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Swiss Cooperation Office Tanzania

CAG report on MSD special audit (30/06/2009 – 30/06/2011)

Major findings and recommendations

Basket Partners meeting, 10/02/2011

Background

- HBF \$ per capita for purchase of drugs:
 - \$0.25 Side Agreement 09/10; 10/11
 - \$0.5 Side Agreement 11/12
- Special MSD audit required according to Health Basket MoU 2008-2015 (§29), *Basket Fund Committee meeting June 28, 2011*
- Entry Conference *Oct 4, 2011*
- No exist conference yet (*End of November 2011 according to the ToR*)

Findings – 6 areas

- 1) Share of HBF and Got funds to MSD for medical supply
- 2) Release of Funds to MSD
- 3) (re)Allocation of funding between the different levels
- 4) Evidence at Referral, Regional, District Hosp and PHF
- 5) Special procurement, order processing and delivery of supply by MSD
- 6) Use of HF of their allocated credit by MSD
- 7) Monitoring and controlling mechanisms

GAC recommendations

Proposed follow-up

1) Share of HBF and Got funds to MSD for medical supply

- HBF 14% increase
- GoT 3% decrease

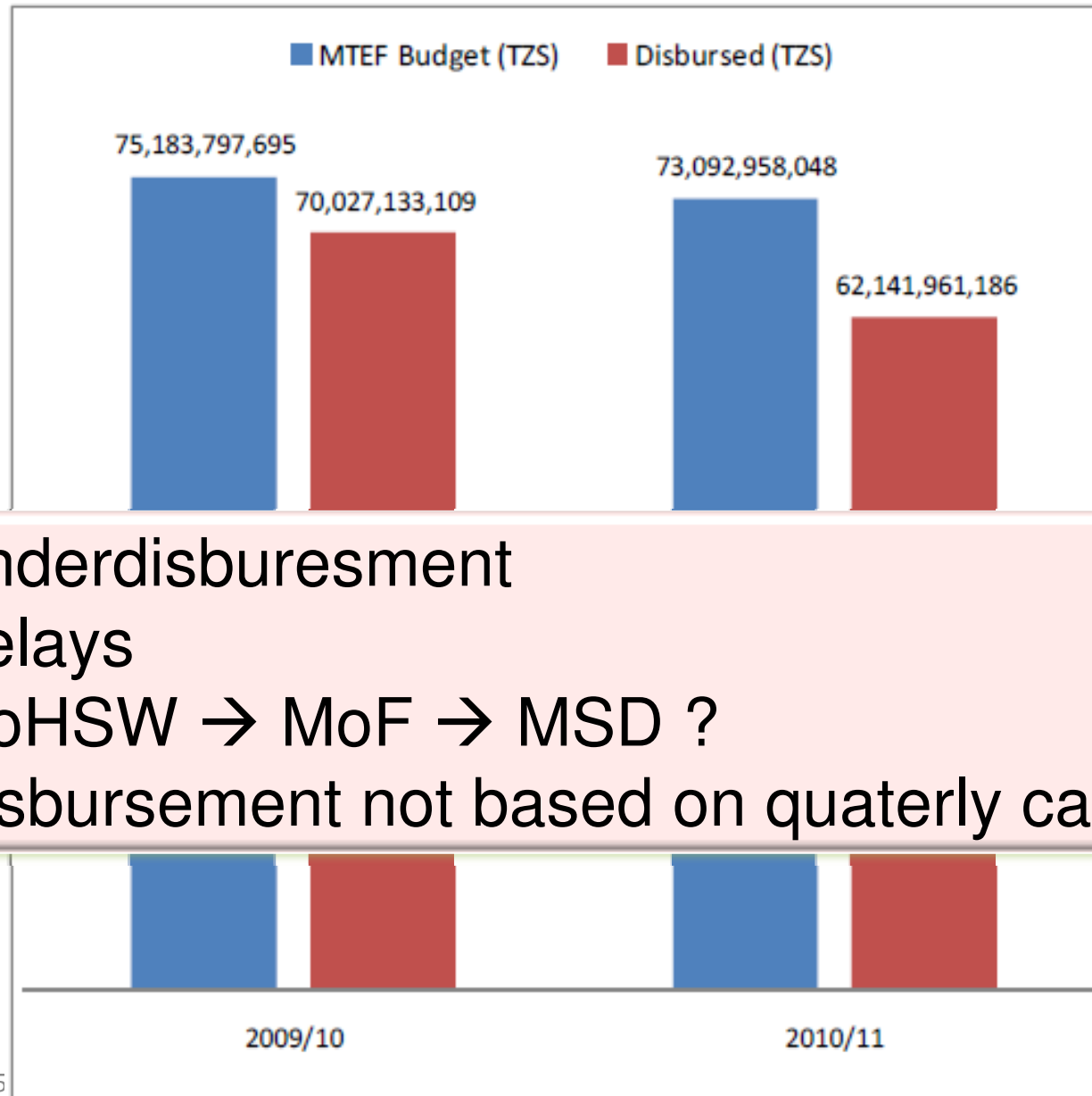


The GOT resources allocated to MSD for medicines should **be increased proportionally** to the increase in the Health Basket Funding for medicines.

The GOT should make sure that all budgeted **funds** as per MTEF and Side Agreements for medicines are **released timely to MSD**.

- Seek GOT commitment to the medicines budget during the coming FY budget process.
- HBF contribution to be additional.

2) Release of Funds to MSD



- Underdisbursement
- Delays
- MoHSW → MoF → MSD ?
- Disbursement not based on quarterly cash requirements

2) Release of Funds to MSD

The MOHSW should ensure that the funds are disbursed to the MSD within reasonable time from the date the funds are released from the Exchequer.

Communication of the disbursements and allocations to health facilities to MSD by the MHSW should be timely made.

The MOHSW and MSD should investigate funds differences and account for un allocated disbursements for the financial year 2009/2010.

The MOHSW should ensure that the amounts received from the Treasury for the purchase of medicines and medical supplies are sent to the MSD as requested and not reallocated to other activities.

The MOF and MOHSW should ensure that the disbursement budget for drugs and medical supplies is distributed on a regular manner and timely for health facilities to avoid unpredictability of when and how much the drugs budget and its disbursements are going to be.

- Clarify all disbursement delays and identify how much was allocated to other health priorities
- Need analysis of the debt & recovery plan.

3) (re)Allocation of funding between the different levels

Weaknesses in allocation formula

Funds allocated to non existing and operational facilities

Financing and disbursements arrangements

3) (re)Allocation of funding between the different levels

Control over facilities registration at MOHSW at the ministry should be improved so that only **qualifying new facilities are registered or upgraded**.

The PSU should update the statistics of parameters they used to allocate funds for drugs on an annual basis. The **new and fair allocation formula** taking into **consideration** parameters such as population served, disease burden etc for Health Centres and Dispensaries should be established.

The MOHSW should ensure that the **health facilities are assigned unique identification codes**.

The MSD should carry out a data clean up exercise so as to identify and eliminate health facilities with **multiple accounts** to avoid confusion when processing **allocations and orders**.

- Develop a new resource allocation formula for PHC (HC/Dispensaries) by PSS and MSD
- Revising the hospital resource allocation formula

with their statement of accounts for recording and reconciliation purposes.

The MOHSW to ensure that the **primary health facilities get improved access to the fees** and claims they collect. Furthermore, the MOHSW to ensure that a higher proportion of the charges collected be used to ensure a constant and reliable drug supply at the hospitals. In principle more than 60% of the amounts received from other sources should be used to supplement the government budget.

4) Evidence at Referral, Regional, District Hosp and PHF

- APP not updated
- Delays in procurement
- Limited time allocated to bidders
- Problems with tender process

4) Evidence at Referra, Regional, District H. and PHF

The MSD should ensure that all the **health facilities in the zone are provided with copies of the excel spreadsheet** before the start of the year which they should use in quantifying their needs. They should be trained on how to use this tool before they attend the stakeholders meeting to agree on the needs of the zone.

The MSD should issue written guidelines to all Zonal Managers and sales staff specifying the terms of credit to Health Centers and dispensaries. The **highest credit limits** for primary health centers should be clearly stated.

The MSD should arrange refresher **courses** on how to complete the orders. MSD should also strive to close their regional warehouse for a shorter period like a week during the stock taking time. The current period of closure of one month is too long a period.

The MSD should ensure that frequently ordered drugs and medical supplies are in sufficient quantities to satisfy the needs of the zonal offices.

The MSD officials to ensure a **strict follow up on suppliers** to deliver procured **drugs** on time according to contract terms so as to improve the availability of drugs in its warehouse.

The inspection team at MSD central office should thoroughly **inspect** the drugs delivered by suppliers.

The MSD should completely move away from the phased out push system and implement the pull system by delivering only what has been ordered.

The MSD should make sure that the suppliers **deliver the drugs within the delivery schedules**. Contract management at MSD needs to be improved.

4) Evidence at Referra, Regional, District H. and PHF

The district pharmacist should make a close follow up to the primary health facilities which are submitting orders late and those which are not submitting at all. Also the CHMT members should regularly visit these facilities to understand the challenges they are facing which are making it difficult for them to submit orders as required. In addition the DMOs with the assistance of their pharmacists should thoroughly review the orders submitted to them by the primary health facilities and make sure they are submitted to MSD free of errors and with amount within the primary facility budget.

The MOHSW should increase the funds allocated to facilities at least by ensuring that the funds for the drug budget are released up to the **drug ceiling** set in the MOHSW's MTEF. The disbursement of this fund should be spread evenly throughout the fiscal year to allow for proper planning and budgeting at MSD.

The Health Sector Management Team in each LGA must ensure that every in charge of a Dispensary and Health Centre complies fully with all **requirements of the ILS.**

5) Special procurement, order processing and delivery of supply by MSD

- Random disbursements
- No functioning quantification system (financial and drugs needs)
- Lack of knowledge (staff)
- Problems at MSD zonal offices

5) Special procurement, order processing and delivery of supply by MSD

Drugs clearance time span at the Port should drastically be reduced from the current practice of three months to two weeks.

The MSD should establish a **robust quantification mechanism for the drugs needs of the health facilities which involve all key stakeholders to avoid procurement of excess drugs that are not required by the facilities.**

Health facilities should **improve their storage facilities for expired drugs and separate expired drugs from the unexpired drugs.**

Health facilities should reconcile the dispensing register with issued items from ledgers to ensure that drugs issued to dispensing have been issued to the users before being issued with a new request.

To ensure timely implementation of the procurement process, hence timely delivery and distribution of pharmaceuticals, medical supplies and equipment, the standard procurement processing time as prescribed in the Third Schedule of GN.97 should be adhered to.

Procurement process sequence should be observed from approval of procurement method through award of contract and administration.

Prior review requirements for bidding documents, evaluation reports and contract award recommendations should be observed for each ICB procurement with the value of US\$ 500,000 or above.

6) Use of HF of their allocated credit by MSD

- Huge balance of unutilized amount lying at MSD
- HF to use alternative funding for drugs

MSD should improve the availability of stocks in its zonal warehouses to enable health facilities to utilize their balances and thus improving the availability of drugs and medical supplies at health facilities. In addition the MSD and MOHSW should consider the review of the three month order cycle and instead institute one that can take only one month to reduce the waiting period before the facility orders.

ToR 4-5-6 Proposed follow-up

MSD

Quarterly monitoring of budget utilization at MSD facility accounts.

Quarterly monitoring of performance on order submission (Councils / facilities)

Improve performance and order fulfillment (Resource flows: MSD cash flow or financing arrangements; Supply side: procurement methods / supplier performance and contract management / organisation and management of Zonal MSD and distribution system)

Customer relations: monitoring, communication and information flow

Health Facilities

Improve inventory management and accountability at facility level

Improve information flow from MOHSW and MSD to LG and service providers

7) Monitoring and controlling mechanisms

- No monitoring of funds allocated to HF.
- Missing supervision reports

MOHSW should carry out the monitoring of the utilization of funds allocated to health facilities. Any unutilized funds for long time should be reallocated to the needy.

The RHMT is recommended to generate supervision reports that are made available to the health facilities after every supervision exercise. The Medical Officer in charge for each hospital should appoint members of the HTC and ensure that they perform their duties as specified by Section B of the ILS Manual.

- Advocate for MoHSW routine quarterly monitoring
- Use this audit report to support institutional information systems : EPICOR at LG and MSD, PlanRep, DHIS including tracer medicine and logistics indicators

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