

REPORT OF THE COMMITTEE ON HEALTH, COMMUNITY DEVELOPMENT AND SOCIAL WELFARE ON THE REPORT OF THE AUDITOR-GENERAL ON THE DISTRIBUTION OF MEDICINES AND MEDICAL SUPPLIES FOR THE SECOND SESSION OF THE ELEVENTH NATIONAL ASSEMBLY APPOINTED ON 27TH SEPTEMBER, 2012

Consisting of:

Brig. Gen Dr B Chituwo, MP, (Chairperson); Ms D Siliya, MP; Mr M Simfukwe, MP; Mr C Mweetwa, MP; Mr M Habeenzu, MP; Mr L Mufalali, MP; Mr E Musonda, MP; and Mr C Matafwali, MP.

The Honourable Mr Speaker
National Assembly
Parliament Buildings
LUSAKA

Sir

Your Committee has the honour to present its Report on the Report of the Auditor-General on the Distribution of Medicines and Medical Supplies for the Second Session of the Eleventh National Assembly.

Functions of the Committee

2.0 The functions of your Committee, as set out in the National Assembly Standing Orders, are as follows:

- (i) study, report and make recommendations to the Government through the House, on the mandate, management and operations of the Ministries of Health, and Community Development, Mother and Child Health, departments and/or agencies under their portfolios;
- (ii) carry out detailed scrutiny of certain activities being undertaken by the Ministries of Health, and Community Development, Mother and Child Health, departments and/or agencies under their portfolios and make appropriate recommendations to the House for ultimate consideration by the Government;
- (iii) make, if considered necessary, recommendations to the Government on the need to review certain policies and certain existing legislation relating to the Ministries of Health, and Community Development, Mother and Child Health;
- (iv) examine annual reports of the Ministries of Health, and Community Development, Mother and Child Health, departments and agencies under their portfolios in the context of the autonomy and efficiency of Government ministries and departments and determine whether the affairs of the said bodies are being managed according to relevant Acts of Parliament, established regulations, rules and general orders; and
- (v) consider any Bills that may be referred to it by the House.

Meetings of the Committee

3.0 Your Committee held six (6) meetings during the period under review.

Procedure adopted by the Committee

4.0 Your Committee requested written and oral submissions from the following stakeholders:

- (i) University of Zambia – School of Medicine, Pharmacy Department;
- (ii) Medical Stores Limited;
- (iii) Pharmaceutical Society of Zambia;
- (iv) Churches Health Association of Zambia; and
- (v) Ministry of Health.

AUDITOR-GENERAL’S COMMENTS

5.0 The Auditor-General reported that the Performance Audit Report on the Distribution of Medicines and Medical Supplies in Zambia, was submitted for tabling in the National Assembly in accordance with the provisions of Article 121 of the Constitution of Zambia.

Background to the Audit

5.1 Medicines and medical suppliers were of great importance for the well being of society. It was, therefore, critical that essential medicines and medical supplies were always available at health centres at all times.

In this regard, since 1992, the Government, through the Ministry of Health, had been implementing Health Sector Reforms, whose aim is to provide the people of Zambia with equity of access to cost effective and quality healthcare as close to the family as possible.

Motivation for the Audit

5.2 There had been concerns raised in the media and general public that some essential drugs, such as anti-retroviral drugs (ARVs), anti-malaria and tuberculosis (TB) medication, that were supposed to be distributed free of charge to patients under Government sponsored programmes, were not readily available in health centres. Some media reports had also revealed that workers in public health institutions had been involved in the pilferage of medicine.

Other concerns included the fact that the Government had spent huge amounts of public resources to ensure that society had access to medicines and medical supplies so that people need not needlessly die of treatable diseases.

During the period from 2008 to 2010, the Ministry of Health (MoH) received funds amounting to K 310,393,846,445 from the Government and its cooperating partners for the procurement of medicines. Out of this amount, K159,488,247,937 was spent on the procurement of ARVs, anti-TB and malaria medicines and other medical supplies.

The audit was also motivated by the following factors:

- i) the distribution of medicines was spread countrywide as it covered all districts. This posed a risk of failure to properly and equitably distribute the medicines to all the health facilities in the districts; and
- ii) reports on large quantities of expired medicines contained in previous audit reports of the Auditor-General for the financial years from 2005 to 2007, and frequent media coverage on non-delivery of medicines.

Audit Objective

5.3 The purpose of the audit was to assess the efficiency and effectiveness of the MoH and Medical Stores Limited's (MSL) mandate to distribute medicines and medical supplies to hospitals, clinics and other health centres in Zambia.

Audit Questions

5.4 Based on the audit objective, the audit was designed to answer the following questions:

- i) to what extent are essential medicines available at hospitals and other health centres?;
- ii) does Medical Stores Limited have sufficient capacity to meet health facilities' requirements?;
- iii) to what extent is the distribution system working efficiently and effectively?; and
- iv) what internal systems are in place to safeguard medicines and medical supplies?

Audit Criteria

5.5 In conducting the audit, rules and regulations, standard storage practices and distributions, among others, were used as assessment criteria. In addition, the following laws, policy documents and guidelines were utilised as benchmarks for the assessment:

- i) the 2001-2005 National Health Strategic Plan which projected the availability of essential medicines at 85% by the year 2005 and onwards;
- ii) the MSL guidelines on minimum time required between when an order is placed and when it should be delivered;
- iii) formal written policies and objectives which address, inter-alia, allocation, control, utilisation, disposal and safeguarding of pharmaceutical supplies;
- iv) the MSL ordering and delivery schedules which were produced annually;
- v) the process of ordering and distributing pharmaceutical supplies which require continuous monitoring and revision as necessary to ensure the ordering of optimum quantities; and
- vi) the Pharmaceutical Regulatory Authority requirements.

CONSIDERATION OF SUBMISSIONS ON MATTERS RAISED IN THE AUDIT REPORT

6.0 Your Committee received submissions from the identified stakeholders and the Controlling Officer of the Ministry of Health as stated below.

CONSOLIDATED SUBMISSIONS BY STAKEHOLDERS

6.1 Your Committee notes that all the stakeholders who appeared before it supported the Auditor-General's findings and recommendations. However, the stakeholders made additional recommendations stated hereunder.

- i) Some stakeholders were of the view that the procurement of medicines and medical supplies should, by and large, depend on the disease occurrence as reflected in the Health Management Information System (HMIS).

- ii) There was need to decentralise the operations of Medical Stores Limited in order to reduce the lead time.
- iii) There was need to harmonise the procurement, storage, distribution, demand and quantification of medicines in the public sector as there were certain instances when the Ministry of Health under-procured medicines leading to shortages and also over-procured medicines leading to expiries. In addition, the procurement of medicines and medical supplies should be guided by pharmacists who are eminently qualified to understand the dynamics of the supply chain management cycle and systems as they relate to medicines and medical supplies in a health care setting.
- iv) While appreciating the proposal for the procurement function to be moved from the Ministry of Health to Medical Stores Limited, some stakeholders were of the view that the Government should also provide a specific budget line to district hospitals and other health facilities to enable them procure medicines from MSL. This would result in the supply system to function as a business to respond to the needs of the customers. The stakeholders were of the view that this move would enable district hospitals and other health facilities to select appropriate medicines and medical products, and result in the reduction of under-supplying, over-supplying and wastage of medicines. Further, as the funding model was addressed, the Government should increase the budget proportion of running costs that health facilities could use for the procurement of extra medicines and medical supplies with the exception of those supplied by MSL, in order to address the short-term shortage of essential drugs.
- v) There was need to establish effective systems for collation and analysis of drug consumption data in order to ensure better estimates of drug requirements.
- vi) District health management teams had to establish regular and more effective technical support of the health facilities in their districts in order to ensure the timely submission of medicine requisition forms to MSL.
- vii) Some stakeholders were of the view that the lack of commitment by the Government to implement the National Drug/Medicines Policy had contributed to the stagnation of problems in the health sector. They expressed concern that despite the policy being in place for the past sixteen years, implementation had not been actualised. In light of the above, there was need to put in place an implementation plan which should have input from all the stakeholders. In addition, there should be a monitoring and evaluation programme for the implementation plan. Additionally, annual reports of the monitoring and evaluation of the implementation plan should be availed to all stakeholders in order to constitute part of the performance appraisal by all implementing bodies/institutions.

CONTROLLING OFFICER'S RESPONSES AND THE COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

6.2 The following were the responses from the Controlling Officer and your Committee's observations and recommendations on the queries.

Audit Query

a) Availability and Quality of Essential Medicines at the Health Facilities

i) There was Lack of Essential Medicines at Hospitals and other Health Facilities

The Ministry of Health National Strategic Plan for 2001-2005 required that there should be at least 85% availability of essential medicines at health facilities. However, results from the survey

conducted revealed that out of twenty-three DHMT's visited, ten were below the standard as prescribed by the National Strategic Plan for 2001-2005. This represented 43% of the sampled DHMT's. In addition, out of thirty-four rural health centres visited, twenty-five centres, representing 73% of sampled centres, were below the standard prescribed by the strategic plan. While nineteen of the twenty-eight of the urban health centres visited were also operating below the standard. This represented 68% of the sampled Urban Health Centres.

Controlling Officer's Response

The Controlling Officer submitted that the national medicines budget had been increased from Kr 117 million in 2011, to Kr 301 million in 2012, to facilitate the procurement of increased quantities of essential medicines and medical supplies for health facilities. In 2013, the medicines budget had been increased to Kr 590 million with notable increases for ARVs and artemisinin-based combination therapies (ACTs). However, this was not adequate in view of the increased demand for essential medicines and medical supplies and an increasing disease burden. Therefore, an estimate based on recent quantification was that at least Kr 710 million was needed to appropriately stock health facilities with adequate medicines and medical supplies.

The medical supplies, including surgical sundries like examination and surgical gloves, needles and syringes, imaging and dental supplies, represented a high cost centre and a challenge for the national medicines budget. Currently, they consumed up to 50% of the budget. Your Committee was further informed that the number of health centre kits procured in 2012 had increased from 22,000 to 30,000 units and this translated into increased allocations and availability in most health facilities. For example, Lusaka had recorded an adjustment of up to 80% from previous allocations.

Committee's Observations and Recommendations

Your Committee commends the Government for the significant increase in the National Medicines Budget. However, it observes that this is still not adequate to meet the various challenges in the availability of essential medicines at health facilities.

In light of this, your Committee recommends that:

- (i) the Government should increase the budgetary allocation to the health sector in line with the Abuja Declaration which requires Member-Countries to allocate at least 15% of their national budgets to the health sector; increased budgetary allocations to the health sector will enable the national medicines budget to provide adequate funds for the procurement of medicines and train staff in quantification and forecasting which will result in sufficient quantities being delivered to health facilities;
- (ii) funds for the procurement of medicines must be determined on an item-by-item cost and quantity estimation basis as opposed to the current system where funds allocated are a lump sum and procurement of medicines or medical products is based on first-come-first-serve basis, without prioritisation for vital and essential medicines;
- (iii) the Ministry of Health should establish a more proactive approach to monitor the demand and supply of essential drugs to ensure timely identification of reducing stock; and
- (iv) Medical Stores Limited must improve the delivery and supply of medicines and medical supplies to health institutions.

ii) Over-Stocking of Medicines at the District Pharmacies and Health Facilities

A Physical verification of the district pharmacies and health facilities revealed that medicines were overstocked in Chililabombwe, Kabwe, Mwenze, and Luanshya Districts Pharmacies. Your

Committee was informed that overstocking of medicines caused wastage, as some of the medicines could remain unused after their expiry dates while other places faced shortages.

Controlling Officer's Response

The Controlling Officer submitted that there was good evidence that overstocking in health centres had significantly reduced with the newly introduced and procured 30,000 health centre kits.

At the beginning of each year, the Ministry of Health requested all pharmacy managers to declare all excess stocks to facilitate a national stock assessment for specific supply decisions to be made. This had resulted in more coordinated information sharing on supply management.

Further, provincial, district and facility pharmacists had been instructed to be more proactive in the management and monitoring of essential medicines and medical supplies in health facilities. This included more regular planned supervisory and technical visits to enhance supply chain management in health facilities. Furthermore, intra and inter-facility communication had been enhanced to ensure that information on medicines availability was shared on a weekly basis by way of sharing weekly reports on tracer medicines and other supplies. According to the Ministry of Health, the redistribution of overstocked medicines was a routine task for every pharmaceutical manager and this had led to reduced overstocks and subsequently, the expiry of essential medicines and medical supplies. The Ministry of Health was also working closely with other stakeholders such as the Churches Health Association of Zambia (CHAZ), in the distribution system to ensure that there was no duplication of orders for specific items they may have a mandate on.

Committee's Observation and Recommendation

Your Committee recommends that personnel at health facilities must be trained in quantification and forecasting in order to ensure that only the required amount of medicines are requested for to avoid overstocking. Your Committee further upholds the recommendation by the Auditor-General that overstocked medicines should be redistributed to under-supplied facilities in order to avoid wastage. In light of this, the Ministry of Health must assist the health centres to establish data bases which all district pharmacies should access in order to check for overstocked medicines.

iii) Large Quantities of Expired Medicines and Medical Supplies at Medical Stores Limited and District Pharmacies

A review of records at MSL revealed that medicines and medical supplies costing K8,830,574,666 expired in 2009 and that supplies costing K5,386,268,842 expired in 2010. Further, nine of the twenty-seven DHMTs visited had expired medicines costing K1,920,898,747 in their Pharmacies. In addition, five DHMTs had not costed the expired medicine as of July, 2011. Additionally, the listing of expired medicines included medicines which had expired from as far back as 2008. It was, therefore, evident that MoH had not put measures in place to monitor and ensure that the expired medicines were disposed of.

Furthermore, MSL attributed the expiry of the medicines to the following factors:

- i) receipt of large donated quantities of medicines that are not on the Zambia treatment protocols, leading to drug hoarding and subsequent expiration at Medical Stores Limited;
- ii) laboratory products, especially reagents which have a short shelf life, were delivered to MSL very close to their expiry date. Most of these were in quantities which could not be consumed by the health facilities before they expired; and
- iii) change of treatment regimes, particularly in anti-retroviral treatment, led to the reduction in the consumption levels of some medicines.

Furthermore, the verification of expired medicines at the pharmacies revealed the following:

- i) there was no segregation between expired and unexpired medicines at some of the district pharmacies visited such as Mpika, Samfya, Kaoma and Sesheke; the expired medicines were not retrieved from the shelves and stored in separate locations; and
- ii) even though the laid down procedures did not allow the dispatch of medicines that were nearing their expiry dates, MSL was dispatching such medicines to health centres, contrary to the Ministry's policy which requires that medicines with ninety days shelf life or laboratory products with thirty days shelf life should only be issued upon receipt of a request from health facilities or after consultation with the health facilities who should confirm that the medicines will be fully consumed before expiry.

Controlling Officer's Response

The Controlling Officer submitted that a significant amount of medicines had expired at MSL due to changes in the national treatment protocols, for example in the case of HIV/AIDS and TB. There was also growing evidence that less medicines were expiring at MSL due to improved quality of quantification and procurement of essential medicines and improved supply management practices in facilities. Further, most facilities had recorded significant declines in the volumes of expired medicines. In 2011, for example, Lewanika General Hospital recorded a significant decline of expired stock of up to 80% compared to the last disposal. Other provinces reporting radical reductions in expired medicines greater than 80% included Eastern, Central, Lusaka and North-Western Provinces.

The Controlling Officer further submitted that laboratory products contributed significantly to expired items owing to the short shelf life by the time they reached MSL. The Ministry had initiated two interventions to address the problem. First, the distribution system was redesigned in order to improve visibility by MSL and MoH on the utilisation of commodities downstream. Secondly, a policy that medical items with ninety days or less shelf life should not be issued to health facilities was revised to thirty days or less for laboratory products. This increased utilisation of products at facility-level while reducing expiries centrally.

In view of the foregoing, districts and facility pharmacy staff had been trained in good ordering practices to avoid overstocking of held supplies. Further, as part of disposal activities for obsolete and expired stock, a board of survey was constituted to dispose off expired stock at MSL. This activity has since been completed. Your Committee was further informed that the MoH was actively engaging all partners in the medicines supply system to minimise the risk of duplicate procurements mainly caused by delayed arrival of vital medicines such as ARVs. Additionally, an initiative has been introduced where MSL has to screen any deliveries before they are shipped in order to minimise overstocking some product lines. This was aimed at ensuring continuous availability of medicines and medical supplies while at the same time reducing the chances of expiries.

The Controlling Officer also submitted that the MoH had committed itself to yearly disposal of expired medicines to ensure that expired medicines did not accumulate over a period of time. In addition, specific provincial boards of survey were regularly constituted to facilitate for the disposal of expired medicines and medical supplies in health facilities. The MoH had also instituted specific measures to improve selection, procurement, distribution and use of medicines. Other measures included training in basic stores management.

Your Committee further learnt that in 2013, MSL introduced significant additional racking, with support from the World Bank. This racking allowed MSL to clearly identify stocks, which would have the impact of reducing potential expiries by ensuring that stock with the short expiry dates were consumed first.

Your Committee was also informed that a key component in the control of stocks to avoid unwanted expiry of drugs was accurate quantification prior to the procurement of such drugs. MSL had significantly increased its capacity to perform such quantification and was developing stronger relationships with the donor community to avoid duplication of ordering, and adequate control of the pipeline of stocks due into the country was improved. Your Committee was also informed that one of the key principles required to ensure good stock control with regard to expiry dates was the adoption of the First Expiry, First Out (FEFO) principle. MSL had invested considerable efforts to ensure these principles were enshrined in the Standard Operational Procedures (SOPs) and training.

Committee's Observations and Recommendations

Your Committee is concerned with the large sums of money spent on expired drugs which, in your Committee's view, is wasteful expenditure. In view of the foregoing, your Committee strongly supports the recommendation made by the Auditor-General that the Ministry of Health should improve the needs assessment at health centres so that the risk of medicines expiring on the shelf is reduced. Further, medicines with short shelf life should not be accepted by the health facilities and MSL unless it is established that they will be used within a specified period. Your Committee, further, recommends that all donated drugs must be inspected to ensure that they conform to standards of medicines on the Essential Drug List and that their expiry dates are within acceptable limits.

iv) Inadequate Capacity at Medical Stores Limited to Supply Medicines to Health Facilities

An analysis of the orders and dispatch notes at the district pharmacies revealed that MSL was not able to supply all the quantities ordered by the district pharmacies. The difficulties in meeting the needs of health facilities may be one of the causes of stock outs and low availability of essential medicines at the health facilities.

Controlling Officer's Response

The Controlling Officer submitted that the Ministry of Health had increased the national essential medicines budget in 2013 by 112%, in order to address part of the existing financing gap in this area. Further, the Ministry was increasing coordinated and timely procurement of essential medicines and medical supplies in the right quantities that ensured improved availability of the commodities in health facilities. Furthermore, the Ministry had restricted procurement of medicines to only those on the National Essential Medicines List and was implementing the Frame Work Contracts as a model of increasing efficiencies in the procurement system and reducing lead times for procured supplies.

Another key component to ensure that the financial resources which were sometimes scarce were spent appropriately, was to ensure that there was full knowledge of the totality of the requirements and that these requirements were prepared in anticipation of the Government of the Republic of Zambia (GRZ) budget process. Therefore, MSL was in the process of preparing such an annual, all inclusive quantification. This would then fully inform the MoH and GRZ as to the totality of the requirement, which in turn would result in a more appropriate allocation of the financial resources available. Additionally, the significant increases in the overall budget would result in an overall improvement in stock availability, once this budget had been translated into the procurements.

Committee's Observation and Recommendation

Your Committee observes that this anomaly is a result of poor planning and lack of coordination in the Ministry. Your Committee, therefore, urges the Controlling Officer to ensure that urgent measures are taken in order to correct the situation.

Audit Query

b) Weaknesses in the Distribution System of Medicines and Medical Supplies

i) Delays in Delivery of Medicines by Medical Stores Limited

MSL has a distribution schedule which it follows when distributing medicines and medical supplies to districts pharmacies and hospitals.

A verification of scheduled dates and actual departures of trucks on the distribution of medicines and medical supplies from October, 2010 to April, 2011, revealed that medicines were not delivered on time as there were delays of up to twenty-one days. Further, MSL had twenty-one delivery trucks as of July 2011; however, only twelve delivery trucks were operational. The twelve delivery trucks appeared inadequate to cater for monthly deliveries to 120 drop points. Furthermore, the inadequate transport capacity at DHMTs to deliver the medicines to the health facilities could lead to delays in delivering medicines and stock outs at the facilities even when the medicines were available at MSL and the DHMTs.

Controlling Officer's Response

The Controlling Officer submitted that at the time of the audit, MSL was just emerging from a period during which its fleet status was less than what could support the timely deliveries of consignment. In this regard, the following was instituted:

- i) MSL had since increased the fleet of delivery trucks for medicines in 2012 as six additional delivery trucks would be procured; this would significantly improve the current delivery schedule and lead to increased efficiencies in the supply chain for medicines and medical supplies to health facilities;
- ii) the provision of dedicated transport at District Health Offices to deliver medicines/medical supplies was being pursued actively;
- iii) the Ministry of Health was implementing a decentralised hub distribution system to increase efficiencies in the distribution chain to the so called "Last Mile";
- iv) the implementation of the Hub system described, significantly improved MSL's ability to deliver to each health care institution in Zambia; it was MSL's strategy to ensure monthly deliveries of stocks to MoH health care institutions;
- v) during the period under review, MSL was under significant financial pressure and had insufficient capital to support the acquisition of the number and quality of vehicles required to provide sustainable delivery schedules; as of 2013, MSL, with the support from a number of donors and the procurement of a number of vehicles by MoH, now had a fleet of vehicles capable of responding to the demands of the health care sector; and
- vi) MSL had implemented a more robust delivery schedule, which was shared with all its customers; this delivery schedule provided for 12 delivery cycles per year; in the last quarter of 2012, MSL achieved 91% of deliveries against this schedule; the average delay was approximately 1.5 days.

Committee's Observations and Recommendations

Your Committee welcomes the strategy by Medical Stores Limited of implementing a regional hub system, from which hubs stocks would be delivered to each health facility. However, your Committee recommends that the health facilities should be empowered to carry out their own needs

assessments and determine what they require to buy from the MSL hub system. This should be done by allocating funds to each hospital or health centre coupled with the deployment of qualified personnel. The distribution hubs should function as business entities, responding to customer demands, rather than become “push” centres for MSL (selected/procured stocks). Further, MSL should identify and deploy a more intuitive stock record and information reporting system at its hubs and all its client health facilities. An automated electronic stock record and dispensing system could provide real time stock records and eliminate late orders. Further, the MoH should always ensure that MSL has adequate transport to distribute the drugs.

ii) Delays in the Submission of Requisitions for Medicines by Health Facilities

An analysis of the ordering schedule and the actual orders placed by health facilities revealed delays in meeting the required deadlines. For example, the 2009 and 2010 register for orders submitted, revealed that 110 health facilities were not submitting orders in line with MSL ordering schedules. The orders were delayed by health facilities by five (5) to twenty-six (26) days. Additionally, orders that were received after the deadline or after the delivery trucks had left MSL, were not attended to and in some instances facilities were told to arrange for their own transport. This contributed to the delays in the supply of the essential medicines and led to stock-outs at the district pharmacies and health facilities which could be avoided. Furthermore, there was no documented evidence available on follow-ups by MoH to determine why the health facilities were not adhering to the ordering schedule.

Controlling Officer’s Response

The Controlling Officer informed your Committee that the regular monitoring of facility orders to ensure the timely submission of orders by facilities to MSL was done in coordination with provincial pharmacists. Further, facilities had been reprimanded where necessary whenever any late submission had been detected at MSL. MSL had enhanced the capacity of its Public Relations Office which reminded facilities before the due date of scheduled submission of orders so that they could send them in time or on time. In addition, MSL had commenced communicating schedules to all facilities advising them on the dates orders should be submitted to MSL to ensure that such orders were picked and dispatched at the required time. Your Committee was further informed that between 2012 and 2013, MSL had provided forty computers to larger health care institutions in Zambia with support from the Canadian International Development Agency (CIDA). These computers, which had been provided with internet connection, allowed direct communication between the facilities and the centre.

Committee’s Observations and Recommendations

Your Committee observes with concern that the delay to order drugs is mainly due to poor planning and inertia at the health centres. Your Committee, therefore, urges the Controlling Officer to be firm with erring officers and take disciplinary action for any discrepancies caused as a result of negligence of duty.

iii) Dispatches of Medicines from Medical Stores Without Dispatch Notes

According to the SOPs on dispatch of orders of medicine and medical supplies, any commodity which leaves the MSL should be accompanied by a dispatch note and invoice.

An examination of Goods Received Notes (GRNs) issues obtained from MSL and stock control cards at the district pharmacies revealed that MSL delivered medicine and medical supplies to six DHMT without accompanying documents. This made it difficult to determine whether the medicines and medical supplies dispatched by MSL were correctly received by the health centres.

Controlling Officer's Response

The Controlling Officer submitted that the MoH had cautioned MSL to ensure that the SOPs for delivering medicines were strictly adhered to. Further, facilities had also been reminded to ensure that the commodities that they received were accompanied with dispatch notes from MSL and adequate verifications were completed. Your Committee was further informed that MSL had since implemented detailed SOPs on this issue and improved its stock control on this crucial area. Further, the implementation of an integrated Warehouse Management System reduced the risk of stocks being dispatched without dispatch notes.

Committee's Observations and Recommendations

Your Committee is concerned at the failure by the Ministry of Health to ensure that distributions of medicines are accompanied by necessary documents. This raises fears that such drugs may not have been received by the intended facilities. Your Committee, therefore, urges the Controlling Officer to strengthen controls in this regard and take stern disciplinary action against any erring officers.

iv) Discrepancies between the Dispatch Notes and Medicines Delivered

When medicine is supplied by the MSL delivery truck, the driver should give the health facility a copy of the dispatch note which should be verified against the medicines delivered. Where the health facility has not received the full quantities, it should be indicated on the dispatch note and a discrepancy report prepared. However, a verification of the discrepancy report at MSL revealed that discrepancies between the quantities dispatched by MSL and the quantities received by the health facilities had not been reconciled. In this regard, records verified revealed that supplies of medicines costing K179, 086,515 had not been received by the health facilities although records indicated that the medicines had been dispatched.

Controlling Officer's Response

The Controlling Officer submitted that MSL had been cautioned and instructed to ensure that discrepancies of the dispatches were reconciled in good time and also reported immediately. MSL had also commenced the recording of all discrepancies between dispatch notes and the items delivered by MSL within its warehouse management systems. This process increased visibility of such events to allow management to intervene when necessary. Your Committee was further informed that MSL monitored the individuals responsible for the picking and checking of each order to enable management take appropriate action when it considered that such discrepancies could be traced to individual employee behaviour.

Committee's Observations and Recommendations

Your Committee observes that this anomaly is a clear indication that the Ministry of Health has not adequately ensured that systems are in place for the efficient and effective distribution of medicines by MSL. Your Committee, therefore, urges the Controlling Officer to put in place adequate measures that will ensure that all discrepancies in the delivery of medicines are addressed and where necessary, disciplinary action should be taken against erring officers to prevent future reoccurrences of the query.

Audit Query

c) Inventory Maintenance, Staff Competences and Quality of Storage Facilities

i) Poor Maintenance of Medicines Inventories

Some of the health facilities visited did not maintain stock control cards, making it difficult to verify dispatch and receipt of medicines. For instance, it was difficult to verify the movement of medicines

at two district pharmacies and six health facilities due to lack of records. Further, a verification of the dispatch notes, supply vouchers and stock control cards revealed that medicines costing K680, 228,445, which were sent by MSL to the DHMTs were not recorded in the districts pharmacy records even though the dispatch notes were signed for as received.

Furthermore, a scrutiny of supply vouchers from the district pharmacies and stock control cards at health facilities revealed that some medicines costing K20,438,260 were missing as not all the medicines that were dispatched by districts were accounted for by health facilities. The stock control cards that were verified indicated that medicines were not entered on the stock control cards by the health facilities even though the supply vouchers showed that the medicines were dispatched by the district pharmacies and signed for as received. Additionally, physical stock counts conducted at the health facilities showed substantial variances between the stock control cards and actual quantities. These variances were found in the twenty-five districts and health facilities inspected.

Controlling Officer's Response

The Controlling Officer submitted that record keeping was a primary area of concern in the management of medicines. The Pharmacy Unit undertook regular and routine destination checks in order to provide on-the-spot technical assistance to pharmacy managers and to strengthen record keeping of essential medicines and medical supplies. Further, supply and logistics management trainings were now highly institutionalised and conducted on regular basis to equip pharmacy managers with knowledge and skills to prudently manage supplies records. MSL had also made significant improvements in its inventory management over the last few years. The warehouse was now fully controlled by a computerised Warehouse Management System, which systemically recorded all movements of stocks within the warehouse and deliveries. Your Committee was further informed that MSL had recently refitted its warehouse by introducing additional racking. This racking allowed MSL to store each pallet of stock in a computer-controlled individual location. This increased visibility and orderly stock management.

Committee's Observations and Recommendations

Your Committee strongly urges the MSL management to ensure that the records for medicines are properly maintained at all times. In addition, staff dedicated to the inventory management of medicines and medical supplies must be deployed and disciplinary action must be taken against officers who do not adhere to procedures.

ii) Inadequate Qualified Staff in Pharmacies

Due to understaffing, there was lack of segregation of duties in some pharmacies with only one person receiving and issuing medicines, updating of stock control cards, carrying out monthly stock count and distributing medicines to the facilities. In addition, there were forty-six out of the sixty-seven health facilities visited which had pharmacies that were manned by persons not trained to run pharmacies for example nurses, registry clerks and classified daily employees.

Controlling Officer's Response

The Controlling Officer submitted that the human resource for pharmacy management had remained a challenge as was the case with other health workers in MoH. In 2012, the MoH had created thirty more positions for pharmacists and pharmacy technologists. More pharmacists were being deployed to rural areas to serve these highly deprived communities.

Committee's Observations and Recommendations

Your Committee urges the Government to train more pharmacists and provide incentives to retain them. Further, pharmacy staff should be offered on-site support in order to build their capacity and

improve their adherence to good practice procedures for storage, rational use and disposal of waste medicines.

iii) Poor Quality of the Storage Facilities

The MoH guidelines and MSL SOPs, require pharmacies in every health facility to store medicine and medical supplies safely. The smallest facilities may only need a medicine cupboard, but most facilities require a room fitted with shelves, refrigerators, good ventilation and air conditioning to control the room temperature. However, physical inspections carried out at health facilities revealed that some storage facilities were not up to the required standards, as there was inadequate storage space and poor ventilation, non-functional air conditioning equipment and light bulbs instead of fluorescent tubes were used. In addition, other facilities did not have shelving therefore; medicines were stored directly on the floor. This increased the risk of loss of potency of the medicines through exposure to moisture as well as wastage through damage and pilferage.

Controlling Officer's Response

The Controlling Officer submitted that the MoH had already completed a national assessment of current storage facilities aimed at attracting partners to invest in storage of essential medicines. Plans were also underway to expand the storage capacity at MSL through building of additional warehouses and re-racking. Funds for this exercise had been secured from the European Union (EU) through the 10th EDF support to Zambia. In addition, the MoH Infrastructure Department was placing particular emphasis on having adequate and appropriate space for medicines/medical supplies in the newly-constructed facilities. Additionally, partners had started supporting MoH with storage facilities in 2012, in identified areas where there was a critical need. These included Lusaka, Kafue and Gwembe. Your Committee was also informed that MSL had recently refitted its warehouse with the introduction of significant additional racking. The warehouse was now widely considered to be one of the best facilities in Africa. However, some additional work was still required to improve elements of the infrastructure including the floor of the facility and the external tarring of the facility. As soon as funds were available, MSL would implement the plans. Your Committee further heard that the extension of the warehouse supported by the EU would provide a significant increase in the capacity of MSL. To put this into perspective, the implementation of the racking refit and the extension would increase MSL capacity to store goods from the current 4,500 pallets of stocks to 12,000 pallets of stock.

Committee's Observations and Recommendations

Your Committee urges the Government to improve the management of medicine storage facilities in all areas where there is critical need. Further, the Ministry of Health should establish a rigorous inspection and monitoring system of the drug storage facilities in all hospitals and health centres.

TOUR OF MEDICAL STORES (MSL)

7.0 In order to appreciate what was obtaining on the ground regarding the submission made by MSL, your Committee resolved to undertake a tour of the Medical Stores Warehouse.

During the tour of the Warehouse, your Committee observed that rackings had been built and hence, the storage capacity had increased. It was also learnt by your Committee that the upgrading of the storage capacity was concluded in May, 2013.

Your Committee was also informed that all the medical products that MSL received were branded with the Zambian 'Court of Arms' as a measure to curb pilfering which was on the rise.

Your Committee also learnt that MSL had improved its efficiency by ensuring that all the medical products it was receiving were verified on quality within forty-eight hours from the time they were

received. This resulted in the timely delivery of medicines and other medical supplies. However, there were exceptions in terms of verification of medicines given to suppliers who had proved to be consistent with supplying quality medical products.

Your Committee was further informed that the verification process involved two stages: the Visual; and Quality Control Inspections. The Visual Inspection involved the verification of the specifications given by the manufacturer, while the quality control inspection involved the actual testing of the medicines in the laboratories. It was learnt by your Committee that due to the non-availability of laboratories with modern equipment, MSL sends the samples for quality control to other laboratories with modern equipment.

Your Committee also learnt that MSL had received a donation of forklift equipment from the United Nations Population Agency Fund (UNFPA) which was being used in the packing of medical products in the rackings. It was revealed to your Committee that the absence of the folk lifting equipment could paralyse the operations in the warehouse. Currently, MSL was using a new computerised warehouse management system of packaging and storage. This system reduced the packing errors to less than 1% while operational flaws which arose from the manual system also reduced to less than 2%.

Further, your Committee learnt that MSL was stocking medicines to be supplied to health facilities even three or more months before they were required by the health facilities. The responsibility to request for the medicines and other medical supplies lay with the respective health facilities because of the push system that was operational for acquiring of the medicines. MSL was also using a colour code system for medicines that were meant for different provinces in an effort to curb and reduce errors of delivering medicines and other medical supplies to wrong destinations.

Your Committee also learnt that the warehouse had a quarantine room which was used to verify and scrutinise medicines before they were distributed. The quarantine room mainly housed donated medicines from various donors. It was learnt that the majority of the expired medicines were donated although they were considered as Zambian medicines despite being donated. Furthermore, your Committee learnt that the increase in the number of expired donated medicines was because the Government had no jurisdiction to inspect the donated medicines before they were brought in the country. Donated medicines were scrutinised under the Federal Drugs Agency (FDA) from the United States of America. Your Committee also learnt that ARVs donated to the country were contaminated with cyanide (a chemical used to purify copper) during the transportation as both the products were packed together.

The warehouse also had a cold room which was used to store laboratory reagents. It was further revealed that temperatures in the cold room could not exceed 8°C (degrees Celsius), failure to which the reagents could be damaged.

Your Committee learnt that China and India were the major suppliers of medicines and other medical supplies in the country. Replenishment of medical products at MSL was conducted every six months which subsequently affected the efficiency of the organisation.

The tour of the facility, however, revealed that the floor of the warehouse was in a deplorable state. Further, the Warehouse had a mal-functional sprinkler system which was installed in the 1970s and did not have fire-detectors.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

7.1 Your Committee commends the Government for upgrading the MSL warehouse to international standards which has resulted in the efficiency and effectiveness of the institution in as far as administering its mandate is concerned. However, your Committee makes the following observations:

- (i) the state of the floor at the MSL warehouse is in a deplorable state;
- (ii) the non-functioning sprinklers and non-availability of fire-detectors at the warehouse poses a serious threat to the medicines and medical products at the warehouse;
- (iii) the number of donated medicines that are not only expiring, but also being contaminated arising from the transportation of medical products with other products, is escalating at a high rate;
- (iv) the current status of MSL being a single hub has immensely contributed to the late delivery of medical products in the country;
- (v) a lack of a fully-fledged procurement department at MSL has hampered the institution's ability to discharge its mandate;
- (vi) the number of expired medicines at MSL is disheartening. MSL has been spending huge amounts of resources to destroy both expired and contaminated medicines; and
- (vii) the replenishment of MSL with medical products every six (6) months has contributed to the absence of certain drugs in health facilities in the country.

In light of the above, your Committee makes the following recommendations:

- (i) the Government should allocate resources for the resurfacing of the floor and the driveway of the warehouse at MSL;
- (ii) as a matter of urgency, the Government should install modern sprinklers and fire-detectors at the warehouse in an effort to curb the loss that may arise there from in case of a fire outbreak;
- (iii) the Government should engage the various donors of medicines and medical supplies in the health sector to ensure that the Government takes the role of transporting the medical products in order to reduce on the contamination that arises from the packaging of medical products with other products during the transportation;
- (iv) the Government should develop a programme for funding MSL to construct hubs in all the provincial headquarters as well as selected rural districts to enhance timely delivery of medical products to health facilities;
- (v) the Government should ensure that the procurement of medicines and other medical supplies is transferred from the Ministry of Health to MSL taking into account the Public Finance Act and Procurement Act to MSL so as to reduce the delays resulting from the procedure of procuring the medical products at the Ministry of Health;
- (vi) the Government should purchase an incinerator which will reduce on the cost of destroying the expired and contaminated medical products; and
- (vii) the Government should ensure that replenishment of medicines and other medical products at MSL be done quarterly so as to have readily available medical products at the health institutions.

CONCLUSION

8.0 Your Committee is grateful to you, Mr Speaker, and to the Clerk of the National Assembly for the support rendered to it during the consideration of the Report of the Auditor-General on the

Distribution of Medicines and Medical Supplies. Your Committee is also indebted to all the witnesses who appeared before it for their cooperation in providing the necessary memoranda and briefs.

June 2013
LUSAKA

Brig.Gen. Dr. B Chituwo, MP
CHAIRPERSON

APPENDIX

List of Officials

National Assembly

Mr S M Kateule, Principal Clerk of Committees

Mr S C Kawimbe, Deputy Principal Clerk of Committees

Ms M K Sampa, Committee Clerk (SC)

Ms C Malowa, Assistant Committee Clerk

Mr S Samuwika, Assistant Committee Clerk

Ms S Kayawa, Typist

Mr R Mumba, Committee Assistant

Mr C Bulaya, Committee Assistant