



REPORT OF THE AUDITOR GENERAL

ON



MANAGEMENT OF DRUGS AND MEDICAL SUPPLIES AT THE MINISTRY OF PUBLIC HEALTH AND REGIONAL HEALTH FACILITIES

PERFORMANCE AUDIT

PERFORMANCE AUDIT REPORT

Management of Drugs and Medical Supplies at the Ministry of Public Health and Regional Health Facilities





The Auditor General is the head of the Audit Office of Guyana. He is the external auditor of the public accounts of Guyana and is responsible for conducting financial/compliance and performance/value-for-money audits with respect to the consolidated financial statements, the accounts of all budget agencies, local government bodies, all bodies and entities in which the State has a controlling interest, and the accounts of all projects funded by way of loans or grants by any foreign state or organization.

In conducting performance/value-for-money audits, the Auditor General examines the extent to which a public entity is applying its resources and carrying out its activities economically, efficiently, and effectively with due regard to effective internal management control.

This report has been prepared in accordance with Part V Sections 24 and 28 of the Audit Act 2004. In conducting this audit, we followed the Code of Ethics and Standards and Guidelines for Performance Auditing of the International Organization of Supreme Audit Institutions (INTOSAI), of which the Audit Office of Guyana is a member.

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EXECUTIVE SUMMARY

Why we did this audit

The Ministry of Public Health and the Regional Democratic Councils are responsible for buying and distributing drugs and medical supplies to citizens. Over \$3 billion was spent from 2015 to 2017 to buy supplies. A performance audit for the period 2015 to August 2018 was done to assess how well the supplies were managed.

Key messages

Millions were wasted from spoilt and damaged supplies due to poor storage, which left Guyanese without needed supplies. Essential items were out of stock for long periods, and suppliers did not deliver items valued in the hundreds of millions of dollars. The audit work was hampered repeatedly because the Ministry and the Councils did not provide requested documents and did not respond to the audit reports.

What we found

Supplies were still due to the Ministry. Contracts did not include clauses to prevent late delivery or to recover payments from suppliers who did not deliver the items on time. Poorly written contracts led to over \$300M being paid out without receiving the drugs and supplies purchased. As a result, the health of citizens was at risk when there were shortages due to the delays.

Drugs and medical supplies were out of stock. Poor inventory management and the absence of buffer stock at the Materials Management Units and Regional Health Facilities led to frequent stock-outs of essential drugs and medical supplies. The Units were unable to supply 43% of requests from Health Facilities. Further, Health Facilities had to wait as long as 50 days to collect much needed supplies.

Inventories were not properly stored. The Ministry and Health Facilities poor storage practices resulted in damaged and spoilt supplies. In three years, there were losses of \$950M from expired drugs and medical supplies. As well, over 4000 spoilt vaccines were seen among usable supplies. Supplies were damaged in private warehouses, because there were no agreements specifying storage conditions.

Way forward

We made 11 recommendations to the Permanent Secretary and the Regional Executive Officers. These should be addressed in the short term to better manage drugs and medical supplies.

Introduction

1. A Performance Audit on the Management of Drugs and Medical Supplies at the Ministry of Public Health and Regional Health Facilities was undertaken by the Audit Office of Guyana for the period 1 January 2015 to 15 August 2018, the date we first completed the fieldwork. The purpose was to determine whether the Ministry of Public Health and the Regional Democratic Councils procured drugs and medical supplies in an economic manner and managed the receipt, storage and distribution efficiently and in compliance with policies, international best practices, relevant laws, regulations and guidelines. We conducted further audit checks in October 2020 on the outstanding drugs and medical supplies. In October 2020, we calculated the value of drugs and medical supplies, which were outstanding from the period under review. The Permanent Secretary of the Ministry of Public Health and the Regional Executive Officers of the Regional Democratic Councils did not respond to the findings in this audit report.

2. The procurement and management of drugs and medical supplies falls under the purview of the Ministry of Public Health, whose mission on health care is - *to improve the physical, social and mental health status of all Guyanese by ensuring that health services are as accessible, acceptable, affordable, timely and appropriate as possible given available resources and enhance the effectiveness of health personnel through continuing education, training and management systems.*

3. The Ministry's mission is addressed through its seven programme areas, namely:

- (i) Policy Development and Administration
- (ii) Disease Control
- (iii) Family Health Care Services
- (iv) Regional and Clinical Services
- (v) Health Sciences Education
- (vi) Standards and Technical Services; and
- (vii) Rehabilitation Services.

4. To accomplish the above-mentioned mission, the Ministry is tasked with creating an enabling framework for the delivery of quality and responsive health care services.

Background

5. The Materials Management Unit at Diamond and the Central Supplies Unit at Kingston were permanent sites established to manage the supply chain for drugs and medical supplies distributed to health facilities. In addition, there were six offsite locations where drugs and medical supplies were stored.

6. The vision of the Materials Management Unit is “*working together we can make a difference in health care by providing quality supplies in a timely manner.*” The main areas of operation are planning, procuring, warehousing (storage) and distribution of medical and non-medical items. Fig. 1 is an illustration of the supply chain process flow.

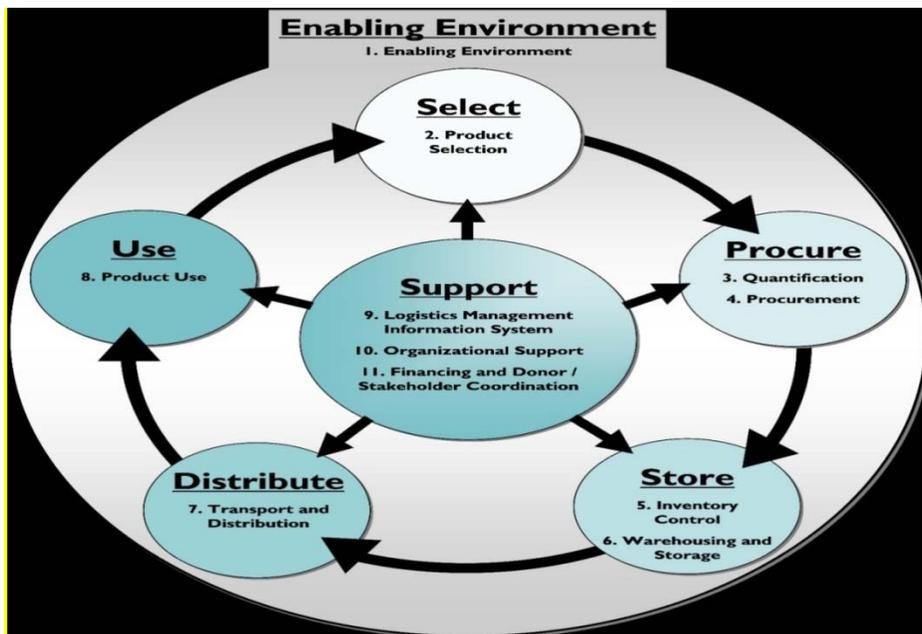


Fig. 1 - MMU Supply Chain Cycle
Source: Material Management Unit

7. The daily processing of operations was managed using a Management Accounting Computerized Software and supported by a Logistics Management Information System. The procurement of drugs and medical supplies is met from the Ministry of Public Health’s Current Appropriation Allotment. The Ministry’s operations are governed by Acts and Regulations including the Fiscal Management and Accountability Act 2003, Procurement Act 2003, Stores Regulations 1993, Food and Drug Act and Regulations 1998 and the World Health Organisation Guidelines for Proper Storage of Health Commodities.

8. The Materials Management Unit distributes drugs and medical supplies to 356 Health Facilities, which are located within the ten Administrative Regions of Guyana, as shown in the Table 1 below.

Regions	Regional Hospital	District Hospital	Cottage Hospital	Diagnostic Centre	Health Centre	Health Post	Total
1	1	3	-	-	3	46	53
2	1	1	-	-	11	20	33
3	1	2	-	1	18	21	43
4	-	2	-	1	34	7	44
5	-	2	-	-	11	-	13
6	2	3	-	-	28	4	37
7	-	2	-	-	2	21	25
8	-	1	1	-	3	16	21
9	-	2	-	-	3	51	56
10	1	2	-	-	7	21	31
Total	6	20	1	2	120	207	356

Table 1 – Health Facilities in Regions
Source - Ministry of Public Health, Health Facilities List

9. During the course of the audit, we visited fifty of the 356 health facilities in all ten Regions.

10. The management team of the Materials Management Unit is comprised of the Permanent Secretary, Director, Warehouse Manager, Logistic Manager, Quality Monitoring and Evaluation Manager and Warehouse Supervisor. The unit has a staff complement of forty-six persons, comprising of six managerial positions, thirty-five warehousing staff, three drivers and two cleaners.

Reasons for Undertaking the Audit

11. Over the years, there have been increases in the Ministry’s budgetary allocations for the procurement of drugs and medical supplies. Commencing in 2015, the Ministry received warrants from the ten Regional Democratic Councils to purchase drugs and medical supplies on behalf of the Regional Health Facilities. There was general concern of stakeholders that large sums of monies were expended; yet there were shortages of drugs and medical supplies at the Primary, Regional and Clinical Health Care Facilities. In addition, previous reports of the Auditor General commented on the continued breaches of the Fiscal Management and Accountability Act 2003, the Procurement Act 2003 and the Stores Regulations of 1993 for the management of drugs and medical supplies. Taking the above into consideration, a performance audit was conducted on the management of drugs and medical supplies at the Ministry of Public Health and Regional Health Facilities.

Audit Objective

12. To determine whether the Ministry of Public Health and Regional Health Facilities managed forecasting and budgeting, procurement, storage and distribution of drugs and medical supplies in an economic and efficient manner, in compliance with policies, international best practices and all relevant laws, regulations and guidelines and that it met the demands of health facilities.

Audit Criteria

13. Audit criteria are reasonable standards against which management practices, controls and reporting systems can be assessed. The audit criteria and sources are at the back of the report.

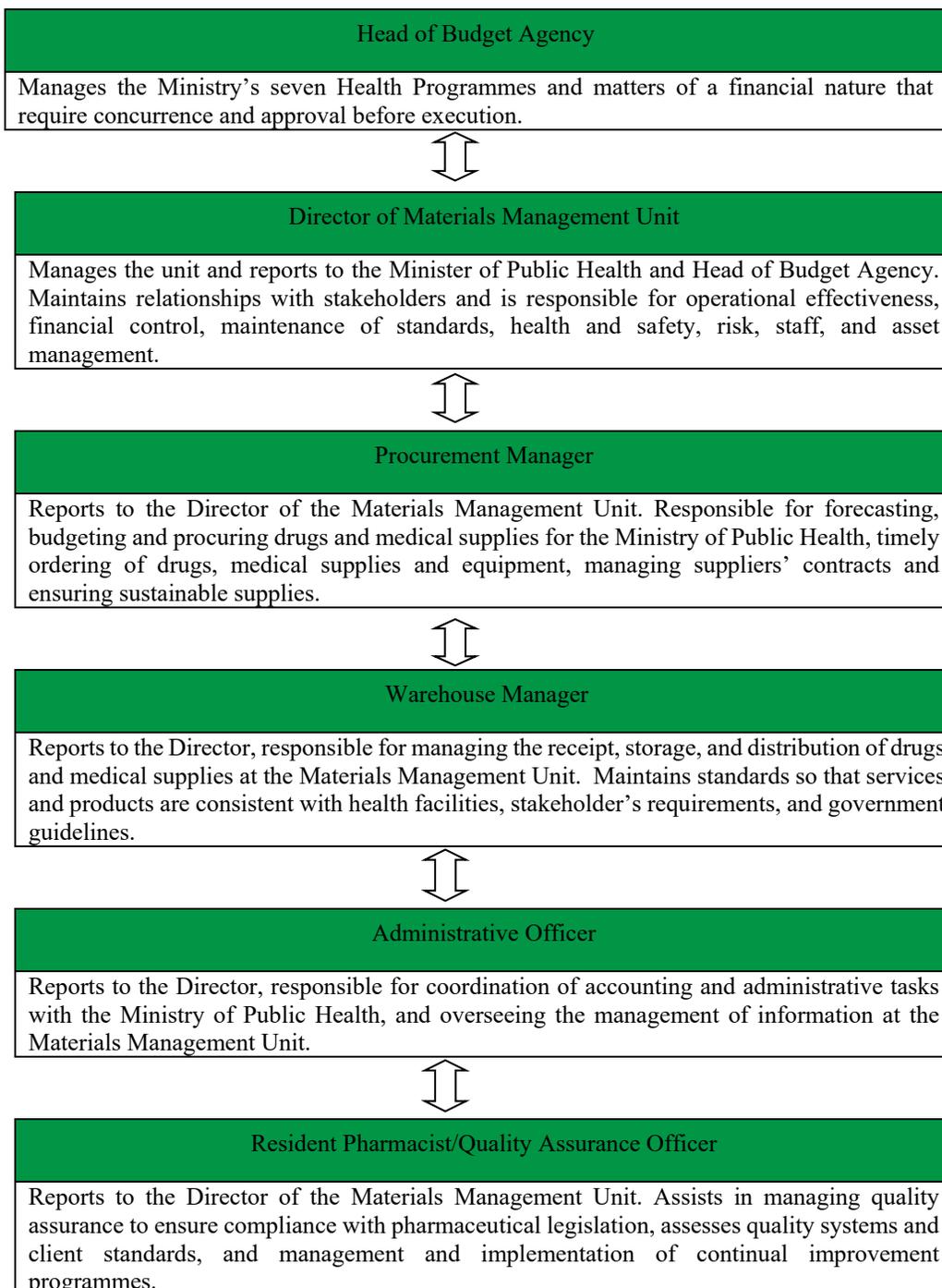
Financial Management

14. The responsibility to manage drugs and medical supplies in an economic and efficient manner falls under the Ministry of Public Health and the Regional Democratic Councils. The Head of Budget Agency, Director of the Materials Management Unit and Regional Executive Officers are expected to establish and maintain adequate management controls over financial and human resources, continually monitor their effectiveness and ensure that there is compliance with relevant authorities, such as the Procurement Act 2003 and Regulations, Stores Regulations, international best practices and contractual agreements.

15. The procurement of drugs and medical supplies by the Ministry and Regional Democratic Councils are funded by annual appropriations. For the years 2015 to 2017, the Ministry and the Regional Democratic Councils were allocated sums totalling \$11.604 billion for the procurement of drugs and medical supplies.

Roles and Responsibilities of Key Players

16. The Permanent Secretary is the Head of Budget Agency and has overall responsibility for the management of the Ministry of Public Health. The officer is assisted by the Deputy Permanent Secretary, Principal Assistant Secretary (Finance), Chief Accountant, Procurement Officer, and Director and Warehouse Manager. The following flowchart shows the roles and responsibilities of the key players.



17. Each Region has a Regional Democratic Council that is headed by a Regional Executive Officer who is the Head of Budget Agency. The Regional Executive Officer is assisted by a Regional Health Officer whose responsibility is to manage all health facilities within the Region.

Report Structure

18. This report is structured as follows: -

- *Chapter 1* – Forecasting and Budgeting.
- *Chapter 2* – Procurement of Drugs and Medical Supplies.
- *Chapter 3* – Management of Drugs and Medicals Supplies.

Chapter 1

Forecasting and Budgeting

19. It is vital for the Ministry of Public Health and the Regional Democratic Councils to strategically plan procurement activities to ensure the most efficient use of the resources allocated. Forecasting procurement activities based on the projected demand for drugs and medical supplies is necessary for allocating resources and planning for anticipated expenses. As part of procurement activities, we expected the Ministry and the Regional Democratic Councils to forecast the need for drugs and medical supplies based on the needs of Regional Health Facilities. We found no evidence that the Ministry and the Regional Democratic Councils applied a strategic approach when planning procurement activities.

No data for forecasting drugs and medical supplies

20. At the Ministry, we found no documented strategy for annual forecasting for drugs and medical supplies. Ministry officials reported that consumption or quantities dispatched to health facilities were used to forecast requirements.

21. From 2015, each Regional Democratic Council was responsible for forecasting the Region's annual needs. The Regional Executive Officers informed us that forecasting was done through the Logistics Management Unit, which considered the previous year's total consumption of drugs and medical supplies at health facilities countrywide. The figures were then analyzed to determine the quantities of drugs and medical supplies to be procured the following year.

22. The Ministry and the Regional Democratic Councils did not provide us with consumption data and the forecasted quantities from 2015 to 2017. As a result, we could not conclude that the agencies properly planned procurement activities and efficiently used their resources.

Budgets were not provided for audit

23. An organization's budget represents its financial plan for a defined period. The responsibility to prepare robust budgets to ensure an adequate supply of drugs and medical supplies to meet the health care needs of citizens rests with the Ministry of Public Health and the Regional Democratic Councils. The Ministry is responsible for budgeting and allocating funds to achieve the objectives of its seven health services programmes.

24. Officials of the Ministry informed us that budgets were prepared and submitted by the directors of the seven programmes. The requested amounts were compared with the forecasted quantities and other pertinent information to determine the budgeted cost for each programme. The Ministry did not provide the budgets for four of the seven programmes.

25. Relating to the Regional Democratic Councils, the responsibility for preparing each Region’s budget lies with the Regional Executive Officer, who works in unison with the Regional Health Officer. In preparing the budget, the officers consider the quantities of drugs and medical supplies consumed during the previous year, the stock on hand, and previous usage trends. The Ministry of Public Health justifies each budget before transmitting it to the Ministry of Finance for inclusion in the Annual Estimates of Expenditure. We could not scrutinize each Region’s budget because the Regional Executive Officers did not provide us copies upon request.

26. In August 2015, the Ministry of Health became the Ministry of Public Health. From 2015 to 2017, the Ministry of Health/Public Health, and the Regional Democratic Councils received budgetary allocations of \$11.604 billion to procure drugs and medical supplies. The Ministries received \$6.445 billion, or 56 percent of the total allocation, as shown in Table 2 below.

Agency No	Ministry/Region	Original Budget 2015 \$'000	Original Budget 2016 \$'000	Original Budget 2017 \$'000	Total Budgeted Amount \$'000
47	Ministry of Health	2,149,653	0	0	2,149,653
43	Ministry of Public Health	753,358	1,723,366	1,819,070	4,295,794
71	Barima/Waini	43,395	80,877	84,000	208,272
72	Pomeroon/Supernaam	87,914	176,099	186,099	450,112
73	Essequibo Islands/West Demerara	168,208	339,649	359,649	867,506
74	Demerara/Mahaica	226,781	586,981	620,000	1,433,762
75	Mahaica/Berbice	77,878	155,653	163,436	396,967
76	East Berbice/Corentyne	195,504	385,525	400,000	981,029
77	Cuyuni/Mazaruni	25,726	61,996	70,000	157,722
78	Potaro/Siparuni	22,469	30,672	32,000	85,141
79	Upper Takatu/Upper Essequibo	22,001	73,871	100,000	195,872
80	Upper Demerara/Upper Berbice	98,822	141,535	141,535	381,892
Total		3,871,709	3,756,224	3,975,789	11,603,722

Table 2 – Approved Budgetary Allocations for years 2015 to 2017

Source: Estimates of the Public Sector, Current Revenue and Expenditure for the years 2015 to 2017

27. The Ministry and the Regional Democratic Councils did not provide evidence of the quantities and types of drugs and medical supplies budgeted for annually and the cost and method used to arrive at the budgeted amounts. We conducted checks to determine this information for each Region for the period under review. The officials of Regions No 1, 7, and 10 presented only partial information. As a result, we could not determine whether the quantities budgeted annually were adequate to meet the needs of citizens.

Recommendation: The Heads of Budget Agencies should ensure consumption data, forecasted quantities, and budgets are documented and kept for audit scrutiny.

Conclusion

28. The Ministry of Public Health and the Regional Democratic Councils did not demonstrate that forecasting and budgeting for drugs and medical supplies were based on the needs of health facilities. While amounts were budgeted and allocated for the years, documented evidence supporting quantities, types of drugs, and cost methods were also not provided. In addition, we did not receive consumption data, forecasted quantities of drugs, and budgets. We concluded that there was no strategic approach to planning procurement activities.

Chapter 2

Procurement of Drugs and Medical Supplies

Contracts lacked key details

29. The Procurement Act 2003 requires a supplier or contractor whose tender has been accepted to sign a written contract that conforms to the tender. The Ministry and the Regional Democratic Councils were expected to efficiently manage all contractual arrangements with suppliers by preparing contracts that include performance criteria. The absence of performance criteria in contracts could leave the Ministry and Regional Democratic Councils without recourse in the event of unsatisfactory performance of suppliers.

30. The Ministry entered into 318 contracts valued at \$12.132 billion over the three years, with both national and international suppliers. All contracts were signed by the Head of the Budget Agency and the suppliers, binding the parties to the terms and conditions of each contract. We noted that the contracts did not include provisions to prevent delays by contractors nor measures to recover any overpayments. Specifically, the contracts had no start and end dates and penalty clauses. However, included was a clause stating that delivery will be made at the request of the Ministry. The failure to include specified dates and penalty clauses in contracts denied the Ministry recourse from delinquent suppliers.

Recommendation: *The Head of the Budget Agencies should ensure that contracts include contractual terms and conditions that will protect the Ministry from delinquent suppliers.*

Higher prices were paid due to restricted tendering method

31. The Ministry required thirteen emergency pharmaceutical supplies for its Regional and Clinical Services, as shown in Table 3 below.

Item No	Description	Pack Size	Quantity
1	Metformin 500mg	1000 per bottle	27,040
2	Human Albumin 20% 100ml	Vial	3,840
3	Acetylsalicylic Acid 81 mg tablets	1000 per bottle	16,951
4	Acetylsalicylic Acid 500 mg tablets	1000 per bottle	251
5	Clindamycin 150mg (capsule)	100 per bottle	11,927
6	Cloxacillin 500 mg (capsule)	1000 per bottle	2,702
7	Propofol 10mg/ml injection	Each	28,232
8	Lidocaine (2%) 20mg/ml injection	Ampoules	63,804
9	Diclofenac 1% 30g gel	Each	49,303
10	Diclofenac 75mg tablets	100 per bottle	12,392
11	Vecuronium Bromide 10mg powder injection	Each	19,651
12	Mebendazole 500mg tablets	1000 per bottle	164
13	Neulasta 6mg/0.6ml	Each	6

Table 3 – Emergency pharmaceutical supplies
Source: Tender board records

32. On 28 April 2017, the Ministry wrote the National Procurement and Tender Administration Board or the National Board requesting approval for the suppliers in Table 4 below to be invited to bid for the abovementioned pharmaceuticals, using the restricted tendering method of procurement.

Tender No	Supplier
1	International Pharmaceutical Agency
2	Caribbean Medical Supplies
3	Ansa McAl Trading Ltd.
4	Global Healthcare Supplies Inc.
5	Meditron Inc.
6	HDM Labs Inc.

Table 4 – Suppliers invited to bid for emergency pharmaceutical supplies
Source: Tender board records

33. In May 2017, the National Board approved the method of procurement requested by the Ministry. The Ministry then sold tender documents to six suppliers. International Pharmaceutical Agency, Caribbean Medical Supplies, and Ansa McAl Trading Ltd., were the only suppliers that tendered to supply the items. The tenders were opened on 23 May 2017 and evaluated by an Evaluation Committee appointed by the National Board. The Committee did not recommend an award on 14 June 2017 because the members agreed that no supplier or tenderer met all the evaluation criteria, and they failed to submit complete bids for all the items.

34. The Ministry subsequently wrote the National Board on 29 June 2017, requesting approval to retender the items using the same procurement method and all six suppliers. The tenderers were to submit their tenders no later than 18 July 2017. On this date, only tenderer HDM Labs Inc. submitted a tender for the supply of the items. The Evaluation Committee recommended the award to HDM Labs Inc.

35. We compared the price quoted for each item by HDM Labs Inc. with the prices quoted by the three suppliers to determine whether the Ministry received the best price for each item. We found in eight instances that the price quoted by HDM Labs Inc. was much higher than that of the initial three suppliers, as shown in Table 5 below. As a result, the Ministry paid more by using the restricted method of procurement to buy the pharmaceuticals from one supplier.

Description	Quantity	HDM Labs Inc. \$	IPA \$	Caribbean Medical Supplies \$	Ansa McAl Trading \$
Human Albumin 20% 100ml	3,840	32,475	17,700	No bid	28,600
Propofol 10mg/ml injection	28,232	834	348	305	No bid
Lidocaine (2%) 20mg/ml injection	63,804	463	47	48	No bid
Diclofenac 1% 30g gel	49,303	325	91	98	No bid
Diclofenac 75mg tablets	12,392	974	247	465	No bid
Vecuronium Bromide 10mg powder injection	19,651	812	645	610	No bid
Mebendazole 500mg tablets	164	22,733	1,168	4,635	No bid
Neulasta 6mg/0.6ml	6	205,675	22,429	No bid	No bid

Table 5 – Prices quoted by suppliers for emergency pharmaceutical supplies
Source: Tender board records

Invitations to tender were not presented

36. The Ministry of Public Health and the Regional Democratic Councils are guided by the Procurement Act 2003 when engaging in procurement activities. Section 30 (1) of the Procurement Act 2003 states, “A procuring entity shall solicit tenders by causing an invitation to tender to be published in newspapers of wide circulation and posted in public places... The invitation to tender or to prequalify, as applicable, shall contain a brief description of the goods or construction to be procured and shall state the deadline for submission and where the solicitation document and additional information regarding the tender may be obtained.”

37. On the other hand, Section 30 (2) states, “The invitation to tender or invitation to prequalify, shall be published in at least a newspaper of wide circulation or in at least one journal of wide international circulation dedicated to publishing international tendering whenever foreign tenderers are expected to be interested in the contract...” As such, the Ministry must advertise the invitation to tender in a newspaper or journal widely circulated nationally and internationally so that potential qualified international bidders can participate in the bidding process.

38. To test the Ministry’s compliance with the Act over the years, we requested invitations to tender. The Ministry provided no evidence that it complied with the Act over the years. In the absence of the invitations to tender, the Ministry could not demonstrate that it publicly solicited tenders to allow competition among suppliers.

Contracts awarded after items were delivered

39. An objective of the Procurement Act 2003 is to promote competition among suppliers and contractors. The Ministry did not fully adhere to the Act when it engaged three suppliers to deliver items valued at \$41.180M before the tender boards awarded six contracts valued at \$104.140M, as shown in Table 6 below. The Ministry awarded two contracts more than thirty days after the supplier commenced delivery of the drugs. We could not determine whether the Ministry received the best price for each item since there was no evidence that prices were evaluated before deliveries to determine the most competitive price among suppliers.

NPTAB / MTB №	Date of Award	Supplier	Contract Sum \$'000	Value of Delivery \$'000	Date Delivered
215/17	03.02.17	New GPC Inc.	3,101	3,101	23.12.16
227/17	30.05.17	Caribbean Med. Supplies	1,056	1,056	17.05.17
484/17	31.07.17	Caribbean Med. Supplies	78,432	15,472	20 & 27.07.17
3666/17	03.11.17	Medpharm	10,560	10,560	12 & 19.09.17
3677/17	03.11.17	Medpharm	5,388	5,388	10.10.17
3751/17	13.11.17	Medpharm	5,603	5,603	31.10.17
Total			104,140	41,180	

Table 6 - Contracts awarded after items were delivered
Source: Contracts, suppliers’ invoices & delivery notes

Tender Board files were not presented

40. The Ministry was required to maintain procurement files for each Ministerial Tender Board award. However, the Ministry did not provide us with the files for thirty contracts totaling \$22.163M. The failure to provide the files prevented our review of the procurement process, making it difficult to conclude whether there was full compliance with the Procurement Act 2003 and that the Ministry received the best prices for the items purchased.

Recommendation: *The Head of the Budget Agency should ensure that there is full compliance with the requirements of the Procurement Act 2003.*

Expenditure levels were not achieved

41. The Ministry and Regional Democratic Councils undertake a significant number of procurement transactions each year. As mentioned earlier, the amount of \$11.604 billion was allocated to fund procurement activities for the years 2015 to 2017. The records of the Ministry and the Regional Democratic Councils showed that amounts totaling \$9.859 billion were expended over this period, as shown in Table 7 below. We noted that procurement for the Ministry amounted to \$6.025 billion or 93 percent of the amount allocated, while the ten Regions expended the sum of \$3.834 billion. This shows a shortfall of \$1.745 billion or 15 percent of the amount allocated.

Agency №	Ministry/RDCs	Total Budgeted 2015 - 2017 \$'000	Actual Expenditure 2015 - 2017 \$'000	Expenditure Variance 2015 - 2017 \$'000
47	Ministry of Health	2,149,653	2,149,531	122
43	Ministry of Public Health	4,295,794	3,875,222	420,572
71	Barima/Waini	208,272	162,420	45,852
72	Pomeroon/Supenaam	450,112	329,047	121,065
73	Essequibo Islands/West Demerara	867,506	491,056	376,450
74	Demerara/Mahaica	1,433,762	1,175,884	257,858
75	Mahaica/Berbice	396,967	247,465	149,502
76	East Berbice/Corentyne	981,029	832,679	148,350
77	Cuyuni/Mazaruni	157,722	115,106	42,616
78	Potaro/Siparuni	85,141	32,359	52,782
79	Upper Takatu/Upper Essequibo	195,872	156,054	39,818
80	Upper Demerara/Upper Berbice	381,892	291,891	90,001
Total		11,603,722	9,858,714	1,744,988

Table 7 – Procurement of drugs and medical supplies for the years 2015 - 2017

Source: Estimates of the Public Sector - Current Revenue and Expenditure for years 2015 - 2017

Procurement for each Region was not clear

42. Annually, the Ministry procured drugs and medical supplies for each Region from funds allotted to the seven health services programmes. Each Region had to submit a list of the drugs and medical supplies to the Ministry for annual quantities and costs to be determined. However, despite repeated requests, we did not receive the list of items for each Region. As a result, we could not say whether the Ministry met the needs of each Region.

Recommendation: *The Head of the Budget Agency should document the quantities and types of drugs to be procured for each Region and have this document available for audit.*

43. The Regions facilitated the payments by way of warrants sent to the Ministry. The Ministry received forty warrants totaling \$4.517 billion and spent \$3.187 billion, or 71 percent of the amount, as shown in Table 8 below.

44. Table 8 shows that for 2015, the Ministry only spent \$5.371M, or less than one percent of the amount received. The Ministry explained that the \$890.585M was received late, which prevented open and competitive bidding for the items. The Ministry refunded the unspent amount of \$885.214M to the Consolidated Fund. For 2016, the Ministry spent \$1.434 billion of the \$1.838 billion received, and the difference was also refunded to the Consolidated Fund.

Region №	2015 Warrant \$'000	2015 Exp. \$'000	2016 Warrant \$'000	2016 Exp. \$'000	2017 Warrant \$'000	2017 Exp. \$'000	Total Warrant \$'000	Total Exp. \$'000
1	40,000		75,000	70,380	57,000	57,000	172,000	127,380
2	85,914		165,410	130,501	169,099	169,000	420,423	299,501
3	162,532		298,100	86,182	299,000	299,000	759,632	385,182
4	224,781		578,000	541,997	617,000	617,000	1,419,781	1,158,997
5	74,500		135,000	60,000	130,000	130,000	339,500	190,000
6	157,309	5,371	320,525	320,525	275,000	275,000	752,834	600,896
7	22,000		50,000	46,899	39,000	19,001	111,000	65,900
8	12,049		27,722	0	28,000	15,000	67,771	15,000
9	21,500		58,000	48,000	44,595	36,293	124,095	84,293
10	90,000		130,000	130,000	130,000	130,000	350,000	260,000
Total	890,585	5,371	1,837,757	1,434,484	1,788,694	1,747,294	4,517,036	3,187,149
Amount Refunded	885,214		403,273		41,400		1,329,887	

Table 8 – Warrants issued to the Ministry of Public Health for the years 2015 - 2017
Source: Warrants for years 2015 – 2017

45. For 2017, purchases for the Regions totaled \$1.747 billion from warrants of \$1.789 billion. The same list of drugs was attached to thirteen contracts, which indicated that the Ministry engaged in bulk purchases. While this was good practice and could have resulted in cost savings, we noted that the list did not show what drugs and medical supplies were being procured for each Region. The officials of the Ministry were unable to provide this information when requested. The failure to provide this information indicated that the Ministry and the Regions did not use a systematic approach when procuring drugs and medical supplies. As a result, the Ministry could not show that it effectively fulfilled the requirements under each warrant and whether each Region received value for the amounts warranted to the Ministry.

Payment vouchers were not presented

46. In addition to the supplies procured by the Ministry, each Regional Democratic Council was responsible for procuring drugs and medical supplies whenever items were out of stock at the Materials Management Unit. We requested over 1,800 payment vouchers for the years from the Councils to verify the types and quantities of drugs and medical supplies purchased. We received less than 400 vouchers for amounts totaling just over \$124M.

47. Our examination of 358 vouchers and supporting documentation revealed that the items were purchased according to the List of Essential Medicines and Medical Supplies. However, we could not determine whether the items were out of stock at the Materials Management Unit at the time of the purchase.

Inventory management systems were poor

48. The analysis of procurement activities can be considered a central part of a procurement system and can provide valuable information to assist entities in making cost-effective purchasing decisions. Entities should coordinate procurement activities to maximize the principles of economy and efficiency.

49. We found poor inventory management systems in place at the entities. There was no evidence that the Ministry and the Regional Democratic Councils coordinated procurement activities and maintained a comprehensive database of procurement activities. Further, the entities did not analyze procurement data to help improve their ability to achieve maximum benefits from procurement activities.

50. We expected the Ministry to properly account for the items procured and stored on behalf of each Region. The Ministry should have maintained separate records to show the quantities of drugs and medical supplies procured, the cost of each item, the amount distributed, and the resultant balance.

51. We found no proper inventory management system to account for items procured and distributed to each Region. While the Ministry accounted for the items in the Warehouse Management System, there was no segregation to show each Region's stock from that of the Ministry. As a result, we could not differentiate each Region's drugs from that of the Ministry.

52. The Ministry was expected to undertake frequent reconciliation of the amounts of drugs procured and issued to each Region. There was no evidence that the Ministry did any form of reconciliation for 2015 and 2016. The reconciliation statement for 2017 indicated that the ten Regions were issued drugs valued at almost \$3 billion. This amount exceeded the amount received by \$1.252 billion, as shown in Table 9 below. This poor management of inventories led to the Regions receiving excess supplies from the Ministry.

Region №	Warrant 2017 \$'000	Amount Exp. from Warrants 2017 \$'000	Amount on Reconciliation 2017 \$'000	Difference \$'000
1	57,000	57,000	156,257	99,257
2	169,099	169,000	118,643	-50,357
3	299,000	299,000	233,774	-65,226
4	617,000	617,000	983,642	366,642
5	130,000	130,000	865,646	735,646
6	275,000	275,000	344,559	69,559
7	39,000	19,001	85,862	66,861
8	28,000	15,000	27,859	12,859
9	44,595	36,293	47,232	10,939
10	130,000	130,000	135,933	5,933
Total	1,788,694	1,747,294	2,999,407	1,252,113

Table 9 – Expenditure from Warrants Compared with Reconciliation Statement
Source: Financial Returns and MMU Reconciliations for the Year 2017

53. The reconciliation statement reflects a total of 7,302 items of drugs and medical supplies totalling \$3 billion that were issued to the Regions. We noted that only 55 percent of the items had a value of \$1.942 billion. However, the Ministry did not provide us with the formula to arrive at this value. In addition, we could not verify the value of the remaining items because the Ministry did not present cost data for each item.

Recommendation: *The Heads of Budget Agencies should ensure that accounting records are properly kept and reconciled for all drugs and medical supplies procured and distributed.*

Conclusion

54. The failure of the Ministry to present Ministerial Tender Board files and evaluation reports for contracts awarded affected our review of the procurement process. We could not determine whether invitations to tender were widely circulated in newspapers because we did not receive the invitations. In addition, the Ministry was not protected from defaulting suppliers because contracts awarded were deficient in performance criteria, such as start and end dates and penalty clauses.

55. The Ministry did not always get the best prices for purchased items, as prices paid for emergency pharmaceuticals were much higher than those quoted by other suppliers. Further, there were instances where suppliers delivered the items to the Ministry days before the award of contracts. As a result, we concluded that the Ministry and the Regional Democratic Councils did not efficiently procure drugs and medical supplies and properly account for the items purchased.

Chapter 3

Management of Drugs and Medical Supplies

Supplies were still owing to the Ministry

56. A vital component of contract management is the overseeing of arrangements made with suppliers to ensure that there is timely delivery of items procured. The failure to efficiently manage contractual arrangements could prevent the Ministry from obtaining value for money due to late delivery or non-delivery of supplies.

57. Suppliers did not always fulfill their contractual obligations under each contract. The contracts with suppliers did not include provisions to prevent delays or to recover overpayments. At the end of August 2018, twelve suppliers did not deliver drugs and medical supplies valued at \$346M from purchases made from 2015 to 2017. One supplier delivered \$40M of supplies in October 2020 leaving outstanding supplies valued at over \$306M still to be delivered, as shown in Table 10 below. We noted that 47 percent of the drugs and medical supplies were outstanding since 2015.

№	Suppliers	Year			Total \$'000
		2015 \$'000	2016 \$'000	2017 \$'000	
1	New GPC Inc.	-	1,181	45,147	46,328
2	USAID Global Health Chain	-	-	45,294	45,294
3	PAHO	-	5,738	39,014	44,752
4	Massy Gas Products	-	-	967	967
5	Caribbean Medical Supplies	67,500	-	337	67,837
6	Royal Emporium	-	-	2,336	2,336
7	International Pharm. Agency	-	5,174	-	5,174
8	Supply Chain Management	49,531	-	-	49,531
9	Western Scientific Co.	27,585	899	-	28,484
10	IDA Foundation	-	13,028	-	13,028
11	Scientific Supplies & Tech.	-	2,474	-	2,474
	Total	144,616	28,494	133,095	306,205

Table 10 – Outstanding drugs and medical supplies in September 2020

Source: Audit Reports, Payment Vouchers, and Delivery Notes/Stores Received Notes

Supplies were delivered late

58. A contract for US\$1.891M or G\$409.497M was awarded in August 2017 to procure drugs and medical supplies. The items were to be delivered no later than 22 September 2017. There were no deliveries until October 2017. At the end of December 2017, only \$142M worth of items were delivered. The supplier fulfilled the obligations under the contract in March 2018, six months after the delivery date.

59. The supplier received payments of \$240.904M (59%) for fully satisfying the requirements of the contract. No evidence was provided in September 2018, six months after delivery of the items, that the supplier demanded the remaining balance of \$168.593M from the Ministry. At the end of October 2020, the Ministry only paid the supplier additional sums totaling \$102.392M, leaving an outstanding balance of \$66.201M.

Recommendation: *The Head of the Budget Agency should present all documents of the final payment made to the supplier.*

Stock-outs of drugs and medical supplies

60. An efficient and effective inventory management system includes establishing safety or buffer stock, economic order quantity, monitoring of inventory levels, and coordination between the Ministry, Regions, and suppliers. The compliance or incorporation of these principles by the Ministry and the Regions is essential for managing drugs and medical supplies to provide adequate and reliable supplies to the public.

61. We found an inefficient and ineffective inventory management system in operation at the Materials Management Unit and the Regional Health Facilities. We were not provided with information on safety or buffer stock and the economic order quantity for any of the items in stock. We determined from discussions with management that the stock levels and order quantities were never established. Poor inventory management and the absence of buffer stock at the Materials Management Unit and Regional Health Facilities led to frequent stock-outs of essential drugs and medical supplies.

Recommendation: *The Heads of Budget Agencies should ensure that safety or buffer stock and the economic order quantity are established and used to manage stock levels and avoid stock-outs of store items.*

62. The Materials Management Unit received over 287,000 Combined Requisition and Issue Vouchers from Regional Health Facilities. We randomly selected 1,145 of the vouchers to determine whether the Unit fully satisfied the needs of the health facilities. We noted the failure to fully supply drugs and medical supplies for 43 percent of the vouchers examined because the items were out of stock. We analyzed 175 items that were out of stock on 20 October 2017, as shown in Figure 2 below.

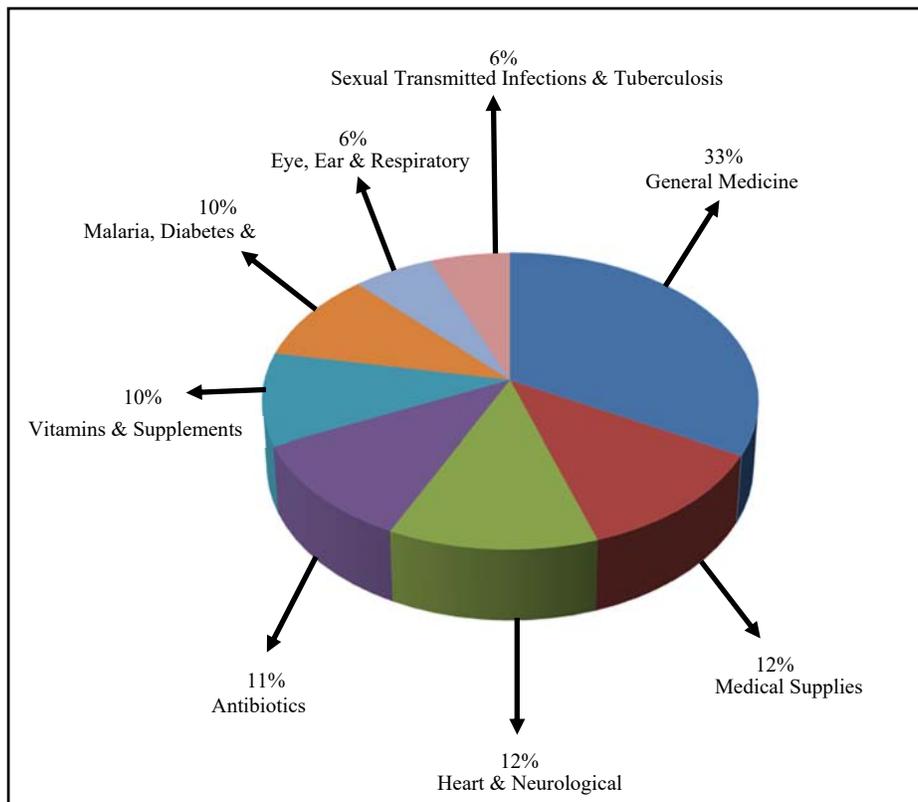


Fig.2 – Stock-out of essential drugs
Source: Audit Office of Guyana

63. The failure on the part of the Materials Management Unit to fulfill the orders of health facilities led us to conclude that citizens’ health was at risk when they did not receive essential drugs and medical supplies needed.

64. The Ministry was expected to have a policy in place to ensure the efficient and timely processing of Combined Requisition and Issued Vouchers. There was no policy in place. Our interviews with personnel revealed that it took two days to six months to process a voucher and dispatch supplies to health facilities. To test the accuracy of the information received, we selected a random sample of 593 vouchers from six Regions to determine the time taken from the receipt of the voucher to the dispatch of the items. We found that the health facilities had to wait as long as 50 days to collect much need supplies, as shown in Table 11 below.

Region №	Number of CRIVs Examined	Time to fill CRIV (days)			Total Time Taken to Fill CRIV (Days)	Total Average Time (Days)
		2015	2016	2017		
1	114	3,111	4,500	3,162	10,773	94.5
2	207	2,013	1,524	1,889	5,426	26
6	148	1,469	1,328	696	3,493	24
7	18	264	521	253	1,038	58
8	66	1,738	2,134	2,487	6,359	96
9	40	1,033	1,230	389	2,652	66
Total	593	9,628	11,237	8,876	29,741	50

Table 11 – Time taken to process vouchers

Source: AOG Analysis

Recommendation: *The Head of the Budget Agency should develop a policy for the efficient and timely processing of Combined Requisition and Issue Vouchers to avoid shortages of drugs and medical supplies at health facilities.*

65. At each Regional Health Facility, management informed us that quarterly they ordered drugs and medical supplies from the Materials Management Unit. We learned that if there was a need before the next quarter, the facility adopted several restocking options based on the urgency of the item and the quantity needed. Such options included borrowing from other health facilities within the Region, sending an emergency Combined Requisition and Issue Voucher to the Materials Management Unit, or purchasing the item.

66. From 2015 to 2017, the Regions got \$5.158 billion to buy drugs and medical supplies and entrusted \$4.517 billion to the Ministry. The balance of \$641M was available to be used whenever items were out of stock at the Materials Management Unit. The Unit was required to meet the demands of the Regional Health Facilities. In turn, the Regional Health Facilities should meet the needs of citizens.

67. We noted that the Materials Management Unit oftentimes was unable to meet the demands of the health facilities. As a consequence, the health facilities were not able to meet the needs of citizens. We found that essential drugs were out of stock for long periods, ranging from two months to five years. We noted that the Linden Hospital Complex was out of anti-snake venom injection for almost five years. At the Bartica Hospital, Quinine Sulphate to treat malaria was out of stock for three years. For two years, the Suddie Hospital did not have in stock potassium chloride injections to treat low blood levels. Table 12 below shows instances where essential drugs were out of stock for long periods at the Regional Health Facilities.

Reg. №	Health Facility	Drug	mg/ml	Period out of stock	№ of days	Usage
1	Mabaruma Hospital	Artemether Tab.		2017.07.06 – 2018.06.19	348	Malaria
		Salbutamol Inhaler	0.1	2015.02.24 - 2015.07.28 2016.07.21 - 2017.04.04	154 257	Asthma
2	Suddie Hospital Pharmacy	Potassium Chloride Injection		2015.11.28 – 2017.12.09	742	Low blood level
		Metronidazole	500	2017.01.17 – 2017.11.15	303	Bacterial infections
3	Leguan and Diamond Hospitals	Metformin	500	2015.04.21 – 2017.01.30	650	Diabetes
4	№ 1 Dispensary	Metformin	500	2016.01.04 – 2016.04.10	97	High blood sugar
	Diamond Diagnostic Centre	Cloxacillin Injection	500	2016.04.18 – 2016.12.07 2017.06.27 – 2017.09.05	233 70	Bacterial infections
5	Britannia Health Centre	Amlodipine	10	2017.03.23 – 2017.07.13	112	Blood pressure
	Cotton Tree Health Centre	Amlodipine	10	2015.06.10 – 2016.05.23	348	Blood pressure
		Salbutamol Spray		2015.06.03 – 2015.09.12	101	Asthma
		Hydrochlorothiazide	50	2015.04.20 – 2015.09.02	500	High blood pressure
Mahaicony Cottage Hospital	Captopril	25	2017.01.01 – 2017.05.25	145	High blood pressure	
7	Bartica Hospital	Quinine Sulphate Tablet	300	2015.01.02 – 2017.10.26	1,028	Malaria
		Fluconazole	150	2016.10.20 – 2017.10.26	371	Fungal and yeast infections
		Quinine Injection		2015.11.05 – 2017.10.26	721	Malaria
9	Lethem Regional Hospital	Aspirin	81	2016.01.29 – 2016.10.19	264	Fever& pain
		Ramipril	5	2016.10.13 – 2017.05.08	207	High blood pressure
10	Linden Hospital Complex	Quinine Sulphate Tablet	300	2017.02.08 – 2017.07.19	161	Malaria
		Anti-Snake Venom Injection		2012.08.27 – 2017.07.19	1,665	Snakebite
		Timolol Eye Drop	0.25%	2016.07.27 – 2017.07.19	357	Glaucoma

Table 12 – Stock-outs of essential drugs
Source: Regional Stores Records for Years 2015 - 2017

Values not stated for expired drugs and medical supplies

68. Poor storage practices over the years resulted in the Ministry suffering losses from expired drugs and medical supplies. We examined the Expired Medicines Valuation Report to assess the effects of expired drugs and medical supplies on the health sector. In three years, there were 886 expired drugs and medical supplies. Of 886 commodities, only 488 items with a value of \$690M were costed on the report, as shown in Table 13 below. The value of almost 400 items was unknown since the Materials Management Unit failed to provide the cost of each item listed.

Year	Amount of Expired Drugs & Medical Supplies	Amount of Drugs & Medical Supplies Costed	Value of Costed Items \$'000	Number of Items Not Costed
2015	296	120	202,559	176
2016	404	228	378,694	176
2017	186	140	108,553	46
Total	886	488	689,806	398

Table 13 – Expired drugs for the years 2015 to 2017

Source: Expired Medicines Valuation Report

69. We noted that the cost of each drug and medical supply was not inputted into the Management Accounting Computerized Software, at the Materials Management Unit, for the years 2015 and 2016. As a result, we could not validate the accuracy of \$950M shown as the value of expired drugs and medical supplies from 2015 to 2017.

70. Except for Cotton Tree and Britannia Health Centres, the other health facilities had large quantities of expired drugs on hand. The value of the drugs was unknown because none of the facilities presented a costed list to us. Further, there was a lack of accountability on the part of health facilities to keep records of expired drugs and medical supplies.

71. We found no system in place to promptly remove damaged and expired drugs and medical supplies at health facilities. At the West Demerara Regional Hospital, we noted items were on hand even though they had expired since 2010.

Recommendation: *The Heads of Budget Agencies should put measures in place to ensure that there is compliance for the accounting, storing, and removing of expired items of drugs and medical supplies.*

Agreements were not in place with warehouses owners

72. The Ministry had in place two permanent sites for the storage of drugs and medical supplies. In addition to the sites, the Ministry operated six privately owned offsite warehouses. No agreements between the Ministry and the owners of five warehouses were presented. As a result

of not having agreements with owners on proper storage, the Ministry could suffer losses from damaged supplies.

73. At the Ocean View International Hotel, we found boxes of medical supplies stored on the floor and stacked against the wall in seven rooms. We could not count the items because of how the boxes were packed. Further, the rooms were termite infested, as evidenced in Figures 3 and 4 below.



Fig. 3 & 4 – Damage to boxes caused by termites – Ocean View Hotel
Photos: Audit Office of Guyana

Recommendation: *The Head of the Budget Agency should ensure that agreements are in place with owners of offsite storage facilities for the proper storage of the items to indemnify the Ministry in the event of a loss.*

Recorded quantities differed from stock counts

74. Stock counts are a fundamental aspect of inventory monitoring and are used to confirm the accuracy of stock levels in a warehouse. Frequent counts can assist in signaling impending stock-outs of commodities. We found poor inventory management on the part of the Ministry and Regional Health Facilities to confirm the accuracy of stock levels and the balances in the records maintained. We found no evidence that officials undertook inventory counts for the years 2015 to 2017.

75. To test the accuracy of stocks on hand, we conducted independent stock counts during the period 28 September to 3 October 2017. We randomly selected a total of 102 items of drugs and medical supplies at the Kingston and Diamond bonds along with the Sussex Street offsite location. We found an average accuracy level of only 67 percent, as the quantities of thirty-four items at the

three locations varied from the balances in the inventory records. Of this, twenty-three had a lower physical quantity or negative variances.

76. We made similar observations while visiting some Regional Health Facilities when the quantities of items on hand varied from the balances in the inventory records, as reflected in Table 14 below.

Health Facility	Inventory Counted	Positive Variance	Negative Variance	Total Variance	Inventory Accuracy (%)
Mabaruma, Kumaka, and Matthews Ridge Hospitals	115	4	25	29	75
Suddie & Oscar Joseph Hospitals, Anna Regina Health Centre	105	6	12	18	83
West Demerara Hospital, Leguan, Leonora & Wakenaam Cottage Hospitals	132	21	30	51	61
Fort Wellington & Mahaicony Hospitals, Dundee, Britannia & No 10 Health Centres	154	38	34	72	53
Bartica Hospital, Batavia & Karrau Creek Health Posts	88	12	21	33	63
New Amsterdam Drug & Medical Stores & Port Mourant Pharmacy	96	6	25	31	68

Table 14 – Quantities on hand varied from inventory records
Source: AOG analysis

77. We conclude that by not having accurate balances for all items at the Kingston and Diamond bonds and the Sussex Street offsite location, the Ministry could not always assure health facilities of the ability to meet the demand for drugs and medical supplies. The Regional Health Facilities, on the other hand, could not demonstrate that they were capable of fulfilling the needs of citizens.

Recommendation: *The Head of Budget Agencies should initiate a review of the annual inventory management system to ensure that measures are in place to provide accurate stock level balances for drugs and medical supplies.*

Records were not promptly updated

78. Storekeepers must adhere to the requirement of the Stores Regulations and promptly bring to account all items of stores. Management of the Materials Management Unit provided us with reports for the three years, showing a total of 5,725 entries into the Management Accounting Computerized Software. We found that in 2015 and 2016, management did not put in the cost of each item in the software.

79. From the reports, we randomly selected a sample of 786 entries of drugs and medical supplies to test the accuracy of the entries inputted. We were only able to trace 263 or 34 percent of the items selected.

80. We observed that it took the Materials Management Unit an average of 21 days to update the system for 97 items received. The Regional Health Facilities took 27 to 53 days to update stores records with the receipt and issue of stores items. Health officials at the Cotton Tree Health Centre allowed 19 days to pass before updating stock ledgers.

81. At other Regional Health Facilities, there was a lack of adherence to the Stores Regulations 1993. Health officials at the National Ophthalmology, Mibicuri, and Skeldon Hospitals, and the Agatash Health Posts, did not present bin cards or stock ledgers for our examination. Another example is the Moco-Moco Health Post, where stock ledgers were not maintained for 2016 and 2017.

Dates of expired drugs and medical supplies unknown

82. International best practice recommends that drugs and medical supplies procured must have a minimum shelf life of 75%. We checked the Receipt Report to determine whether the Ministry adhered to this recommendation. We found that the report did not reflect the expiry dates of the drugs and medical supplies and our inquiry to management did not confirm that the items had the minimum shelf life. As a result, the Ministry could lose thousands of dollars from drugs and medical supplies not having the required shelf life.

Recommendation: *The Head of the Budget Agency should review the system to ensure that drugs and medical supplies received from suppliers have the required shelf life.*

Expiry dates were not written on dispatch reports

83. The World Health Organisation Guideline states, “*Always issue products that will expire first, ensuring they are not too close to or past their expiration date. The shelf life remaining must be sufficient for the product to be used before the expiry dates so stocks can be sent to facilities at least 6 months before they expire.*”

84. The Ministry adopted the first-expiry/first-out method to issue drugs and medical supplies to minimize loss from expired products. We examined the dispatch reports to verify that the items with the first expiry dates were the first ones to be issued. We could not verify this information because the dispatch reports did not show the expiry dates of the items. In the absence of such critical information, we could not conclude that there was compliance with the requirement of the Guidelines.

Lack of supervision and monitoring of health facilities

85. We expected the officials of the Ministry and the Regional Democratic Councils to carry out frequent checks of health facilities. We found no evidence that the Ministry and the Regional Democratic Councils visited, supervised, or monitored activities at health facilities. The lack of supervision and monitoring of health facilities has led to discrepancies that affected the proper storage, accountability, and security of health commodities.

Stores were not waterproof

86. A requirement of Section 4 (iii) of the Stores Regulation 1993 is that the stores must be kept clean, well-ventilated, waterproof, and secure. The World Health Organisation’s Guidelines also assert that the storeroom must be protected from water penetration. The failure to properly secure drugs and medical supplies can lead to significant losses, which could prevent the Health Facilities from meeting the needs of citizens.

87. During our inspection visits to health facilities, we found that the condition of the storage facilities for drugs and medical supplies breached the requirements of the Regulations and Guidelines. We visited the Port Kaituma Hospital in June 2018 and observed that health commodities were stored on the floor in the lower flat of the Nurses’ Hostel. In addition, we observed a line with clothing close to the boxes of commodities. We observed water damage to some of the boxes, as shown in Figure 5 below.



Fig. 5 – Drugs stored on the floor of the Hostel
Photo: Audit Office of Guyana

88. In June 2018, our visit to the bond and pharmacy of the Suddie Hospital revealed that the rooms were not waterproof, as there was water penetration from leaks in the ceiling. Also, the laboratory and bond at the Lethem Hospital were not waterproof, and similar observations were noted as evidenced in Figures 6 and 7 below.



Figs. 6 & 7 - Leaks from the ceiling at Lethem Hospital Laboratory
Photos: Audit Office of Guyana

Supplies were not properly stored

89. The World Health Organisation recommends that cartons of health commodities be stacked off the floor and away from walls and other stacks. Health officials were to ensure that cartons were not stacked more than eight feet high to allow easy access. We noted poor storage practices by the Ministry and the Regional Health Facilities.

90. Our visits to the storage bonds in Region № 1 and at the West Demerara Hospital revealed commodities carelessly stored on the floor. At the Palms Dispensary, we observed the commodities stored in a disorganized manner on the floor and stacked more than eight feet high, which made it difficult to access the items. We noted similar observations at the Mahdia Hospital Bond, David Rose Health Centre, and the Fort Wellington Hospital. Figures 8 to 15 below show the condition of the storage areas during our visits.



Fig. 8 – Drugs & medical supplies stored haphazardly at the Region № 1 Drug Bond
Photo: Audit Office of Guyana



Figs. 9 & 10 - Items stored haphazardly at the West Demerara Hospital Bond
Photos: Audit Office of Guyana



Figs. 11 & 12 – Drugs stored at Palms Dispensary
Photos: Audit Office of Guyana



Figs. 13 & 14 – Boxes of drugs on floor of Mahdia Hospital Bond & David Rose Health Centre
Photos: Audit Office of Guyana



Fig. 15 - Drugs stored on the floor, against the wall, and next to other stock at Fort Wellington Hospital
Photo: Audit Office of Guyana

Recommendation: *The Head of the Budget Agency and Regional Health Officers should monitor each health facility to ensure the proper storage of drugs and medical supplies.*

91. The World Health Organisation recommends that damaged and expired health commodities be separated from usable commodities, removed from inventory immediately, and disposed of using established procedures. The Ministry of Public Health and the Regional Health Facilities are expected to implement systems to separate usable and expired commodities.

92. At the Kwakwani Hospital pharmacy, we observed quantities of expired commodities among the usable items. The same situation existed at the Oscar Joseph District Hospital in Region № 2. Figures 16 and 17 below show our observations at the two facilities.



Fig. 16 - Drugs on the floor and next to expired items at Kwakwani Hospital Pharmacy
Photo: Audit Office of Guyana



Fig. 17 – Expired items among useable items at the Oscar Joseph District Hospital
Photo: Audit Office of Guyana

93. Poor storage practices by the Ministry resulted in spoilt supplies. At the Kingston Bond, we found over 4,000 spoilt Hepatitis B vaccines stored in a walk-in freezer and among usable supplies. Our inquiries revealed the spoilage occurred because the vaccines were not stored at the right temperature during shipment to Guyana. However, the actions being taken by management to dispose of the vaccines and the strategies in place to correct the unsatisfactory situation could not be determined.

94. We expected the management of Regional Health Facilities to comply with the guidelines of the World Health Organisation by checking storage areas monthly for signs of rodents and insects. All staff handling health commodities were expected to comply with the Stores Regulations 1993 and report defects that occur in the condition of the stores.

95. There was failure on the part of management to protect storage areas against termites and other insects. During a visit to the Mibicuri Hospital in August 2018, we observed drugs and medical supplies stored on shelves that were damaged by termites. Similarly, a visit to the Mahdia Hospital showed termites in the ceiling of the storage bond. The walls of the Lethem Hospital Pharmacy Bond showed evidence of mold and insects during our visit in August 2018. Figures 18 to 22 below show the condition of the stores.



Figs. 18 & 19 - Shelves at Mibicuri Hospital infested with termites
Photos: Audit Office of Guyana



Fig. 20 - Termites on the ceiling at Mahdia Hospital Bond
Photo: Audit Office of Guyana



Figs. 21 & 22 - Mold and insects on the wall at Lethem Hospital Pharmacy Bond
Photos: Audit Office of Guyana

Conclusion

96. The Ministry did not efficiently manage the receipt, storage, and distribution of drugs and medical supplies as required by international best practices, World Health Organisation Guidelines, and regulations. We base our conclusion on the following:

- There were prolonged delivery periods and unfulfilled contractual obligations for the receipt of the items. The failure of the Ministry to efficiently manage contractual arrangements led to eleven suppliers owing more than \$300M in supplies to the Ministry.
- Poor inventory management and the absence of safety or buffer stock at the Materials Management Unit and Regional Health Facilities led to frequent stock-outs of essential drugs and medical supplies.
- The Materials Management Unit did not fully supply drugs and medical supplies for 43 percent of Combined Requisition and Issue Vouchers examined for Regional Health Facilities.
- A stock count at the Materials Management Unit revealed that 175 items were out of stock, which affected the stock levels at Health Facilities, thus making them incapable of meeting the needs of citizens. On average, it took 50 days to issue drugs requested by health facilities.
- The Ministry suffered losses due to 886 expired items of drugs and medical supplies valued at \$950.402M for the years 2015 to 2017. The Regional Health Facilities also experienced losses from expired items. However, the value of the loss was unknown, due to the absence of costing information.

About the audit

This report was prepared by the Audit Office of Guyana on the management of drugs and medical supplies by the Ministry of Public Health and the Regional Health Facilities. Our responsibility was to provide objective information and advice and to conclude whether the Ministry and the Regional Health Facilities complied in all significant respects with the established criteria.

Scope and approach

The period covered by the audit was 1 January 2015 to 15 August 2018. We conducted work on the entire procurement process. Our work included examining forecasting, budgeting, procuring, receiving, storing, and distributing drugs and medical supplies. We did this to ensure that all activities were conducted in compliance with relevant laws, guidelines, and regulations. We also conducted follow-up audit work in October 2020.

The approach for this audit included:

- (a) Interviews with staff of the Ministry of Public Health, Regional Health Facilities, and owners of offsite locations to understand their roles and responsibilities.
- (b) Review of the Procurement Act, contracts, annual estimates of expenditure, reports, approvals by Cabinet and the National Board, accounting records, warrants received, and other documents supporting the management of drugs and medical supplies.
- (c) Review of financial and stores accounting activities, and detailed test of transactions to ensure they were authorized by competent authorities.
- (d) Physical verification of items received to determine deliveries and outstanding supplies per contract.

Audit Criteria and Sources

The main criteria that were used to conduct this audit and their sources are as follows:

Criteria	Sources
We expect the Ministry of Public Health and the Regional Democratic Councils to efficiently forecast and budget for drugs and medical supplies to meet the needs of health facilities.	Ministry of Public Health - Policy for Forecasting and Budgeting for Drugs and Medical Supplies
We expect the Ministry of Public Health and the Regional Democratic Councils to manage the tendering process and award contracts for procuring drugs and medical supplies economically and efficiently.	Procurement Act 2003 Contracts Cabinet, NPTAB & Ministerial Approvals Evaluation Reports Inter-Departmental Warrants
We expect the Ministry of Public Health and Health Facilities to efficiently manage the receipt, storage, and distribution of drugs and medical supplies.	Annual Estimates Integrated Financial Management Information System Reports Contracts Goods Received Notes Stores Regulations World Health Organisation Guidelines Combined Requisition and Issue Vouchers Payment Vouchers Cabinet, NPTAB & Ministerial Approvals