

# MINISTRY OF HEALTH & MEDICAL SERVICES

## PAC MEETING SUBMISSION – 13<sup>th</sup> june 2017

### PART A – Consolidated Financial Statements (General Comments)

#### *Audit Opinion Qualification*

##### **Issue 22.1**

###### *Trust*

The cause of variance for Receipts was that funds are posted in the bank accounts but not posted in general ledger. This includes direct deposit for insured patients not only from the current year but backdated till 2012. The trust accounts are activated in FMIS in July 2016, reported in 2016 AFS.

###### *TMA*

Auditors are now involved in the stock take for TMA for the 2016 financial year.

##### **Issue 22.2 - Statement of Receipts and Expenditure**

Operating expenditure also increased due to the extended operating hours, payment of overtime and allowances.

##### **Issue 22.3 – Appropriation statement**

Savings is due to delays in capital projects implementation. For SEG 7, release of donor pledges were not fully released and VAT.

### PART B – Audit Findings Update

##### **Issue 22.8 – Anomalies in Cardiology Services Trust Fund Account**

The variance of \$221,806.10 noted in the Cardiology Services Trust fund was noted due to some of the direct deposit for Insured cardiac patient. This was reflected in the bank statement but not posted in the general ledger. This was corrected in 2016 financial year as all the variances were posted.

##### **Issue 22.9 – Trust Accounts not Disclosed in Financial Statement**

The trust accounts are activated in FMIS in July 2016, reported in 2016 AFS.

##### **Issue 22.10 – Subcontracting of Civil Works for New Naulu Health Centre**

The civil works for the New Naulu Health Centre has been completed. Defects Liability Period has also been successfully completed. Construction works currently on-going at site which is a separate contract. The Clerk of Works (for the Makoi Project) have been posted to the New Naulu Health Centre Project site since the Makoi project have been completed. The subcontracting of works was not formally investigated since there was not adequate evidence to commence the investigation. It was noted that

the Contractor had bought the materials from the supplier and they were at the site (offloading) at the time the audit visit was made.

#### **Issue 20.11 – New Medical Waste Incinerators not installed**

Budget has been requested to undertake this project in the next financial year. The Incinerator Chimney installed at Lautoka through PAC Waste is serving its purpose and similar chimneys (smaller) to be installed with the other Medical Waste Incinerators.

#### **Issue 20.12 – Anomalies in the Refurbishment and Extension of Operating Theatre Complex at CWM Hospital**

The retention sum has still not been cleared due to some defects in the building which will be attended to by the contractor.

#### **Issue 20.13 – Anomalies in the Construction of New Ba Hospital**

The construction works at the New Ba Hospital is currently on-going and is monitored daily by the Clerk of Works and Project Manager to ensure that the conditions of the contract are complied at all times. Weekly inspections are also conducted by other consultants (Architect, Services Engineer etc.).

#### **Issue 20.14 – Anomalies in the Construction of Makoi Maternity Unit**

The Makoi Maternity Unit Project has been successfully completed awaiting handover from Contractor. The Ministry stills feels that disciplinary action (for the delay in submission of the layout design which resulted in the prolongation claim by the contractor) should be at the discretion of the Permanent Secretary Infrastructure and Transport and the Permanent Secretary Health and Medical Services had already written to the Permanent Secretary for Infrastructure and Transport about the delay of this project and other projects.

#### **Issue 20.15 – Inconsistencies between Contract Agreement and DBGA Instruction for the Refurbishment and Maintenance of Lami Health Centre and Quarters (WSC 116/2014)**

The Contract was prepared by the Ministry and was vetted by the Solicitor General's Office before execution. All relevant stakeholders including MoIT were given copies of the contract for their reference. We are of the view that MoIT should refer to the contract agreement before putting out instructions. The same will need to be discussed with DBGA's Office to ensure this is not repeated in future.

All variations to contract sum are agreed to by the PSHMS before this can be formalised to the contractor for actual works to be carried out.

#### **Issue 20.16 – No Contract Agreement for the Upgrade and Extension of Rotuma Hospital**

The contract agreement for the same has now been signed.(Appendix 1)

#### **Issue 22.17 – Considerable Delays in Project Completion**

The challenge for the delay in project completion is a continuous one which the Ministry is facing. There were various stakeholders involved with different procedures to follow and the Ministry cannot work in isolation for the completion of a project. However, the Ministry is trying to improve the contract management aspect, by daily monitoring of projects by the Clerk of Works and Project Manager. This is to ensure that the conditions of the contract are complied at all times. Weekly inspections are also conducted by other consultants (Architect, Services Engineer etc.).

#### **Issue 22.18 – Considerable Delays in Payment of Retention Sum**

Defects Liability is paid upon expiry of the Defects Liability period as stipulated in the contract.

#### **Issue 22.19 – No Valid Indemnity Cover**

This requirement has been incorporated as part of the contract where a separate clause is inserted for Contractor to obtain insurances and to keep them valid for the duration of the contract.

#### **Issue 22.20 – Anomalies in Charter of Aircraft**

Although the services were provided late in 2014 financial year, the documents were submitted in January 2015. Upon receipt of invoices, payments were processed in 2015. It's a normal practice that orders are raised upon receipt of invoice. (the duration of flight is not known until the completion of services). (Appendix II).

#### **Issue 22.21 - Funds not utilized for Warehouse Management Software**

The non-utilization of funds to procure the Warehouse Management Software was beyond the Ministry's control as ITC was allocated with the fund and was also supposed to facilitate the procurement. The Ministry had made appropriate follow ups with ITC and had also submitted funding request in the 2016 budget since the project was not facilitated/completed in 2015. However, the funding request was unsuccessful in 2016. The Ministry has again requested budget for the project in 2017-2018 financial year.

#### **Issue 22.22 – Insufficient Information of Patients for Local and Overseas Treatment**

Ministry acknowledges the findings of the Audit and has put in measures from the lessons learnt from the previous issues. As for ways of improvement, the ministry now has established a three member committee to assess the request for patients for medical treatment. The committee includes a Deputy Secretary, a Medical Superintendent and a Principal Administrative Officer.

The committee obtain and verify information from the patients and recommends to PSHMS for appropriate endorsements for treatment. There are prescribed forms/check list form MOHMS which has patients and family details and this is evaluated at this committee. (Appendix III)

#### **Issue 22.23 – Variance between Quoted and Invoice Prices from Hospitals in India for Overseas Treatment**

The patient cost is quoted based on diagnosis done by our local doctors. However, when the patients are treated, the cost becomes high (actual treatment given to the patient). For example, patients with

cancer are diagnosed and request sent for quote. By the time the patient reaches treatment, the cancer has grown thus requires additional treatment and care (SOP).

#### **Issue 22.24 – Considerable delays in Approving Assistance**

The Ministry has to make considerable research on the patient (financial and medical background) before recommendation/approval for assistance. New check list have been developed and it's the onus of the patients to provide accurate information on time to get appropriate decision/processing in a timely manner.

#### **Issue 22.25 – Excessive Establishment in Individual Grades of Officers**

The variation will be addressed in this new financial year.

### **FIJI PHARMACEUTICAL AND BIOMEDICAL SERVICES**

#### **Issue 22.26 – Performance Bond Requirement not strictly adhered to by FPBS**

FPBS have in place an officer to monitor all contracts.

In addition to this all PB for post pay transactions will not be required. Suppliers will be deducted \$20 per point of non-performance. [Appendix IV] With this new development the performance bond from 2015 onwards is for the suppliers on pre-payment.

#### **Issue 22.27 – Anomalies in the Free Medicine Program**

FPBS acknowledges the opportunities for improvement raised by OAG on the Free Medicine Program in 2015.

FPBS carried out its evaluation and recommendations was implemented:

1. The establishment of a dedicated resource management to oversee the FMP.
2. Resources are HR - A Pharmacist, one Storeman and two drivers; Office space; delivery van.[Appendix V]

This has alleviated the anomalies in the inventory and proper management of the program such as:

1. Proper stock control management especially with recording of inbound and outbound
2. Availability of FMP is usually 97%

#### **Issue 22.28 – Anomalies in Purchase of Medical Consumables and Essential Medicines**

There are certain products that are difficult to source because of its small market. There are products that are also shortage in the market. These two products fall into these categories.

Despite FPBS market research, results indicated that most suppliers are not able to supply because of the above reasons.

The intent to receive products that are closer to the expiry date is to make the life-saving medicines available in the hospitals if there is none available even though it will not be used at all.

The supplies were finally received after they are able to secure the market without any penalties.

### **Issue 22.29 – Supplier yet to honour Contract Agreement**

The open purchase orders reported on Table 22.24 is part of the regular report generated on monthly basis for the procurement team to monitor ETA.

All the orders on the table except one have been receipted. Some orders did not receipt the full quantity due to pack sizes of products issues against the ordered quantity and difficult to source. The payment is only made against to what was received.

The 'number of days delayed' column reveals high number of days because the order was not closed after the completion of the supply for orders that do not meet the full quantity required as reasons mentioned above.

Strengthening the processes and system of contract management is progressing – reorganizing operations and resources, developing the monitoring mechanisms for supplier performance, training of staff.

### **Issue 22.30 – Provision of Essential Medicines – Contract Number 121/13 – Open Contract for Supply of Essential Medicine**

As reported in the 2014 PAC response the total sum is now being reflected in new agreements from 2016. [Appendix VI]

### **Issue 22.31 – No Contract Agreement for Medical Supplies and Equipment's**

FPBS acknowledges the challenges in our processes and capacities we have when the contract system was enforced. It also acknowledges the complexities of the processes it has to follow. FPBS however also ensures that the services are not affected due to delays of supplying resources. FPBS always ensure the contract is to be in place.

### **Issue 22.32 – User Guide and other documents not provided by the Suppliers for the Supply, Installation, and Commissioning of Intensive Care Unit (ICU) Equipment**

User guides were made available by the suppliers as this is always one of the key requirements for new equipment and for this case it was then made available in e-copy.

### **Issue 22.33 – Items ordered yet to be received**

The supplies were received later [Appendix VII].

Purchasing Operations re-organization has been carried out where officer is being trained to use information system to generate report and analyse report for open POs. The task was usually carried

out by the same purchasing officers however due to the overwhelming tasks that have to carry out the follow-up of orders or ETA is missed out.

### **Issue 22.34 - Delay in Supply of Drugs and Consumables**

Officer has been assigned to monitor open Purchase Orders which used to be carried out by the purchasing officers. This was done after re-organization of the operation in the beginning of 2017 in response to the changing procurement policies and requirements.

The surcharge that was mentioned in the AOG report was introduced by the SG's office into our contract. It has been reduced to \$20 per day instead of \$100.

FPBS is in the processes of finalizing the mechanism of performance measure and procedures of implementing deductions.

### **Issue 22.35 – Discrepancies between Stock Card Records and Actual stock**

The same was reported in the AOG 2014 report – 24.46.

The discrepancies are caused by multifactorial issues –

1. High demand of work output to meet the targets
2. HR constraints that resulted in the high work load
3. Error in posting the records in the card

HR numbers have been increased we end of 2016 with an additional of 9 GWEs recruited.

Also an expert consultant related to supply chain was recruited by DFAT to determine areas of issues and make recommendations for sustainable improvement. The final report will be discussed before implementation.

### **Issue 22.36 – Discrepancies between Epicor System and Stock Card Records**

An expert consultant related to supply chain was recruited by DFAT to determine areas of issues in the warehouse operations and make recommendations for sustainable improvement. The final report will be discussed before implementation. [Appendix VIII]

### **Issue 22.37 – Discrepancies between Epicor System and Actual Stock take**

An expert consultant related to supply chain was recruited by DFAT to determine areas of issues in the warehouse operations and make recommendations for sustainable improvement. The final report will be discussed before implementation.

### **Issue 22.38 – Value of Expired drugs**

Majority of the hospital consumable medical supplies, such as medicines or drugs have a shelf life. In the public sector or even private sectors health system disposing expired consumables are unavoidable

activity therefore a minimum target is set to control cost wastage via expiration. FPBS have set less than 3% wastage of total expenditure of each product category however this will be monitored regularly.

We would like to further correct for the Public Accounts Committee on the description on Table 22.29 of the AOG 2015 Report – page 52 and 53. The title of the table stated **Expired Drugs at FPBS as at 31/10/2015**.

There are eight [8] types of medical consumable categories procured annually: medicines or drugs, vaccines, family planning, laboratory reagents & consumables, surgical dressings, surgical consumables, x-ray consumables and dental materials. Each of the types has its own budget provided mainly by the government. Therefore the values provided on the table are not for the expired drugs only as indicated on the title of the table. These are the consolidated values of all the 8 types of medical products purchased.

#### **Issue 22.39 – Out of Stock Drugs and Consumables**

FPBS has a process to place orders. The table on Appendix 22.8 did not indicate whether there was a Purchase Order for the products that are out of stock as reported in the EPICOR. However, during a fiscal year our processes of ordering are only place if:

1. Physical Stock verified
2. There is no transiting supply with an existing purchase order
3. Is it a 'request to order' product or a 'stock item'
4. Availability of fund to raise order

Therefore ordering will only be done once due diligence is carried out.

#### **Issue 22.40 – Stock Below Predetermined Minimum Level**

This item is more related to the 22.40 above.

The Below Minimum Stock Level Report is an indicator to the management for decisions whether to buy or not to buy. However the Appendix 22.9 report did not indicate whether the products were purchased or not and during a fiscal year the decisions to buy on not will follow the following criteria:

1. Physical Stock verified
2. There is no transiting supply with an existing purchase order
3. Is it a 'request to order' product or a 'stock item'
4. Availability of fund to raise order

In addition to this, a consultant has just completed a 4 weeks assessment of the warehouse operation management and because this item is related to EPICOR a key terms of reference is to look into the current information system.

#### **Issue 22.41 – Stock in Excess of Predetermined Maximum Level**

There are products on Appendix 22.10 'Quantity in Stock' column stock level as reported in the EPICOR are not correct. The error occurred due to human and information system constraints.

For example the first 3 products in the row should be reported on the EPICOR as number of boxes instead of the individual unit in the box.

The 4<sup>th</sup> and 5<sup>th</sup> product row is a data entry error.

Other products were related to the review of the maximum quantity that was procured and were in stock towards the end of the year due to the revision of the inventory policy.

Consultant has identified this issue as well and report will have recommendation if improving the processes.

### **Issue 22.42 – Anomalies at CWM Hospital and Valelevu Health Centre Pharmacy**

From FPBS, regular supervisory visits are being carried out to health facilities with the following objectives:

1. Audit stock inventory management
2. Listen to challenges and opportunities for improvement from officers
3. Make recommendations for improvement to hospital management

Issues related to poor inventory management are related to workload to serve patients takes most of the time in the office 7 days, do not have a proper information system to assist them apart from stock cards.

### **Issue – 22.43 – Payment Vouchers not provided for Audit Verificaiton**

FPBS now have started filing payment vouchers for local purchase orders and indents in the same office.