

**IN THE THIRD SESSION OF THE  
FOURTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**

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**REPORT OF THE  
PUBLIC ACCOUNTS COMMITTEE**

**ON THE  
PERFORMANCE AUDIT REPORT OF  
THE AUDITOR-GENERAL ON  
PROCUREMENT OF DRUGS AND  
OTHER ITEMS IN THE MINISTRY OF  
HEALTH**

*July, 2007*

## **INTRODUCTION**

1. The Performance Audit Report of the Auditor-General on Procurement of Drugs and other Items in the Ministry of Health was laid before Parliament on 22<sup>nd</sup> February, 2007. In pursuance to Order 165(2) of the Standing Orders of the House, the Report was referred to the Public Accounts Committee for consideration and report by Mr. Speaker.
2. The Committee held two Sittings to deliberate on the Report. Evidence was taken from the Deputy Minister, Hon. Gladys Ashitey and officials of the Ministry of Health. In attendance were officials from the Audit Service.
3. The Committee wishes to extend its gratitude to the Hon. Deputy Minister and officials of the MOH for their input.

## **REFERENCE**

4. The following documents were used as reference during the Committee's deliberations:
  - i. Constitution of the Republic of Ghana, 1992
  - ii. The Standing Orders of Parliament
  - iii. Public Procurement Act, 2003 (Act 633)

## **BACKGROUND TO THE REPORT**

5. In his 2003 Report on the Public Accounts of Ghana (Ministries, Departments and Other Agencies), the Auditor-General highlighted various cases of irregularities in the procurement of commodities amounting to about ₵3.8 billion. These included overpayments to suppliers, goods paid for but not supplied, purchases not taken on ledger charge, breach of laid down rules and non transparent purchasing procedures at Budget Management Centers (BMCs) of MoH.

6. Consequent to these findings, the Auditor-General requested that a performance audit be carried out to find out the extent of the problem in the procurement of drugs and other items in MoH and find ways of solving it.

### **SCOPE OF THE REPORT**

7. The audit was carried out primarily to assess the processing control framework and other key factors that improve efficiency in the procurement activities within the Ministry between the years, 2000 and 2004. It focused mainly on the operations of procurement officers, procurement committees and heads of BMC's within the Ministry. The audit further assessed the impact of the Public Procurement Act of 2003 on procurement in the Ministry.

### **FINDINGS OF THE AUDIT**

8. The audit observed that the MoH has in place the basic structure necessary for efficient procurement practices but these needed to be properly developed to enable the Ministry achieve the desired levels of efficiency. Specific areas were;

- a. Management Information
- b. Supplier/ Management Relationship
- c. Quality and Training of Procurement Officers
- d. Self Assessment of BMCs
- e. Unwholesome Drugs

#### **Management Information**

9. It was observed that management information systems (MIS) are under-developed at BMCs. The MIS at the BMCs is only used to provide basic information on procurement which was often generated from accounting records. BMCs relied on manual review to collect information as and when required rather than being a planned procurement activity.

10. The audit further noted low usage of the Ministry's procurement software by BMCs – the Procurement Management System Software. Out of 20 procurement officers interviewed, only three had knowledge in the use of the Software; some officers are not even aware of the existence of the software.

11. The absence of an effective database made it difficult to build procurement information to support procurement systems of BMCs. Also, none of the BMC's had in operation local area networks (LAN) to facilitate quicker access to information. Some of them however indicated that they were in the process of getting linked up.

#### Supplier Management Relationship

12. The audit observed a number of lapses in the relationship between BMCs and their suppliers. Most BMCs had poor records of their suppliers. The database of suppliers showed no history of purchases from the respective suppliers. New suppliers were not vetted before granting them opportunity to bid for supplies. The result was that some suppliers provided unreliable contact addresses whilst in some cases contract award winners failed to supply.

13. There was also no system or mechanism to appraise and/or measure the performance of suppliers and with no contingency plan to mitigate their occurrence, the procurement process was exposed to all the risks associated with the supply chain.

14. It was also noted that procurement officers at BMCs concentrated more on suppliers during quotation period than they do during the supply period. In most of the BMCs the procurement committees seldom meet to approve procurement decisions; this leaves the BMC head to decide on all procurement matters. In effect the procurement officer is left to implement the decisions of the spending officer, i.e. the BMC head.

### Recruitment of Professionally qualified or Trained Staff

15. The audit disclosed that more than 50% of procurement officers within MoH were not professionally qualified or trained. It further stated that out of the 22 sampled BMC's, only two had professionally trained procurement officers. In addition, in nine BMCs, the procurement function was being carried out by other staff members because of the absence of substantive procurement officers.

16. The effects of the competence levels of the procurement officers became evident during the review of a number of procurement plans. Contrary to the requirements of Act 663 of 2003, the plans did not indicate the contract packages, estimated cost per package, the procurement method to be adopted for each package and the processing steps and time.

### Self Assessment of BMCs

17. It was noted during the audit that the BMCs reviewed had no performance measurement systems that would aid them assess or measure the efficiency of the procurement function within the BMC. The Ministry has also not developed any mechanism to monitor, track and identify BMCs that fail to procure in accordance with the Ministry's Procurement Procedure Manual.

### Unwholesome Drugs

18. The audit observed that the main factors that result in instances of unwholesome drugs or expired drugs were poor storage and poor quality of drugs procured. It was noted that storage facilities at the Central Medical Stores (CMS) and five Regional Medical Stores (RMS) were not adequate and required improvement.

19. Another source of unwholesome drugs in the medical stores was drugs donated by philanthropists and NGOs, most of which are often near their expiry dates at the time of delivery.

20. The audit further observed that the prescription of drugs by some doctors also compound the turnover of drugs at all the levels. It was noted that the doctors often prescribe drugs that are not stocked by BMCs. The doctors argued that such drugs were potent but yet too expensive for BMCs to stock. Alternative drugs in stock at the BMCs therefore remained unutilized.

21. It was however noted that a lot was being done to reduce the occurrence especially in the area of storage which is one major cause of unwholesome drugs in the medical stores.

### **OBSERVATIONS BY THE COMMITTEE**

#### **Management Information System**

22. The audit revealed that management information system was underdeveloped at MoH and that there was low usage of the Ministry's procurement software. Local Area Network linking the respective BMCs was also non-existent.

23. The Committee was informed that the Ministry has received assistance from the Nordic countries to develop and install a wide area network (WAN). According to officials of the Ministry, invitation to tender for the WAN and the appropriate software to link the Medical Stores and the teaching hospitals have been advertised.

24. The officials indicated that linking the various medical stores and the teaching hospitals would reduce the incidence of procurement outside of the medical stores and its effect on expiry of drugs. They indicated that with the

WAN, BMCs would be able to readily access information regarding drugs stocked by the various medical stores.

#### Relationship with Suppliers

25. The Report under consideration indicated that the relationship between BMCs and their suppliers was poor. The Report noted that some BMCs have no list of their suppliers whilst in some cases new suppliers were not vetted prior to their inclusion in the supplier list. Some lists did not equally provide a history of purchases with suppliers.

26. Whilst acknowledging the importance of the existence of a database on suppliers for BMCs, it is the considered view of your Committee that such a list may not be relevant following the enactment of the Public Procurement Act of 2003, Act 663. Act 663 prescribes the rules, procedures and methods of procurement using public resources.

27. It is the view of the Committee that the procedures and methods of procurement under Act 663 leave procurement entities with limited latitude of relationship between management and suppliers.

#### Limited Professionally Qualified Procurement Officers

28. The audit noted that the Ministry lacked adequate professionally qualified and well trained procurement officers.

29. Your Committee was informed that the Public Service has no establish post with lines of progression for procurement officers. This has thus hindered the recruitment and retention of highly qualified procurement personnel into the Ministry.

### Disposal of Expired Drugs

30. The Auditor-General has in previous Reports to Parliament indicated a high volume of expired drugs within the Ministry of Health. These drugs were valued at ₵1.6 billion in the 2002 Report of the Auditor-General (MDAs).

31. Your Committee observed that the high volume of expired drugs in the records of the Ministry was due to accumulation of drugs which expired over the years and which were yet to be disposed off.

32. The disposal process of expired drugs was noted to be cumbersome. The Ministry needed to inform the MOFEP for the latter to provide an officer from its inspectorate division in Accra to visit the BMC or medical store where the expired drugs have been reported to inspect the drugs and certify their disposal. The report of the Inspectorate Officer is then forwarded to Headquarters, vetted and approved before final disposal.

33. The Committee however observed that with the enactment of Act 663, the disposal process has since been simplified and expired drugs can now be disposed off within a shorter time. This would thus enable the Committee and the Auditor-General in subsequent years to be able to determine the actual value of drugs that expire each year.

### **RECOMMENDATIONS**

34. Your Committee wishes to make recommendations to improve the following arrears:

- (i) Management information system
- (ii) Disposal of expired drugs
- (iii) Limited professionally qualified procurement officers



### **Management Information Systems**

35. The advantages to be derived from the development and installation of WAN cannot be overemphasized. Your Committee therefore recommends that the procurement of WAN and the appropriate software should be vigorously pursued in line with the Public Procurement Act, 2003 (Act 663)

### **Limited Professionally Qualified Procurement Officers**

36. It is abundantly clear that the Public Procurement Act seeks to eliminate a number of weaknesses in the public procurement system and improve upon it. This could be achieved only if there are qualified and competent procurement officers in the public sector.

37. Your Committee therefore recommends that the Ministry should liaise with the Public Services Commission to ensure the creation of an established post and the line of progression in the Public Service to facilitate recruitment and retention of the required procurement professionals and experts in the Ministry.

### **Disposal of Drugs**

38. The Public Procurement Act has now simplified the procedures for disposal of obsolete items, including expired drugs. The Committee therefore wishes to recommend that the Ministry should take advantage of the provisions of the Act and dispose off the accumulated expired drugs in the Ministry.

39. Your Committee also wishes to reiterate the Auditor-General's recommendation that before donations are accepted by BMCS, the drugs should be inspected to ensure that they conform to medicines on the Essential Drugs List and that their expiry dates are within accepted limits. It is the considered opinion of your Committee that such a measure would minimize the incidence of expired drugs.

**CONCLUSION**

40. There is the general perception of waste and leakage of funds through procurement in MDAs, including Ministry of Health. The Reports of the Auditor-General have over the years adequately highlighted the causes of the wastage and leakages and far reaching recommendations have been made by the Committee to improve upon the procurement system to eliminate or minimize the wastage.

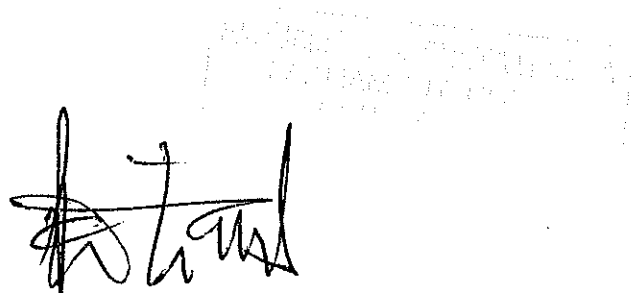
41. It is the considered opinion of your Committee that total commitment of management to implement these recommendations coupled with strict adherence to the provisions of the Public Procurement Act, would go a long way to improve upon the procurement system in the Ministry.

42. The Committee therefore urges management to spare no efforts at implementing these recommendations to eventually eliminate or minimize the wastage and leakages of funds in the Ministry.

43. Respectfully submitted.



**HON. SAMUEL SALLAS-MENSAH**  
**CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE**



**CAMILLO PWAMANG**  
**CLERK, PUBLIC ACCOUNTS COMMITTEE**

12/07/ 2007