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# **PERFORMANCE AUDIT REPORT** of the **AUDITOR-GENERAL** on **PROCUREMENT OF DRUGS AND OTHER ITEMS IN THE MINISTRY OF HEALTH**



**EDWARD DUA AGYEMAN**  
**AUDITOR-GENERAL**



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

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## TRANSMITTAL LETTER

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29 September 2006

Dear Sir,

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

I have the honour to submit to you for presentation to Parliament my 13<sup>th</sup> performance audit report in pursuant to Article 187(5) of the 1992 Constitution and Section 13(e) of the Audit Service Act, Act 584. The Audit Service Act which came into force in November 2000, gives me authority to audit programmes and activities of public offices to ensure economy, efficiency and effectiveness in the use of resources.

2. The Audit Service traditionally audits the financial statements prepared by public bodies. Performance auditing has been introduced at Ghana Audit Service as part of a capacity building project funded by the European Union. The team that carried out the audit comprised Messrs Jacob Essilfie, Mohammed Habib Wahab and Douglas Acquah under the supervision of Messrs. Yaw Sifah, Ag. Assistant Auditor-General and R. K. Anaglate, Deputy Auditor-General, all of Performance Audits Department.

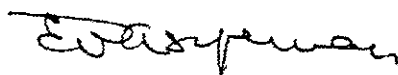
3. Performance audits are carried out by teams of professional staff, including specialists such as architects, legal experts, engineers, economists and accountants. Depending on the extent of the coverage and complexity, it normally takes between six months and one year to complete a performance audit, thus, making it more expensive than the traditional financial audit. Effective performance audits can lead to better use of resources by public bodies and provide support to democratic governments by bringing about accountability and transparency, improved operations and better decision-making.

4. This report to Parliament is the 13<sup>th</sup> report prepared by staff who have been professionally trained in conducting Performance Audits to internationally recognised standards to supplement the financial audits.

5. I would like to thank my staff for their assistance in the preparation of this report and the staff of the Ministry of Health, Ghana Health Service and other institutions for assistance offered to my staff during the audit.

6. I trust that this performance audit report will meet the approval of Parliament.

Yours Sincerely,



**EDWARD DUAAGYEMAN**  
**AUDITOR-GENERAL**

**THE RT. HON. SPEAKER**  
**OFFICE OF PARLIAMENT**  
**PARLIAMENT HOUSE**  
**ACCRA**

**PERFORMANCE AUDIT OF THE AUDITOR-GENERAL ON  
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**EXECUTIVE SUMMARY**

In recent times, the government's attention has been focused on procurement procedures of Ministries, Departments and Agencies (MDAs) because there is a general perception of waste and leakage in government spending through procurement in the public sector. This has necessitated the promulgation of the Public Procurement Act in August 2003.

2. Within the Ministry of Health the general perception of waste and leakage of funds through procurement in MDAs was confirmed by the 2002 Auditor-General's report which revealed among others that, a total of ₦1.61 billion worth of drugs had expired and therefore declared unwholesome. The 2003 report also highlighted irregularities in procurement such as; over-payments, goods paid for but not supplied, purchases not taken on charge, circumventing of laid down rules and non-transparent purchasing procedures all valued at ₦3.8 billion in a number of Budget Management Centres (BMCs) of MoH.

3. It was in the light of these 50 revelations that the Auditor-General requested that a performance audit be conducted on procurement of drugs and other medical items in MoH to evaluate the procurement system in MoH and find ways to improve the system in order to curb waste and safeguard government funds.

4. In conducting the audit, we gathered information from 24 BMCs in five regions across the country. We reviewed documents provided by the BMCs as well as literature on procurement; interviewed key personnel of the various sampled BMCs and inspected their storage facilities.

5. The audit revealed some levels of inefficiencies and ineffectiveness in the procurement procedures of the BMCs in the areas of information management, supplier management, presence of unwholesome drugs, low level expertise and lack of mechanisms to measure performance of the procurement function.

### **Tackling the problem**

#### **Improve Management Information**

6. We noted that BMCs did not have adequate and available management information for effective procurement. The management information which was in use at the time of the audit was constrained by inadequate systems to collate and analyse data. This hinders strategic procurement activity such as monitoring prices, sharing information and identifying opportunities for savings. Improved management information would facilitate the monitoring and reporting of savings within MoH.

7. We recommend that, MoH ensures that management information is sufficiently developed in BMCs to provide basic information on suppliers, purchase transactions and process cost. This in turn will facilitate the setting, achievement and monitoring of savings over time within MoH.

8. We further recommend that MoH facilitates the building of local area networks in BMCs to enhance work efficiency and communication within

the organisation. In addition, the use of the Procurement Management System software should be promoted in BMCs.

### **Develop Supplier Management**

9. The big volume of procurement by lower BMCs is undertaken outside established arrangements i.e. through the Central Medical Stores. Supplier management is underdeveloped in most BMCs with some BMCs not following best procurement practice in maintaining a list of approved suppliers, vetting new suppliers and formally recording supplier performance.

10. We recommend that, BMCs maintain or develop a suitable supplier management system. This should include a database of approved suppliers, proper vetting of new suppliers and a formal system for monitoring the performance of suppliers as well as sanctions for non performance.

### **Develop a robust performance measurement system for procurement**

11. None of the BMCs had a robust performance measurement system that encompassed clear objectives, comprehensive indicators and regular reporting to the BMC head.

12. We recommend that, MoH develops a robust performance measurement system for evaluating procurement with time related, measurable targets, including explicit savings targets for the BMCs. Performance against objectives should be reported regularly to the head of the BMC. The system should be able to generate management information required to measure value for money gains. In this regard. BMCs should



provide adequate training for their staff responsible for compiling and reporting performance information.

13. We further recommend that the Regional Health Directorate:

- ❖ Agrees with the BMCs under their jurisdiction a strategy for achieving savings during procurement.
- ❖ Monitors the implementation of strategy and holds the BMC to account for their procurement performance; and
- ❖ Develops a system for identifying and tracking incidences of mis-procurement in order to apply the required sanctions to defaulting BMCs.

#### **Improve on quality of procurement expertise**

14. There were two out of 11 procurement officers with professional qualifications in purchasing and supply. At the time of our audit procurement officers had benefited from a one month structured training in procurement at GIMPA.

15. We recommend that MoH should consider recruiting qualified and experienced staff to manage the procurement function and intensify its training programmes for procurement officers. MoH should also encourage them to acquire professional qualification in purchasing and supply. It should demand from its BMCs quality procurement plans. This will require the Ministry to strengthen the BMC's capacity to develop annual plans that meet the requirement of the MoH Procurement Manual of 2004.

### **Unwholesome drugs**

16. All the BMCs visited had quantities of unwholesome drugs that were due to a number of factors. To minimize unwholesome drugs in BMCs, we recommend that before donations are accepted by BMCs, the drugs should be inspected to ensure they conform to medicines on the Essential Drug List and that their expiry dates are within acceptable limits.

17. Central Medical Stores (CMS) should be restructured to be able to stock medicines at all times to reduce excessive buying of medicine by lower BMCs from the local market.

18. MoH should continue to rehabilitate the CMS to ensure that medicines are properly stored to maintain their efficacy at all times.

19. Lastly MoH should encourage their doctors to prescribe medicines maintained on the Essential Drug List to reduce the drug turnover.