of priority for each recommendation, are defined in Annex 2 of this report.

### 1.3. Detailed summary

Since October 2018, the Democratic Republic of Congo has deployed several vaccine recovery initiatives, in support of the “Mashako plan” to significantly increase the country immunisation coverage. In parallel with this plan, several other initiatives to strengthen the Ministry of Health capacities were implemented. These measures include improving the immunisation infrastructure including the inauguration of a new central vaccine warehouse on October 10, 2018 and strengthening the budgetary and financial management aspects of the CAGF (the MOH’s Financial Management and Support Unit).

Equally the establishment of a fiduciary agent to support the CAGF in its financial management of the various grants resulted in an improved control environment and a decrease in the questioned expenditures since the prior programme audit in 2015 (in effect, the unsupported expenditures decreased by 98%).

Nevertheless, this audit identified several weaknesses which still remain, in the following areas:

#### ***Governance and performance management***

The governance arrangements of Gavi’s grant support have evolved over the past few years in line with the establishment of the 2017 Grant Management Requirements. Notwithstanding these improvements, various components and the underlying commitment to implement these remains fragile.

The organisational framework underpinning the CAGF grant management procedures is still incomplete and does not provide a comprehensive, detailed overview of the practices and directives regarding accounting entries, audit trails and payments, and the resulting internal controls. External audit reports were not finalised in accordance with the agreed terms and conditions. In addition, the implementation of various audit recommendations were significantly overdue.

Also, the Ministry of Health’s internal audit unit demonstrated structural and operational weaknesses preventing it from fully executing its mandate and detracting from its ability to provide effective assurance on the grant management.

Finally, the organisational framework administrating the HSS community activities needs to be strengthened in order to comply with the Partnership Framework Agreement and Grant Management Requirements exigencies, to ensure alignment between management of the grants and accountability principles.

#### ***Financial accounting and budgetary management***

The CAGF’s responsibility to take over the maintenance of the books and records in 2017 resulted in many challenges requiring the fiduciary agent to be retained in a supportive, accompanying role. These challenges partly derived from the underlying weaknesses in the financial accounting dating from 2015 and 2016.

Examination of accounting practices highlighted several inadequacies - non-compliance with applicable accounting standards, encouraging booking errors and significantly increasing the

level of outstanding advances (about 0.8 million USD on 31 December 2017).

The budgetary management operated by the CAGF highlighted several lapses as regards the budget consolidation, execution and tracking, and hindering the justification of advances and the follow-up and execution of budget consumption. These gaps also translated into incomplete, overdue financial reports which did not comply with the agreed terms and conditions.

This requires a swift response by further improving the underlying chart of account and the accounting system utilisation, as a prerequisite to establishing a robust foundation for the budgetary and financial accounting and reporting. These improvements should also extend to revising the filing and archiving practices in order to comply with legal requirements.

#### ***Procurement***

A review of the procurement framework and an analysis of a sample of contracts highlighted significant discrepancies in compliance with procurement planning, modalities of selection and engagement, and contract execution.

The audit team noted the absence of follow-up on the procurement plan and identified inconsistencies in the process relating to advertisement and due notification of suppliers taking part in the bid. The team also noted the repeated use of negotiated and single source procurement procedures.

In addition, increased vigilance is required to ensure that national procurement regulations and agreed terms during contract execution are complied with.

#### ***Expenditures and disbursements***

The audit team reviewed a sample of expenditures incurred during the period under review, amounting to approximately USD 14.4 million. As result, questioned expenditures totalling USD 231,500 were subsequently identified, that were inadequately justified, irregular or unsupported. The details from the review can be found in section 4.5.

#### ***Vaccine supply management***

The audit team’s process reviews, analysis of the vaccine records, combined with visits to the national vaccine warehouse highlighted several inadequacies. Sporadic delays in vaccine deliveries and non-compliance with the “First Expired First Out” principle, illustrates this. In addition, the untimely resolution of the necessary co-financing payments as well as the country’s late financing of its traditional vaccines, resulted in several stockouts during 2018.

For the period under review, the national vaccine warehouse was not suited to current needs, and incomplete or erroneous vaccine records emphasised underlying shortcomings in vaccine supply management. The future operationalisation and rehousing of these supplies at the newly constructed national warehouse at Kinkole, provides an opportunity to review the logistic processes and handling, to ensure that these comply with vaccine supply management norms and standards, as recommended by WHO.

#### 1.4. Financial impact of the audit findings

The transactions reviewed by the audit team demonstrate the evolution in the quality control and role of the current fiduciary agent since its March 2015 appointment, with respect to its input and justification of HSS expenditures. This is illustrated by the fact that the sample of HSS expenditures questioned by the audit team, progressively decreased over time from 2016 into 2017. This also aligns with the fiduciary agent's role changing in 2016 by transferring accounting responsibilities to the CAGF, to enable the agent to focus upon grant tracking and control measures.

The administration of immunisation campaigns remains an area of considerable challenge as illustrated by the increasing number of questioned items identified by the audit team from the period audited, as shown in table 1. Although this did not emulate the improvement in the HSS portfolio, it was noted that the relative amount of campaign expenditures that were questioned (about 2% of campaigns expenditures tested) was less pronounced compared to the outcome from the prior Gavi programme audit undertaken in 2015 (for which 17% of campaign expenditures were tested).

Table 1 – Summary of the questioned expenditures, by grant in USD:

Expenditure type	Year	Amounts Tested	Of total amount spent	Questioned amount	% of Expenditures Questioned
HSS	2015	1,023,380	18%	55,223	5%
	2016	1,312,033	22%	408	0%
	2017	2,769,740	28%	2,205	0%
Immunisation campaigns	2015	713,030	29%	5,443	1%
	2016	5,848,662	37%	56,639	1%
	2017	2,720,273	32%	111,581	4%
<b>TOTAL</b>		<b>14,387,119</b>	<b>30%</b>	<b>231,500</b>	<b>2%</b>

In addition to the above expenditures for the three-year period 2015, 2016 and 2017, further outstanding advances totalling USD 387,734 were identified, for which supporting documents were not provided at the central level. As a result, **overall amounts totalling USD 619,234 were questioned.**