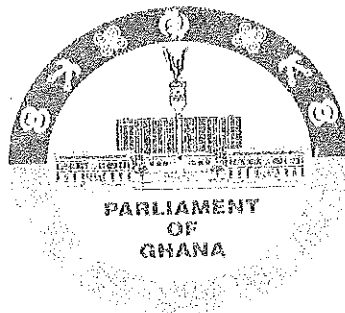


**IN THE FOURTH SESSION OF THE
FOURTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**



**REPORT OF THE PUBLIC ACCOUNTS
COMMITTEE ON THE ISSUES PERTAINING
TO THE NHIA**

IN THE

**REPORT OF THE AUDITOR-GENERAL ON
THE PUBLIC ACCOUNTS OF GHANA FOR
THE YEAR ENDED 31ST DECEMBER
2005(MDAs)**

10th November, 2008

Acc No. 7570

Class No. CR/NHIA/05

PAC REPOT ON NHIC

INTRODUCTION

1. The Public Accounts Committee in its Report to the House on the Report of the Auditor-General on the Public Accounts of Ghana for the year ended 31st December 2005 (Ministries, Departments and Agencies of the Central Government) informed the House that it had appointed a sub-committee to examine the issues pertaining to the National Health Insurance Scheme (NHIS) and will report back to the House in due course. The Committee discussed the findings of the sub-committee and wishes to report to the House as follows.

THE FACTS

2. The Hon. Minister of Health requested the Auditor-General to conduct a special audit into the administration of funds belonging to the National Health Insurance Council (NHIC) now National Health Insurance Authority (NHIA).

3. The Special audit revealed a number of irregularities in the administration of funds meant for the NHIS. The irregularities were accordingly incorporated in the Auditor-General's Report on the Public Accounts of Ghana for the year ended 31st December 2005 (MDAs).

4. The irregularities were as follows:

- i. Excessive printing of NHIS campaign brochures - GH¢108,000.
- ii. Duplication of Media Agency Services - GH¢36,000.
- iii. Additional Contract Cost - GH¢29,620
- iv. Inappropriate Award of Contract - GH¢211,000
- v. Non-Compliance with Act 663.

- vi. Wall Posters not Fully Accounted for GH¢5,870
- vii. False Certification of Delivery Contract Orders - GH¢223,000.
- viii. Failure to Maintain Assets Register.
- ix. Failure to Account for Utilization of Set-up Funds - GH¢167,000.
- x. Failure to Remit Unclaimed Salaries to Council's Account GH¢21,820.m.
- xi. Overpayment of Honorarium - US\$13,100.
- xii. Unjustified Expenditure - GH¢9,720.
- xiii. Unearned Salaries - GH¢2,330.
- xiv. Misapplication of DFID Grants - GH¢64,500.
- xv. Misapplication of DMHIS Set-up Funds - GH¢21,690
- xvi. Non-Recovery of Per-Diem - GH¢1,650
- xvii. Failure to Account for Funds - GH¢3,700.
- xviii. Consultancy Services Paid for but not Provided - GH¢29,710.
- xix. Unapproved Printing of Value Books.
- xx. Excess Payment - GH¢3,000
- xxi. Excess Expenditure - GH¢690.
- xxii. Use of Unapproved Rates in Payment

Excessive Printing of NHIS Campaign Broachers – GH¢108,000 (para 124-128)

5. The audit revealed that 785,000 copies of NHIS campaign brochures valued at ₵108,330 were locked up in stock as at December 2005. The audit noted that the situation resulted from the involvement of both MOH and the NHIA in the award of printing contracts for the brochures.

6. The Ministry and the NHIA informed the Committee that there was no duplicated printing of NHIA brochures and that the copies in stock were not the result of excess stock.

7. The Ministry noted that all the contract award documents for the printing of the brochures were signed by the Hon. Minister (the documents were submitted to the Committee and verified). They noted that prior to establishing the NHIA with the full complement of structures and personnel, the Ministry provided "mid-wifery type services" to the Authority including secondment of staff during the transition period. The Director PPME was for instance the Ag. Executive Secretary of the NHIA and played both roles during the transition period.

8. The officials indicated that this dual role of the Executive Secretary created an impression that some of the printing contracts were awarded by the NHIA whilst others awarded by the Ministry.

9. The officials further stated that the Authority had no funds at the time for the printing of the brochures and that these were financed from the budget of the Ministry.

10. The Ministry has also confirmed that the undistributed brochures have since been distributed per Store Issue Vouchers dated October and November 2007.

11. The Committee observed that even though the vouchers were printed in 2004, they were distributed in 2007. The Committee was

concerned that the delay in the distribution of the brochures could have a negative impact in creating awareness on the NHIS.

Recommendation

12. The Committee recommends that the NHIA should annually prepare its procurement plan as required by Act 663 and procure according to the plan.

13. The Authority should also endeavour to respond timely and appropriately to all requests by the external auditors to avoid a situation where queries such as the above being captured in the final Report to Parliament.

Duplication of Media Agency Services – GH¢36,000

14. The audit report noted that management of the NHIA awarded a contract to Media Plus Ltd. and Media Touch Productions Ltd. respectively to provide consultancy services in respect of media and advertising campaign transactions even though management had earlier awarded a similar contract to Axis Advertising.

15. The service charge demanded by Media Touch and Media Plus amounted to GH¢35,993. The report recommended that the officer who awarded the duplicated contract should be sanctioned and the contracts reviewed and possibly abrogated.

16. The Committee noted that the three companies were engaged for difference services. Whereas Media Touch and Media Plus were contracted to provide advertisement content and placement in the

media, Axis Advertising was contracted to monitor the work of the two companies.

17. The Committee noted that at the time of the audit, Media Touch and Media Plus had executed their respective contracts but full payment was yet to be effected.

18. The Committee also noted that the two companies invoiced the NHIA for a service charge on the placement of the advertisements. The payment of the amount of GH¢35,993, being the agency fee, was thus de-recommended by the Auditor-General and this has been complied with by the NHIA.

19. The Officer responsible for the alleged duplicated contract, Dr. Sam Akor, has also been relieved of his post as recommended by the Auditor-General and is no more with the Authority or the Ministry.

20. It was noted from examination of the payment vouchers that a total of GH¢154,700 have since been paid to Axis Advertising whilst Media Touch and Media Plus were paid a total of GH¢603,559.35 and GH¢ 446,685.71

Recommendation

21. The Committee recommends that the Authority should strengthen its internal control systems to avoid such lapses in the future.

Additional Contract Cost - GH¢29,620

22. The Report under review revealed that contrary to section 22(1) of Act 663, the Council entered into a contract worth GH¢227,120 with Adams Advertising Ltd. The latter subsequently sublet the contract to Design Display and Publicity (DDP) Ltd. for GH¢197,500. According to the Report, had the Council exercised due diligence, it could have made a saving of GH¢29,620.

23. According to the Ministry, the contract with Adams Advertising was for the printing and mounting of bill boards. The printing was done by Adams Advertising and the mounting sub-contracted to DDP Ltd.

24. The Committee noted that the total contract sum was GH¢319,408 out of which GH¢227,120 was for the mounting of the billboards and the payment of annual rents on the mounted billboards with the remaining GH¢92,288 for the printing of the billboard materials. The Committee further noted that the sum earmarked for the mounting of the billboards (GH¢227,120.00) was paid to DDP through Adams Advertising.

25. Out of the amount paid DDP, an amount of GH¢29,624 represents VAT and NHIL.

26. It is the considered view of the Committee that the said additional contract cost of GH¢29,620 as captured by the Audit Report was the VAT and NHIL component of the cost of mounting the billboards and the annual rent payable.

Recommendation

27. The Committee recommends that the Authority should in future conduct due diligence on the capacity of prospective service providers to execute the terms of the contracts before awarding contracts to them.

Inappropriate Contract Award – GH¢211,200 (para 133-136)

28. The audit noted that the Council fragmented the order of campaign brochures worth GH¢211,200 into eight parts thereby lowering the value of the procurement to GH¢27,600 per each of the eight orders contrary to section 21(5) of Act 663. The result was that price quotations were requested rather than subjecting the entire contract to competitive tendering.

29. The Ministry informed the Committee that the brochures were needed urgently but funds were not readily available. The value of the contract was however high for a single service provider to pre-finance hence the fragmentation of the orders.

30. They further indicated that the National Procurement Board was not established at the time for authorization to be sought on the fragmentation.

Recommendation

31. The Committee reiterates the Auditor-General's recommendation that management should ensure that it complies with section 21(5) of Act 663 in future contracts.

Non-Compliance with Act 663 (para 137-140)

32. The Report noted that at the time of audit the Authority had not established the requisite structures to ensure full compliance with Act 663 and yet as a procurement entity, it procured goods and services worth GH¢1,229,661. The audit recommended that until the structures are put in place, the Authority should use MOH procurement unit for all its procurement.

33. Evidence before the Committee indicates that the Authority now has a procurement unit and has been submitting its procurement plan to the National Procurement Board for approval. This has been confirmed by the Audit Service.

Wall Posters not Fully Accounted for – GH¢5,866 (para 141-143)

34. A total of 17,000 wall posters valued at GH¢5,865 allegedly issued to Sub-Metro Mutual Health Insurance Schemes were not supported with store records according to audit.

35. The Ministry informed the Committee that Orakle Advertising fully supplied the 17,000 copies of the posters and these have been distributed to the Schemes. Way bills and ledger entries were submitted as evidence.

36. In addition, the Ministry has employed a competent storekeeper to man the store in compliance with the audit recommendation.

False Certification of Delivery of Contract Orders – GH¢223,000 (Para 144-148)

37. The audit reported that Mr. Foster Forson, a former consultant and Mr. Kofi Adusei, a Scheme Co-ordinator, falsely certified the satisfactory completion of a contract awarded Adams Advertising for the mounting of 123 billboards countrywide. Audit disclosed that six months after the certification, only 19 out of the 123 billboards had been mounted.

38. According to the Ministry, there was an error in the certification of work done and not a deliberate falsification as captured in the Report. The Ministry noted that the error was detected by its internal control system and payment stopped.

39. The Ministry noted that the contract involved the printing of billboard materials and, the mounting of the billboards and payment for annual rent (Ref. para 22-25 of this Report) The first part of the contract involving the printing of the materials to be posted on the billboards was done and in certifying the completion of that portion of the contract, the officers erroneously certified as "billboards delivered".

40. The Ministry indicated that payment was not effected and therefore no loss to the State was occasioned. Meanwhile, Mr. Kofi Adusei has since been reprimanded per a letter No.MOH/GAD/N.018, dated 17th August 2006. Mr. Foster Forson on the other hand is no longer in the employment of NHIA.

Recommendation

41. The Committee recommends that the Authority should strengthen its control systems to avoid any future lapses.

Failure to Maintain Assets Register (para 149-154)

42. Verification by audit revealed that various Schemes failed to maintain assets register contrary to Regulation 2(n) of L.I.1802.

43. Information available to the Committee indicates that assets registers are now being maintained at the various Schemes. This has been verified by audit.

Failure to Account for Utilization of Set-up Funds – GH¢167,911 (para 155-157); Misapplication of DMHIS Set-up Funds – GH¢80,864 (para 177-180)

44. The audit indicated that an amount of GH¢167,911, out of GH¢1,414,815 released to MMDAs towards the setting-up of DMHIS had not been accounted for as at 30th June 2006.

45. The audit further noted that seven MMDAs misapplied DMHIS set-up funds totaling GH¢80,864. An amount of GH¢59,174 has since been refunded leaving a balance of GH¢21,690.

46. The Committee was informed that the funds were HIPC funds transferred directly from Ministry of Finance and Economic Planning (MOFEP) to the various MMDAs for the setting-up of DMHIS. The funds were lodged into HIPC funds accounts maintained by the MMDAs and that MOFEP had its own tracking system for the utilization of the

funds. The Ministry further indicated that the funds were released to the MMDAs in 2004, long before the setting up of the NHIA.

Recommendation

47. The Committee recommends that the Auditor-General should conduct a special audit of funds released for the setting up of the DMHIS. The audit should be financed by the NHIA and should be completed by 31st December, 2008.

Failure to Remit Unclaimed Salaries to Council's Account - GH¢21,823 (para 158-160)

48. The audit revealed that some Schemes failed to remit unclaimed salaries totaling GH¢21,823 to the Authority.

49. Information available indicated that the unclaimed salaries have since been returned to chest. This has been confirmed by the Audit Service.

Overpayment of Honorarium US\$13,100 (para 161-165)

50. According to the Report under consideration, the Ministry of Health approved the payment of honorarium for 20 days in a month for the number of months worked by each member of a ministerial task team. Three members of the team were however overpaid a total of US\$13,100.

51. The Ministry informed the Committee that the apparent overpayment resulted from an error in the number of days spent by the three officers as indicated in the memo to the Minister. They

indicated that the amount paid was in respect of the exact number of days spent by the said officers.

52. The matter has since been resolved with the Audit Service.

Unjustified Expenditure - GH¢9,717 (para 166 – 169)

53. The audit noted that the Council spent an amount of GH¢9,717, being T & T and accommodation for 80 uninvited persons at a 3-day Planning and Budgeting Programme.

54. The Ministry explained that the 80 participants were from the newly created districts of Pru, Bunkpurugu Yoyo, Assin Fosu South and Wassa Amenfi East. They indicated that the budget for the programme was drawn before the creation of these districts and organizing a separate workshop for them would have been more expensive, hence the decision to allow them to participate in the workshop.

Recommendation

55. The Committee reiterates its earlier recommendation that management should at all times furnish the external auditors with all relevant information to avoid issues such as above finding expression in the Report to Parliament.

Unearned Salaries - GH¢2,331 (para 170-171)

56. The Report noted that Mr. Kofi Adusei, a Principal Health Educator with MOH signed a service contract with NHIA without notifying the Ministry and that during the period of the contract the officer did not offer any service to the Ministry but continued to draw

his salary from the Ministry. The audit recommended that the officer refund a total unearned salary of GH¢2,331.

57. The amount has since been recovered from the officer and paid to Chest as per Bank of Ghana pay-in slip No.A1135729 of 20th March 2007.

Recommendation

58. The Committee recommends that the Officer should be reprimanded.

Misapplication of DFID Grants - GH¢64,500 (para 172-176)

59. The audit reported that NHIA misapplied a DFID grant totaling GH¢64,500 without approval from the sector Minister as required by Regulation 179(1) of L.I. 1802.

60. Information available indicated that the amount has since been refunded.

Non-Recovery of Per Diem - GH¢650 (para 181-184)

61. The audit revealed that the then Executive Secretary of the Council participated in a World Bank session on Health Financing Reform in Africa, held in Mozambique. The Bank in its invitation letter agreed to reimburse participants for travel, hotel and other related eligible expenditures. Unfortunately, as at the time of audit an amount of GH¢1,650 paid to the Executive Secretary as per diem for six nights had not been reimbursed by the Bank.

62. Information available indicated that the former Executive Secretary has refunded the amount to the Council.

Consultancy Services Paid for but not Provided - GH¢29,709 (para 188-193)

63. The Authority released the sum of GH¢10,263 and GH¢1,264 to Mckof Gh. Ltd and CPHD respectively to provide technical support services to various DMHIS. Audit however revealed that the two companies failed to provide the services for which the amounts were released.

64. Furthermore, GH¢582 was paid to Mckof Gh. Ltd for networking of computers at three Schemes in Upper West Region but audit revealed that the three Schemes did not exist.

65. Additionally, management of Ga DMHIS paid GH¢12,000 and GH¢5,600 to Organisations and Systems Ltd for operational research and technical support and for the installation and maintenance of computerized management information and control system respectively. The focal person, Mrs. Lydia Sackey could however not confirm the provision of any services by the company for which a total of ₵17,600 was paid.

66. In the course of its investigations, the Committee received a petition from the Committee on Joint Action (CJA) raising concerns of conflict of interest in the award of the contracts to the two companies. The CJA alleges that Mr. Among Dankwah and Mr. Kwasi Amo are Directors of McKof Ltd and Organisation & Systems Ltd respectively

and also working for the NHIA and therefore used insider information to win contracts for their companies.

67. Checks from the Registrar-Generals Department by the Committee indicated that McKof Ltd was incorporated in September 2001 with Mr. Among Dankwah as one of the Directors and a majority shareholder (owned 3,000,000 of the 5,000,000 issued shares). The share capital of the company at the time of incorporation was ₵5,000,000 or Gh₵500. Mr. Dankwah however resigned as a Director on 31st January 2006 but the shareholding structure remained unchanged.

68. Organisation & Systems Ltd. on the other hand was incorporated in March 2001 with Mr. Kwasi Amo as one of two Directors of the company. Mr. Kwasi Amo is also the only shareholder of the company owning 5,000,000 shares and the share capital of the company at the time of incorporation was also ₵5,000,000 or GH₵500.

69. As at October 2008, the Directorship and shareholding structure of the company remained unchanged.

70. It is the considered view of the Committee that at the time of the award of the contracts to the two companies, Mr. Dankwah and Mr. Amo were Directors and shareholders of the said companies and at the same time working for the NHIA.

71. There is therefore the possibility of the two Directors using insider information to bid for the contracts and eventually winning the contracts. This could result in a conflict of interest situation.

72. Even though the Ministry informed the Committee that the amounts have been deducted from subsequent payments to the Consultants, no evidence was provided to support the claim.

Recommendation

73. It is recommended that the Minister of Health should ensure that Schemes do not pre-finance contracts and that full payments are only effected after certificates of satisfactory completion of the works have been duly signed. Scheme managers who breach this directive should be sanctioned.

74. The Committee further recommends that the Auditor-General should verify whether the amounts were deducted from subsequent payments to the Consultants.

75. The two officers, Mr. Dankwah and Mr. Amo, should be referred to the Attorney-General for the latter to determine whether or not there was a conflict of interest in the award of the contracts and to take appropriate action thereof.

Unapproved Printing of Value Books - (para 194-197)

76. The audit revealed that 38 Schemes printed a total of 220,013 value books from various sources without the approval of the Controller and Accountant – General (CAG). The Schemes also failed to notify the Authority of the printing of the value books.

77. The Committee was informed that the Schemes are companies limited by guarantee and therefore have their own internal

arrangements. The Ministry however recognized that it was important to control the sourcing of value books and have accordingly procured general counterfoil receipt (GCR) books for the various Schemes from the CAGD.

Excess Payment - GH¢3,000 (para 198-202)

78. The audit disclosed that two Schemes, Asante Akim South and Kumasi Metropolitan Assembly (KMA) Sub-Metro (Manhyia), made excess payment of GH¢3,000 to Organization and Systems Ltd in respect of operational research and technical support services.

79. Management claimed that the amount has been recovered from subsequent payments to the consultants. There was however no evidence to support the claim.

Recommendation

80. The Committee recommends that the Auditor-General should verify whether the amounts were deducted from subsequent payments to the consultants.

Excess Expenditure - GH¢690,000 (para 203-206)

81. The audit disclosed that whereas the total budgetary provisions under Information, Educational and Communication for the Authority for 2005 fiscal year was GH¢1,370,000, actual expenditure as at end of the 3rd quarter was GH¢2,060,000, an excess of GH¢690,000. The audit further noted that the excess expenditure was not brought to the attention of the sector Minister.

82. The Authority informed the Committee that the its budget as contained in the Proposed Formula for Distribution of Subsidies to Licensed DHMIS was approved by Parliament. The officials indicated that an amount of GH¢4m was approved as contingency and GH¢2m for the Authority's activities in the 2005 budget. They further indicated that the Authority's budget was forwarded to Parliament by the Minister and therefore the latter was aware of the said expenditure.

83. Evidence from the Parliamentary Debates (Official Report) of 3rd June 2005, Fourth Series Vol.50 No. 16 corroborates the assesion by the Authority.

Use of Unapproved Rates in Payment – (para 207-210)

84. The audit noted that contrary to section 98(2) of the National Health Insurance Act, 2005, Act 650, the Authority applied new rates of allowances for its staff without the approval of the sector Minister.

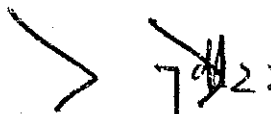
85. According to the Authority the rates were contained in the 2005 budget that was approved by Parliament and that it was the sector Minister who submitted the said budget to Parliament. The Minister was thus aware of the new rates, according to the Authority.


86. A check from Parliament's records however indicates that the said rates were not captured in the budget of the Authority as contained in the Formula for Distribution of Subsidies to Licensed District Mutual Health Insurance Schemes that was approved by Parliament on 7th June 2005 (Ref. Parliamentary Debates, Official Report of 7th June 2005; Fourth Series, Vol. 50, No. 16).

Recommendation

87. The Committee recommends that the Authority should seek retrospective approval from the Minister.

88. Respectfully submitted.


HON. SAMUEL SALLAS-MENSAH
CHAIRMAN, PUBLIC ACCOUNTS COMMITTEE


CAMILLO PWAMANG
CLERK, PUBLIC ACCOUNTS COMMITTEE

10th November, 2008