**PUBLIC ACCOUNTS COMMITTEE**

**[Verbatim Report of Meeting]**

**HELD IN THE**

**COMMITTEE ROOM (EAST WING)**

**ON**

**TUESDAY, 9TH MAY, 2017**

**VERBATIM NOTES OF THE MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD IN THE COMMITTEE ROOM (EAST WING), PARLIAMENT PRECINCTS, GOVERNMENT BUILDINGS ON TUESDAY, 9TH MAY, 2017 AT 9.36 A.M.**

**Submittee: Ministry of Health and Medical Services**

In Attendance

1. Mr. Philip Davies - Permanent Secretary
2. Mr. Apolosi Vosanibola - Chief Pharmacist
3. Ami Prasad - A/DFAM
4. Sanjay Chand - A/PAO

DEPUTY CHAIRPERSON.- Honourable Members, Officials from various Ministries in particular the Ministry of Health and Medical Services, members of the media, ladies and gentlemen; a very warm welcome to you all. On behalf of Public Accounts Committee (PAC), I wish to convey my appreciation and welcome Mr. Davies, the Permanent Secretary of Ministry of Health, represented by his team.

We are here to discuss the 2014 Audit Report of the Fiji Pharmaceuticals and Biomedical Services (FPBS). I believe this is the second time we are meeting, we have already met and the next meeting will be on the 2015 Report. My apology, Mr. Davies, we had very long Minutes to confirm for our last meeting, that is why it took us a bit of time, but nonetheless, I would like to give this opportunity to you now, to address your team before us.

First, let me just very briefly introduce ourselves and I believe there is a written response from the Ministry as well, if that can be circulated to the Honourable Members.

(Introduction of Committee Members by Deputy Chairperson)

On my far right, we have Ministry of Economy (MOE) Officials and on my far left, we have Officials from the Office of the Auditor-General (OAG).

Mr. Davies, you now have the floor.

MR. P. DAVIES.- Thank you, Deputy Chairperson. I thank the Committee again, for inviting us back. As you had pointed out, we are continuing on our deliberations on the 2014 Report and I reckon we have 19 items to go. I think that is half the number that we got through at our last meeting, so that sets a good benchmark for timing.

We have provided follow-up to a number of issues that were taken unnoticed in our last meeting. I am happy just to have these tabled and if Honourable Members would like to come back on any of those, we are happy to do so. But, otherwise I think it is back in your hands, Deputy Chairperson, maybe just reminding Honourable Members respectively that we are looking at the 2014 Report, we should focus on that and issues of contemporary relevance are probably not material for this Committee to be debating.

We managed to observe that principal quite robustly at our last meeting and I think it does make for more productive discussion, but also to point out that I think the four of us sitting here, there is probably only one of us who was actually in post in 2014 and that is our respective Chief Pharmacist on my left. So we may be digging into the vaults, to get some of the information that Honourable Members need, but obviously, happy to answer any questions we can today and take any others on notice and come back promptly with responses. Thank you very much.

DEPUTY CHAIRPERSON.- So, you will be taking us through, Chief Pharmacist?

MR. P. DAVIES. - I am happy to just go through the points in sequence.

DEPUTY CHAIRPERSON.- Yes.

MR. P. DAVIES.- A absolutely, so we start with 24.38 – Anomalies in Performance Bond. So I now hand over to the Chief Pharmacist. Just for clarity, Deputy Chairperson, we are assuming we are starting at 24.38?

DEPUTY CHAIRPERSON. - Yes.

MR. P. DAVIES. - Which is about the Performance Bond? So, I will hand you over to the Chief Pharmacist to talk you through that and the subsequent points.

MR. A. VOSANIBOLA. - Good morning again, Honourable Members of the PAC. My name is Apolosi Vosanibola, currently I am the Chief Pharmacist and also the Acting Director of FPBS. We are based in Jerusalem Road, Nabua.

24.38 - Anomalies in Performance Bond; the Performance Bond was not paid because the awarded period to supply the pharmaceutical had expired without the contract agreement finalised. It is to be noted that the Ministry was engaged to supply the goods because the stock level at the warehouse is at critical level and further delay could lead to stockouts in the hospital.

The contractual agreement was enforced by the Fiji Procurement Office (FPO) between 2010 and 2011. However, there are a lot of things needed to be learnt, PBS has found a position to monitor the contract arrangement process from award to signing. Basically this is referring to an officer who will be dedicated to monitor our contract arrangements with the awarded contractor.

HON. RATU S.V. NANOVO. – Can we ask question Deputy Chairperson, after any section like that?

DEPUTY CHAIRPERSON.- Yes.

HON. RATU S.V. NANOVO.- On the Performance Bond, I think two issues arose from that; the differences that the Ministry and the supplier was trying to reach in accepting what should be the acceptable percentage of the bond to be paid. Has that been now finalised? Some were saying that the 10 percent was too much or how have you solved that at this moment?

MR. A. VOSANIBOLA. - Thank you. Yes, that has been solved in consultation with the FPO and also the Solicitor-General’s Office. The Performance Bond in our policy have stated that all post payment contracts will not have a Performance Bond. If any failure in their performance by the suppliers we will have to deduct their payments from their invoices. Thank you, Sir.

24.39 - Delay in Site Preparation; Deputy Chairperson and Honourable Members of the PAC, this had also been answered through 24.16 in our last meeting which was corresponded by our Director Finance. The delay of the site preparation corresponds to our supply of biomedical equipment to equip at site preparation at the CWM Hospital Operating Theatre.

The ETA that we provided with our suppliers was the initial ETA that was provided by the Civil Engineer in the refurbishment of the Operating Theatre at CWM Hospital. The variation, Sir, we were not aware of. When the equipment arrived the installation of the biomedical equipment was also delayed. Therefore, the delay of site preparation was the answer in response to 24.16 in our last meeting.

HON. RATU S.V. NANOVO. - On that, Honourable Deputy Chairperson, we noted the delay on two of the items here. The first one is 133 days before the equipment was installed and the second one was 153 days. Has these equipment been installed now and whether they are in good condition and still operating?

MR. A. VOSANIBOLA. - Yes, the equipment were finally installed and the Operating Theatre was commissioned in that particular period of time.

HON. RATU S.V. NANOVO. - Are there defects noted between those times?

MR. A. VOSANIBOLA. - No, Sir.

DEPUTY CHAIRPERSON. - You can proceed.

MR. A. VOSANIBOLA. - 24.40 - Advance Payment without Contract Agreement; the advance payment was carried out without the contract agreement because delay in the arrival of goods would lead to delay in the project completion of the infrastructure. The contract was not finalised because the supply was not in agreement to certain terms and conditions of the Government. However, the equipment was supplied in full and used by the hospitals.

24.41 - Delay in Supply of Medical Imaging Consumables; the delay of supplies from overseas was due to manufacturing process delays. The products in the Table on Page 56 were withdrawn, valued at around $3,000 due to technical specification changes or issues at our hospitals.

24.42 - Anomalies in Purchase of Medical and Imaging Consumables - Contract Number 155/14; it is to be noted that the correct contract number is CTN 132/14 instead of CTN 155/14 as we had reconfirmed with a list of products in that tender. Again, this is another case of contract agreement finalisation delays and stocks at the warehouse are at critical level. The Ministry, while allowing the finalisation of the contract to be completed, a request for quotation was called as contingency plan as stock in the warehouse was at critical level. Stockouts would mean no x-ray services for all hospitals.

Quotation prices is usually expensive than the tender price due to the need of securing immediate stock. The FPBS (Fiji Pharmaceuticals and Biomedical Services) has noticed that since the introduction and enforcement of the contract agreement for all suppliers by FPO, we have experienced delays in raising the orders as we have wait for the contract to be signed or finalised. This posed a risk of delay in supplies and more costs for quotations to be sought.

DEPUTY CHAIRPERSON. - I apologise for the interruption, I note this point here in regards to the second paragraph, “FPBS has noticed that, since the introduction and enforcement of the contract agreement for all suppliers by FPO, we have experienced delays in raising the orders as we have to wait for the contract to be signed. This posed a risk of delay in supply and more cost for quotations to be sought.” What is the current scenario now, are you still facing this?

MR. P. DAVIES. - Thank you, Deputy Chairperson. I think the general observation would be that in any procurement process, there are a number of steps that we need to go through - sometimes with the Government Tender Board, sometimes FPO, sometimes SG’s Office and, of course, we have our own internal processes.

I think regrettably there is always going to be delay as each of those processes goes end to end, they all just build up time and I think we did make the observation at the previous meeting of the Committee that particularly in the area of pharmaceuticals and medical consumable items, we do sometimes have to fast-track those processes or maybe take actions that sometimes step outside the formal requirements. That is always a considered judgment and a judgment that is made when patients’ safety and alternatively, patients’ lives are at stake.

My view, as the ultimate authority would always be, that if it is a choice between complying with that or saving a life, I would opt for the latter. But I think we all recognise and I think our colleagues in the other Ministries recognise that that is sometimes but that is something that we only do in the most important of circumstances, and we always come back afterwards to check that everything is in place appropriately. But more generally your observation is correct, that the more steps we have to go through, obviously, the longer these processes take.

Having said that, we should know that, we should plan for that and we should build those inevitable lead times into our timetables and I think that is something that Apolosi and myself had been discussing. We cannot assume that everything is going to happen as quickly as we would like it to, but we need to have plans that allow for those delays. We should be able to anticipate them and build them into our planning.

HON. RATU S.V. NANOVO. - Deputy Chairperson, I just want to know, if there had been stock cards within your system and you are currently facing those delays and if you place your order now, it will take you three months to get those orders back. But if you see that that three months period is not enough, can you change it to six months so that you can place your orders there and you avoid those delays?

DEPUTY CHAIRPERSON. - You can refrain from answering that, I think that is our policy….

MR. P. DAVIES. - I will be happy to answer that, Deputy Chairperson, because it is a persistent issue and it was an issue in 2014, it is an issue in 2017. I think we did touch upon this at our last meeting and I think the Honourable Minister herself has referred to this in the House and that is, the longer ahead we actually place an order, firstly, the greater the cost because we got more money tied up in stock so we are paying for six months ahead of actually using the drugs.

Also with a lot of the products, there is a risk of expiry so if we order too far in advance, then there is a risk that they are sitting in our shelf and very quickly go out of date. So what the team do is a very difficult balancing act between ensuring reliability of stock and also minimising the waste. When drugs go out of date, we cannot safely use them and they have to be discarded so that is just money down the drain.

It is a very delicate balancing act that the team try to establish and when you are reliant on shipping schedules for sea freight, we’ve seen in the last couple of days some of the risks inherited in that, then obviously again that just puts further uncertainty into the whole process. But I think the team do their very best to cope with those variability and uncertainties.

HON. RATU S.V. NANOVO. - On that, I was just trying to put forward a solution but if that has been taken care of, that is good.

MR. A. VOSANIBOLA. - 24.43 - Purchase and Supply of Vaccines - No Reconciliation for the Cost Sharing Scheme; FPBS have noted the variations on the payment, however, to be raised that there was a pre-arrangement that was agreed by FPBS Management with a donor upon their request, that the Ministry to cover portion of their payment as they are experiencing financial constraints. They were waiting for their new fiscal year to begin in July, where they will pay additional amount to the supplierwhich is the amount paid by the Ministry. However, this had been reconciled, the payments that they had missed out, we had paid or reimbursed to FPBS through payments to the supplier.

24.44 - No GTB Approval for Change in Contract Sum for CTN 121/13 - Contract for the Provision of Essential Medicines; this is noted by FPBS and the contract template has been adjusted. Further to this, the current agreements have the schedule or annexure which contains the list of products, the approved unit price, the quantity and the total cost.

HON. A.M. RADRODRO. - Deputy Chairperson, on this issue in particular the difference in sum, the Audit noted that the Ministry signed the contract with the supplier, the sum of $1.5 million instead of $2.3 million. What are the implications of this different amount? Is the full item ordered, supplied and the quality maintained?

MR. P. DAVIES. - My understanding on that one, Sir, is that the original sum of $2.234 million was in fact simply done through a typo error. The GTB approved that figure and I think we took the view that since we are getting exactly the specified goods for about three-quarters of a million less, then the incorrect figure which GTB had approved was probably not necessary to go back to GTB. I think probably from a purest point of view, we should have done but we thought we could probably assume that GTB would not be unhappy to save three-quarters of a million dollars, although procedurally we were probably in the wrong in making that assumption.

HON. A.M. RADRODRO. - Who advised the GTB on the $2.2 million? How that $2.2 million did came about if it was a typo error?

MR. P. DAVIES. – I am told it was a typo at their end.

HON. A.M. RADRODRO. - Can the Auditor-General confirm on this Audit finding where $2.2 million was approved and $1.5 was the correct amount as was advised by the Ministry?

OAG REP. - Sir, the contract amount that we have provided here and the actual amount paid, we can supply copies of those.

HON. A.M. RADRODRO. - Your Audit issued stated the GTB approved $2.2 million and the Ministry worked on the $1.5 million and they have advised that it was a typo error. Can you confirm whether that is the situation here, in the process taken by the Ministry to correct what they had stated?

MR. P. DAVIES. - Deputy Chairperson, can I suggest through you, maybe to our colleagues that the Ministry and the AG’s Office look at that jointly to see exactly where the figure got misinterpreted or mistyped. We can work through the ….

DEPUTY CHAIRPERSON. - But we will need a written response on that. Perhaps, we can do that later. Yes, Sir, you can continue.

HON. A.M. RADRODRO. - Deputy Chairperson, the second part of the question on this particular issue is that the Auditor-General had advised that the GTB should be advised on the revised. Is that the normal procedure according to the GTB tendering process?

MOE REP. - Sir, as per the Procurement Regulation 2010, that is the normal procedure. I suppose the issue here that were are reiterating is just the policy matter because GTB approved $2.2 million and the actual tender procurement was for $1.5 million. It is just a policy matter, the only issue there is that the Ministry did not inform GTB. Thank you.

HON. A.M. RADRODRO. – The recommendation by the Auditor-General stated that, and I quote:

“The Ministry should ensure that:

GTB approval is sought for any variation in contract sum…”

Is that the procedure?

MR. A. PRASAD. - Sir, that is under the Procurement Regulation 2010, so it is mandatory that any variation should be approved by the GTB.

MR. P. DAVIES. - I think to be clear, we note that and we will certainly comply with that. But as I have said, I think we interpreted that incorrectly as GTB approval is sought for any increase in the contract sum. I think we will, in future, obviously seek approval, even for reduction which is a good thing to have obviously.

DEPUTY CHAIRPERSON. – That is noted.

HON. A.M. RADRODRO. - And the contract term is still for two years, it is not a typo error.

MR. A. VOSANIBOLA. - It is still two years, Sir. Thank you.

HON. RATU S.V. NANOVO. - Still on that, the second bullet point of the recommendation says, “…appropriate disciplinary action is taken against those responsible…” Has that been taken because the error was too much to be true?

MR. P. DAVIES. - I am not aware that any disciplinary action has been taken and maybe once we have finished our discussions with the AG’s Office, we will jointly decide on who that disciplinary action should be directed to and what form it should take. A typing course might be appropriate.

MR. A. VOSANIBOLA. - 24.45 - Delay in Supply of Drugs and Consumables; the report on the EPICOR which is the information that we are using cannot differentiate the following:

* A split shipment of the supply of goods to the Ministry to manage space in the warehouse.
* Split shipment can be of two to four times a year.
* Advance order because of the lead time of four to six months. These items are mostly high volume order to make batch increase in shelf life and they are sent via sea freight.
* Currently considered in reviewing the information system being used through a consultant whom had just completed his term with FPBS.

HON. A.M. RADRODRO. - Deputy Chairperson, just on this particular Audit issue, delay in supply of drugs and consumables, I think just by looking at Table 24.37, and I am not a medical person but I see being highlighted the importance of these items. I can only see injections, bag, so how does this delay in consumables affect the services in hospitals?

MR. P. DAVIES. - The impacts vary, I mean, some of those items may have impressive standing titles but they are actually quite routine items. Others probably do have potentially greater risks to services and to patients. Generally speaking, we can move stock between facilities so they may be out of stock in the warehouse, but there is still stock in the system which can be moved around. And also quite a lot of the products, there is an alternative it may not be an exact match but it can be clinically substituted.

As I think again, you have probably heard the Honourable Minister herself explain that we are at the mercy of the global supply system, even for the most wealthiest and advanced economies. I think the Minister quoted a figure the other day, that the Australian Register of out of stock items currently has 194 items listed. Those items where there is a global supply shortage. We are very small player in this, so we are to some degree at the mercy of the global supply system. But I can assure you that the team at FPBS and indeed our doctors and nurses out in the system worked very conscientiously and very hard to manage any risks that arise from these Stock Cards.

HON. A.M. RADRODRO. - Just a comment on this, there is Needle Disposable Sterile of $192,520.27. The question that I would like to raise here is, at times at the Outpatients Department, the patients are being told to go and buy other consumables which cannot be supplied by the respective hospitals. Is this relating to this kind of delays?

MR. P. DAVIES. - I do not think we can answer that. Firstly, because it is not a 2014 issue, and also because it will vary from place to place and from product to product as to what the response, when there is a shortage actually arise. If you have specific cases, then please bring them to our attention and we will provide you or the patient concerned with a more detailed response.

HON. A.M. RADRODRO. - Is that scenario still existing today where patients are told to go and buy consumables?

MR. P. DAVIES. - I am not aware of that happening routinely at the moment, but again, I do not think any of us could claim knowledge of what happens everyday in one of 200 health facilities around the country. But obviously if it does happen, it is something we would rather not happen and we do everything in our power to prevent it from happening.

HON. A.M. RADRODRO. - It is happening, for your information, but probably in situations when we encounter next, then we will bring it to your attention.

DEPUTY CHAIRPERSON. - You can continue, Director.

MR. A. VOSANIBOLA. - 24.46 - Discrepancies in Stock Card Record and Actual Stock; the discrepancies in records is of a multi-faceted issue that we have in the warehouse. Some of these issues are listed as:

* high work demand in the warehouse to meet our targets in distributing our supplies to health facilities on time;
* HR constraints, the result in the high workload for some of our activities; and also
* some human error in posting the record on the card.

HR numbers have been increased towards the end of 2016 and a consultant has also been brought in to review some of our business processes. That also contributes to these discrepancies or inaccuracies in our records.

24.47 - Open Contract for Supply of Essential Medicine - Contract Number 121/13; our response on this item is the same as the response in 24.44.

24.48 - Anomalies in Supply of Emergency and Accident Equipment - Contract Number 84/13; we are almost completing our findings, then we will be able to provide the written response on this.

24.49 - Poor Monitoring and Supervision of Stores; FPBS has yet to complete an investigation of the case and following up with the missing two units.

HON. A.M. RADRODRO. - Deputy Chairperson, a question to the Auditor-General, you mentioned that Company F and Company G. Who are those companies, are they hypothetical companies?

OAG REP. - Deputy Chairperson, the Auditor-General has withdrawn names of these companies. There was a court case so he has chosen to withhold their names.

DEPUTY CHAIRPERSON. - I’m sorry can you just repeat that again.

OAG REP. - For this Report tabled in 2015, the Auditor-General has chosen to withhold and not to disclose the names of the companies in the OAG’s Report because there was a case that was pending in court, so that decision was taken.

HON. DEPUTY CHAIRPERSON. – Yes, that is understood.

HON. A.M. RADRODRO. - I hope the amount too is not fictitious.

OAG REP. - It is just the names of the companies.

HON. A.M. RADRODRO.- The amount, is it the correct amount?

OAG REP. - Yes, all the other facts are correct.

DEPUTY CHAIRPERSON. - You can continue, Director.

MR. A. VOSANIBOLA. - 24.50 - Losses Due to Tender Bids in Different Currencies; globally for international commerce transactions, the most used currencies are the US dollars, Euro dollars, British bounds, Japanese yen. Majority of our suppliers are overseas-based and would use these currencies for bidding.

The other option, we have approached the MOE with easy hedging because it protects the variation of currencies when payments are done four to seven months from the date the indent or order is raised to the suppliers.

HON. A.M. RADRODRO. - Just on this particular issue, the loss emanating from this currency is quite a huge amount. Can the PS advise us what has been the result with the hedging initiative undertaken with the MOE?

MR. P. DAVIES. – I will ask our Director Finance or MOE to maybe update or update on hedging strategies. But I think we did point out at the previous meeting that, I guess, auditors generally take a very negative view of the world because, of course, there is another side to this coin, which is foreign currency fluctuations can work in our favour. Maybe we should ask the OAG to give us a table, identifying all those areas where we actually made a profit on foreign exchange. One would hope that over the cost of the year they would …….would balance out. Obviously, the Audit’s responsibility is to identify those cases where we lost. I would speculate, there were number of cases where we probably gained on foreign exchange but in terms of hedging, I do not know where that is up to.

MOE REP. - Thank you. We started off with the hedging exercise in 2013 and 2014. That was helping us and I am not quite sure right now, to be frank, whether we are still going on with that or there was ….

MR. A. VOSANIBOLA. - We did an exercise trying to pilot the activity with certain commercial banks in Fiji. However, we have receded continuing with that exercise because there is a lot of process involved and a lot of resources that will need to be undertaken to be in place before we continue with this process. So it was a trade-off for us to focus on what we need to do which is, get supplies into the country as quickly as possible and whether the trade-off without looking for our savings in our procurement is something that we see. It is important but not as immediate in terms of our resources and managing our operations.

However, we have conducted a few meetings with the MOE, mentioning this programme. We have left it to them because they manage all our treasuries within the Government and all policies that will need to be reviewed in regards to this as well.

HON. A.M. RADRODRO. - Deputy Chairperson, just on the recommendation of the Auditor-General that all supplies to be in Fiji dollars, can you just give us your view on this recommendation whether it is workable or not?

MR. P. DAVIES. - I suspect, given the relatively small size of our orders and in global terms, the relative of security of the Fiji dollar as the currency, most of the big vendors we deal with would not be inclined to agree to that or if they did, they would probably increment their costs accordingly.

HON. A.M. RADRODRO. – OAG, can you just highlight the Committee on your recommendation, taking into account the Ministry’s comments?

OAG REP. - Yes, we note that much depends on the supplier on how they are able to bid in Fiji dollars but as noted by the Permanent Secretary for Ministry of Health the orders from Fiji are relatively very small in supply.

HON. A.M. RADRODRO. - Your recommendation?

OAG REP. - We might also need to have a word with the MOE on how far they are pursuing this.

HON. A.M. RADRODRO. – Because bidding in Fijian dollars you put your recommendation here but it is not workable according to the Ministry’s comment because of the volume of orders. So this recommendation may be deemed to be invalid in terms of the Ministry’s purchasing operation.

OAG REP. -Yes, if no supplier is bidding then, yes, certainly.

HON. RATU S.V. NANOVO. - What is your current situation regarding this issue? What is the progress to-date?

MOE REP. - Thank you, Honourable Member. I suppose the response that he PS has submitted on the volume of procurement because this is handled by FPO and it will be unrealistic to request the suppliers from overseas to bid in Fijian dollars.

HON. A.M. RADRODRO. - PS, just for the information of the Committee, in what instances were purchases where you had a gain as compared to this scenario where it has been highlighted where there was a loss?

MR. P. DAVIES. - That would obviously happen where the movement of the Fiji dollar was upwards or downwards, upwards when the US went relatively down and obviously that does happen overtime as I say, it comes with fluctuating in both directions. I am not sure we can produce examples here and there or where we have gained but I am sure if we look through the records, we would probably find just as many examples.

HON. A.M. RADRODRO. - Would it be fair to say that situations where you had highlighted previously, like unplanned purchases as has been highlighted in the earlier situations, would this account for this currency losses?

MR. P. DAVIES. - No, these are all contracted suppliers. I mean, if we are doing an emergency purchase, it is just the rate of exchange that applies when the contract is signed.

MR. A. VOSANIBOLA. - 24.52 - User Guide and Other Documents not provided by the Supplier Contract Number 3/14; this finding is acknowledged. We usually have documents provided by suppliers and we have overlooked in ensuring these documents were in place. The process has now been put in place to ensure vital checklists are in place when receiving biomedical equipment. For those documents that were not provided, they were finally provided through e-copy from the suppliers.

24.53 - Poor Inventory Management; FPBS has now a system of keeping old stock cards in the warehouse and review of stock levels is carried out yearly.

HON. A.M. RADRODRO. - Deputy Chairperson, just a question on these particular instances of delay in signing of contracts, the Audit noted several instances as tabulated there, where contracts were not signed at all between FPBS and the supplier or contracts were signed after the medical supply and equipment were received. What would allow these situations occurring?

MR. A. VOSANIBOLA. - Thank you, Sir. I think this was also alluded in my earlier responses where we have trade-offs of getting the supplies on time and waiting for the contract to be signed. We have noted some of the delays in the supplies coming to Fiji and we try to control what we can control, which one of them is the contract agreement.

We noted that when FPO and GTB enforced these requirements at that time, we were not able to wait for the contract to be signed. We have a trusted relationship with the suppliers to ensure that whatever we had agreed in the tender, they need to honour that while we are in the process of finalising the contract.

Some of the issues that we are experiencing is finalising the contract with the Solicitor-General, the turnaround time and also the turnaround time from our suppliers in looking through some of the clauses on the terms and conditions provided by the Government. That in itself contributes to a longer lead time and we have taken the other side of the coin which we will need to get the supply or else we will compromise our services to the people.

HON. A.M. RADRODRO. - The table here shows a huge amount involved, a contract sum of $11.5 million, this is just a sample, so it could be more than this amount of $11.5 million. How does the Ministry work to improve on this exercise where you cannot wait for the supplier while at the same time this administrative process has been highlighted that is creating the delays in signing the agreement?.

MR. A. VOSANIBOLA. - Thank you, Sir. There are few interventions that we have undertaken from 2014 whereby we have regular consultations with the Solicitor-General’s Office in looking at the turnaround time of vetting these contracts. I am happy to say that, that has improved with some of our contracts.

The other intervention is that we are also talking with our suppliers regarding the turnaround time, if that needs to be fast-tracked.

The other intervention is also when we call for tender, we also gave the suppliers the draft contract to have a look, to see what are the terms and conditions in the contract they are not happy with, they can also submit during the bidding process so that that does not add to the lengthy process.

Finally, the other aspect of intervention that we have carried out is, we review our schedule of renewing our contracts whereby we have now start the process 12 months before the expiry of the contracts so that it gives us ample time to re-look at our processes and manage activities that are beyond our control within that buffer period of 12 months.

MR. P. DAVIES. - If I could just make an additional comment there, Deputy Chairperson, hearing this discussion, I think it is important, although this is an audit of FPBS and the Ministry of Health, there are a number of parties from the Government side involved in these processes. It is just a suggestion maybe to our colleagues in Audit that maybe for some of the more seemingly very long delays - 11months, nine months, 228 days, it would be very interesting perhaps to actually go back and audit the actual timeline and see how the documents and the decisions were made overtime because from a managerial point of view, identifying where those delays are occurring really is the only way we can make an improvement. Just seeing a nine month delay and saying that is a nine month delay caused by the FPBS, we cannot fix that, but if we take that delay apart and see why it is happening, we would be in a better position to actually improve those processes. So maybe that is something we can ask our Audit colleagues to help us with over the next few months.

HON. A.M. RADRODRO. - Deputy Chairperson, just a supplementary question on that; the finding shows the laxity in terms of resource personnel in the FPBS. Do you have enough resources and whether that particular finding has improved over the year?

MR. A. VOSANIBOLA. - What we have done in light of the new policy requirements from the FPO and the MOE, we have tried to reorganise ourselves within the operations of the procurement section, whereby we have reassigned some activities to some of the critical processes in our procurement processes. One of the critical processes that we have identified in our procurement processes is the contract arrangement which can be very tedious and also painstaking when we have to wait, understanding our level of supplies in the warehouse is not in the control of the Ministry but in the control of the people who need the supplies. So we have reorganised ourselves in trying to get a person dedicated to this. Even though we redeploy our officers, we still lack the capacity in terms of knowledge and skills in managing contract management.

It is a new area - supply chain management logistics, therefore, it is an area that we are struggling in terms of skills and knowledge and qualifications and this is made known to the Permanent Secretary through the consultant and we are engaging our procurement team through formal training programmes. We have provided a band-aid but it is a work in progress improvement in this process.

HON. RATU S.V. NANOVO. - Deputy Chairperson, still on that, I just want to direct the Ministry to the recommendation given by the OAG in that area, “The Ministry should take disciplinary actions against officers responsible for not having contract agreement with the supplier of the medical supplies and equipment.” The response from the Ministry was that, they will acknowledge the audit findings. Has that been done, disciplinary action?

MR. A. VOSANIBOLA. - No, Sir.

HON. RATU S.V. NANOVO. - Why?

MR. A. VOSANIBOLA. - What we have done is after going through the Audit findings, Sir, we looked at the processes, some of the process delays were not within the control of the Ministry of Health. Therefore, it would be unfair to penalise our staff and some of these activities at the mercies of other Government Departments or other stakeholders in this process.

HON. A.M. RADRODRO. - Deputy Chairperson, just a question to the MOE, how do you work with the FPBS to improve on this because most of this seems to be administrative in nature where all other Ministries are also partly responsible for the Audit issues that had been highlighted?

DEPUTY CHAIRPERSON. - On that point, I also agree with the issues raised by the PS, even though it appears in the Audit report the days and the timeline which is informing the Committee on the delays but actually, if you look at the process, that gives a more realistic picture of how things are. MOE?

MOE REP. - Thank you, Deputy Chairperson. Honourable Members, I suppose that the main gist of the issue - the delay in contract signing is that, we have to assess the risk. What the Auditor-General has mentioned in this Table, Honourable Members is that, there was no advance payment made.

The other part of the issue is that, the contract was not signed so what proactive measures that MOE has taken now is that, we have mandatory that from the date the GTB awards any contract, it has to be vetted by the Solicitor-General’s Office and it is mandatory that prior to having the procurement being made or the actual purchases being done, the contract have to be vetted and endorsed. That is what our internal processes are, so whether the individual Ministry and Department they adhere to that or not, that will only be known in the audit is conducted. Thank you, Sir.

INTERNAL AUDIT REP. - Thank you, Deputy Chairperson. The last audit that we did for FPBS was in the first quarter of 2016. If I can just add on to what the PS had mentioned, one of the issues that we highlighted was the stocks management issue. We noted that there was a contract that was due to have been signed, they were in the process of obtaining a stocks management system but the delay was also from ITC and the SG’s Office. Although the budget had been provided to the Ministry, there was a delay from another two Government Ministries so that was beyond their control. So in terms of stocks management, that would have really assisted them with the administration of stocks.

DEPUTY CHAIRPERSON. - So it still remains?

INTERNAL AUDIT REP. - That is yet to be implemented.

HON. RATU S.V. NANOVO. - So how can that be solved from now onwards, through your Ministry?

DEPUTY CHAIRPERSON. - No, they are still awaiting.

INTERNAL AUDIT REP. – We are still awaiting. Our recommendation was for them to hold talks at PS Level with the SG, as well as with the Director of ITC.

HON. RATU S.V. NANOVO. – It is your 2016 finding 2016?

MS. L. SEINIBULU. - Yes, Sir.

HON. RATU S.V. NANOVO. – So it is almost a year now, first quarter.

MR. P. DAVIES. - I think we just have to say that, that is still under discussion.

DEPUTY CHAIRPERSON. - Yes, irrespective of who we ask, the reality remains the same, it still has to be implemented so no one is in a position to answer that until and unless it is implemented. Director, you can move on to the next point.

HON. A.M. RADRODRO. - Deputy Chairperson, a supplementary question on this particular issue; it says here, “delay in the contract signing”, but I think the payment was made.

(Inaudible)

HON. A.M. RADRODRO.- No payment? Advance payment date is mentioned there.

DEPUTY CHAIRPERSON. - You are referring to?

MOE REP. - Deputy Chairperson, if we are referring to Table 24.40, only four items have been paid, the rest was not paid until the execution of the contract. Our current practice now is, as soon as there is an award, a contract has to be in place prior to issue of order and processing further.

HON. A.M. RADRODRO. - So under what scenario were these four payments were made as compared to the others?

MOE REP. - For the first item, yes, there was no contract but for the second item the contract was signed on 4th November and payment was executed on…. We will have to revisit this, I suppose.

HON. A.M. RADRODRO. - The question that we are trying to ask is, why initiate the payment before the contract was signed as compared to the others? What was the special scenario situation that allowed the Ministry to make payment prior to the contract being signed?

DEPUTY CHAIRPERSON. - Are we referring to the reasons as to the items being on a critical level or something along that line?

MR. P. DAVIES. - I think there are four specific examples. I think that we are focussing within that Table 24.40, and I think they were three years ago so I think we just have to go back through the records to provide that information. We would be happy to do that.

HON. A.M. RADRODRO. - Thank you, PS, we would be happy to get more details on these four.

In terms of resource personnel that you currently have, whether you have enough staff? Does it also need to review the actual procurement process that will cater for special situations because I think this procurement situation is general? It does not take into account special situations, like FPBS.

MR. P. DAVIES. - Thank you for that. Again, I cannot comment on the resource situation in 2014 when all these events were happening but I can refer again as the PS to the fact that we are currently just finalising an external expert review of FPBS.

The broad message I am getting back from that is that, the overall staffing level in FPBS is probably adequate but because of inefficiencies in the processes, a lot of staff effort is being diverted to tasks that could be done more efficiently. So I think we have got broadly the right level of resources but we are not using them to the maximum efficiency.

Again, you would have heard about the problems with the current computerised system, I think Chief Pharmacist would vouch for the fact that his staff have to do a lot of manual tasks to compensate for the inadequacies of that 14 year old computer system. If we could actually get those processes done by modern computer system, then those staff would be able to use their time and skills in ways that add more value. It is in a state of flux.

DEPUTY CHAIRPERSON. -You can continue Director.

HON. A.M. RADRODRO. - Just for the information of the Committee, going forward to currently, has this situation improved, slightly better?

MR. A. VOSANIBOLA. - We are improving in our contract signing because we have tried to rectify the process that leads to the finalisation of the contract signing and it is still a work in progress whereby we will try to cover all areas of our engagement with our contractors.

24.55 - Increase in the Value of Expired Stock; expiry of medical goods is always an unavoidable situation because majority of all medical supplies have a shelf life and use after shelf life can be riskier to the services. However, we always set a target to keep the expiry to an acceptable level, and currently we use five percent of the expenditure budget as per the World Health Organisation reference, 2014 wastage rate was 1.9 percent – of the total expenditure of that category of products that we procure.

There is a marked improvement in our processes, however we always ensure that we do not compromise our availability as well. We have experienced at certain times when we are religiously following this benchmark, we can compromise our availability because demand for our medical supplies is always uncertain and always erratic at times. Getting supplies on time is a lengthy process, therefore, we would like to maintain a three to five percent level at all times.

DEPUTY CHAIRERSON. - But the wastage rate was 1.9 percent and that is a very good indication.

HON. A.M. RADRODRO. - Deputy Chairperson, if you look at that percentage-wise, that is very good, but I am asking 1.9 per cent of what – the total value of goods purchased or total expenditure?

MR. A. VOSANIBOLA. - It is 1.9 percent of the budget that is being allocated for our procurement which is round about $24 million.

HON. A.M. RADRODRO. - So 1.9 percent of $24 million is still a big amount.

DEPUTY CHAIRPERSON. - 24.56?

MR. A. VOSANIBOLA. - 24.56 - Nil Stock for Drugs and Consumables; the current information system at FPBS which is the EPICOR is a challenge with a variation of stock level in EPICOR and also our physical stock as reported in our response to 24.54. Currently, the consultant has completed his term in reviewing our warehouse operations or management, and also relooked at our information system and what are the challenges and had made recommendations for solutions to the Ministry and that report is with the Ministry.

24.57 - Stocks Below Pre-Determined Minimum Level; all standard items have a pre-determined maximum which is the maximum stock level that should be kept in the warehouse and a minimum which is the lowest stock level to be in the warehouse where reordering will need to be decided. FPBS was in the process of reviewing the minimum and maximum level for our products that are kept in the warehouse, however, it is to be noted that this report is further analysed and this decision for re-ordering will be carried out by the Management in consultation with the users. This is just to ensure that prudent use of scarce fund and resources. Currently, we have a consultant and related to other responses, the consultant has made assessments and recommendations for improvement in our warehouse operation activities.

HON. RATU S.V. NANOVO. - Deputy Chairperson, can we go back to 24.56, paragraph 2.

DEPUTY CHAIRPERSON. - I also have a question for 24.57.

HON. RATU S.V. NANOVO.– It says in the second paragraph, I quote:

“The Ministry’s EPICOR system indicates when a particular drug or consumable reaches its minimal level. Once the minimum stock is reached the stock controller needs to ensure that the new orders are placed immediately to ensure adequate supply of drugs and consumables are available at all times. Scrutiny of the EPICOR system on14/1/15 revealed that several drugs and consumables were out of stock at FPBS.”

How did that came about?

MR. P. DAVIES. – Again, I think it is in the depth of history, 14th of January 2015 but what this does not explain is whether those drugs have actually been ordered. That paragraph makes two comments, once the minimum stock is reached, new orders should be placed. It then goes on to say that those drugs were out of stock so it may well be that an order had been placed, but the delivery was delayed for any of the reasons that we have talked about previously.

They may not be any available globally, they may be on board a ship, they may be out of stock at the wholesaler, so what is not clear from that comment and again this is not a criticism, it is an observation, is whether those items that have reached the minimum level, whether the issue here is they had been ordered or an order had been placed but not delivered and they are two very different issues. One is FPBS’s failure, if that were the case, I am not saying it is, the other is the nature of the supply system.

HON. RATU S.V. NANOVO. - On that Deputy Chairperson, just a paragraph straight after that, it says and I quote:

“In addition the EPICOR system did not state the date out of stock drug and consumable were reordered. Hence the audit could not substantiate whether the orders were placed before the items reached minimum or nil balance.”

MR. P. DAVIES.- That is exactly the point I was just making. We do not know whether they have been ordered or not, but I think it is a criticism of the EPICOR system, that that question could not be answered by the Audit team when they looked at it.

HON. A.M. RADRODRO. - In fact, Deputy Chairperson, the concern here is that the system is showing zero balances, but whether it reflects on the ground, and what the system is recording here is that there was no drug. How do they correlate – the system and what is actually on the ground?

MR. A. VOSANIBOLA. - Thank you, Honourable Member. This is also related to the issue that we had raised in 24.54, the variance between EPICOR and our actual stock count. If it is zero as reported in 24.56, it could be one of the reasons as well that there is variance in the physical stock and what the application is telling us is zero. These are some of the experiences that we have at the moment, and our current intervention is that our team are physically checking and verifying. The physical stock on the shelves has to be matched as in the record. So that is our process that we are currently carrying out.

HON. A.M. RADRODRO. - Situations where they differ or vary, how does the Ministry allow this situation to occur whereby the record is showing a variation according to what actually is on the ground? Does it mean that deliveries were made without being recorded in the system?

MR. A. VOSANIBOLA. - There were a couple of issues that we had, sort of, looked at with our consultant and one is our business processes. However, it does not really mean that there is pilferage in the warehouse activity, but looking at the business process of the information system and also our current business process in the warehouse, this is something that we are trying to ensure, that it harmonises and synchronises together.

Because of 2014, we had certain issues, as I had reported earlier in our response, whereby we had resource constraints and we had trade-offs, ensuring that we meet our target, get our supplies quickly to the health facilities whereby we also work on improving our accuracy and efficiency in the process.

Accuracy in the warehouse operations or any distribution centre is always a challenge for any warehouse operation management and this is some of the issues that we have acknowledged and identified, and we are looking forward on how we are going to improve this through the recommendations from our consultant.

HON. A.M. RADRODRO. – Just a supplementary question to the system and what is actually on the ground; can you advise the Committee whether the major hospitals are linked to the EPICOR system? So how do the drugs stock level at the pharmacies in the major hospitals reconcile with what is actually in the system?

MR. A. VOSANIBOLA. -Thank you, Sir. Just for the information of Honourable Members of the PAC, we have this application which is called EPICOR, and this application was in use since 2002. One of the objectives of introducing an application is just to improve the efficiency and the turnaround of some of our decisionmaking in the supply chain activities or logistics. When we set up the application, the current setup is connected with the other three Divisional Hospitals and also it has a visibility of stock activities at the Central Medical Store.

The stock management that happens in the three Divisional Hospitals which is Labasa Hospital, Lautoka Hospital and CWM Hospital are managed under the direction of the Medical Superintendent of those facilities, whereas the stock control activities at FPBS or the Central Medical Store is managed by the Director himself. So there is a visibility of stocks that are available in the three Hospitals and also they can view the stock availability at the Central Medical Store.

The distribution of the application is only limited to those three Hospitals and we are also looking in expanding the scope of visibility of stocks .to the sub-divisional hospitals and to some critical health centres level. Those are just the basic features of our current use of the application.

24.58 - Stocks in Excess of Predetermined Maximum Level; this is very similar to the responses in 24.57. All standard items have a predetermined maximum level and a minimum stock level. FPBS was in the process of reviewing the minimum and maximum level for the warehouse, and we are awaiting the consultant’s report on how we are going to improve our warehouse operation management.

DEPUTY CHAIRPERSON. - Honourable Members, that brings us to the end of the written submission. Are there any more supplementary questions?

I believe we already had a very extensive discussion, not only in regards to the audit issues but other supplementary questions as well. On this note and juncture, I would like to, I am sorry PS, were you saying something?

MR. P. DAVIES. - I thought you were wrapping up, I just wanted to say, thank you.

HON. A.M. RADRODRO. - Just probably a comment from the PS in terms of improving the overall operations as already mentioned by the Honourable Minister.

DEPUTY CHAIRPERSON. - Let us thank them first and then we will give the opportunity to PS to just conclude the session.

HON. A.M. RADRODRO. - Deputy Chairperson, I still have yet to finish my question, especially whether in terms of in the areas of herbal medicine, whether you are going to work on it or what is the plan?

MR. P. DAVIES. - I think I will probably hand that one over to the Chief Pharmacist, because I actually Chair the Board that is responsible for regulation of medicines. Obviously anything that makes the refuting claims, we have to be very concerned about both, the safety and efficacy. So herbal medicines obviously have a part to play but they do come within the scope of the overall regulatory frame work. I do not know whether Chief Pharmacist has anything to add on that as a pharmacist.

HON. A.M. RADRODRO. - (Inaudible)

(Laughter)

MR. P. DAVIES. - I am not sure if that is relevant to the Audit report.

(Laughter)

MR. A. VOSANIBOLA. - For the traditional medicine, it is a programme that we have recognised that has its place also in the delivery of health services. Just a brief update, we are working with World Health Organisation on how we are going to strengthen this in the Ministry of Health because we have to look at a lot of areas in the traditional medicines. We are not only looking at the products, but we also have to look at the practitioners as well and how they will need to be regulated, probably that is a word or they need to be guided, so it is a very comprehensive approach.

As I have said, we are working with the World Health Organisation on how we are going to strengthen the programme in Fiji. We are thankful that the new legislation also recognises the introduction of traditional medicines through our National Medicine Products Policy. It is a work in progress activity from the Ministry of Health.

DEPUTY CHAIRPERSON. - Thank you, Sir. Members of the media, please note that these were the 2014 issues, not the current ones so we have discussed a lot of things in relation to two or three years prior.

On this note, I would like to thank everyone for your presence and, PS, some final words from you before we conclude the session. Thank you.

MR. P. DAVIES. - Thank you very much. As always, I would like to thank the Honourable Members of the Committee and you Deputy Chairperson, for your interest in our issues. I think I detect a degree of sympathy and understanding for the challenges that the team at FPBS face. Again, I think I said this last time, but we enjoy our relationship with the Auditors and we see this as a learning and a constructive process, and we are always happy to take their feedback and observations to help us do things better.

In that note, I noticed the question about what are we going to do to improve FPBS, and I could be permitted to just make one small advertisement which hopefully, our media friends will pick up on, sometimes in the next week or two we will be advertising for a very senior position as Director of FPBS which will finally relieve my colleague of the onerous responsibilities he has been shouldering in the past few months. And I want some very strong applicants for that position and I am willing to consider people from the public or the private sector.

I think this is essentially a commercial operation so very open skills in that area. Obviously, the appointment will be subject to appropriate Open Merit-based Selection but if any Member of the Committee or any colleagues around the table know of someone who want to consider putting in an application, I encourage you to tell them to keep an eye open for the advertisement and to put themselves forward because ultimately, we need a strong leader in that area and we need to cast our net far and wide to find that person. Thank you.

DEPUTY CHAIRPERSON. – We invite you to have tea, so you are most welcome to have tea with us. Thank you.

The Committee Interview adjourned at 10.56 a.m.