



**NATIONAL PARLIAMENT
OF
SOLOMON ISLANDS**

**REPORT OF THE
PUBLIC ACCOUNTS COMMITTEE**

**ON ITS EXAMINATION OF THE AUDITOR
GENERAL'S AUDIT REPORTS ON THE**

**MINISTRY OF HEALTH AND
MEDICAL SERVICES**

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NATIONAL REFERRAL HOSPITAL

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REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

Mr. Speaker,

Pursuant to Parliament Standing Order No.69 (1) [a], it is an honour and pleasure for me Sir, to present the Report of the Public Accounts Committee for laying before Parliament.



Honorable Francis Zama, MP
Chairman
Public Accounts Committee

30th January 2007

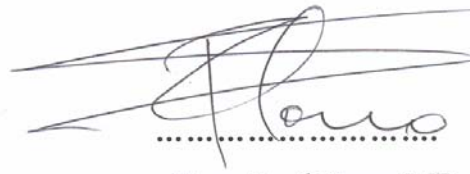
The Members of the Public Accounts Committee are:



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Hon. Francis Zama, MP

Chairman



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Hon. Fred Fono, MP

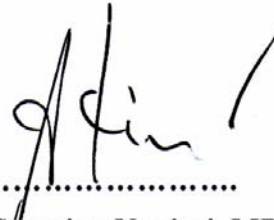
Member



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Hon. Johnson Koli, MP

Member



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Hon. Severino Nuaiasi, MP

Member



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Hon. Selwyn Riumana, MP

Member



.....

Mr Floyd Augustine Fatai, Auditor General

Secretary

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON ITS EXAMINATION OF THE AUDITOR GENERAL'S AUDIT REPORTS ON THE MINISTRY OF HEALTH AND MEDICAL SERVICES

Executive Summary

The Public Accounts Committee (PAC or the Committee) considered two Reports of the Auditor General into the Ministry of Health. The first was the Special Audit Report into the Affairs of the Ministry of Health and Medical Services and the second into the Affairs of the National Referral Hospital. Both Reports were tabled in Parliament in October 2006.

The Committee notes that both Reports identified a significant number of serious shortcomings in the Ministry's administration and in particular the following common issues were identified:

- Widespread non compliance with the Public Finance and Audit Act, Financial Instructions and General Orders;
- Serious breakdowns in critical management and accounting systems and procedural controls;
- General lack of adequate and proper records;
- Corrupt officials using positions of influence to assist family and friends to gain from their positions;
- Significant losses through poor management, corruption and fraud;
- Conflicts of interest not declared;
- Uncollected revenue due to poor operating systems and controls with inadequate monitoring;
- Inappropriate action for recovery of overpayments;
- Lack of action by authorities to pursue suspected criminal activity; and
- Lack of overall monitoring by senior management to enable issues to be addressed internally.

The first Report into the Ministry of Health and Medical Services contains 44 recommendations. The main issue of a medical nature related to the inadequate stock management at the National Medical Store for pharmaceutical supplies. Otherwise the main findings identified the general lack of proper standard controls across all facets of the Ministry's operations including receipting, procurement, trust fund arrangements, asset management and payroll.

In respect to the second Report into the National Referral Hospital the Auditor General made 118 Recommendations. This audit represented a thorough review of all facets of the Hospital's operation in the form of a performance audit. In addition to the significant number of standard control breakdowns and inappropriate processes, other major findings noted included fraudulent practices in the catering and patient travel areas, and inadequate procedures in the control over pharmaceutical supplies.

The Committee held hearings on 23 and 24 November 2006 at which the two relevant Permanent Secretaries of the Ministry, Dr. Ceryl Pitakaka, Permanent Secretary, Ministry of Health and Medical Services and Dr. George Malefoasi, Permanent Secretary for Review and Restructure of Health Delivery System, appeared before the Committee and answered questions accompanied by Mr Len Bayliss, Financial Management Advisor to the Ministry.

In terms of the operation of the Public Accounts Committee it is important to note that, unlike previous hearings of the PAC, the Committee resolved to hold all proceedings in public. As a consequence there was considerable media interest in the issues before the Committee and the evidence taken from the witnesses.

The Permanent Secretaries also assisted the work of the Committee by providing it with a detailed briefing on progress against an Action Plan, which indicated what action the Ministry had taken or proposed to take against each of the recommendations of the Auditor General's Report.

REPORT INTO THE MINISTRY OF HEALTH AND MEDICAL SERVICES

Asset Management

The Committee was particularly concerned that the Auditor General had found a total lack of comprehensive procedures and internal control practices over Ministry assets, as well as totally inadequate systems in place to afford proper controls over the physical and financial recording of assets.

The Committee was informed by the Auditor General that this problem was certainly not isolated to the Ministry of Health and Medical Services, but was a critical problem across the whole Public Sector requiring an urgent whole of government response coordinated by the Ministry of Finance.

The Permanent Secretaries highlighted to the Committee that necessary steps are being taken by the Ministry to ensure that assets are accounted for and managed effectively. For instance;

- the establishment of a proper asset register and asset management system,
- the establishment of an asset identification system., and
- implementing disposal procedures which are in line with Financial Instructions 606.

Internal Audit

The Committee also investigated the lack of internal audit procedures to enable management to get early warning of any breakdown in fundamental controls. It is apparent to the Committee that until the OAG audits were undertaken the Ministry was not in a position to detect or assess levels of misconduct and abuse of proper procedures or corrupt actions by public officials. The Committee was informed that within government Departments there was an acute shortage of suitably qualified and experienced internal auditors. Both Permanent Secretaries informed the Committee that the Ministry was taking the matter seriously and as a result, in order to strengthen the control systems the Ministry has:

- Addressed suspected fraudulent payments and other irregularities and referred certain matters to the Royal Solomon Islands Police for investigation with a further follow up referral on 10 January 2007.
- Produced an action plan which will allow stakeholders and management alike to get a regular update on the Ministry's performance, as well as allow the Committee to further monitor and evaluate when necessary.

- Implemented control mechanisms such as ensuring that the accounting management will work more closely with the departments and respective divisions, which in turn will ensure that effective processes are followed.
- Conducted a review of the Ministry's operating accounts and arrangements are underway to close five major operating accounts to prevent fraudulent duplicate payments.

The Committee believes that the Government must act promptly to implement proper asset management controls and develop and strengthen the internal audit capacity across the public service to ensure that public resources and funds are used for public good.

Payroll Processing

The Committee noted the numerous problems associated with the Ministry's payroll processing and in particular the lack of adequate procedures over the employment and termination of staff. Again the Committee acknowledged that these were core system problems requiring central direction and support from the Ministry of Finance. The Committee noted, however, that a new system had been implemented within the Ministry of Health which should address some of these issues. In response the Permanent Secretaries:

- Acknowledged the fact that the Ministry is facing payroll internal control issues and advised that officials have been directed to follow due process and work closely with the payroll office of the Ministry of Finance.
- Noted that progress has been made to establish a system which properly accounts for staff through a Human Resource program (WinHR) which also provides reports on staff data.

The Ministry's Action Plan

The Public Accounts Committee commends the Action Plan developed by the Ministry and acknowledges that this document provided a sound basis for the many outstanding issues to be monitored to ensure all issues raised in the Audit Reports are suitably actioned. The Committee requested a regular update from the Ministry to ensure progress is monitored by the Ministry.

Departmental Resources

The Committee is concerned about the level of resources within the Ministry to enable it to provide one of most essential services to the people of Solomon Islands. The Committee was advised that resources were inadequate in the Administrative area and certain other senior medical positions would not be finalized until 2008.

In these terms the Committee notes that the general quality and standard of medical facilities within Solomon Islands continues to present a major challenge for government. The Permanent Secretaries advised the Committee that they took this issue very seriously and as a result:

- Positive steps have been taken to employ specialist staff whose sole purpose is to address the resource issues; and
- The Ministry is continuously building up its resource base and providing an environment whereby ministry objectives and operation plans are consistent and effectively managed.

Recommendation

1. The Committee recommends that as a matter of priority the Government devise whole of government solutions and procedures for the recording of assets, provision of internal audit and payroll processing.
2. The Committee recommends that the Ministry provide an updated Action Plan to the PAC on a quarterly basis until all matters have been satisfactorily addressed.

NATIONAL REFERRAL HOSPITAL

The Committee considered the issues identified by the Auditor General in relation to the administration of the National Referral Hospital. Again, in response to the Auditor General's report, senior officials of the department tabled an Action Plan for the National Referral Hospital that addressed each of the reports recommendations.

Schedule of Fees

The Committee noted that while the majority of services were provided to patients at no charge the Ministry did provide certain services for which costs were intended to be recovered. The current schedule of fees for such services was out of date and bore little relationship to the costs of supplying such services. It was noted that the process for recovering such fees particularly for non residents and temporary residents were totally unsatisfactory.

The Committee was briefed on the Ministry's acute shortage of adequate hospital facilities and expressed concerns about the inability to provide suitable private facilities. To this effect, the Committee was advised by the Permanent Secretary of the Ministry that consideration is being given to proposed revisions to the schedule which will better reflect the costs of service provision, however any proposal to increase costs will be subject to Cabinet approval.

Patients' Travel

The Committee was also briefed on major problems associated with the provision of reimbursements for patients travel costs to receive medical treatment. These costs are to a large extent driven by a number of factors including; the geographical divergent nature of the country, the limited transport facilities available to patients and the fact that many patients had limited access to cash. These factors had contributed to poor administration which in turn had facilitated travel cost abuse and fraud.

In regards to this, the Action Plan proposes the implementation of a Travel Fee Schedule as well as centralization of the disbursement of travel payments possibly with the new hospital cashier.

Catering

The Committee was most concerned to ensure that appropriate management action has been taken on the many significant suspected fraudulent activities identified in the Report. Many of these matters were alarming and demonstrated that catering activities and purchases of foodstuffs for the Hospital were proceeding completely without proper controls.

The Committee notes that fraudulent activities exposed in the report have been referred to the Police for further investigation and that a tender process has been trialed to ensure that suppliers of goods adhere to approved procedures and that replacement of suppliers occurs through the proper tender evaluation process.

Pharmaceutical Supplies

The PAC is very concerned over the significant number of issues raised over the control and issue of pharmaceutical drugs. It was recommended that stock requirements be evaluated and consultations be undertaken with the National Medical Supplies to ensure that drugs are purchased, stored and replenished in a proper and timely fashion.

The permanent Secretaries identified that a new computerized stock control system - M Supply, has been implemented by the Ministry which should assist in the control over such items as well as draft procedures developed to ensure proper records exist for expired drugs.

The Ministry's Action Plan

As previously indicated the PAC is very impressed by the comprehensive Action Plan provided by the Ministry. The Committee acknowledges that this plan provides a sound basis for addressing the many outstanding issues raised in the Auditor General's reports.

The Committee requested a regular update from the Ministry in order that it may monitor progress by the Ministry in addressing these crucial issues in a timely fashion.

Recommendations 3 & 4

3. That the Ministry immediately improve procedures to address and prevent the suspected fraudulent activities in the areas of hospital catering and patient travel.
4. That the Ministry provide an updated Action Plan to the PAC on a quarterly basis until all matters have been satisfactorily addressed.

Conclusion

The report of the Auditor-General highlighted many shortcomings in the Ministry of Health and Medical Services. The PAC acknowledges and is most impressed by the proactive approach of the Ministry in addressing the issues raised by the Auditor General via the Ministry's action plan. The Committee also wishes to place on record and acknowledge the positive way the Permanent Secretaries prepared for the hearing and came to it well prepared and ready to address and engage with the Committee on the issues before it. The Committee is hopeful that other Ministries will also follow this path when called to appear before it.

The Committee wishes to emphasise, however, that it proposes to monitor and be regularly updated on progress by the Ministry in implementing the Action Plan. In addition the Office of the Auditor General will be requested to perform a follow up audit in 2007-08 to appraise the extent and effectiveness of the remedial action.

The PAC believes that the nature and financial implications of the issues considered by the Committee are adversely impacting on the governments capacity to deliver an effective health service to the citizens of Solomon Islands. Real and effective changes must be implemented with utmost urgency so that the Solomon Islands people can be assured of having the robust and efficient Public Health system that they desire.

APPENDIX 1 MINUTES OF PROCEEDINGS**PUBLIC ACCOUNTS COMMITTEE**

NATIONAL PARLIAMENT OF SOLOMON ISLANDS**Minutes of Proceedings****Meeting no. 6**

Thursday 23 November, 2006, Parliament House, 9:40am

1. Members Present

Hon. Francis Zama, (Chair)
Hon. Fred Fono
Hon. Selwyn Riumana
Hon. Johnson Koli

Clerk and Secretariat

Mr. Augustine Floyd Fatai, Secretary
Mr. Warren Cahill, Parliamentary Strengthening Project
Mr. Celsus Talifilu, Committee Secretariat
Mr. David Kusilifu, Committee Secretariat

In-Attendance

Mr. Eric Muir, Deputy Auditor General
Mr. Michael Wyatt, Adviser

2. Opening remarks by Chair

The Hon Francis Zama opened the meeting and welcomed Members and officials to the meeting of the PAC and outlined the important oversight role of the PAC and welcomed the Committee's decision to open the meeting to members of the public and press inline with the Committee's resolve to ensure that information relating to public funds was openly and transparently available to the public.

3. Consideration of the Special Report of the Auditor General into the Affairs of the Ministry of Health and Medical Services

The Committee heard evidence from the following senior Officers of the Ministry of Health:

- Dr. Ceryl Pitakaka, Permanent Secretary for Ministry of Health & Medical Services.
- Dr George Malefoasi, Permanent Secretary for Special Duties for Ministry of Health and Medical Services.
- Mr. Len Bayliss, Financial Management Adviser, Ministry of Health and Medical Services.

Evidence concluded.

The Committee deliberated.

4. Close

The Committee adjourned at 13.30pm until 9.30am tomorrow.



PUBLIC ACCOUNTS COMMITTEE

NATIONAL PARLIAMENT OF SOLOMON ISLANDS

Minutes of Proceedings

Meeting no. 7

Friday 24th November 2006, Parliament House, 9.55 am

1. Members Present

Hon. Francis Zama, (Chair)
Hon. Fred Fono
Hon. Selwyn Riumana
Hon. Johnson Koli

Clerk and Secretariat

Mr. Augustine Floyd Fatai, Secretary
Mr. Warren Cahill, Parliamentary Strengthening Project
Mr. Celsus Talifilu, Committee Secretariat
Mr. David Kusilifu, Committee Secretariat

In-Attendance

Mr. Eric Muir, Deputy Auditor General
Mr. Michael Wyatt, Adviser

2. Opening Remarks from the Chair

The Hon Francis Zama opened the meeting and welcomed Members and officials to the continuation meeting of the Committee which was considering the Reports of the Auditor General in the Ministry of Health.

3. Audit Report National Referral Hospital

The Committee heard evidence from the following senior officials of the Ministry of Health:

- Dr Cyril Pitakaka, Permanent Secretary for Ministry of Health and Medical Services.
- Dr George Malefoasi, Permanent Secretary for Special Duties, Ministry of Health and Medical Services.
- Mr. Len Bayliss, Financial Management Adviser, Ministry of Health and Medical Services.
- Mr. Peter Tamana, Chief Accountant, Ministry of Health and Medical Services.
- Mr. Raymond Suinao, Chief Executive Officer, National Referral Hospital.

Evidence concluded.

The Committee deliberated.

4. Close

The Committee concluded the meeting at 12.25pm to 11 December, 2006 at a time to be determined.

APPENDIX 2.

WITNESSES

Date	Name	Position and Organization
23 November 2006	Bayliss, Mr Len	Financial Management Adviser, Ministry of Health and Medical Services
	Malefoasi, Dr George	Permanent Secretary (Special Duties), Review & Restructure Of Health Delivery System
	Pitakaka, Dr Cyril	Permanent Secretary, Ministry of Health and Medical Services
24 November 2006	Bayliss, Mr Len	Financial Management Adviser, Ministry of Health Medical Services
	Malefoasi, Dr George	Permanent Secretary (Special Duties), Review & Restructure of Health Delivery System
	Pitakaka, Dr Cyril	Permanent Secretary, Ministry of Health and Medical Services
	Suinao, Mr Raymond	Chief Executive Officer, National Referral Hospital
	Tamana, Mr Peter	Chief Accountant, Ministry of Health and Medical Services

TABLED DOCUMENTS

No.	Title
1.	Action Plan on the Auditor General's report into the Ministry of Health and Medical Services,
2.	Action Plan on the Auditor General's report into the National Referral Hospital