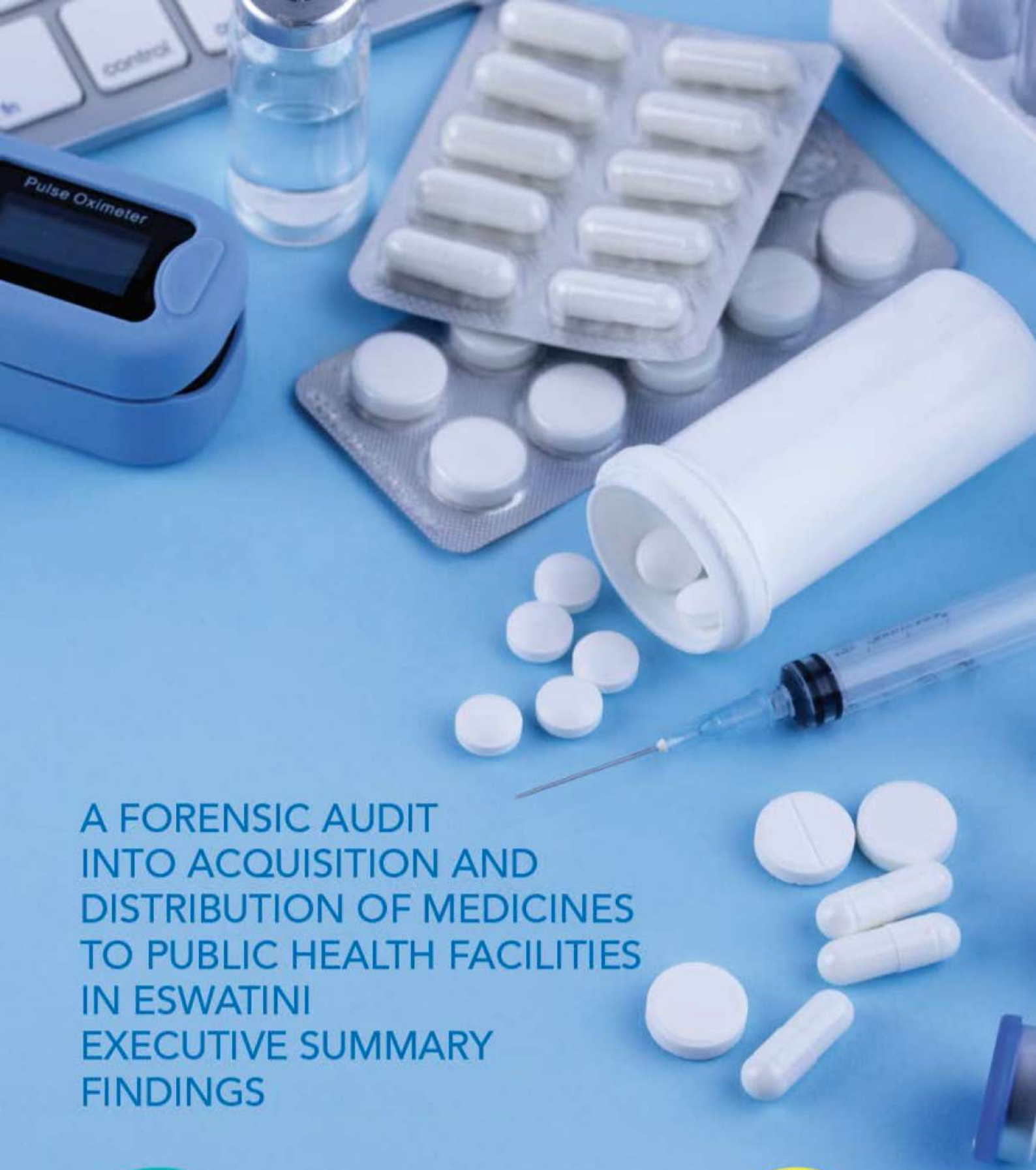

A FORENSIC AUDIT INTO ACQUISITION AND DISTRIBUTION OF MEDICINES TO PUBLIC HEALTH FACILITIES IN ESWATINI EXECUTIVE SUMMARY FINDINGS

FUNDUZI
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A FORENSIC AUDIT INTO ACQUISITION AND DISTRIBUTION OF MEDICINES TO PUBLIC HEALTH FACILITIES IN ESWATINI

EXECUTIVE SUMMARY FINDINGS

CONFIDENTIAL

KINGDOM OF ESWATINI

Office of the Auditor General
P.O. Box 98
Mbabane
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Eswatini

23rd February 2024

Honourable Neal Rijkenberg
Minister for Finance
P.O. Box 443
Mbabane
H100
Eswatini

Your Honourable Minister,

In accordance with Section 207 (5) of the Constitution of Eswatini and Section 16 Subsection 1 and 2 of the Audit Act No. 4 of 2005, I have pleasure and honour to submit my Abridged Version of the Forensic Audit Report on the Acquisition and Distribution of Medicines to Public Health Facilities in Eswatini, for onward submission to the Speaker of House of Assembly for tabling in Parliament.

Yours faithfully,

T. S. Matsebula
Auditor-General

CC: The Honourable Speaker
House of Assembly in Parliament

Table of Contents

1. Introduction and Background

1.1 The Office of the Auditor-General issued a report which highlighted significant challenges with the purchase, delivery and supply of drugs and medicines to public health facilities in Eswatini. The said report followed a public outcry about what seemed to be a lack of access to basic healthcare by citizens of Eswatini despite the huge financial investments made towards the purchase of the drugs and medicines.

1.2 Following the aforesaid report, it was deemed prudent to conduct a forensic investigation into the purchase, delivery and supply of drugs and medicines to public health facilities within the Kingdom.

1.3 Funduzi Forensic Services was engaged to perform forensic audit procedures into the entire cycle of ordering, purchasing, payment, delivery and supply of medicines and drugs to public health facilities.

1.4 This report sets out our findings and recommendations to the date of this report based on available information as at this date and subject to limitations set out hereunder.

2. Scope of the investigation

2.1 The scope of the investigation was determined following the public and cabinet concerns surrounding the expenditure of drugs and medicines versus the availability of medicines and drugs in public health facilities.

2.2 Accordingly, the purpose of the investigation was to:

2.2.1 Review the procurement processes for the ordering, purchase and supply of medicines and drugs to public health facilities;

2.2.2 Determine whether expenditure incurred on behalf Government of Eswatini in the purchase of drugs and medicines corresponds with the stock levels and supplies to public health facilities;

2.2.3 Ascertain what happened to drugs and medicines ordered and paid for by Government;

2.2.4 Determine whether there was value for money in relation to the purchase and supply of drugs to public health facilities;

2.2.5 Determine whether there could have been any fraud, corruption or conflict of interests in the supply chain for the purchase and distribution of drugs and medicines;

2.2.6 Determine the level of adequacy and maturity of the system of internal controls relating to the purchase, delivery, storage and supply of drugs and medicines; and

2.2.7 Make necessary recommendations to strengthen internal controls and/or address whatever identified shortcomings.

3. Approach and Methodology

3.1 The objective of our forensic investigation was to identify if there were any irregularities and/ or possible violation of applicable governance, legislative and other policy frameworks in the procurement, supply and distribution of drugs and medicines to public health facilities.

3.2 During the investigation, we performed various procedures designed to identify, secure and preserve information, documentation and other items relevant to this engagement.

3.3 Our approach included, but was not limited to, the following procedures:

3.3.1 Reviewing and analysing documentation relating to the procurement and supply of drugs and medicines.

3.3.2 Conducting interviews with relevant persons that could shed light on issues surrounding the improprieties identified in the supply chain for the delivery of drugs and medicines to public health facilities,

3.3.3 Conducting data analytics and review of payment batches which were matched with the Inward Order Book and other relevant sources to perform a reconciliation of stock purchased versus stock accounted for and paid for;

3.3.4 Conducting conflict searches to determine if there could have been any conflict of interests with public officials; and

3.3.5 Analysed data obtained, reached conclusions and made recommendations.

4. Limitations of Engagement

4.1 We were not required nor did we undertake an audit in terms of the International Standards on Auditing. The scope of our work was limited to review of the documentation and information supplied to and sourced by ourselves.

4.2 The findings contained herein are based on the work performed to the date of this report. Should there be any further information brought to our attention after the date of this report, we reserve the right to adjust our findings, where necessary and/or as dictated by circumstances.

4.3 We have taken reasonable care to ensure that the information obtained is authentic and complete but we cannot guarantee the authenticity and completeness of the information as the conclusions made in this report were based on documents received and analysed. As a consequence, we cannot conclude that our investigation outcome has been exhaustive but only to the extent that the documents may be found to have been incomplete or not authentic.

4.4 However, to the extent that our conclusions are based on the information provided and corroborated by interviews conducted with officials of the Ministry of Health and Central Medical Stores, we are satisfied that the said conclusions are sound, reasonable and justifiable.

4.5 This report is intended for the addressees within the Office of the Auditor-General of Eswatini and should not be disclosed to any other party who is not part of the commissioning or relevant structures of this investigation as Funduzi Forensic Services will not accept any responsibility should this report or any part thereof, be disclosed or released to any other party without our prior written consent. The Office of the Auditor-General may share the contents of this report with the relevant parties, including but not limited to the Office of the Prime Minister, Minister of Finance, Civil Service Commission, Ministry of Health and any other structure as deemed relevant by the Auditor-General in his sole discretion, in accordance with the Constitution and applicable legislation of Eswatini.

4.6 We were not required to, nor do we express any legal opinion in this document, nor should anything stated herein be regarded as such. However, our conclusions have been tested against the applicable legal principles and frameworks and found to be reasonably in line with sound legal principles.

4.7 The investigations findings are based on facts, documentary review and other procedures. The investigation is not a pronouncement of guilt or lack thereof by any party but does form a basis for a consideration that could lead to whatever process deemed necessary by the office of the Auditor General of Eswatini based on our conclusions and recommendations.

4.8 The report contains evidence based on interviews conducted with several parties. We deem the aforementioned evidence appropriate to corroborate our findings on such evidence alone. Factual findings on this report are mainly based on documentation reviewed.

4.9 We were not provided with all required information by the Office of the Accountant-General and certain employees like Assistant Director (CMS) despite the undertakings given in this regard. Our work was thus limited in this respect.

4.10 The Principal Procurement Officer and Deputy Director Pharmaceuticals refused to participate in the interview processes and proceeded to launch an Industrial Court action where they sought an interdict against this investigation process. As a result, their failure to present their version was regarded as a waiver on their part to have their side heard. Our findings in relation to these employees therefore suffered a scope limitation as aforesaid.

5. Executive Summary & Abridged Recommendations

5.1 Our investigation revealed a number of concerning issues as aptly summarized in the diagram below:

5.2 The Diagram below reflects key overall findings and abridged recommendations to deal with same.

KEY FINDING	RECOMMENDATION	IMPLICATIONS
Poor Supply Chain Management Processes • Improper variances to contract values • Lack of independent probity reviews in engaging Suppliers of drugs and medicines • Lack of drug testing facility for quality assurance of supplied drugs. • Unjustified above inflation increases amounting to 20%	i. Variation to contract values to be authorized by Tender Board and appropriate authority within Treasury.	a) Revise SCM procedures to accommodate this step and the probity review process.
	ii. Institute a system of independent probity reviews to assure proper and impeccable supply chain management processes.	b) Explore possibility of establishing a drug quality testing facility or mechanism.
	iii. Institute a process towards the acquisition of a drug testing facility for quality.	c) Keep adjustments within inflation level.
Poor Governance of Medicines and Drug Administration • System for ordering medicines and drugs not properly informed by best international practices	i. Overhaul entire drug and medicines ordering system to align to best practices such as disease profiling and tailoring volumes to population.	a) Redesign entire system for drugs ordering to supply.
• Weak receipt and storage system for drugs leading to theft of drugs, dumping of unordered drugs by Suppliers, expiring drugs, under-delivered drugs etc • Weak distribution and supply system leading to no tracking mechanism for the movement and supply of drugs to patients	ii. Redesign receipt, storage and distribution system for drugs to institutionalize accountability at every step of the process. iii. Create system ability to track orders from placement, delivery, storage, distribution to facilities and supply to patients.	b) Engage experts to assist with development of legislation for the establishment of an independent state-owned medical and drugs entity with all the necessary legislative authority and powers, including efficient and effective systems.
	iv. Create an independent, appropriately qualified/capacitated state-owned entity responsible for Central Medical	c) Experts to also assist with the design model for the capacity required, systems as well as

KEY FINDING	RECOMMENDATION	IMPLICATIONS
	Stores functions. This entity to be operated by well qualified individuals and overseen by an independent non-executive Board with appropriate skills and experience.	governance of the new state-owned entity.
Poor Internal Controls and Weaknesses • Drugs and medicines theft • Drugs and medicines expiry • Drugs short delivered • Drugs with short life delivered • No proper classification between donated drugs and purchased drugs • Tracking system weaknesses – manually driven processes -inward book etc	i. With the redesign of the entire model of delivery, establish a surveillance mechanism for the control, vetting, receipt, storage and supply of drugs and medicines. ii. Automatically reject drugs and medicines with short-life	a) Legislation and new model as contemplated above to be factored here.
Inadequate Systems • The drug and medicines ordering, stocking, receipt and supply is grossly inadequate and exposes Government to huge losses • The manual systems for the management of the process are not appropriate for the control environment • The NAVISION System has some weaknesses and requires strengthening and/or integration with a newly designed system or model.	i. Conduct a systems review and overhaul to create a robust, automated system with all relevant fields for the ordering and management of drugs.	a) Legislation and new model as contemplated above to be factored here.
	ii. Replace all manual systems and processes and substitute with automated processes.	b) Where applicable or required, integrate NAVISION with newly designed model.

KEY FINDING	RECOMMENDATION	IMPLICATIONS
Wastage [fruitless and wasteful expenditure] • Orders that were not fulfilled amounting to about E517million • Drugs that expired amounting to about E83million	i. Follow consequence management with officials responsible for fruitless and wasteful expenditure ii. Consider proper quantification and institution of legal claims against responsible entities	a) Disciplinary action b) Recovery of losses or damages
Fraud, Corruption & Conflict of Interests • Some Officials helping Suppliers for procurement – collusion • Some officials receiving gratification and/or cash incentives or payments from Suppliers • Duplicated Orders paid for amounting to fraud • Some officials changing labels for Suppliers • Some officials accepting expired drugs contrary to protocols	i. Institute disciplinary action against the implicated officials.	a) Disciplinary action b) Civil claims for damages
	ii. Institute recovery of undue payments made to certain suppliers.	c) Blacklisting of implicated providers
	iii. Recreate structure and institute interim measure such as an Administrator.	d) Institute interim measures for administration of CMS.

Narrative Key Findings

5.3 Large quantities of drugs and medicines did not and do not make their way to the public health facilities when they have been paid for.

5.4 Certain Suppliers as indicated in the report have found a way of abusing the system by dumping stock which has not been ordered knowing that certain public officials will facilitate payment thereof.

5.5 Certain Suppliers do not deliver the full stock of drugs despite huge payments being made or expenditure being incurred therefor.

5.6 Certain Public officials caused Government to incur fruitless and wasteful expenditure in that they have allowed and/or facilitated orders that were out of sync with the demand as dictated by disease profiles and consumer patterns leading to over-stocking and drugs expiring.

5.7 The leadership of CMS caused Government to incur losses in that there was failure to mitigate theft of drugs and medicines coupled with their failure to follow through on some criminal investigation processes where drugs had been stolen.

5.8 The Officials who are listed in the supplementary reports have a case to answer regarding the allegations of conflict of interests, money laundering, corruption and collusion cited against their names. The conflict of interests relates to moneys received by certain officials from certain Government suppliers as well as gratification received which violates the prescripts of Government.

5.9 The said Officials also have a case to answer regarding improper gratification and non-declaration of work performed outside the Civil Service as well as gifts or gratification obtained from certain Suppliers.

5.10 There were possible duplicate payments made to certain suppliers and in one instance, amounting to **E68 Million**.

5.11 There were possible fraudulent, fruitless and wasteful expenditure, in one instance, amounting to **E7 Million** paid towards a service provider in respect of donated trial drugs, which should not have been paid for.

5.12 Certain suppliers were complicit in the facilitation and receipt of undue payments as evidenced in the duplicate payments processed under one batch.

5.13 Certain suppliers were complicit in the creation of a false claim relating to payment for donated trial drugs (Remdesivir).

5.14 A certain supplier failed to honour the Agreement relating to the establishment of a manufacturing facility for drugs as undertaken and contracted in terms of the Memorandum of Agreement entered into with the Kingdom of Eswatini and there were no consequences to this failure.

5.15 There is no credible system in place to manage the ordering, stocking, storage, distribution and supply of drugs and even the current system is by-passed in favour of the manual system which is susceptible to manipulation.

5.16 The CMS structure is grossly inadequate for the execution of the mandate to manage the ordering, stocking and distribution of drugs and medicines.

5.17 The ordering patterns do not seem to follow best practices regarding the determination of volumes and quantities to order in order to avoid excess stocking of drugs that end up expiring. For example, see table below for comparison of same product ordered in South Africa and Eswatini:

Comparison of ARV Expenditure South Africa vs Eswatini

South Africa ARV Facility		**Eswatini CMS**	
Population on Treatment	**Annual ARV Expenditure**	**Population on Treatment**	**Annual ARV Expenditure**
11 556	R 12 649 280,40	11 556	E 66 188 303,88
45 000	R 49 257 322,43	45 000	E 257 742 616,34

5.18 The leadership of CMS do not possess necessary qualifications for the responsibilities associated with the CMS mandate.

5.19 Drugs with a limited shelf-life were accepted contrary to the established protocols for acceptance of drugs that have a minimum shelf life of 18 months.

5.20 Certain Officials have a case to answer regarding the relabeling of medicines that they performed on behalf of a Supplier which may have led to misrepresentation of certain drugs in terms of quality and expiry dates.

5.21 The 20% price adjustment granted to Suppliers was unjustified and could essentially amount to fruitless and wasteful expenditure, considering that it fell way outside of the parameters of a reasonable increase in line with CPI and USD Exchange rate fluctuations during the period in question.

5.22 Certain suppliers were overpaid, as in one instance, to the tune of about E8million in that they were awarded a tender at **E2 Million** and ended being paid about **E10 Million**.

5.23 **Irregular Payments – Payments Without Orders**

5.23.1 We identified payments made in respect of the years 2021, 2022 and a portion of 2023, which were made without orders and concluded that the procurement process was riddled with inefficiencies, possible corruption and fraud as well as undue enrichment to certain Suppliers.

5.23.2 The Table below depicts amounts paid in each financial year (drawn from the Government Payment System) to Suppliers without any orders:

Financial Year	**Orders delivered without Purchase Orders**
2023	E352 590 390
2022	E467 224 258
2021	E346 227 869
TOTAL	**E1 166 042 517 [E1.1Billion]**

Payments Made to Foreign Companies – No Supporting Information

5.23.3 We also identified payments from the Government Payment System, made to foreign companies based on the reference numbers/codes against those payments. At the time of concluding this report, we had not obtained or been favoured with details relating to these payments and justification therefor. The payments are listed below per financial year:

Financial Year	**Orders delivered without Purchase Orders**
2023	E44 869 949
2022	E237 829 361
2021	E45 529 405
TOTAL	**E328 228 715**

Discrepancies between Delivered Stock on Record and Payments Made

5.23.4 We identified discrepancies between recorded delivered stock versus payments made in respect of each financial year as depicted in the tables below:

2020/2021

	ART inward book	Total Expenditure	Variance
1	E233 871 079.15	E257 742 616.34	E23 871 537.19

2021/2022

	ART inward book	Total Expenditure	Variance
1	E118 275 882.47	E265 291 612.32	E147 015 729.85

Orders Delivered without Orders Being Placed

5.23.5 We also identified some orders delivered but without any record of orders being placed as follows:

	Orders delivered without orders
2020/2021	*E101 721 535.42*
2021/2022	*E42 765 018.00*

5.23.6 Subsequently, the unordered products were eventually paid for by CMS to the tune of **E7 330 079.00**. This clearly indicates that certain Suppliers could bully their way into being paid by Government by simply dumping their excess stock and later demand and indeed get paid for same.

Expenses Incurred in lieu of Orders Not Delivered or Partially Delivered

5.23.7 We analyzed order books for the sampled 7 (seven) public health facilities and noted discrepancies or variances between stock ordered versus delivered or partially delivered stock. Attached hereto are spreadsheets depicting orders placed versus stock delivered or under-delivered. A further exercise would be required to determine the allocation of expenses that may have been incurred in respect of orders not delivered against relevant Suppliers. This would enable possible recovery of the costs incurred in vain relating to orders that may have been expensed but not delivered.

5.23.8 The table below lists the quantity and value of orders issued and delivered per health facility with a reflection of a variation and values thereof per facility. The figures below were sourced from the Order Books per facility:

Hospital Name	Total Quantity Ordered	Total Partially Quantity Delivered	Total Quantity Oversupply	Total Value Over supplied	Total Value Delivered	Total Quantity Undelivered	Total Value of Under-delivered
MANKAYANE GOVERNMENT HOSPITAL	452 790	65 408	-	-	9 699 669.37	387 382	56 691 967.58
DVOKOLWAKO HEALTH CENTER	1 584	1 065	-	-	112 432.36	519	80 425.85
KING SOBHUZA II PUBLIC HEALTH UNIT	47 258	3 565	-	-	768 573.47	43 693	8 035 460.21
MBABANE	2 251 824	1 475 127	103 421	4 204 410,00	70 285 998,18	880 118	113 730 011.28
LOBAMBA CLINIC	40 919	2 783	-	-	134 428.47	38 136	4 800 950.80
PIGG'S PEAK	16 892	4 087	-	-	239 244,00	12 805	740 503.78
RALEIGH FITKIN MEMORIAL HOSPITAL	2 209 825	201 906	-	-	2 007 919.00	2 007 919	21 976 313.75
LUBOMBO	49 962	4 307	-	-	471 952.89	45,655.00	266 037 204.94
NHLANGANO HOSPITAL	3 570 276	170 096	-	-	288 736.16	3 400 181	45 583 849.39

Expired Drugs and Medicines

5.23.9 The central medical stores reported **E81 162 288.06** of expired medicines reported over the 2 years under review (2020-2021 to 2021-2022). This is fruitless and wasteful expenditure of millions incurred by government, and this is only what is reported at the Central Medical Stores. The facilities also have large amounts of unquantified expired medicines awaiting disposal as depicted in the Table below[1].

Period	Value
2021	E 43 315 664.63
2022	E 37 846 623.43
Total	**E 81 162 288.06**

5.23.10 The large amounts of medicines that have expired for the treatment of Malaria is of concern and points to serious negligence or a lack of procurement understanding by officials responsible at the CMS.

5.23.11 We also identified products that had expired on the shelves of either CMS or public health facilities which indicates fruitless and wasteful expenditure.

[1] Data Sourced from CMS Navision Inventory Management System

6. Recommendations

In the premises, it is recommended that:

6.1 the ordering of drugs be aligned to best practices by ensuring that orders take into account the consumption data, population, disease profile in Eswatini and other internationally established best practices for ordering drugs and medicines.

6.2 The Quantification Committee be strengthened with a level of independence in order to avoid any potential conflict of interests.

6.3 A proper, robust and reliable electronic management system for the ordering, storing, distribution and supply of drugs be sourced or developed without any further delay in order to account for orders and create accountability for drug and medicines management in the entire value chain.

6.4 The CMS be restructured and capacitated with adequate and relevant skills set at leadership and technical levels. In particular, the Head of CMS should possess necessary skills related to the management of drugs and medicines coupled with experience in governance.

6.5 The CMS be established as an independent State-owned entity to be located outside the Department of Health for the sake of independence and possibly with clear lines of accountability. An appropriate legislative framework would be necessary in this regard to deal with its composition, mandate, structures and operations.

6.6 Any future price adjustments to Suppliers be effected in line with Agreements and subject to the prevailing rate of CPI.

6.7 Disciplinary action be instituted against all officials implicated in wrongdoing in terms of this report and its annexures

6.8 An interim management structure be instituted at CMS to stabilize the institution and establish proper systems for drug procurement, management and distribution, including a possibility of seconding or appointing an independent Administrator.

6.9 Proceedings to recover **E68 Million** which constituted duplicate payments as well as **E7 Million** representing fraudulent claim of donated trial drugs be instituted against implicated entity.

6.10 Processes relating to possible blacklisting of implicated service providers to Government be instituted in line with the provisions of the Public Procurement Act read together with the Prevention of Corruption Act.

6.11 No advance payments should be made in the purchase of drugs unless otherwise specifically contracted under certain exceptional conditions which must be approved by the Minister of Finance or his designated delegate.

6.12 A further investigation into payments made to Suppliers be undertaken with a view to quantifying and allocating losses that may have been incurred by Government based on undelivered stock that may have been paid for. Once concluded, processes to recover the losses or monies unduly paid to Suppliers be instituted and Suppliers implicated, to be blacklisted.

Pictures

Tempered and re-sealed boxes of water for injection and relabelled vial, received without labelling and labelled/re-packaged in the CMS warehouse.

A picture of Basic NCID (Blood Pressure Chronic Medication) Medications out of stock at Mbabane Hospital.

A picture of out-of-stock Antibiotic medicines at Mbabane Hospital.

A picture of out-of-stock ICU medicines at Mbabane Hospital.

A picture of Basic NCID (Blood Pressure Chronic Medication) Medications out of stock at Mbabane Hospital.

A picture of Basic NCID (Blood Pressure Chronic Medication) Medications out of stock at Mbabane Hospital; Empty shelves.

A picture of empty out of stock medications used for the treatment of acid reflux (gastroesophageal reflux disease) at Mbabane Hospital.

A picture of expired medication at Mankayane Hospital, expired stock room.

Large quantities of expired medication at Mbabane Hospital.

es at Mankayane Hospital; Medicines
d.

Photo of an empty shelve for Paracetamol taken at Mbabane Hospital

Larger quantities of expired and dumped medical products at King Sobhuza Clinic

Picture of Large amounts of expired stock stored at Nhlangano Health Centre

Large amounts of expired medication being decanted into containers in Lobamba Health Centre.

Larger quantities of expired medicines stored at Mankayane Hospital.

Stocks of expired medicines discarded at King Sobhuza III Clinic

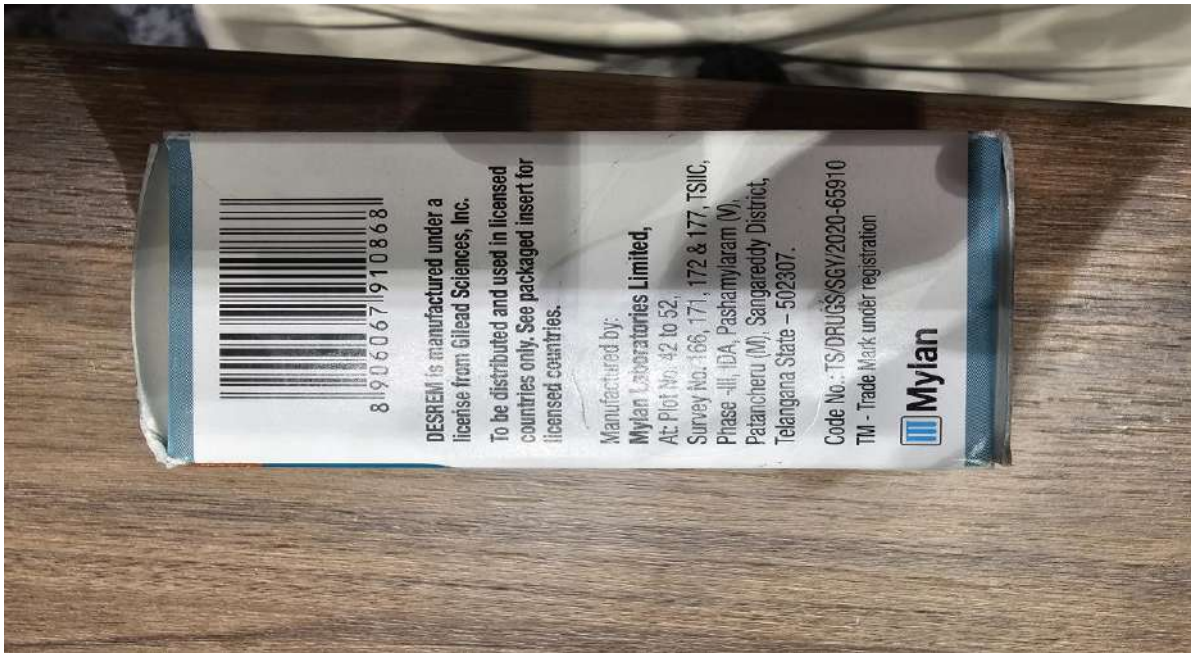
Picture of Large amounts of expired stock taken at Nhlangano Health Centre

Remdesivir Injection:

Stock of Expired Remdesivir at the CMS, awaiting disposal

Stock of Expired Remdesivir at the CMS, awaiting disposal.

Expired Donated stock of Remdesivir at Mbabane Hospital



Expired remdesivir, found in Mbabane hospital, donated from Covid-19 site.

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