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**A COMPARATIVE STUDY OF
PURCHASING AND STORES MANAGEMENT
IN
PRIVATE AND PUBLIC HOSPITALS**

A THESIS PRESENTED TO THE SCHOOL

OF

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BUSINESS ADMINISTRATION**

BY

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DECLARATION

I, SAMPSON, OWUSU-AFRIYIE, hereby declare that this thesis, which is presented to the School of Administration, University of Ghana, Legon, in partial fulfillment of the requirement for the MBA Degree is entirely my own work and that no part of it has been presented for another degree elsewhere.

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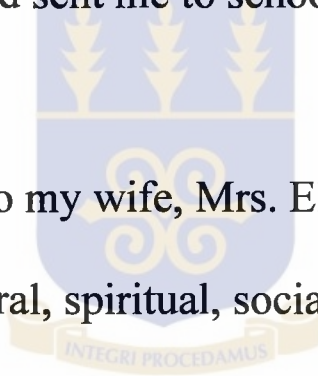
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DEDICATION

This work is dedicated to my father

Mr. Augustine Owusu-Afriyie who saw the potential in
me and sent me to school.

It is also dedicated to my wife, Mrs. Elizabeth Owusu-
Afriyie for her moral, spiritual, social and financial
support.



ABSTRACT

Every organization, be it primary, manufacturing, or service depends on materials and services to enhance its operations. Material requirements are either in their raw form, which are used as inputs in the manufacturing process or finished goods, which are used as consumables in the running of the organization.

To ensure continuity of operations, organizations require systematic and regular supply of materials, which must be purchased and stocked to be issued, out when the need arises. Purchasing and Supply is therefore one of the basic and most important function of every organization. Indeed no organization can operate effectively and successfully without materials, equipment and services.

In the public health institutions in Ghana, purchasing and stores management function has not been approached professionally as it should be. As a result most public hospitals such as Korle Bu Teaching Hospital have experienced malpractices in this area, which have attracted criticisms from the general public.

Little has been heard about the private hospitals with regards to problems and malpractices in the field of purchasing and stores management. It is in the light of problems associated with purchasing and stores management in public hospitals that the researcher decided to undertake comparative study of purchasing and stores management of private and public hospitals to find out, first, which of the hospitals meets professionals standard in purchasing and stores management. Secondly, to make the necessary recommendations to be implemented by those institutions which do not meet the professional standard of practice in

order to improve the Purchasing and Stores Management functions to achieve efficiency and effectiveness.

Purposive sampling technique was used to select two public and two private hospitals. The two public hospitals were Kibi District Hospitals, located at East Akim District of the Eastern Region, and Koforidua Central Hospital located at Koforidua also in the Eastern Region. The two private hospitals were Holy Family Hospital, located Nkawkaw in the Kwahu South District in the Eastern Region and Ashanti Goldfields Company Limited Hospital otherwise known as Ashanti Goldfields Company Hospital which is located at Obuase in the Adansi West District of the Ashanti Region and Ashanti Goldfields Company Limited Hospital otherwise known as A.G.C. Hospital which is located at Obuasi in the Adansi West District of the Ashanti Region. The former is owned and run by the Koforidua Diocese of the Catholic Church and the latter is owned and run by Ashanti Goldfields Company Limited a Mining Company in Ghana.

Data for the study were obtained from both secondary and primary sources. The secondary sources included hospital reports, minutes of meetings, research findings, newsletters and newspapers.

Primary data were collected through two main methods namely, personal interview using questionnaire as a guide and personal observation. The personal interview was the main method of data collection and personal observation was used as complementary method.

Three officers of the Hospital, Administrator, the Purchasing Officer or the Supplies Officer/Stores Officer and Accountant from each of the hospitals were selected as the respondents for the personal interviews. The interview questionnaire was divided into two sections – one on purchasing and the other on stores management. The questionnaire and

interviews inquired about the availability of qualified purchasing and stores staff, authorization of purchases, purchasing initiation, segregation of stores, purchasing and accounting duties, availability of stores and purchasing departments, security at stores, availability of storage facilities, computerization of stores and purchasing functions, procedure for accepting goods to stores, supplier evaluation, registration of suppliers, assessment of stores performance and many others. Some of the questions were open-ended and others were closed-ended and multiple choice. The responses from the personal interview were recorded manually.

Content analysis and descriptive statistics were employed to analyze the responses.

The content analytical method was used for the open-ended questions. The statistical package for social sciences (S.P.S.S.) was used for the statistical analysis.

The results indicated that Ashanti Goldfields Company Hospital met professional standards in almost all the indicators used in the study followed by Holy Family, and Koforidua Central and Kibi District Hospitals – in that order. Kibi District Hospital, one of the Public hospitals was most delinquent in the professional practices.

Recommendations were made for implementation by the public hospitals in order to improve the purchasing and stores management to contribute to the efficiency and effectiveness of these hospitals. In addition, the Ministry of Health was advised to understudy in detail the Ashanti Goldfields Company Limited Hospital's purchasing and stores management for possible adoption by all public hospitals.

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CHAPTER ONE

1.1. BACKGROUND TO THE STUDY

Hospitals, be they private or public, are set up to achieve some objectives among which include satisfying clients, and improving the health status of the people within their catchment area. (Abebrese, 1998). Hospitals perform these roles through the provision of curative, preventive, promotive and rehabilitative health services. In all these activities, hospitals need resources including materials of all kinds, including drugs, medical equipment and consumables (Abebrese, 1998). These materials are used in the process of health care provision to satisfy the needs of customers (patients). It therefore implies that the success or failure of hospitals may depend largely upon the performance of the sections of the hospitals in charge of arranging for the supply of needed materials at all times. For the simple reason above, such responsibilities should always be entrusted in the hands of well-structured procurement, purchasing or supplies department for the efficient and effective realization of the hospitals' objectives.

Procurement as a management discipline has developed strongly over the past two decades especially within the manufacturing sector. Due to the increasing industrial competition, the manufacturing companies have given first priority to many issues such as cost reduction, quality improvement, and lead time reduction which are associated with efficient and effective purchasing management (Mensah, 1999)

Compared to the manufacturing sector, organizations and institutions in the service sector, have lagged behind in the development of effective procurement and stores management system. In service organisations, procurement is regarded as an activity that is usually limited only to the placement of orders, invoice checking and documentation. The issue of strategic purchasing activities including planning,

organising and system improvement are not given the required consideration (Mensah, 1999). Thus, procurement functions in most of the public hospitals are always found in the hands of Hospital Administrators and Medical Superintendents. In most of the public hospitals in Ghana, the status of supplies/purchasing activities are scattered throughout the organisation and not well managed to play the role of ensuring that these institutions obtain value for money for all the procurement it makes. Most public hospitals do not have well structured procurement departments headed by qualified personnel. Even though these hospital have stores department which are manned by stores personnel who are staff of Ministry of Finance, these personnel concentrate their function at the stores since they are not competent and skilful enough to handle procurement function effectively. The purchasing and supply function has therefore been taken over by other senior staff in the hospital who are not experts in the field (Mensah, 1999).

There are also problems with the inventory control systems at of these public hospitals. Inventory levels are not monitored properly, as result, there are frequent shortages of essential materials and drugs in most hospitals especially the two teaching hospitals - Korle-Bu and Komfo Anokye (Daily Graphic, 22nd August, 1988 pp15). This brings in its wake emergency purchases, which are expensive while patients' lives can be lost if these items are not procured in time.

Due to poor sourcing practices at these hospitals, sometimes the suppliers selected are not able to deliver the right quantity and quality of items ordered (Annual Report Kibi District Hospital). The resultant effects of these problems are that the purchasing function in most public hospitals is not managed to achieve the cost saving as emphasised by Mr. Kwame Peprah, the former finance minister. (Mensah, 1999). If

well managed the expenditure savings can be utilised to employ more doctors and other health professionals that the Ministry of Health badly needs.

As can be seen from the Table below, procurement of goods, consumables and medical equipment constitute the second highest cost of at the hospital after personal emoluments.

Table 1.1. Expenditure on personal emolument, materials and overheads at Kibi Hospital, 1998 - 1999

EXPEINDITURE ITEM	1998		1999	
	¢	%	¢	%
Materials	120m	17.9	242m	27.4
Personal Emoluments	495m	74.1	536m	60.7
Overheads	53m	7.93	104m	11.7
Total	668m	99.93	882m	99.8

As can be seen from the above figures from Kibi Hospital, procurement of materials constituted 17.9% and 27.4% of the hospital's expenditure in 1998 and 1999 respectively.

It is in view of the problems confronting purchasing and stores management in public hospitals that the study is being undertaken to examine the procurement and stores management practices of some public hospitals to identify areas which need improvement so that recommendations for improvement can be made. The study also

intends to examine the purchasing and stores management practices of some private hospitals to identify areas of strength that may be recommended for implementation by the public hospitals. The examination of procurement and stores management practices at the hospitals will be made against the standards prescribed by the Chartered Institute of Purchasing and Supply (C.I.P.S.) UK, the world's professionally acclaimed institution regulating the standard of procurement practice. The study will focus on the entire procurement cycle- establishment of need, methods of purchasing, sourcing, and certification of invoices for payment. In the area of stores management, the study will focus on inventory system, stocktaking practices, inspection and quality control, performance measurement in stores management, security, the use of personnel in stores management and stores location system.

1.2. **JUSTIFICATION FOR STUDYING PURCHASING AND STORES MANAGEMENT IN HOSPITALS**

Ghana's long term vision for growth and development is captured in the document GHANA VISION 2020. It defines five main areas for priority attention in the medium to long term as follows: maximizing the healthy and productive lives of Ghanaians; distribution of the benefits of development; attainment of a national economic growth rate of 8%; reduction of the population growth rate from 3% to 2%; and, the promotion of science and improved technology as tools for growth and development.

Taking inspiration from GHANA VISION 2020, the Ministry of Health published its Medium Term Health Strategy document in September 1995, for 1997 – 2001. Among other things, it set the direction and provided a framework for development in the health sector. The document identified priorities for health development as:

1. Improving access to the health services
2. Improving quality of the services

3. Improving efficiency in the use of resources needed for delivery of services.
4. Promoting linkages with other sectors involved in health delivery.
5. Health financing aspects of service delivery.

It is because of the third priority, that is, efficiency in the use of resources needed for delivery of health services that the researcher intended to undertake the study to examine purchasing and stores management practices of public hospitals to identify areas which needed improvement and the necessary recommendations made for implementation to ensure efficiency in the use of health resources. Resources available to health sector have been shrinking over the years. For the last decade, government allocation to the Ministry of Health has been \$6 per capita, compared with \$10 in 1978. This has had a direct impact on the ability of the Ministry of Health to run an efficient and effective system. Insufficient amounts are spent on non-wage recurrent costs, leading to shortages of drug and other essential supplies and the persistence of weak logistic support system (Source: Health Sector 5 year Programme of work, Ministry of Health, Ghana). About 60% of recurrent budgets of most public hospitals is spent on the procurement of goods and services. Purchasing and stores management area has been identified as the number one area where a substantial amount of public funds go to waste in the form of fraud, misappropriation and other financial malfeasance (Sapati 2000). Studying the purchasing and stores management of hospitals will enable the researcher to identify the weaknesses in the system so that recommendations can be made as to how best to improve efficiency and effectiveness in the area of purchasing and stores management to cut down waste and fraud.

1.2.1 **OBJECTIVES OF PURCHASING AND SUPPLY DEPARTMENT**

It is argued that purchasing policies and strategies should be based on the company objectives and strategies and that purchasing objectives must be in accordance with the overall company policy.

One of the accepted definitions of purchasing objective is “to obtain materials of the right quantity, in the right quality from the right source, delivered to the right place at the right time at the right price”. This definition has been criticised by some purchasing practitioners as being rather simplistic and superficial. It is still seen as a valid statement because the definition does provide a practical framework and has been seen useful to many users. However, a good objective as outlined by Bailey et al (1994) are as follows,

PRIMARY OBJECTIVES

1. To ensure the uninterrupted flow of production by obtaining and ensuring delivery of accepted quality of good and services, at the right time and price,
2. To develop reliable alternative sources of supply to meet company requirement,
3. To treat all prices and technical information submitted by suppliers as confidential in order to preserve a good business reputation and obtain competitive prices,
4. To comply in all respects, with the anti trust laws and with all other applicable laws without qualification or evaluation
5. To purchase efficiently and wisely materials and services by an ethical means for the company's use at the maximum end-use value per amount spent
6. To resolve conflict on all purchased goods and services

7. To provide leadership in the standardization of materials, suppliers requirements, services and policies.
 8. To provide leadership in the management of inventories of purchased goods so as to meet the use requirements of the company's departments at the lowest possible cost
 9. To maintain sound co-operative relationships with other departments, providing information and advice as necessary to ensure the effective operation of the organization as a whole
 10. To develop staff, policies, procedures and organization to ensure the achievement of the foregoing objectives,
 11. To diminish the cost of acquisition, improving operations and procedures.
- In addition to these broad objectives are some more specific objectives, among which are,
12. To select the best suppliers in the market,
 13. To help generate the effective development of new products,
 14. To maintain the correct value balance of an organization,
 15. To protect the company's cost structure,
 16. To monitor supply market trends,
 17. To negotiate effectively in order to work with suppliers who will seek mutual benefit through economically superior performance,

SECONDARY OBJECTIVES

There are secondary objectives that are supportive of other functions in the organization including the following:

18. To suggest to the engineering department materials or components which may improve the organization's products.

19. To strive to introduce standardization in requirements to simplify specifications and reduce costs of materials and number of types of inventory.
20. To furnish data in forecasting or assist in forecasting availability of materials and trends in prices.
21. To participate in make or buy decisions;
22. To serve sales personnel by bringing to their attention effective methods and techniques used by sales forces of suppliers and warn against obnoxious conduct observed on the part of such sales personnel.

Adherence to these purchasing objectives would enable purchasing to function efficiently and effectively to enable the organization to attain its stated objectives.

OBJECTIVES OF STORES MANAGEMENT

Ammer (1978) stated that the objectives of stores management are fourfold. These include:

1. To have proper supplies when needed.
2. To carry out the buying and storage functions at the lowest possible cost.
3. To pay the lowest possible prices for purchased supplies that are consistent with other supplies management objectives and
4. To operate with minimum investment in inventory and other assets that is consistent with other objectives

1.2.2 FUNCTIONS OF PURCHASING AND SUPPLY DEPARTMENT

The purchasing function has a complex network of relations in the company because it maintains relationship with nearly all departments within the company. It traditionally encompasses the process of buying. It involves determining the need, selecting the supplier, arriving at a proper price, specifying terms and conditions,

issuing the contract or order and following up to ensure proper delivery. In short, Aljan (1983) says the purchasing function should obtain the proper equipment, material, supplies and services of the right quality in the right quantity, at the right price and from the right source.

In this description, the purchasing function is regarded primarily as an operational activity. Types of activities, tasks and functions on a broad scale include:

1. Requirement determination in terms of required quality and quantities of goods and services that need to be bought. It involves functional co-ordination with manufacturing, engineering, marketing, finance and quality control.
2. The procurement decision, involving makes or buys decisions, standards, vendor certification, value analysis, market trends, schedule, cost and budget consideration and capacity, control and opportunity alternatives.
3. The procurement process; which also involves source selection, soliciting bids, schedule, cost price analysis, negotiation, contract, expediting, term and conditions, specifications and contract administration.
4. Materials management, which also includes traffic and receiving, economic order quantity determination, inventory management and control, materials handling, scrap disposal and stores.

1.2.3 **THE ROLE OF PURCHASING AND SUPPLY IN ORGANIZATIONS**

In general the scope of the purchasing function goes far beyond the activities of the purchasing department. In many companies, buyers buy various goods and services, therefore many other departments within the company are actively engaged in buying product and services. Limiting us to the role of the purchasing department in the

purchasing process, one realises that this role varies from company to company and situation to situation. According to Lyson (1994), the purchasing roles in an organization can be grouped into three main categories.

a. **Organizational Roles**

- i. Decision making which is often realised through purchasing's involvement in strategic long term decisions,
- ii. Purchasing also contributes to the profitability of the organization by adding value as part of the value chain,
- iii. Purchasing also contributes to the design of organization structures through the centralisation of functions to obtain economies of scale,
- iv. Purchasing as an integrated activity has the role of showing its information and expertise with other links in the supply chain especially design, production and marketing,
- v. Purchasing as an integrated function also has the role of demonstrating professionalism with respect to expertise and service,

b. **Supplier Roles**

- i. Purchasing's role in organizations also entails the establishment of mutual relationships with suppliers through partnerships to achieve cost reduction and quality.
- ii. Purchasing also conducts negotiation to reconcile the views of suppliers' staff and colleagues in the business area.
- iii. Purchasing also has the role of locating suppliers both local and national to supply goods and services required by the buyers' organization.

c. **Operational Roles**

- i. Communicate effectively with suppliers to reach favourable terms of business also forms part of the roles of purchasing; and
- ii. Lastly, but not the least, purchasing has the role of managing and controlling inventory where appropriate production line.

1.2.4 **RESPONSIBILITIES OF PURCHASING AND SUPPLY PROFESSIONALS IN AN ORGANIZATION**

• **Purpose**

In order for the company to maintain its position of leadership, it is imperative that we continually strive to balance cost, delivery and quality, in every area of our business operation as stated in the Policy And Procedure Manual for Purchasing and Material Control (1992). Materials and service acquisition cost account for substantial amount of operating cost and can provide an excellent opportunity for cost reduction and control. It is mandatory in purchasing that the responsibility for buying materials and services be assigned to a group of people skilled in negotiating, value analysis and other purchasing techniques. The primary responsibility of the provision for the purchase of materials, supplies and service is the objective that they will be available at the TIME, PLACE, QUANTITY, QUALITY AND PRICE consistent with the needs of the organization.

• **Scope**

It is of great importance that to realise that this policy applies to all purchases and purchase related documents prepared or for that matter processed within the organization.

- **Responsibilities**

These responsibilities among others can be seen in the following:

1. Those persons to whom authority has specifically been delegated by the Managing Directors or Chief Executives of their organizations are authorised to commit company or organizational funds for materials equipment, supplies and services,
2. The manager of purchasing and materials control has the responsibility for procurement of all goods and services, and to either provide the services for such procurement or give functional directions to others with delegated authority to perform such services,
3. Purchasing has the responsibility for obligating the company or organization and for making the final determination of sources of supply, quantity purchased delivery schedules and price negotiations, except where orders are so authorised by the manager of purchasing and materials control. These decisions will be made in conjunction with operation, marketing, inventory, accounting/finance and other departments.
4. All negotiations are to be handled by the appropriate purchasing personnel within their delegated authority,
5. Purchasing serves as the exclusive channel through which all requests regarding prices and products are handled. The purchasing department conducts all correspondence with suppliers involving prices or quotations. In cases where technical details are necessary, the user departments may correspond with suppliers regarding technical issues. In such cases, the purchasing department should be provided with copies of all such

- correspondence. Close communication and co-ordination between purchasing and the user departments must also be established,
6. Purchasing department is responsible for initiating and maintaining effective and professional relationships with suppliers, actual and potential,
 7. All employees involved in purchasing activities will work to maintain and enhance their organization's image by their personal conduct and method of doing business,
 8. When suppliers' sales representatives make personal sales calls, they are to be directed to call on the appropriate buyer at the time,
 9. Purchasing personnel are to inform requesting departments whenever the quantity or specifications of materials requested are inconsistent with sound purchasing practices or market conditions,
 10. Purchasing personnel are to seek to obtain and purchase all goods at the lowest possible total end-use cost, considering the guidelines of prices, service quality and delivery.
 11. All employees engaged in purchasing activities will recognise and practice good public relations by all callers and visitors and treat visitors courteously.
 12. Supplier selection and product purchased are to meet the basic policies and standard practices of the company;
 13. Purchasing personnel will work to establish and encourage punctual delivery of specified goods and services in correct quantities.
 14. The manager of purchasing and material control is to assume full authority to question the quality and kind of material asked for, in order that the best interest of the company may be served,

15. Purchasing personnel will negotiate the return of rejected equipment of supplies to suppliers; and
16. The manager of purchasing and materials control is to advise management of economic conditions and changes significant to the company long and short-term interests.

1.3 **THE PURPOSE OF THE STUDY**

The purpose of undertaking this study was to examine purchasing and stores management practices of some public hospitals in relation to professional standard of practice to identify areas where the private and public hospitals fell short and to offer recommendations and suggestions more suitable in rectifying problems associated with public hospital procurement and stores management systems. These recommendations if adhered to and properly implemented would reduce cost and inefficiencies, which were associated with the procurement and stores management practices of public and private hospitals. The procurement and stores management system of two private hospitals will also be examined for the purpose of comparison.

1.4 **PROBLEM STATEMENT**

Every organisation, be it public or private depends on materials and services to enhance its operations. Material requirements are either in their raw form, which are used as inputs in the manufacturing production process or finished products, which are used as consumables in the running of the organisation. To ensure continuity of operations, organizations require a systematic and regular supplies of materials which must be purchased and stocked to be issued out when the need arises (Dery, 1996). Purchasing or procurement is therefore one of the basic and most important function of every organisation. Indeed organisations cannot operate effectively and successfully without materials, supplies and equipment. It is therefore often not

surprising that, in almost all organizations over 50% of total budget allocation usually go into the procurement of materials, supplies and services (Lokko, 1994).

This is especially common with manufacturing firms where revenues of these firms are derived from the sale of manufactured products.

The ability of purchasing or procurement department to achieve its objective of ensuring continuity of supplies depends on how the function is professionally handled. As remarked by Lokko (1994), procurement is a professional game and must be played by professional players. The importance of a well-trained procurement manager can therefore not be over emphasised. Lokko (1994) in his study of procurement system of Volta River Authority (V.R.A.) revealed that the effectiveness and efficiency of the procurement system of the authority depended on the quality of the human resource assigned to the materials department. Top management turns to give attention to procurement and the importance of the procurement function is well understood by top management in the organisation. Most public health institutions in Ghana do not have well qualified personnel to manage the procurement and stores function to achieve their objective of ensuring the continuous availability of materials, consumables and equipment needed to enhance effective health care delivery. (Mensah, 1999)

Most of the purchasing and store staff currently working in most of the public hospitals are not professionally trained. The research findings of Mensah (1999) revealed that the highest educational qualification of most supply officers who are directly responsible for most procurement activities is G.C.E. ordinary level, while about 85% of stores staff had only Middle School Leaving Certificates (M.S.L.C.). The study also revealed that the only opportunity for staff development of stores and procurement staff was for them to receive short refresher course just before promotion

exams which could be three or four years interval. The opportunity for furtherance of course at the university, polytechnic and any other institutions of higher learning was non-existing.

With the increasing competition at the market place, and the globalisation and the challenges posed by the world economic order, the proper management of purchasing and stores function requires personnel with academic qualification not less than Higher National Diploma in Purchasing and Supply or Graduate Diploma, awarded by the Chartered Institute of Purchasing and Supply (U.K.).

The ability of purchasing and supply management staff to perform their functions effectively to affect the smooth running of their respective organizations depends on the status given to the department in the organisation's organogram (Lokko, 1994).

Most public hospitals in Ghana do not have purchasing department but have stores.

Mensah (1999) revealed that most of the public hospitals in the Western region of Ghana do not have separate department responsible for procurement. Non-procurement professionals who do not use workable strategies in sourcing for materials and relating effectively with suppliers therefore perform the function.

Mensah (1999) further observed that, in most of the public hospitals, procurement committees consisting usually of the following perform the procurement function:

- (a) The medical superintendent in charge of the hospital
- (b) The Hospital Administrator
- (c) The Accountant
- (d) The Principal Nursing Officer
- (e) The Pharmacist in charge
- (f) One Medical Doctor from the clinical unit.
- (g) The Storekeeper.

The medical superintendent is the chairman of the committee with the Hospital Administrator as the Secretary. The Storekeeper or (where there is a supply officer), is an ordinary member of the committee. One aspect of the committee system is that, although some of the members of the committee have first and doctorate degrees, they practice fully in their various areas of specialisation and hence do have professional training in purchasing and stores management to exhibit sound proficiency on the procurement committee.

Inventory management is a very important tool in stores management. Through proper inventory management organizations are able to ensure that the firm's investment in stock is reduced to the minimum while stock out situations, obsolescence, and redundancy are reduced to the barest minimum and at the same time maintaining high service level (Jessop and Morrison,1994).

Proper inventory management seems to be lacking in most of the public hospitals in Ghana. A study conducted in Western Region about how the hospitals in the region are managing their stores revealed that most of the hospitals did not have clear cut stock control policies (Mensah, 1999). Although maximum, minimum and re-order stock levels were located on their tally cards, they were not in use and orders were made as and when needed without taking to account the stock control policy. There was absence of forecasting or projected future demands in the stores department. The only guide used for this purpose was the quarterly budget (and in some cases yearly) drawn by Health Services Administrators in running their respective hospitals. As a result of lack of clear stock control policies, most of these hospitals purchased their requirement only when the items run out of stock. Most of these items were bought under certificate of emergency, which almost invariably resulted in higher prices.

For the efficient management of stores, adequate storage facilities should be provided at all the stores locations. These storage areas should be large enough and well equipped enough to permit a suitable arrangement of all supplies and to protect them from damage. Storage areas must be clean, organised and well lighted (Jessop and Morrison, 1994). Most public hospitals do not have adequate storage facilities to protect the stores against theft, obsolescence and redundancies. Mensah-Narh (1987), in his study of storage system of Ridge Hospital, revealed that the hospital did not have adequate storage facilities. The store was bursting at its beams of roof and that did not comply with storekeeping regulations regarding proper storage which helps to prevent deterioration, obsolescence and unintentional hoarding of supplies. This does not augur well for quality care and has other cost implications as well.

One major flaw of stores management of public hospitals is the monitoring of supplies after they have been issued to the user departments or internal customers. In most of the public hospitals no mechanism exist to monitor the usage of the supplies after they have been issued to the user departments. As a result of lack of monitoring, some of the supplies find their way in the homes of the officers in charge of wards and other heads of departments. The supplies are sometimes misused since the wards in charges do not account for their usage. As revealed by Mensah-Narh (1987) in his study at the Ridge Hospital, even though all requisitions for stores were to be approved before the storekeeper issued out supplies, no effective measures were taken to find out how such supplies were used. As a result, when fresh requisitions were made, the Stores Officer only used his discretion to issue supplies.

One factor necessary for the smooth operation of any organisation activities is on adequate number of qualified personnel capable of carrying out established plans, procedures and practices in efficient manner. Mensah-Narh (1987) further revealed

that at Ridge Hospital where he conducted his study, there were only two people responsible for the management of the stores. The resultant effect of this problem was that one person did both the authorisation, issue and record keeping functions. This does not provide any control measure; incidentally, it was not peculiar to Ridge Hospital alone.

In most of the District Hospitals in Ghana, there is only one Stores Officer who is responsible for procurement and all functions relating to stores keeping. Duties must be arranged so as to be complementary. The work of one person must be subject to automatic check by the work of another. Errors are bound to occur and the probability of fraud cannot be ruled out.

Disposal of redundant, obsolescent, scraps and unusable store by sales serves as a potentially valuable source of income for most organizations (Jessop and Morrison, 1994). In addition to being a valuable source of revenue, disposal of unusable items helps to reduce the firms capital investment represented by inventory. Additionally, clearing the storehouse helps to make space available for other important items. Also, it reduces cost of storage such as electricity, labour, insurance, personnel, etc. Despite the benefits inherent in the disposal of unusable stores by sales, most of the public hospitals have heaps of these items in their storehouses and stockyards and are least prepared to dispose them off by sale. The reason cited for the lack of preparedness to dispose of the unusable items by sale was that the Stores Inspectorate and Audit Service rules for the sale of unserviceable goods are very complicated that sometimes management at the hospital prefer to let items rot, rather than to go through bureaucratic process to get the items auctioned (Mensah-Narh, 1987).

1.5 **OBJECTIVES OF THE STUDY**

The objectives of this study were as follows:

1. To examine the purchasing and stores management practices of some selected private and public hospitals in relation to professional standard of practice.
2. To assess the status of purchasing and stores management in public and private hospitals.
3. To find out whether public and private hospitals have the requisite staff to manage the procurement and stores functions.
4. To find out problems facing the public hospitals in the area of purchasing and stores management.
5. To observe measures put in place at the storehouses to protect stores against theft, fire and other hazards.
6. To find out training and development programmes available for purchasing and stores management staff.
7. To suggest appropriate ways for improvement.

1.6 **SIGNIFICANCE OF THE STUDY**

The study examined the purchasing and stores management practices of public and private hospitals in relation to professional standards of practice to identify areas where public hospitals were not doing well so that recommendations could be made as to how best to manage the function to achieve cost savings in procurement and stores management.

Although this study is an academic exercise, the findings and recommendations can be of great benefit to students, government institutions and policy makers. It is the researcher's view that the results would be beneficial to the academia – university

community, in the sense that it would contribute to the existing works and knowledge on purchasing and stores management in public and private hospitals in Ghana.

It is also hoped that procurement and supply chain practitioners, policy makers and importantly the Ministry of Health (MOH) would appreciate the information contained in this work to improve the purchasing and stores management functions.

Last but not the least, this work served as a foundation stone upon which further studies could be undertaken in purchasing and stores management as management tool.

1.7. **Research Question**

The major research question that the study intended to answer was whether purchasing and stores management practices of the selected public and private hospitals were consistent with professionally accepted practices using some indicators as outlined in the research methodology.

1.8. **SCOPE AND LIMITATIONS**

The scope of the study covered the procurement and stores management of some selected public and private hospitals. The study in each hospital covered purchase initiation up to the issue of supplies to wards or user departments. The study also covered the assessment of availability of qualified staff to man the various areas of supply chain functions, availability of training and development programmes for stores and purchasing staff and the status of the purchasing and stores management in the hospitals.

In an attempt to do these, the researcher had to work within certain limitations. A major one was the difficulty in obtaining research materials including proper receiving records covering the various dimensions of stores management. This is one problem faced by most government hospitals.

Some of the respondents were also skeptical about the purpose of the study and this adversely affected this study since such people were reluctant to give the needed information. To address these problems, the researcher had to confine himself to the few available records and rely more on observation and records inspection.

Next, funds, manpower, time and logistical constraints limited the scope of the study in terms of the data collected and the depth of analysis made. In spite of these drawbacks, it is hoped that the work would contribute in some way to the understanding of procurement and stores management practices in public and private hospitals and the way in which the implementation of standard practice of purchasing and stores management can make the function efficient.

1.10. **ORGANIZATION OF THE STUDY**

The study was organized as follows:

1. **Chapter One** – This Chapter dealt with introduction to the background of the study, problem statement, objectives of the study, significance of the study, research question and limitation of the study.
2. **Chapter Two** – This chapter dealt with review of existing literature on the topic and theoretical perspective.
3. **Chapter Three** – Focused on research on Methodology issues considered here included research, design data collection methods, data analysis methods, and background of the selected hospitals and others.
4. **Chapter Four** – Focused on data presentation, analysis and findings.
5. **Chapter Five** – Summary, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. **DEFINITION OF CONCEPTS**

PURCHASING

Lyson (1990) defined organization purchasing “as that function responsible for obtaining by purchase, lease or other legal means, equipment, materials, supplies and services required by an undertaking for use in production” (P.1). In this definition, the term production as used by the writer is used in the economic sense of creating utilities, that is, goods and services that satisfy wants. It is not, therefore, confined to manufacturing output but also applies to servicing, distributing, etc. in organizations.

The Oxford Advanced Dictionary (1998) defined procurement as “obtaining especially with care or effort,” and according to the Longman Dictionary, “it is a formal way of obtaining especially with effort or careful attention.”

Also, purchasing has been defined by Fearon et al (1996) as a “function which constitutes the body of integrated activity that focuses on the procurement of materials, supplies and services need to reach organizational goal” (P.2).

Weele (1992) provide a classic definition of the Procurement function as to “obtain materials of the right quality in the right quantity from the right source delivered to the right place at the right time at the right price. (P.2)

Weele (1992) also defined purchasing as “obtaining from external source all goods and services which are necessary for running, maintaining and managing the company’s primary and support activities at the most favourable conditions” (P.4).

As a way of summary, purchasing can simply be defined as the process by which an organization obtains materials, services and equipment needed to carry out its activities in order to achieve its objectives or goals.

STORES MANAGEMENT

Carter and Price (1993) defined stores as an area within organization where all kinds of materials needed for production, distribution, maintenance, packaging, etc. are received, stored, and issued. The stores function is therefore basically concerned with holding stocks, but stores management covers a great deal more than holding stocks.

It covers the following activities:

- (a) Holding, controlling and issuing stocks
- (b) Control of all storehouse, stockyards and outside storage
- (c) Materials handling functions
- (d) Quality control activities
- (e) Training of stores staff
- (f) Clerical administration of stores operations.

The Institute of Materials Management defined stores management as “the management process which integrates the flow of supplies into, through and out of an organization to achieve a level of service which ensures that the right materials are available at the right place at the right time, of the right quantity and quality and at the right cost (pp3 and 4). It includes the functions of procurement, supplies handling and storage, production and inventory control, packaging and associated information systems and their application throughout the supply and distribution sectors.

Stores management thus further encompasses all the co-ordinated functions responsible for planning, acquisition, storage, movement, control and monitoring of supplies to optimise the usage facilities, personnel, capital funds and to provide customer service in line with organizational goals. The planning function involves the preparation of budgets and standardisation of specifications.

Stores location, stores classification, coding and cataloguing, receipt of purchased items, inspection, storage or returns, protection of stores, issue of supplies to user departments, provision of cost data, stock records, disposal of obsolete, surplus or scrap material are the activities that comes under the storage function. The distribution and monitoring of stores involve the determination of the procedures and process of distributing supplies to the various user departments within the hospitals and the monitoring of how such items are being used.

Stock control or inventory management involves the determination of stock levels (i.e. the minimum, re-order and maximum levels) and the quantity of stores to be brought at a time.

PUBLIC HOSPITALS

For the purpose of this study, public hospitals include all hospitals that are financed from the consolidated fund and donor supports collected by the government. They include teaching hospitals (e.g. Korle-bu Teaching Hospital and Komfo Anokye Teaching Hospital), Regional Hospitals (e.g. Effia Nkwanta Regional Hospital, Cape Coast Regional Hospital, Koforidua Central Hospital), District Hospitals (e.g. Kyebi District Hospital, Suhum District Hospital, and Tarkwa District Hospital).

PRIVATE HOSPITALS

Private Hospitals in Ghana can be broadly divided into three as follows:

- a. Private for profit
 - b. Charitable Hospitals (Mission Hospitals)
 - c. Those established by companies and organizations to cater for the health needs of their staff and dependants.
1. **Private for profit** – These are hospitals which are established with the aim of providing health care for profit and also complement government effort in

providing health care services for Ghanaians. Examples of these hospitals include Nyaho Clinic, Women's Clinic, etc.

2. **Charitable Hospitals (Mission Hospitals)** – These are hospitals established by church missions to complement government efforts in providing health care services for Ghanaians. Examples include Iran Clinic operated by the People's Republic of Iran and various Catholic, Methodist and Presbyterian Hospitals spread over the country.

- 3 **Industrial Hospitals**

Hospitals established by industrial concerns to cater for the health needs of their staff and dependants. Examples include Ashanti Goldfields Company Hospital, Trust Hospital, Volta River Authority Hospital, Valco Hospital, Ghana Manganese Corporation Hospital at Nsuta and others.

2.2 **PROCUREMENT AS A MEANS OF COST REDUCTION AND INCREASE CORPORATE PROFITABILITY**

Lokko (1994) emphasised that interest in procurement within organizations has increased in recent years and at least two reasons can be mentioned for this.

- a. Procurement's share of a company's turnover is usually large and so any improvement in procurement will substantially contribute to the profitability of the company.
- b. The introduction and implementation of the total logistics management concept is quite recent. Optimum adjustment of the in flow of goods to the requirements of the company will lead to a minimization of the cost of procurement and rejection of goods required for the production or sales process, or rendering of services.

Reduction of operational costs is a key issue to any organization. Most companies, according to Lokko (1994), respond to this issue by:

- a. Finding further ways of reducing manpower cost either by introducing automation or contracting out certain activities which are not considered part of the core activities of the business such as security, clearing, cleaning, maintenance, transportation, and advertising.
- b. Review or reduce the number of facilities required to run the business.
- c. Introduce new technology to change the way products are made or the services are provided.
- d. Review of other operational costs.

But Lokko (1994) contends that the issue of cost reduction can also be effectively tackled from the procurement angle. It is almost as though executives believe that purchase costs are inevitable, a function of market prices and there is not much one can do. But something can be done to achieve cost reduction through procurement. The example below is cited to buttress this point. For instance, through effective procurement activities, the Ghana Supply Commission has been able to save huge amounts of money for the nation in general. In 1983, the Ministry of Roads and Highways was to spend \$2,928,445 on 43 Bailey bridges. When the Supply Commission processed the indent through the tender system, savings of \$1,091,529.71 were made. This money was used in buying 11 more bridges of different sizes for the Ministry.

In 1983 the Ghana Civil Aviation Authority was to utilize a ₵2.5m E.C.G.D. credit facility to purchase communication equipment for the Kotoka International Airport. The Commission was however able to procure enough

equipment with the same amount of money for the Kumasi, Tamale and Sunyani Airports when tendering was used. Another example of the advantages of efficient procurement processes is when in 1984, the Commission was again able to make a savings of ₵18,459,145.90 which was used to procure stationery for the Ministry of Finance and Economic Planning. The original cost estimate by the Ministry had been ₵22,522,500 but was procured by the commission at ₵4,063,354. In general, the Supply Commission was able to make a saving of over ₵2.5b in 1992 on various procurement activities for the government of Ghana. (A paper delivered by a staff of Ghana Supply Commission during the annual conference of the institute of purchasing and supply on the topic “ the strategic role of procurement as aid to economic development.)

Lokko (1994), in his study of procurement strategies of Volta River Authority (V.R.A.) revealed that ₵1,000,000 savings made by the materials management department reflected in the profit and loss statement as a profit. However, if the company sold ₵1,000,000 worth of electrical power, the contribution to profit would be less. Lokko further revealed that, even though the materials Management Department of the V.R.A. could not come out with clear cut figures, a lot of cost was slashed through:

1. **The evaluation and tendering technique**

The right purchasing techniques and policies such as competitive bidding, a good vendor base, the use of a tender evaluation system and controls such as signing authorities, went a long way to illustrate the efficiency of the materials management department of V.R.A. when compared to other corporations.

2. **Transportation and cost reduction** – Transport services was purchased with much caution as any materials or services were purchased. The shipping unit of the materials management department was responsible for creating strategies for procuring transport services, arranging shipping terms, identifying and conducting transportation cost reduction project. The unit achieved cost reduction by the use of:
 - i. Cost savings multi-modal arrangements with its shipping agents and freight forwarders.
 - ii. Commodity rates – this is possible because shipments are repetitive and relatively large. These rates are obtained from the carrier.
 - iii. Arranging special handling and packaging costs for fragile or unusual items. This cost was borne by the carrier at a much minimal cost.
3. **The sale of surplus items** – Surplus is usually associated with mistakes in over procurement, wasteful production processes and inefficiencies in general. It therefore turns to rarely receive the attention of management. This should not be the case because profits are maximized only when elements affecting cost are fully controlled. At VRA, all surplus items were sold to workers first where this was possible and the rest were sold to the public. This aided in the prevention of over stocking. It also reduced depreciation and tax expenses. Hence, according to Lokko (1994), the task of the Disposal supervisor is to ensure that surpluses are disposed of with optimum profitability.

4. **Efficient Inventory Management**

The materials management department saved cost through the use of a well planned, controlled and efficient inventory policy. By controlling and regulating its block levels, the department cuts down cost on:

- i. Storage costs, and
- ii. Insurance costs – An additional stock of ₵50,000 for instance, would have been an additional asset on which premium must be paid.

The effects of poor inventory control management is unfortunately not directly visible on the operating statement as a composite cost of inventory management. Nevertheless, this indirect cost, dispersed and hidden throughout the operating statement can have significant impact on profit. The responsibility of inventory management should therefore lie with top management that should carefully formulate and periodically review the basic policies and operating plans that constitute the framework within the inventory control operation functions. This is practiced by the VRA and is reflected in its organizational structure, with the head of the department being raised to the level of a Director.

2.3. **PURCHASING, STORES MANAGEMENT AND FRAUD**

Purchasing of materials and services and stores management areas are where cost savings should be made. But in Ghana as far as public hospitals are concerned, purchasing and stores management area has been identified as the number one area of fraud and corruption. Mr. Brian Sapati, Acting Executive Director of Serious Fraud Office, disclosed this when presenting the annual report of his department for 1999.(Annual Report S.F.O. 1999)

Mylton (2000) observed that purchasers could play a huge part in fighting fraud. He said that the purchasing profession can contribute to fraud prevention or reduction by controlling supply chain and supplier selection process, as well as separating tasks and policing staff. Sherwin (2000) partner in consultancy, Ernst and Young's Fraud Investigation Department and a co-ordinator of the survey, "Fraud – the unmanaged Risk", said 60 per cent of 739 respondents world wide have suffered at least one case of fraud in the past. "Companies have to look at how buyers are monitored and how robust the controls are", he added. The survey found that 43 companies including 12 in the U.K. had suffered more than fifty (50) cases of fraud in the past year and incurred losses of more than £625,000. Almost half of the cases involving firms in 23 sectors, concerned banking and financial services. According to Bryle (2000), there are a number of basic controls that can be introduced to supply chain processes that can help to reduce fraud risk. She mentioned in particular the segregation of duties especially between processing and paying of invoices. Bryle (2000), emphasised the importance of controls when selecting suppliers. She said "relationships between buyers and suppliers must be policed and staff should declare gifts. The survey found that large firms were more likely to employ certain fraud controls, such as hotlines for reporting suspected cases, awareness training and a clear policy on fraud. "The bottom line is that companies must educate people about fraud, said Peter Connor, Director of Corporate Investigations at Business Intelligence Firm is Risk Advising Group.

2.4. **PROBLEMS IN PURCHASING AND STORES MANAGEMENT**

In December 1978, an adhoc group of experts convened by UNCTAD in Geneva listed the following constraints to improving efficiency in procurement with special regard to least developed countries.

1. First and foremost, lack of suitably trained personnel, under utilization of existing staff and unsatisfactory working conditions in the procurement function resulting in low morale.
2. High cost of freight, insurance and other services related to imports.
3. Unfavourable prices due primarily to small sizes of orders, and the monopolistic position afforded to suppliers through the existence of narrow trading channels.
4. Inadequate or outmoded government procurement regulations.
5. Increased “landed cost” due to port congestion, insufficient transport capacity and for land locked country delays and cost in transit movements.

The group noted that if some of these constraints could be removed and procurement efficiency improved for instance by 5%, the resulting reduction in an import bill amounting to 20% of a country’s G.D.P. would be equivalent to a 1% increase in G.D.P. The group also pointed to the fact that better procurement would save money immediately, while the benefits of export promotion schemes generally take a long time to materialise.

Purchasing today is still deeply surrounded by about the same troubles that appear in different forms and in different parts of the procurement process and its support services. These include inadequate qualified personnel, low status given to the procurement and stores management in most hospitals, lack of

transparency in the procurement function, attempt by other professionals such as accountants to take over the procurement function (Mensah 1999).

2.5. **ATTEMPTS BY MINISTRY OF HEALTH TO ADDRESS SOME OF THE PROBLEMS ASSOCIATED WITH PURCHASING AND STORES MANAGEMENT IN PUBLIC HEALTH INSTITUTIONS**

As a standard measure of combating malpractice in the supply contracts in government hospitals and enhancing health delivery in Ghana, the past Minister of Health, Honourable Samuel Nuamah Donkor, in the Wednesday 16th June, 1999, edition of the “Daily Graphic” stated the Ministry of Health new procurement methods for the supply of items. Mr. Nuamah Donkor further announced the formulated national procurement plans to serve as the basics for centralised procurement and supply of medical items to all government hospital in the country , as follows:

1. All public hospitals including Teaching and Regional Hospitals would be required to submit to the Ministry of Health (MOH) at the beginning of each year, their annual procurement plans which would include requirement of drugs and non drug items.
2. All inputs from the hospital as well as from others to be added to the list would be synthesised and merged to constitute the national procurement plans.
3. After this, an international competitive bidding system in which both local and foreign companies would be eligible to participate, would then be set in motion to select competent companies that can supply the required medical suppliers on time and at the lowest possible cost without sacrificing quality.
4. Such competitive bidding should normally take place and be completed for the procurement to be made for the hospital within the next quarter of the year.

5. Companies participating in the competitive bidding would, among other things be required to submit to the Ministry, copies of their performance bonds as well as samples of the items they intend to supply.
6. Such samples would then be taken through technical valuation by a committee of experts, comprising end users like surgeons, physicians, pharmacists, gynaecologists, ophthalmologists, nurses and others to ascertain their reliability and usefulness before any commitment is made to any supplier by the ministry.
7. The implementation and administrative steps will be taken by the ministry to ensure that bid winners supply directly to the respective hospitals to avoid over centralisation and concentration of supplies at the centre.
8. The institutionalisation of adequate checks to closely monitor such supplies to ensure that they conform with samples already evaluated and accepted.

According to the Minister, it is generally believed that the above procurement strategies and policies would be aimed at ensuring the prevalence at all health institutions of uniform prices of drugs and other medical items to protect the people as opposed to the situation in which possibilities exist for imposition of varied and higher prices to the detriment of those seeking medical care in Ghana.

2.6. **PROCUREMENT ORGANISATION AND MANAGEMENT IN MINISTRY OF HEALTH**

In addition to the strategies outlined above by the Ministry of Health to strengthen the procurement and stores management system within the ministry, a procurement procedure manual has been developed. The procedure manual was developed as part of the five year Medium Term Health Sector Strategy (MTHS), 1997 to 2001, for Ghana that identified procurement as one of the key areas for capacity building. The

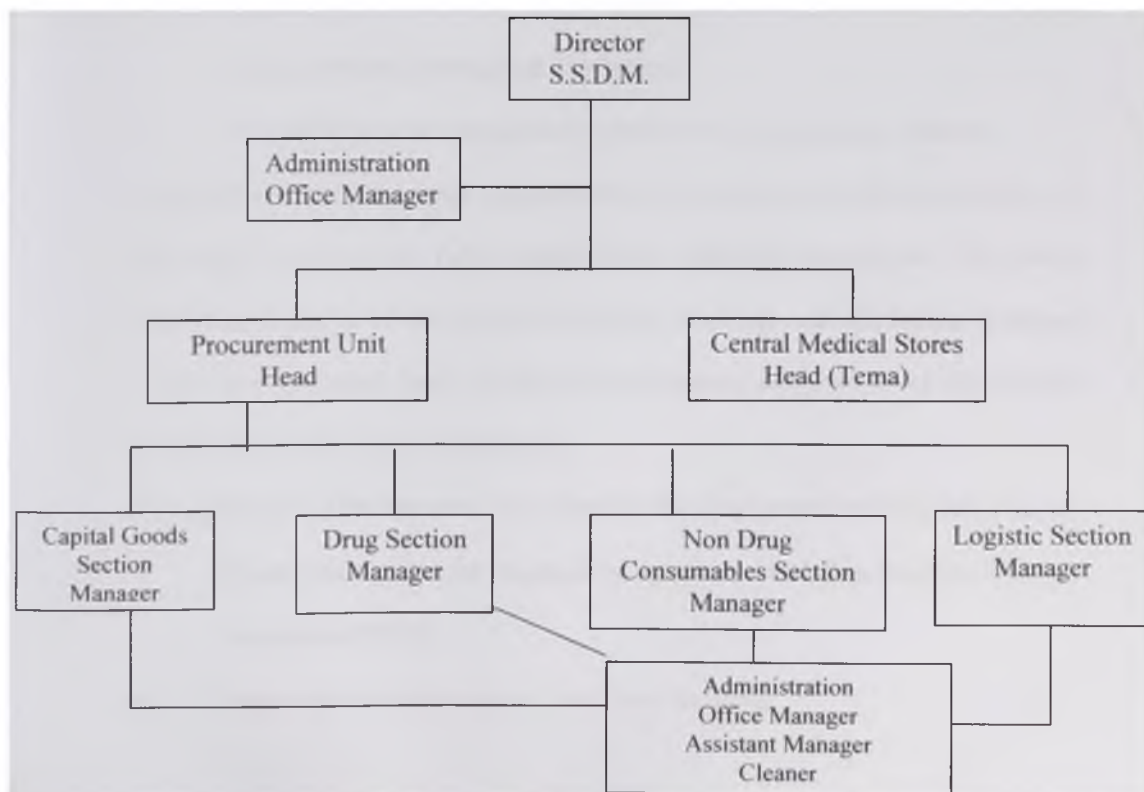
MTHS is based on a sector wide approach where financing will be channeled through a common fund, the health account. It has been planned to organize procurement under specific Ministry of Health (MOH) procedures. The most important aspect of the procurement reforms is the establishment of procurement unit within the Ministry. The procurement procedure manual also covers procurement of works and services. The manual stipulates how procurement should be organized at the national, regional, districts and hospital levels.

National Level

The newly established Procurement Unit (PU) which falls under the Stores, Supplies and Drug Management Division (S.S.D.M.) of Ministry of Health.

Organisation Structure for procurement and supplies in Ministry of Health, Ghana

STRUCTURE OF SUPPLY, STORES AND DRUGS MANAGEMENT DIVISION OF MINISTRY OF HEALTH GHANA



S. S. D. M – Stores, supplies and Drug management

The S.S.D.M. has the following objectives:

1. To establish the timely procurement of all consumable goods for the public health sector in optimal quantity, in the best possible quality and at the most competitive price.
2. To establish good storage and distribution system(s) for all goods with appropriate linkages with the procurement systems.
3. To establish, together with the Health Administration and Support Services (HASS) Human Resource Development Division (HRDD) and Policy, Planning, Management and Evaluation Division (PPME) the timely procurement and distribution of all equipment, works and services for the public health sector in optional quantity, in the best possible quality and at the most competitive price.
4. Together with other divisions to establish the timely mobilization of funding for procurement, clearing and distribution.
5. To establish a good management system for the cost recovery schemes.

The supplies, stores and drugs management division has the overall responsibility for the Supply systems in the Public Health Sector, including procurement. The SSDM supervises guidance for the executive functions of storage and distribution delegated to the Central Medical Stores (CMS) and Procurement delegated to the Procurement Unit (PU) as well as to the lower levels.

The main tasks of Procurement Unit, related to the above mentioned objectives are to:

- Maintain and update the procurement procedures, including Standard Bidding Documents (SBDs).
- Execute procurement on a national level, including

- Preparation, implementation and monitoring of procurement plans
 - Options appraisal of capital projects
 - Preparation of bidding documents using standard bidding documents.
 - Launching of tenders
 - Evaluation of tenders
 - Facilitating Logistics e.g. clearing of goods
 - Monitoring contracts
- Manage procurement through procurement agencies (including UN – agencies);
 - Co-ordinate emergency procurement and donations.
 - Provide training and supervise procurement at regional and district levels;
 - Advise on all procurement issues
 - Make necessary preparations for the MOH procurement committee;
 - Report to the auditor for post procurement review; and
 - Report to Director, S.S.D.M.

The Procurement Unit reports to the Director S.S.D.M. and also assists the Director S.S.D.M. in his work in the Ministry of Health Procurement Committee that bears the end-responsibility for all procurement on behalf of MOH. The tasks of the MOH-Procurement Committee, which has the overall supervision of the procurement in Ministry of Health, are to:

1. approve the yearly procurement plan,
2. endorse every intended purchase beforehand, in or outside, the approved procurement plan;
3. endorse the Tender Documents (National and Regional level)
4. head the bid opening of tenders;
5. if applicable, give instructions on negotiations; and

6. make decisions on award/orders based on the Recommendations of Award or Proposals for orders/contracts.

The MOH Procurement Committee consists of all the directors of the various divisions as members with Minister of Health as Chairman and Director of Supplies, Stores and Drugs Management as the Secretary. The Director of SSDM is assisted in his work by the Head of Procurement Unit.

Regional and District Level

The responsibility for procurement at the regional and district level lies with the Regional and District Health Administrations. Specific MOH Procedures for the procurement of goods have been described in the Financial Handbook of 1996 and Rules and Instructions for Accounting, Treasury and Financial Reporting of 1998 (ATF), both issued by MOH with the consent of the Ministry of Finance. The A.T.F. contains the ruling instructions for the Budget Management Centres (B.M.C.). However, it is the Financial Handbook that describes procurement more extensively including, for example, the role of procurement Committees.

The following instructions have been extracted from the Financial Handbook. At all levels procurement committees will be formed. The procurement committees of Regional Health Administrations comprise (at least) the following members:

- Regional Director of Health Services
- Regional Health Services Administrator
- Regional Accountant
- Regional Supply Officer
- Regional Pharmacist (is deputy Director of Pharmaceutical Services).

The procurement committees of the hospital comprise (at least) the following members:

- Medical Superintendent in charge
- Hospital Administrator

- Hospital Accountant
- Hospital Supply Officer
- Hospital Pharmacist

The procurement committees of training institutions comprise (at least) the following members:

- Principal
- Representative of teaching staff
- Accountant
- Supply Officer
- Hostel Warden

The Procurement committees of the District Health Administrations comprise (at least)

- District Director of Health Services
- Accountant
- Two other members of the District Health Management Team.

Procurement Officer

Another area covered by the Procurement Manual is the appointment of Supply or Procurement officer. The document emphasized that every health institution should appoint procurement or supply officer to execute the procurement function. The manual states that purchasing/procurement/supply officer should not have any storekeeping functions to ensure segregation of duties and internal control.

Duties of Procurement Officer

1. Preparation of procurement plan
2. Sourcing items by using procurement methods
3. Evaluation of quotations
4. Contracting out services and works

5. Preparation and submission of annual report on the departmental activities

Qualification for appointment as Supply Officer

To qualify to be appointed as a procurement officer, the manual provides that the one must have one of the following:

1. First Degree Holder
2. HND in Purchasing and Supply
3. In-service Training in Standard operating procedures for procurement in Ministry of Health¹⁰.

2.7. THEORETICAL PERSPECTIVE THE PURCHASING (CYCLE) PROCESS

1. Purchase Requisition

Purchasing process is initiated when Stores Department or the ultimate user department issues purchase requisition. In the Materials Requirement Planning (MRP) environment the planner releases a planned order authorising the purchasing department to go ahead and process a purchase order;

2. Purchase Order Specifications

During this stage of the purchasing process, the purchasing requirements are determined and the company is also faced with the 'make or buy' question. It has to determine which products or activities will be produced or performed by the company itself and which products or activities will be contracted out. This contracting out issue starts by drawing up a specification of these items that will be purchased and consists of the following stages:

- a. Drawing up of functional specification. This describes the functions that the product must fulfil for the user. The advantages of such a specification as Weele (1997) puts it are:

- i. Potential suppliers are given the best possible opportunity to contribute their expertise.
 - ii. New technologies can be used, technologies that the buyer is not familiar with;
 - iii. It creates one standard, against which all concepts can be evaluated.
- b. Develop a 'detailed technical specification'. This describes the technical properties and characteristics of the product.
- c. Define "logistic and maintenance specifications". These describe how the product should be delivered, the conditions in which the product will be processed and requirements concerning maintenance and after sales service.

3. **Supplier Selection**

After the purchasing requirements have been defined and described in the specifications, the buyer can start his market exploration. Identifying and selecting suppliers is a major responsibility of the purchasing department. When drawing up the technical specifications, the practical feasibility and costs are estimated. The extent of the market search and supplier evaluation will depend on the items to be purchased, whether the items have been bought before or not. In this direction, Robinson et al (1967) describes three buying situations as follows:

- i. Straight re buy – where repetitive purchasing of similar items is carried out from the same supplier;
- ii. Modified re buy – where the purchase is modified in some way, for example a revised specification is applicable;

- iii. New task – where no purchasing experience exists in respect of the particular item to be bought.

For a new task buying situation the supplier evaluation criteria is a bit complex and sometimes demands visiting the potential suppliers to assess their ability to carry out the contract if they are awarded the contract. In this direction, Lyson (1990) recommended two main ways of evaluating suppliers.

These are:

- a. Desk research – using published or unpublished data already in existence. Examples include company reports, balance sheet, strike records and others. Desk research is undertaken to evaluate the financial position of a prospective supplier to find out whether she/he will be able to supply the items after the supply contract has been awarded.
- b. Field research – the purpose of this research is to obtain further data regarding the technical, production and managerial capabilities of a prospective supplier by a visit to his company. Field research is best undertaken on a team basis first to enable each member of the team to evaluate the supplier from a specialist view point; secondly, to share responsibility for the decision to approve or reject the supplier. Desk research should always precede field research. To facilitate the work of the appraisal team, checklist for supplier visit is prepared. Below is the checklist of areas, which warrants particular attention on visit to suppliers prepared by a sub-committee of the Institute of Purchasing and Supply.

- c. Personal attitudes:** This area of the checklist assesses the attitudes of the supplier's company employees towards their work and this provides an indication of the likely quality of their outputs and service dependability. The state of morale will be evident from:
- i. An atmosphere of harmony or dissatisfaction among the production workers.
 - ii. The degree of interest in customer service on the part of supervisory staff.
 - iii. The degree of energy displayed and interest shown in getting things done.
 - iv. The use of manpower – whether economical with everyone usefully busy or extravagant and costly with excess people doing little or nothing.

b. Adequate and Care of Production Equipment

Close observation of the equipment in a plant will indicate whether it is:

- i. Modern or antiquated;
- ii. Accurately maintained or obvious worn;
- iii. Well cared for by operators or dirty and neglected;
- iv. Of sufficient capacity to produce the quantities required;
- v. Of proper size or type to produce the buyer's requirement;

c. Technological know-how of supervisory personnel

This segment of the checklist is intended to assess foremen, shop

superintendents and others to assess their technical knowledge and their control and improve operations or processes under their supervision.

- d. **Means of Controlling Quality** – Observation of the inspection methods will indicate their adequacy to ensure the specified quality of the product. Attention is given to the following:
- i. Whether the materials received are chemically analysed and physically checked.
 - ii. Frequency of inspection during the production cycle.
 - iii. Employment of such techniques as statistical quality control.
 - iv. Availability of statistical quality control.
- e. **Housekeeping** – A plant that is orderly and clean in its general appearance, indicates careful planning and control by management. Such a plant inspires confidence that its products will be produced with the same care and pride in their quality. The danger of breakdown, fire, or disasters will also be minimised with consequent increased assurance of continuity of supply.
- f. **Competence of technical staff**
This segment is intended to assess design, research or laboratory staff knowledge of the latest materials, tools and processes relating to their products and on anticipated development in their industry.
- g. **Competence of Management**
This segment is designed to appraise the executive personnel of the suppliers company.
After the above exercise, some of the suppliers are selected and registered to form the supplier base of the institution.

4. **Request for Quotation.**

For major items, it is usually desirable to issue a request for quotation. This is a written enquiry and is sent to enough registered suppliers to be sure competitive and reliable quotations are received. It should be noted that, this is different from a sales order. After the suppliers have completed and referred the quotations to the buyer, they are analysed for price, compliance to specification, terms and conditions of sales, delivery and payment terms. The quotations must be evaluated for technical suitability. The final choice is a compromise between technical factors and price.

5. **Determining the Right Price**

This is a major responsibility of the purchasing department and is closely tied to the selection of suppliers. The purchasing department is responsible for price negotiation and will try to obtain the best price from the supplier.

6. **Issuing A Purchase Order**

After the terms and conditions of the contract have been agreed and recorded, the order can be placed. A purchase order is a legal offer to purchase. Once accepted by the vendor, it becomes a legal contract for delivery of the goods according to the terms and conditions specified in the purchase agreement. The purchase order is prepared from the requisition or the quotation and from any other additional information needed. A copy is sent to the vendor, copies are retained by purchasing and are sent to other departments such as accounts, the originating department and receiving.

7. The Purchasing Agreement

After bids have been received and evaluation done, the lowest evaluated bidder is selected, a contract will have to be drawn up. Depending on the industry, the contract may refer to specific additional terms and conditions. The technical content of the purchase agreement naturally depends on the product or project that is to be purchased. Specific commercial and legal terms and conditions will vary from contract to contract, differences being caused by purchasing policy, company culture, market situation, product characteristics, etc. Several important aspect of the purchase agreement also includes: price and delivery terms, terms of payment, penalty clauses and warranty conditions as well as other arrangements such as insurance and safety regulations, transfer of rights and obligations

8. Follow up and Delivery

The supplier is responsible for delivering the items ordered on time. The purchasing department is responsible for ensuring that this is done. If there is any doubt that delivery dates can be met, purchasing must find out early enough so that corrective actions can be taken. This might involve expediting, transportation, alternative sources of supply, working with the vendor to solve his problems or rescheduling production.

9. Receiving and Accepting Goods

When the goods are received, the receiving department inspects the goods to be sure that they are those ordered, are in right quantity and have not been damaged in transit. Using their copy of the purchase

order and the bill of lading supplied by the carrier, the receiving department then accepts the goods and writes up a “receiving report” noting any variance.

10. **Approval of Vendor’s Invoice for Payment**

When the vendor’s invoice is received, there are three pieces of information that should agree: the purchase order, the receiving report and the invoice. The items and the quantities should be the same on all and the prices and extensions to price, should be the same on the purchase order and the invoice. All discounts and terms of the original purchase order must be checked against the invoice.

Every step in the buying process must be executed carefully and systematically in order to provide the internal customer with what he/she needs: a product that is fit for its purpose, on time, in the required quantity and at a reasonable cost.

2.8. **STORES MANAGEMENT IN ORGANIZATIONS**

Every organization recognises materials or stores as one of its most important assets, which invariably is equated to cash. Materials being the direct representation of cost investment requires attention and control, just in the same manner as cash is being strictly managed. The stores, function has been recognised by many organizations as the medium through which organizations obtain materials for their smooth operation. Being such a vital component in production, managers of organizations often assess their success or failure based on how efficient the stores function operates.

The Stores Function

The stores function in any enterprise is to assist in the production of goods and services. Some of the main objectives of the stores function in the view of Jessop & Morrison (1994) are summarized as follows:

“To make available a balanced flow of raw materials, components, tools and equipment to meet operational requirements, provide maintenance materials, spare parts and general stores as required, to receive and issue work in progress as well as finished products and to accept and dispose of discarded and obsolete materials as they occur”.

Apart from its primary objective of providing for operational activities, Morrison and Jessop (1994) further contend that the store function is also charged with the responsibilities of providing service to the various units of the organization.

From the foregoing, one can thus describe materials or stores management as a process which covers all the activities of organizing, planning, controlling, storekeeping, liaising with the purchasing function, distribution and materials movement which are the necessary prerequisites for the attainment of organizational goals (Morrison and Jessop, 1994).

Further to the above description of materials or stores management system, one can safely deduce that the achievement of a sound, effective and efficient materials management system by organizations lies with the ability to ensure that investment in stores is kept as low as possible whilst at the same time providing a service which is acceptable to the customer or the user department. The mechanism used to achieve these attributes is the application of the inventory control system (Chardwick, 1993)

Jessop and Morrison (1994) stated stores responsibilities as follows:

1. **Identification** – It is the process of systematically depriving and describing all items of stock. It includes the preparation of a stores code or vocabulary, the adoption of materials specifications and the introduction of a degree of standardization. Design, planning or standards departments may do part of this work and the purchasing department also has an interest.
2. **Receipt** – It is the process of accepting, from all sources, all materials, equipment and parts used in the organization including supplies for manufacturing or operating processes, plant maintenance, offices, capital installations and finished products.
3. **Inspection** – Inspection, in this context, means the examination of incoming consignments for quantity and quality. Very often there is a separate inspection department which does this work, but otherwise goods are inspected by stores personnel. Whatever the system of inspection is force, it is the duty of the stores function to see that the inspection is done before accepting items into stock. Quality assurance activities and “co-maker” relationships between buyers and suppliers have reduced the extent to which the inspection of incoming goods is undertakings, but it remains on important activity.
4. **Issue and dispatch** – This is the process of receiving demands, selecting the items required and handing them over to users. It includes also, where necessary, the packaging of issues and the loading of vehicles with goods for delivery.
5. **Stock records** – These may be manual, or maintained on a computer, and record particulars of receipts, issues and balances of stock. When using the

manual system, some of the forms used are as follows – shelf card, stock card, transfer notes, withdrawal (consumption voucher) service/fuel voucher, stock requisition, order form and others.

6. **Stores Accounting** – Stores accounting is the process of recording stock movements and balances in value. There are four main methods of pricing materials issues. These are cost price, average price market price and standard price. Cost pricing is the system of using the actual purchase price of goods issued, and it may be applied in two ways:

First in, First out (FIFO) or Last in First out (LIFO)

The most widely practiced of these two is first in, first out, whereby each consignment received has its own purchase price and issues are made at the price of the first consignment until that quantity is exhausted. Issues are then made at the price of the second consignment, and so on.

Average Price – There are several kinds of average prices, such as simple average, weighted average, periodic average, moving average, but for present purposes it is sufficient to consider the weighted average, which is by far the most common.

Market Price – Market pricing all material issues at the market price at the time of issue, and is sometimes referred to as “replacement price”. The method has the major advantage of keeping costs in line with correct prices. Unfortunately, during a time of using prices, the stock balance may be very much understated. If prices are falling rapidly, the stock remaining is seriously overvalued, and large sums have to be written off to reduce it to market value.

Standard Price – is a predetermined price fixed on the basis of up to date knowledge of market prices and conditions. It is set for a given period of time, example, six or twelve months, and is kept fixed during that time, irrespective of the actual prices paid for receipts of material. At the end of the fixed period, the standard is reviewed, altered if necessary, and put into operation for a further period.

7. **Stock Control** – stock control is the operation of continuously arranging flows of materials so that stock balances are adequate to support the current rate of consumption, with due regard to economy. It includes the related process of provisioning, which is the means whereby instructions are given for the placing of orders. In some concerns production control department may take a large share in provisioning, at least as far as production materials are concerned. The two main inventory or stock control techniques are fixed order quantity and cyclical or periodic review. Fixed order quantity is where minimum re-order and maximum stock levels are determined and items which reach re-order levels are replenished with fixed quantities of items. Periodic or cyclical method is the one where stock levels are replenished. There is of course, the third method of stock control which is the visual method, example of visual method is two bin system being used by some supermarkets and other material concerns.

8. **Stocktaking, Stock checking and Stock audit**

Stocktaking is the process of physical verification of the quantities and conditions of goods, usually on a periodic basis for the purpose of ensuring that an appropriate figure appears in the organization accounts. Stock checking is similar, but may be done on an adhoc basis for operational

reasons. Stock audit involves an external agency, and the purpose is verification

Jessop and Morrison (1994) stated the reasons for stock taking as:

- a) To verify the accuracy of stock records
- b) To support the value shown in the balance sheet by physical verification
- c) To disclose the possibility of fraud, theft or loss.
- d) To reveal any weakness in the system for the custody and control of stock.

9. **Storage of Stock**

It is one of the basic duties of stores to unload and store all the goods delivered to the Store. Storage of materials entails the correct locations of goods in connection with suppliers' instructions and requires skills and knowledge on the part of stores staff, bearing in mind that some materials need particular conditions of storage, e.g. must be kept dry, etc. it is the duty of stores do ensure that goods to not suffer damage or deterioration because of inefficient storage.

10. **Security of Stores**

It is the duty of stores management to ensure that security is maintained at all times within the stores buildings and stockyards. The security element of the stores manager's job covers not only theft, but also damage, fire and spillage. It also includes ensuring that all doors, windows and stockyard fencing are secured.

11. **Materials handling** – One of the basic jobs of any stores team is the handling of all materials, quickly and safely. Moving goods from the store to the

factory or warehouse is a very important duty of the stores manager and his staff.

RELATIONSHIP BETWEEN STORES AND OTHER MAJOR DEPARTMENTS

The stores, by virtue of its functions, must be seen as providing a service to the rest of the organization in which it operates. The standard of that service will affect the overall efficiency of the organization. The relationships between stores and the other major departments within the organization are therefore very important. Although stores is providing the service, it needs a certain amount of participation and information from other major departments to ensure that the service provided is efficient and meets the needs of the organization in every sense.

The need and duties of other departments in relation to stores are discussed below:

Production

As this is obviously one of the most important users of the stores service, stores management has to ensure that all materials needed for the continuation of service provision are available as and when required. Ward managers part in this relationship is to ensure that adequate warning is given to stores about the need for materials, together with information about the type and quality required, future demands and also the performance of the materials issued.

Distribution

The relationship here is very important when stores management has to control finished stocks, which have to be distributed to depots and warehouses throughout the organization's distribution network. Stores management has to ensure that adequate stocks are available in correct quantities and marshalled ready for loading on to the method of transport employed.

Distribution is responsible for supplying stores management with the up-to-date information about the needs and wants of the distribution system and it must make every effort to give stores management adequate notice of loading quantities, destinations, types and marshalling points, to ensure an efficient service from the stores system.

Quality control and inspection

Quality control is the department which is responsible for administering the standards set by the organization in relation to all the materials both used and produced by the organization. Inspection is very important part of the process. Stores management has to ensure that all deliveries of goods are held aside until checked and passed by the quality control, and must set up a system for informing quality control that items have been delivered. All items checked and subsequently rejected have to be held by stores. During this period, stores has to ensure that the stock labelled “for rejection” is not allowed to become part of the acceptable working stock. Problems of rejected stock being used in production can be very costly in terms of loss of output and reputation.

Purchasing department

The link between the stores and purchasing in terms of their activities has always been very close. In many cases these two departments are united under the heading of “materials management”. Where two separate operations do exist, the relationship between them is vital. Purchasing is responsible for buying all the goods and services needed by the organization. Purchasing rallies on stores for a wide variety of supportive activities. Purchasing needs stores to keep it informed about the levels of stock of any given time and it is up to stores to keep purchasing up to date as to the

total stock situation. This will enable purchasing to ensure that stocks are procured and that a balanced and economic flow of goods and services is provided.

Purchasing, because of its physical separation from the stores area and the factory floor (many purchasing offices are not actually on the production site), relies on stores for up to date and accurate information, based on factory and user feedback to the storekeeper, about the performance of goods and services it is providing. This information about the performance of stock can be very important in ensuring maximum efficiency of the materials purchased. Stores must also remember it is the purchasing department which is responsible for the buying of goods and materials and all that it involves, so stores must resist the temptation to become directly involved with suppliers, unless directed by the purchasing department. It can cause problems if stores management makes decisions regarding the delivery, quality, progressing and selection of goods without the full background information that the purchasing department would have. The organization that employs the “materials management” approach to its stores and purchasing operation will tend to suffer less from this kind of problem.

Sales Department

The relationship between stores and sales is very important one. Stores are responsible for ensuring that all stocks held for sale are stored, issued and controlled as efficiently as possible. The sales staff will often rely on stores to ensure that finished stock is available as and when required; they will also require stores to ensure that marshalling of stock is carried out and that the process of stocking up in relation to sales promotions and other effectively. Stores may also be responsible for the control of spare parts and accessories used in connection with finished product, which have to be supplied as when required by the sales department. Stores management

must also be aware of the forecasts of future sales, so as to be able to make plans in terms of stock levels, storage space, outside warehousing and staff levels.

Maintenance Department

Stores has to ensure that all the materials tools, spare and equipment needed by the maintenance department are in stock as and when required. This will include the general maintenance items, e.g. cleaning materials, paints, carpentry tools, as well as the more specialised items used in cooling systems heating systems and other elements of the operation. To ensure that these items are in stock, stores must be aware of all the long term and short term maintenance plans, as produced by the maintenance department. In some cases, specialised materials will have to be ordered in advance of need and stores management will therefore need to have a complete knowledge of all plans, dates, requirements and possible consequence of maintenance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. INTRODUCTION

This chapter gives a detailed description of the methods and techniques used in the study, for the collection, analysis and presentation of the data.

3.2. STATEMENT OF MAJOR RESEARCH QUESTION

This study looked at the purchasing and stores management practices of Kibi District Hospital, Holy Family Hospital, Ashanti Goldfields Hospital and Koforidua Central Hospital. The major research question that the study sought to answer was whether the purchasing and stores management practices of selected hospitals were consistent with the professionally accepted standard of practice.

3.3. RESEARCH DESIGN

This study, a descriptive study, sought to examine the purchasing and stores management practices of the selected hospitals to determine whether they are in line with professionally accepted practices. The results from all the hospitals were analysed and compared. Both primary and secondary data were used in this study and multiple methods of data collection were used to collect data from different sources.

3.4. STUDY POPULATION/ORGANIZATIONAL SAMPLE

The study population was private and public hospitals in Ghana. Two public hospitals were chosen, one District Hospital – Kibi District Hospital and one Regional Hospital – Koforidua Central Hospital. Two Private Hospitals were also selected. These were Ashanti Goldfields Hospital at Obuasi and Holy Family Hospital at Nkawkaw. The study sought to examine the purchasing and stores management practices of these hospitals to find out whether they were consistent with professional standards of practice. In all these hospitals, the purposive sampling method was employed to

select and interview the Hospital Administrator, Accountant and Purchasing/Supply Officer/Storekeeper.

These officers were selected as respondents because they are all members of the management teams in their respective hospitals and they are also the key officers when considering purchasing and stores management.

The Accountant at the Kibi District Hospital is a holder of a level one certificate of the Institute of Chartered Accountant (ICA) Ghana. He has worked with the Ministry of Health for twelve years. The Hospital Administrator holds Bachelors of Science Degree in Administration (Health Services Administration option). He has worked with the Ministry of Health for four years. The supply officer holds a Middle School Leaving Certificate (MSLC). He was employed by the Ministry of Finance and trained on the job. He is in Ministry of Health on secondment. He has worked with the hospital for twenty years.

The Hospital Administrator at the Koforidua Central Hospital holds Bachelor of Science Degree in Administration, specialising in health services administration. He has worked as an administrator in so many hospitals, all under ministry of health. He has twenty-five years working experience. The Accountant at the hospital is also a holder of Institute Chartered Accountant (ICA) level one certificate. He has worked with the hospital for about ten years. The supply officer is an ordinary level certificate holder who has been trained on the job as a supply officer. He has ten years working experience.

The Purchasing Manager at Ashanti Goldfields Company Hospital is a full member of the Chartered Institute of Purchasing and Supply (UK). He has worked with the Ashanti Goldfields Company for about ten years. The Hospital Administrator holds Bachelor of Science Degree in Administration. He has eight years working

experience. The Accountant at Ashanti Goldfields Company Hospital is a Chartered Accountant who has worked with the Company for ten years.

The Administrator at the Holy Family Hospital also holds a Bachelor of Science Degree in Administration (Health Services). He has worked with the hospital for two years. The Accountant is a Higher National Diploma (HND) holder in accounting. He has worked with the hospital for five years. The purchasing officer is a holder of R.S.A. stage III. She has worked with the hospital for ten years.

3.4.1 **Sample Method**

A simple purposive sampling technique was employed in choosing these hospitals in the study population - Kibi District Hospital, Koforidua Central Hospital and Holy Family Hospital were all selected from the Eastern Region of Ghana. Ashanti Goldfields Hospital was selected from Ashanti Region.

3.4.2. **Kibi District Hospital**

Kibi District Hospital was selected for the study by reason that the hospital has just been rehabilitated and refurbished under the African Development Bank grant. As part of the Project some management team members such as the Medical Superintendent in charge of the hospital, the Head of Nursing and the Hospital Administrator were sent to Leeds and Manchester Universities in United Kingdom for management training. As part of the training programme, they visited some of the well established hospitals in United Kingdom to acquaint themselves with the management practices of the hospitals with the understanding that when they returned to Ghana, they would be able to implement some of the new things they were exposed to including materials management practices.

3.4.3. **Koforidua Central Hospital**

Koforidua Central Hospital was chosen for the study by reason of its larger size and location. Issues such as staffing, management practices, purchasing and stores management practices are different from other hospitals.

3.4.4. **Ashanti Goldfields Company Hospital**

This Hospital was selected because of its peculiar characteristics. The hospital is owned by Ashanti Goldfields Company, an international mining company with branches in Tanzania, Ghana and Guinea. As an internationally owned hospital its management practices including materials management is expected to meet international standards. This hospital, as a consequence may have purchasing and stores management policies and practices which may be that are different from public and other private hospitals.

3.4.5. **Holy Family Hospital (Nkawkaw)**

This Hospital was chosen for the study to enable the researcher have knowledge about purchasing and stores management practices in Mission Hospitals. A mission hospital like Holy Family operates under different authority, that is, religious organizations. Therefore their management practices may be different from those within the ambit of the government.

3.5. **Research Setting**

The study sample was drawn from the following areas: East Akim District of the Eastern Region where Kibi District Hospital is located, New Juabeng Municipal Assembly where Koforidua Central Hospital is located, Adansi West District where Ashanti Goldfields Company Hospital is located and Kwahu South District where Holy Family Hospital is located. Enrolling these

hospitals in the study will offer the research the opportunity to ascertain the similarities and differences in purchasing and stores management practices of various hospitals.

3.5.1. **History of Kibi District Hospital**

As has been stated already, Kibi District Hospital is the District Hospital of East Akim District of Eastern Region. The Hospital was built in 1924 by the late Okyenhene, Nana Sir Ofori Atta I for his subjects. The people of Kibi and its surrounding villages built the hospital principally through a communal labour. The Out Patients Department and male ward were initially built. Due to the increased pressure on the existing facilities, it became necessary to expand the hospital. Female and children's wards were therefore constructed to help ease congestion at the hospital. Later on, the mortuary, kitchen and the theatre were constructed to make the Hospital complete.

Since being built and until 1996 no major support in terms of physical infrastructure was received from the government.

In 1996, the government of Ghana received a grant from Africa Development Bank to rehabilitate and expand the Hospital.

Now the Hospital has been renovated and expanded to include services and departments like Centralised Sterilise Supply Department (C.S.S.D.), a Maternity Ward, Maintenance Department, Pharmacy, Laundry, Administration, Casualty Department, Isolation Ward, Laboratory and X-ray Department which were hitherto not available. The Hospital can now boast of well-equipped theatre comparable to Hospitals like Korle-bu Teaching Hospital, Effia Nkwanta Regional Hospital and Komfo Anokye Teaching Hospitals.

3.5.2. **ROLE OF KIBI DISTRICT HOSPITAL**

As stated in the mission statement of the Hospital, Kibi District Hospital was built to provide Primary Health Care services in the areas like Medicine, Gynaecology, Paediatrics, Public Health, Surgery, Dentist and Ophthalmology. Its goal was to enhance the socio-economic lives of people living in the district and beyond. The Hospital takes care of all referral cases from the health centres and maternal and child health centres within the district.

The Hospital has a bed compliment of 103 including cots. It has an average out patient department attendance of 50 patients and a percentage daily bed occupancy of 30%. The Hospital has staff strength of 128 including Nurses, Doctors, Orderlies, Technicians and others.

3.5.3. **KOFORIDUA CENTRAL HOSPITAL**

Koforidua Central Hospital is also the Regional Hospital of the Eastern Region of Ghana. The hospital is situated at Koforidua the Regional capital that also happens to be the Municipal capital of the New Juabeng District. The Eastern Region occupies the South Eastern part of the country. It is bounded on the North with the Ashanti and Brong Ahafo Regions. On the South with Volta and on the West with the Central Regions.

The Region is politically divided into 15 District with 3226 Sub-Districts and population estimated to be over two million.

The Region cover a land area of 19,328 square kilometres representing 8.10% of the total land area of Ghana and the Sixth largest out of the ten Regions.

3.5.4. **HISTORY OF KOFORIDUA CENTRAL HOSPITAL**

The Hospital was commissioned in 1928 and started operating as a small hospital with few facilities. In 1974, a contract was awarded for the facilities

at the hospital to be upgraded up to the status of a Regional Hospital. This was however stopped in 1978 because of government ban on development projects. In 1986, work again started on the abandoned project and this was partially completed in 1987. However, in the late 1990's the hospital witnessed a major rehabilitation and construction of new buildings that were expected to be completed by the year 2000. The government of Ghana and Spain jointly financed the project.

3.5.5. **Facilities at the Hospital**

Koforidua Central Hospital has the following facilities that assist the institution in its Health Care Delivery activities such as: OPD (Adults and Kids) Laboratory, Dental Clinic, Pharmacy, Medical Records Unit, Blood Bank, Diabetic Clinic, Eye Clinic, Psychiatric Unit, Cretch, Conference Room, Library, E.N.T. Unit, X-ray Unit, Family Planning Unit, Theatres, In Service Training Unit, Wards, Catering Unit, Public Health Unit and Environmental Unit.

3.5.6. **Role/Function of Koforidua Central Hospital**

The hospital was set up to provide secondary health services in the areas of medicine, surgery, ophthalmology, gynaecology, paediatrics, dentistry and public health. The hospital therefore provides curative, promotive, preventive and rehabilitative health services. In addition to the above roles, the hospital assists in practical training of student nurses and houseman doctors. As the mother of all district hospitals in the region, Koforidua Central Hospital caters for all the referral cases from the District Hospitals. The hospital is a 256 bedded with average daily bed occupancy of 143.4. The percentage occupancy rate is 56%.

3.5.7. **Ashanti Goldfields Company Limited Corporate Profile**

Ashanti Goldfields company limited operates one of the richest gold mines in the world. It is an African based international gold mining and exploration group with seven producing mines in four African Countries namely Ghana, Guinea, Zimbabwe and Tanzania. The largest of the Ashanti Goldfields Company's operations is the 100 year old Obuasi Mines in Ghana which is among the top producing goldmines in the world and the largest in Africa outside South Africa.

The Obuasi mines which has been in continuous operation since the 19th century is located close to the town of Obuasi in the Adansi West District of Ashanti Region about 180 kilometres north west of Accra, the capital of Ghana.

3.5.8. **Ashanti Goldfields Company (A.G.C.) Hospital**

The AGC Hospital is owned and operated by Ashanti Goldfields Company Limited. The hospital was built in 1930 to provide health services primarily to mine workers and their dependants and residents of Obuasi. Initially when the hospital was built, it was divided into two. One side serving the expatriate (whites) and the other the black workers. The two sides were merged after independence, as directed by the first president of Ghana, Dr. Kwame Nkrumah. The two sides of the hospital once brought together constituted the current Ashanti Goldfields Company Hospital.

3.5.9. **Facilities at the Hospital**

The hospital has eight wards, one theatre, a mortuary, OPD, Pharmacy Department, Laboratory, Stores, Physiotherapy Unit, Administration, Maintenance workshop and X-ray Unit.

The hospital has a bed compliment of 174 with average daily percentage bed occupancy of 85%. The average daily OPD attendance is about 120. The staff strength of the hospital is around 180 comprising of Doctors, Nurses, Pharmacists, Technicians, Physiotherapists, Orderlies, Mortuary men and others.

3.5.10. **Mission of the Hospital**

The primary mission of the hospital is to provide health services in the areas of medicine, paediatrics, surgery orthopaedic, gynaecology, ophthalmology, physiotherapy, public health, occupational health and others to the staff and dependants of the company. The hospitals do not charge any fees for these services. The services are provided as part of the company's welfare services to the staff and their dependants. The hospital also provides health services to the general public especially those living in and around the Obuasi township. These patients are regarded as private and are responsible to pay for the services received.

3.5.11. **Holy Family Hospital (Nkawkaw)** **Location**

Holy Family Hospital is located at Nkawkaw in the Kwahu South District of the Eastern Region. The district capital is Mpraeso. The population of the district is 520,000. The population growth rate 153.1%. The district has nine (9) Sub-districts with four hundred communities. The main occupations of the people in the district are farming, trading, manufacturing (artisans) and public servants. The district is bounded to the North - Kwahu North, South – East Akim and part of Birim North District, East – Fanteakwa, West – Asante Akim. The Doctor population ratio in the district is 1:74,285 and Doctor patient ratio is 1: 12,724.

3.5.12. **History of the Hosnital**

Holy Family Hospital was started as an out-patient clinic in 1949 by the Missionary Sisters Servants of the Holy Spirit. In 1957, a maternity ward was added and in 1958 the first doctor was posted to the hospital. In 1960 it was registered as a Mission Hospital after the addition of more wards and an operating theatre, and in 1965 the current out-patient department was built. The emergency ward was opened in 1983 for overnight detention and observation of patients and casualty treatment.

3.5.13. **Role of the Hospital**

Holy Family Hospital acts as a level 'C' hospital for a radius of at least 60 kilometres spanning from Anyinam to Juaso – South to North with Ntronang to Tease – West to East an area of approximately 275 5.9 miles. The hospital provides both primary and secondary health services in the area of medicine, surgery, gynaecology, paediatrics, public health, ophthalmology, and dentistry. Cases that are beyond the hospital is capacity to treat are referred to Komfo Anokye Teaching Hospital, St. Joseph's Hospital or Korle-Bu Teaching Hospital.

The hospital has a bed compliment of 211 with percentage bed occupancy of 70% and daily bed occupancy of 128. The daily out-patient department attendance is 314. The hospital has staff strength of 254, consisting of 6 doctors, 75 nurses and the rest of the figure representing orderlies, pharmacists, technicians, administrative staff and others.

3.5.14. **Mission of the Hospital**

The primary mission of the hospital is to provide affordable health services to the community based on Catholic principles.

3.5.15. **Facilities at the Hospital**

The hospital has the following facilities: Laboratory, X-ray, OPD/Casualty, Eye Clinic, PHC Clinic, Medical Records Unit, Male Medical & Surgical Wards, Female Medical & Surgical Wards, Maternity Ward, Children's Ward, HIV/AIDS Counselling Unit, Mortuary, Administration, Medical Stores, Maintenance Department, Fever Unit, Pharmacy, Ante-natal clinic, Theatres, Casualty Ward, Social Welfare

3.6. **Sources of Data**

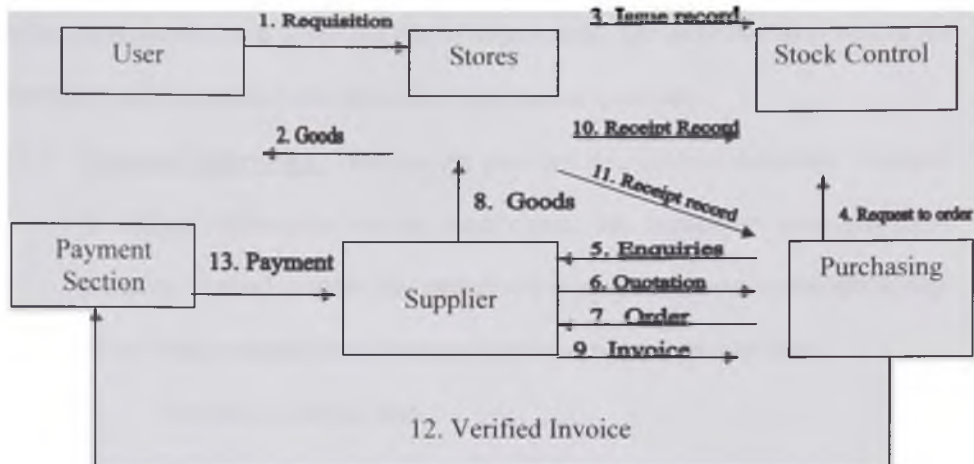
3.6.1. **Primary data** – The primary data for the study was collected from the hospitals selected for the study through the personal interview-using a questionnaire developed by the research as guide and observation. Basically, the personal interview was the predominant method used in obtaining the data followed by direct observation that served as complementary method.

3.6.2. **Secondary data**

Data from this source included textbooks on purchasing and stores management, supply management magazines, and newsletters produced by the Chartered Institute of Purchasing and Supply, articles and publications relevant to the topic and research findings of academicians on the topic. Data from these sources were included in the literature review and used to develop the problem statement and definitions of key terms and theoretical perspective.

Table 2.1: describes a schematic representation of the sequence of operations in a typical purchasing/stores transaction.

**Schematic Presentation of Procurement
And stores procedures.**



Key

1. User submits requisition to stores
2. User is handed goods
3. A record of the issue is transmitted to stock control.
4. Assuring that it is time to do so, a request to order is transmitted to purchasing
5. Purchasing department sends out enquiries
6. Quotations submitted by suppliers
7. Order placed with selected supplier
8. Goods sent to stores
9. Invoice sent by supplier to purchasing
10. Record of receipt sent to stock control
11. Record of receipt sent to purchasing
12. Invoice checked, on when verified sent to payment section
13. Payment made to suppliers.

3.7. **Methods of Data Collection**

Two main data collection methods were employed. These were personal interviews using questionnaire as a guide and direct observation. The questionnaire used as the interview guide included both closed and open-ended questions.

3.7.1. **Personal Interviews:** This was the principal data collection method. In order to collect information on the study topic, the researcher used purposive sampling method to select the underlisted management team members in each of the study hospitals and conducted personal interviews with them.

1. Hospital Administrator
2. Accountant-in-Charge
3. Supply Officer/Storekeeper/Purchasing Officer

The focus was on eliciting responses about issues relating to purchasing and stores management highlighting problems and efforts being made to improve the function. Each interview took one and half hours. Hand written notes were made during the interview to record the responses.

3.7.2 **Questionnaire** (Interview guide)

A 59 item interview questionnaire was developed by the researcher and piloted. The pilot phase confirmed that the items were comprehensive, relevant and covered the issues at hand. The interview questions were divided into two sections covering various theoretical and practices related to purchasing as stores management as follows:

Purchasing

On Purchasing, the questionnaire covered the following:

1. Initiation of purchasing
2. Sequence of operations in the procurement/purchasing Department
3. Organization of Purchasing
4. Availability of Purchasing Officer and his/her qualifications and functions.
5. Purchasing whether centralised or decentralised.
6. Training and development opportunities available for purchasing and stores personnel
7. Sourcing practices
8. Method of buying
9. Criteria for evaluating suppliers
10. Determination of prices
11. Contract draft and arrangements
12. Certification of invoices for payment
13. Expediting
14. Computerization of procurement system

Stores Management

Regarding stores management, the questionnaire covered the following:

- Availability of stores facilities
- Availability of stores personnel
- Receipt and inspection procedures
- Storage equipment/facilities
- Coding System

- Handling and transportation of equipment
- Safety precautions at stores
- Stock control system
- Stock Management techniques
- Costing/Pricing of materials
- Stock taking procedures
- Monitoring of stock items
- Health and Safety measures
- Availability of procedural manuals
- Stock house location systems
- Assessment of Stores performance efficiency
- Computerization of Stores record.

Both closed and open-ended questions were used as the interview guide.

Indicators

Indicators for this study were derived from the research questions and the literature review. In the theoretical perspective, indicators of good purchasing and stores management were identified.

In purchasing, these included, the availability of procurement professionals, separate department dealing with procurement, a team approach to procurement in a new buy situation; purchase contract drafting and implementation, having the authority to commit the hospital to certain expenditure limits; having a method of procurement and others.

In the case of stores management, these included, having a stores department, having competent stores personnel, enough stores personnel to ensure segregation of duties, good stock control and stock location system, regular

stocktaking, assessment of stores performance using some indicators, the availability of safety measures to prevent fire, theft, and flood, availability of storage handling equipment, availability of set of forms to record stock movement and showing balances, a procedure for identifying slow moving, redundant and obsolete items and taking measures to get rid of them and others.

3.7.3 **Direct Observation**

The researcher again employed a direct observation method in his investigation into the topic. This method was employed mainly at the stores. How the stores were arranged in the selected hospitals, neatness of the stores, storage facilities, material handling equipment, coding system, stock record keeping, security issues – lighting, the fixing of the doors and windows and how robust these were; the structure itself, burglar proofing, fencing and fire fighting equipment available. The presence or otherwise of obsolete and redundant stock at the stores were also observed

3.8. **Validity and Reliability of the Study**

To ensure internal validity in case study research, multiple methods and sources of evidence are usually used. In this study therefore, several methods and sources of data were used. Probabilistic sampling was used in order to ensure the validity and reliability of the results obtained from the hospitals.

Also a structured questionnaire was used in order to eliminate biases. With regards to the personal interviews, semi structured open-ended questions were used in order to ensure that the object for selecting the interviewees did not change as the researcher conducted the interviews.

Also to ensure that the analysis of recordings of personal interviews were reliable, the researcher engaged a colleague researcher to also study the uncoded transcripts and categorise data.

The two category sets (that of the researcher and his colleague) were then compared and discussed until agreement were reached on the defining characteristics.

3.9. **DATA PROCESSING AND ANALYSIS**

Both descriptive statistics and content analysis were employed in the study. Descriptive statistics method was used to analyse YES or NO questions or questions with possible answers for the respondents to tick. The content analysis was employed to analyse the open-ended questions. The data from the structured interview questionnaire were then entered into the computer and processed using the computer software Statistical Package for the Social Sciences (S.P.S.S.)

Responses from individual/personal interviews were processed manually. Characteristics of each were categorised. These were presented in tables where necessary. After the analysis, the results from the selected hospitals were compared to find out which of the hospitals is practicing professionally accepted standards in the area of purchasing and stores management using the indicators outlined in the questionnaire.

CHAPTER FOUR **PRESENTATION AND ANALYSIS OF DATA**

1.0. **INTRODUCTION**

This chapter presents the analysis of data which were collected from the study hospitals, namely Kibi District Hospital (K.D.H.) Koforidua Central Hospital

(K.C.H.) Holy Family Hospital (H.F.H.) and Ashanti Goldfields Company Hospital (AGC Hospital); in line with the topic “A Comparative Study of Purchasing and Stores Management in Private and Public Hospitals.

4.1. **RE-STATEMENT OF DATA COLLECTION METHODS AND TOOLS OF ANALYSIS**

Two main data collection methods were employed in collecting the primary data. These as have been stated in the research methodology section included personal interview, using questionnaire as a guide and direct observation.

The principal method was personal interview using questionnaire as a guide and direct observation as complementary method. In each of the hospitals, three officers were selected for the personal interviews. The officers included the Hospital Administrator, the Accountant and either the Purchasing Officer/Procurement Officer/Supply Officer or Storekeeper as the position may be called in different hospitals. The three were selected because of their relative roles they play in Purchasing and Stores Management in the hospitals. The questionnaire that was used as the interview guide was broadly divided into two sections: One section on purchasing and the other on stores management. The questionnaire consisted both closed and open-ended questions. Two main methods of analysis were employed. These were descriptive statistics and content analysis. The descriptive statistics was used to tabulate responses from the closed-ended questions that the respondents were required to tick or select one. The content analysis was employed to analysed the open-ended questionnaire. The data collected through the structured interview using the questionnaire as a guide was analysed on computer using the computer software Statistical Package for the Social Science (S.P.S.S.).

4.1.1 **PURCHASING**

As has been stated, the questionnaire for the study was divided into two sections. One section dealt with Purchasing and the other with stores management.

Purchasing can be defined as that function responsible for obtaining by purchase, lease, or other legal means, equipment, materials, supplies and services required by an undertaking for use in production or rendering of services. (Lyson, 1989). This definition by Lyson clearly outlines the role or the functions that purchasing should play or perform in any organization including hospitals.

4.2.1 **STATUS OF PURCHASING IN HOSPITALS**

1. **PURCHASING DEPARTMENT**

Purchasing like other functional areas like production, marketing, finance, research and development, engineering and others has come of age. The function has gained high professional status following the granting of Royal Charter Status to the Chartered Institute of Purchasing and Supply, U.K. the World's internationally acclaimed body training and regulating the standard of practice of the profession. The ability of purchasing and supply management staff to perform their functions as outlined in Lyson's definition effectively to affect the smooth running of their respective organizations depends on the status given to the department in the organizations organogram (Lokko, 1994). In view of this, organizations which acknowledges the role that purchasing can play towards the success of their organization have created purchasing departments headed by qualified officers and the

status of the department is just like marketing, finance, engineering and others. The head of purchasing is a member of the management team and hence contributes to the policy directions of the organization. In hospitals given the amount of money that goes into procurement of drugs, services, consumables and capital items, there should be a separate department to perform the procurement function. The purchasing department should have equal status like departments like maintenance, x-ray, laboratory, finance, stores, kitchen, records, pharmacy and others.

The study of Kibi District Hospital, Koforidua Central Hospital, Holy Family Hospital and Ashanti Goldfields Company Hospital revealed that the two public hospitals Kibi and Koforidua did not have purchasing departments even though the procurement functions were being performed. Holy Family Hospital has a materials department but the head of purchasing department is at the same time the head of stores. There is no segregation of duties. These practices do not meet Professional standard. Ashanti Goldfields Company Hospital has a purchasing department but the department is located at the mine site. All request for purchase emanating from various units within the hospital are collated and sent to Purchasing or Supplies Department which procures for the hospital. This practice is in line with professionally accepted practices.

The table below shows the responses from respondents on the question whether the institution had a purchasing department separate from stores.

Table 4.1 Purchasing Department

	Does your organization have a purchasing department, separate from stores?		Total
	Yes	No	
Koforidua Central Hospital	-	3	3
AGC Hospital	3	-	3
Kibi District Hospital	-	3	3
Holy Family Hospital	-	3	3
Total	3	9	12

The above table shows responses of the question “Does your organization have a purchasing department separate from stores?” All the respondents of Kibi District Hospital (KDH), Koforidua Central Hospital (KCH) Holy Family Hospital (HFH) said ‘No’ implying that their respective hospitals did not have purchasing departments. Respondents from AGC Hospital answered, “Yes”, implying that the hospital has a purchasing department.

2. Availability of Trained Purchasing Personnel

The ability of purchasing or procurement department to achieve its objective of ensuring continuity of supply of materials, equipment and services depends on how the function is professionally handled. As remarked by Lokko (1994) procurement is a professional game and must be played by professional players. The importance of well-trained procurement managers can therefore not be over emphasised.

of monthly and periodic status reports to management.

In response to the question “Does your organization have Purchasing Officer”, the respondents from the two public hospitals – Kibi District Hospital and Koforidua Central Hospital answered “NO”. Respondents from Ashanti Goldfields Company Hospital and Holy Family Hospital answered “Yes”. Even in the case of Holy Family Hospital, the Purchasing

Officer who is at the same time in charge of Stores has not been trained in purchasing. She possesses R.S.A. Stage III and she is functioning as a Purchasing Officer in the absence of a professionally trained purchasing officer. At Ashanti Goldfields Company Hospital, the purchasing officer is professionally- trained. He possesses a University Degree and he is also a Chartered Member of the Chartered Institute of Purchasing and Supply, U.K. Ashanti Goldfields Company hospital is meeting professional standard in this direction. The two public Hospitals fall short of professional standard using this criterion.

The table below shows the responses of the question: Does your organization have a Procurement Officer?

Table 4.2 **Availability of Purchasing Officers**

	Does your organization have a purchasing officer		Total
	Yes	No	
K.C.H.	-	3	3
AGC Hospital	3	-	3
K.D.H.	-	3	3
H.F.H.	3	-	3
Total	6	6	12

In response to the question what qualifications does your purchasing officer possess?

Two respondents from Ashanti Goldfields Company Hospital said that two of their Purchasing Officers are full members of the Chartered Institute of Purchasing and Supply (M.C.I.P.S). One of the respondents said that other purchasing staff of the company are studying members or Associate Members of the Chartered Institute of Purchasing and Supply (C. I. P.S.). Respondents of Kibi District Hospital and Koforidua Central Hospital did not answer this question because the hospitals did not

have purchasing officers. All the three respondents from Holy Family Hospital said that their purchasing officer had R. S. A. Stage III.

The implication of not having purchasing officer means that somebody is performing the functions of the purchasing officer. As a follow up question to the respondents from Kibi District Hospital and Koforidua Central Hospital who answered “No” to the question of “Does your organisation have a purchasing officer” the researcher asked if no then, who procures for your hospital? The respondents from Kibi District Hospital answered that the procurement function was supposed to be performed by a procurement committee comprising of the Medical Superintendent-in-charge of the hospital, the Hospital Administrator, the Hospital Matron, the Pharmacist-in-charge, the Accountant and the Storekeeper. The respondent told the researcher that the purchasing committee exist but it was not functional hence all procurement were made by the Medical Superintendent himself or the Accountant. At Koforidua Central Hospital, the procurement committee was in place and functional the only difference was that membership of the committee is more broader than that of Kibi District Hospital (KDH). For instance, in addition to the core members as outlined above in Kibi, Koforidua Central Hospital has the Deputy Medical Superintendent and one Senior Doctor as members of the committee. The practice of Kibi District Hospital is very serious especially when the Accountant is allowed to buy for the hospital. One of the principles of internal control is that there should be segregation of procurement, payment and storekeeping duties. Three different officers must perform these three functions in order to reduce fraud and other financial malpractices. The practice of Kibi District Hospital conflicts with the principles of internal control. Using this criterion, Ashanti Goldfields Company Hospital is practicing professional standards

followed by Holy Family Hospital. The two public hospitals are not doing well on this criterion.

The table below shows responses from the question of who procures for the hospital in the absence of purchasing officers.

Table 4.3. **Performances of procurement function in the absence of purchasing officers.**

	If no, who procures for your hospital				Total
	Medical Accountant	Supt.	or	N/A	
K. C. H.				3	3
AGC Hospital				3	3
K.D.H.		3			3
H. F. H.				3	3
Total		3		3	12

3. **Training and Development opportunities for Purchasing and Stores Staff**

Training is a learning process that involves the acquisition of skills, concepts, rules or attitudes to increase the performance of employees. The quality of training employee receives have a significant influence on the employees productivity on the job and attitude towards the job (Byers and Rue 1984).

Management Development is defined as a systematic process of training and growth by which individuals gain and apply knowledge, skills, in sights and attitudes to manage work organizations effectively (Byers and Rue 1984).

Simply, development can be defined as equipping employees with knowledge, skills and attitudes to enable him/her occupy high positions in future. Training

and development process really involves the implication that these will be changed behaviour on the part of individuals.

Given the impact that training and development can have on the performance of employees it is needed in every profession including purchasing and supply. There is the need to update the skills, knowledge and attitudes of procurement professionals in order to enhance their efficiencies and effectiveness. Purchasing and supply function is fast changing with the advent of information technology.

On the question of what training and development programme exist for the Purchasing and Stores staff of the selected hospitals, some important revelations were made. All the three (3) respondents from Kibi District Hospital said there were no training and development programme for the purchasing staff. Respondents from Koforidua Central Hospital also answered that there were no training and development programme for the supply chain staff. The two hospitals, on quarterly basis organized in-service training for some categories of staff such as nurses, laboratory technicians, x-ray technicians, record staff and others but supply chain professionals are yet to benefit from such programmes. Also, as part of their human resource development programmes, these hospitals sponsor a nurse or doctor to pursue higher programmes in the areas like Anaesthesiology, public health, management training but no supply chain staff has ever enjoyed the facility. At Holy Family Hospital, in service training sessions are organized on quarterly basis for the supply chain staff. No development programme however exists for the supply staff. At Ashanti Goldfields Company Hospital refresher courses and on the job training courses are organized periodically for

the supply chain staff. As part of their staff development programme, all the supply chain staff are encouraged to write the chartered Institute of Purchasing and Supply (C.I.P.S.) exams. The company pays part of the examination and other fees for the staff.

Ashanti Goldfields Company Hospital is meeting the professional standard on this criteria followed by Holy Family Hospital. The two Public Hospitals are not meeting the professional standard in this direction.

The table below further throws more light on the situation above.

Table 4.4. Training and development Programme

	What kind of training and development exist for purchasing and stores staff.				Total
	In service Training	Nil	No programme	Refresher course on the job training C.I.P.S	
K. C. H.			3		3
AGC Hosp.				3	3
K.D.H.		3			3
H.F.H.	3				3
Total	3	3	3	3	12

5. **PERCEPTION OF PROCUREMENT / PURCHASING FUNCTIONS**

With the granting of Royal Charter Status to Institute of Purchasing and Supply UK, which has now become Chartered Institute of Purchasing and Supply, the procurement function in progressive organizations have been regarded as a highly professional activity which is aimed at the best value for money. Response from respondent on the question “how does your organisation view procurement?”. All the three respondents of Ashanti

Goldfields Company Hospital, Koforidua Central Hospital and Holy Family Hospital indicated that the function is a professional one.

Respondents from Kibi Hospital however said the procurement function is mere reactive buying activity. The irony is that even though Koforidua Central Hospital, Holy Family Hospital see the procurement activity as professional one, their actions and attitudes towards the function show otherwise. The table below shows the responses from the various hospitals.

Table 4.5. Perception of Procurement function.

	How does your organization view procurement		Total
	A mere reactive buying	Highly professional activity	
K. C. H.		3	3
AGC Hosp.		3	3
K.D.H.	3		3
H.F.H.		3	3
Total	3	9	12

4.2.2 **PURCHASING ORGANIZATION CENTRALISATION / DECENTRALISATION**

Given the growth of multi-national companies, conglomerates, holding companies and other group, centralization/decentralization considerations have been much discussed in recent years. Most groups companies or large organizations which operate several establishments adopt some compromises between buying everything centrally and buying everything locally, aiming to balance the advantages of strength with these flexibility. Basically, there are three alternatives.

1. Complete decentralization, allowing full autonomy in each units
2. Complete centralization, which in practice means of small value, all purchase are made from a central office or

3. A combination of the two (Bailey et al 1994).

Reasons given for the centralised procurement by the respondents from the Kibi District Hospital included discipline in the procurement function and uniformity of prices. Respondents at Holy Family Hospital said that centralisation leads to economy in the use of staff, low prices through bulk purchases, uniformity of prices of like items and discipline in the procurement function. Respondents at Koforidua Central Hospital said that centralisation help to cut down purchase cost and also ensure uniformity of prices. Respondents at Ashanti Goldfields Company Hospital said that centralisations help to achieve good value for money.

What runs through the reasons given by the respondents from the selected hospitals for practicing centralised procurement function are that it helps to achieve uniformity of prices, lower purchase prices through bulk purchases and instilling of discipline in the procurement function.

The issue of centralization and decentralization of Procurement function can also be considered in a hospital setting. Hospitals are make up of many units, and departments with each having their material and service requirements. Each unit or department can be made to buy their own requirements (decentralisation) or all purchases are made at a Central office on behalf of the Unit/Departments. (Centralisation)

In response to the question of whether the hospitals have centralised or decentralised procurement function, all the respondents from all the selected hospitals answered that they had a centralised procurement function. Thus, in the case of Holy Family Hospital it is the purchasing department, which procures for all units within the hospital. In the case of Kibi District Hospital where the procurement committee is not functioning it is the Medical Superintendent or the Accountant who procures for all

the units. At Koforidua Central Hospital it is the purchasing committee which procures for all the departments or units. However, small value items less than ₵100,000 are procured by the unit or department concerned through imprest. Ashanti Goldfields Company Limited Hospital has a unique system of centralisation. The Ashanti Goldfields Company Limited (Obuasi Mines) operates a centralised Procurement function. The Supplies Department is located at the mine site. All departments within the company submit their request to the supplies department and the purchases are effected on behalf of the units by the supplies department. Ashanti Goldfields Company Hospital is considered as a department within the company. All purchase requests from various units within the hospital are collated and certified by the Manager in charge of the hospital and is forwarded to the supplies department for action.

The table below shows the responses on the question of centralisation and decentralisation.

Table 4.6. Centralisation and decentralisation

	Type of Procurement function		Total
	Centralised	Decentralised	
K.C.H.	3		3
A.G.C. Hospital	3		3
H.F.H.	3		3
K.D.H.	3		3
Total	12		12

4.2.3. **PROCUREMENT/PURCHASING PROCESS**

1. **INITIATION** – Purchasing process starts with the issue of purchase request by stock or inventory controller or a bill of materials issued by the drawing office or control department and submitted to the purchasing department. On receipt of the requisition or bill of materials the buyer responsible will check them for accuracy, conformity to any standard specifications and with purchase records to ensure whether the items have been previously purchased and, if so, in what quantities and the sources of supply. If the item is standard and has been previously purchased from a satisfactory supplier at an acceptable price, a repeat order may be issued.

The purchase requisition serves four purposes:

1. To notify the Purchasing Department that a need exists
2. It specifies what is required to meet the need that exist
3. It serves as authority to procure goods and services.
4. To provide evidence as to what was requisitioned, when it was requisitioned and who requisitioned.

Responses obtained from the respondents from the study hospitals indicated that all the hospitals do some form of procurement. For the two public hospitals of Kibi District Hospital and Koforidua Central Hospital, they buy their requirements from Regional Medical Stores and open market through suppliers. Holy Family Hospital obtains their requirements from open market through purchase from suppliers and also they get some of their items from National Catholic Secretariat. For Ashanti Goldfields Company Limited Hospital, all their items are bought from the open market through suppliers.

At Kibi District Hospital, procurement is initiated when purchase request is sent to the Medical Superintendent by either the Storekeeper or any of the departmental heads. Purchases are also initiated when the hospital receives its share of government quarterly financial allocation called financial encumbrance. (F.E.s). Upon receipt of the request the Medical Superintendent verifies from the Accountant whether there is money to buy the items. When there is money Medical Superintendent invites a supplier himself or he directs the Accountant to do that and the contract is awarded to the supplier. The hospital has no registered suppliers. At Koforidua Central Hospital purchases are initiated by the storekeeper by sending purchase request to the procurement committee. The Committee then vets the request against financial provisions and when it is proven that there is money, suppliers are invited to submit bids and after evaluation the contract is awarded to the best supplier. The hospital has a list of registered suppliers. At Holy Family Hospital purchases are initiated when purchase request is submitted to the Hospital Administrator by the Storekeeper and after checking the authenticity of the request, it is forwarded to the purchasing officer to effect the purchases. Holy Family has a list of registered suppliers. At Ashanti Goldfields Company Limited Hospital, the inventory controller initiates procurement by submitting purchase request to the Hospital Administrator who after checking the request forwards it to the supplies department for action. The procedure of Ashanti Goldfields Company Limited Hospital and Holy Family Hospital is somehow up to standard but Kibi and Koforidua Central hospital practices are unprofessional. The situation I have just described is applicable where the items are standardized and have been bought before.

2. **SUPPLIER EVALUATION**

When the items involved are not standard and have not been ordered before, or for some reasons a change of supplier is required, the following steps would be involved:

- i. Enquiries will be sent to possible suppliers accompanied by additional documents, e.g. drawings, specifications, etc. which will enable them to quote.
- ii. Quotations will be received in response to the enquiries and compared with respect to price, quality, delivery, tool costs and terms of business.
- iii. When quantities are substantial and quality and/or delivery of great importance, further negotiation with suppliers including an evaluation of their capacity to undertake the order may be required. There are so many approaches that a company or an organisation can adopt to evaluate its suppliers. The underlying principle is that it must be tailored to the buyer's core business strengths and those of its suppliers. One of the approaches is to assess the competence of staff of the suppliers, adequacy and care of production equipment, technological know-how of the supervisory staff, housekeeping, competence of management, means of controlling quality and industrial relations record before a decision is made to award the contract to the best supplier.

The selected hospitals also do some form of supplier evaluation using some checklist before awarding purchase contract to the best supplier. Holy Family Hospital use business registration certificate, tax

clearance certificate and also requires accreditation from other hospitals. Ashanti Goldfields Company Limited Hospital use business registration certificate, financial stability, credit availability and accreditation as checklist for evaluating suppliers. Koforidua Central Hospital use business registration certificate, financial strength assessment and accreditation from other institutions as criteria for evaluating suppliers. Kibi district Hospital use accreditation from hospitals, tax clearance certificate and business registration certificate as criteria for evaluating suppliers.

What runs through the evaluation factors of the selected hospitals are business registration certificate, accreditation from other hospitals and financial strength assessment. In addition to the above, Ashanti Goldfields Company Limited Hospital uses credit availability as one of the evaluation factors.

3. **Purchase Order and Contract**

After the completion of supplier evaluation process and bid evaluation process using factors like price, quality, reliability responsiveness to select the best supplier, a purchase order is issued to the vendor whose quotation is most acceptable. In most organizations purchase orders are issued through the use of order letters stating the terms and conditions upon which the order is being placed. In some organizations the terms and conditions of the purchase are written at the back on the purchase order.

Upon the receipt of the purchase order together with the terms and conditions, the suppliers examines the terms and conditions and send an order acknowledgement indicating his acceptance of the terms and conditions or otherwise. If the supplier agrees to the conditions and terms, the order then becomes a contract between the

buyer and the seller. In a typical manufacturing firm, the purchase order is distributed as follows:

1. Two copies are retained at the purchasing department.
2. One to the department originating requisitions.
3. Progress section
4. Stores
5. Production control
6. Computer section
7. Accountant
8. Inspection

At Kibi District Hospital purchase orders are issued through the use of local purchase order (L.P.O.), which is used by almost all the government departments: Koforidua Central Hospital also uses local purchase order to order the entire requirement. Terms and conditions of the order are not explicitly stated on the Local Purchase Order. The supplier is not expected to acknowledge receipt by signing any document. For these two institutions, copies of the Local Purchase Order are distributed as follows:

1. One to the Supplier
2. One to Stores department
3. One to Accountant
4. One is retained in the Local Purchase Order book.

Holy Family Hospital also uses local purchase order (L.P.O.) but the terms and conditions are not explicitly stated. No contract is signed which stipulates the rights and responsibilities of both parties in the deal. According to the respondents at the Holy Family Hospital, the local purchase order forms are distributed as follows:

1. One to the supplier
2. One to stores department
3. One is retained in the Local Purchase Order book
4. One to Accountant

Ashanti Goldfields Company Limited Hospital uses properly designed order forms for all their purchases. All rights, terms, conditions and obligations of both parties in the deal are explicitly stated. When the supplier accepts the terms and conditions it becomes a contract between the parties. In the case of purchase of capital equipment a contract is draw by the company's legal experts which states the rights and obligations of both parties. The copies of the order letters are distributed as follows:

1. One to the department originating the purchases.
2. Progress section
3. Stores
4. Production control
5. Internal audit
6. Accounts section
7. Management information section
8. Inspection.

5. **FOLLOW UP / PROGRESSING /
EXPEDITING / LIAISON ACTIVITIES**

The supply task is to deliver goods and services to where and when they are wanted.

Simply placing orders and leaving the rest to suppliers may not be enough to achieve the supply objective. Some administrative efforts are usually required to get orders delivered at the desired time; this is called progressing or expediting orders. Not all orders need to be progressed. One to be retained in the local purchase order book

Orders usually that are late or order of items which are critical for the operations of the organization, require expediting.

The study at these four hospitals revealed that all of them do some progressing activities on some of their orders which are of critical importance to the operations of their institutions. The respondents explained that progressing is done when the delivery of items is delayed. AGC Hospital has a progressing section that is located at the offices of the mines. The officers in this section follow up all orders to ensure that the items are delivered on dates stated on the order letters.

6. AUTHORIZATION OF PURCHASES

In any organization, there should be officer(s) properly designated to authorize purchases. Those who are designated to authorize purchases differ Institution to Institution. For instance at Kibi District Hospital, it is the medical superintendent who authorizes all purchases in the hospital. The medical superintendent position is equivalent to Chief Executive in other organizations. With the exception of items which are small value and are normally purchased from imprest, all purchases must be authorized by the medical superintendent. The respondent explained that this authority has been given to him because he is the spending officer. At Holy Family Hospital, the Hospital Administrator authorizes all purchases. The purchasing / procurement committee is the body that authorizes purchases at Koforidua Central Hospital. Ashanti Goldfields Company Hospital uses the expenditure-limit system. The designated purchases authorization officers are the Supplies Manager, Chief Finance Officer, Purchasing Manager and Managing Director. The Chief Finance Officer must authorize all purchases with value equal to or greater than \$4000. Managing Director must authorise purchases with value equal to or exceeding \$5000. The Supplies Manager and Purchasing Manager authorize purchases equal to or less

than \$2500 and \$1000 respectively. According to the officers, this helps to cut down delays and avoid concentration of authority in the hands of the Managing Director.

This system is very ideal and it is consistent with international practice.

At Holy Family Hospital for instance the purchasing officer cannot commit the hospital in the area of purchases. The Hospital Administrator must approve all purchases. This causes delays.

6. APPROVAL OF SUPPLIER'S INVOICE FOR PAYMENT

The completing stage of a purchasing transaction occurs when work is completed or goods are delivered, accepted and payment is duly made. Just as the purchasing section does not usually initiate a purchase, so it does not normally carry the main responsibility for the completing stage. The supplier will deliver the goods to the buying company's storehouse with an accompanied waybill and an invoice. Whilst the waybill gives quantity of goods, details of carrier and particulars of delivery location, the invoice gives details of goods and the value. Usually, the invoice will be passed to the Purchasing Department by the stores with an attached copy of Goods Received Note (G.R.N.). Purchasing department compares details on the G. R. N. and the departments' copy of the order and the particulars on the suppliers invoice and then forward it to Accounts Department for payment. Checking details in this way is called certification for payment. Any discrepancies found at the delivery point by the receiving storekeeper or during certification of payment will be made known to the purchasing section for communication to supplier.

Respondents at the two public hospitals – Kibi District Hospital and Koforidua Central Hospital said that it is the medical superintendents of their respective institutions who approves suppliers invoices for payment. The medical superintendent approves the invoices for payment when the items have been delivered and meets

specification in terms of price, quantity and quality and Stores Received Advice (SRA) have been prepared and signed by the storekeeper. The medical superintendent approves the payment by signing a payment voucher explaining the details of the expenditure and who the payment should be made. At Holy Family Hospital the researcher was told that all suppliers invoices are approved by the Hospital Administrator after the items have been delivered and meets specification in terms of price, quantity and quality. Invoices, Stores Received Advice and Order letters are compared by the Hospital Administrator before certifying for payment to be made.

Ashanti Goldfields Company Hospital has a unique system in that it is the requisitioner of the goods who certifies for payment to be made. When the items are delivered to the stores, the requisitioner of the goods is called to inspect the items. If he / she certifies that the quality and quantity and that they are fit for the purposes for which they were requisitioned, she/he signs the Goods Received Note and the Hospital Administrator forwards the Goods Received Note to the finance department for payment to be made. Ashanti Goldfields Company hospital system is unique in the sense that it involves the users of the items and that poor quality items can be rejected before payment is made. It will be good if the public hospitals and Holy Family Hospital can adopt this system.

Table 4.7. **Circumstance under which invoices are approved.**

	Under what circumstances does he/she approve of this				Total
	When the items are received and meet specification in terms of quality	When items meet specification - quality - quantity - price	When the items are delivered at right quality and quantity	When the items are delivered and meet specifications in in quantity and quality	
K.CH.		3			3
AGC Hosp.	3				3
K.D.H				3	3
H.F.H.			3		
Totals	3	3	3	3	12

4.2.4. **METHOD OF BUYING**

There are four main types of tendering. These are:

1. Single tendering
2. Limited or selected tendering
3. Open or Public tendering
4. Advertised or global tendering.

Depending on the amount of expenditure involved, financial rules and regulations of the organization concerned and the time available, organizations may use any of the above methods for purchasing of goods and Services.

CONDITIONS FAVOURING SINGLE TENDERING

We use single tendering in situations:

1. Where selected/Limited, Open /Public and advertised/global tendering is not practicable.
2. Where the risk and cost involved cannot accurately be purchased
3. When contracting for a particular portions of a seller manufacturing process especially where the seller designs the buyer's product.
4. If all the factors favouring other forms of tendering are missing.
5. Where the product of a particular buyer is exclusive from competitors.
6. Where the time (lapse) required to produce an item is too long or short, there is the need to negotiate on the terms with the supplier so as to be able to deal competitively with suppliers in terms of such variables as – price, delivery, quantity etc.

Conditions favouring selected/Limited Public and global tendering

1. When the specifications of items are explicitly clear to both the buyer and seller.

2. When the value of the Purchase is enough to justify the cost of the purchase of the items to the parties.
3. There must be adequate number of sellers.
4. When there is sufficient time at the disposal of the buyer.
5. The sellers comprising the market should be technically qualified and must as well be willing to supply the items.

Responses obtained from the respondents of the selected hospitals on the question “what method of buying does your organization employ?” reveals that most of the hospitals uses single and selected tendering system. None of the hospitals uses global or public tendering system.

Kibi District Hospital Management uses Single Tendering System in all their purchases, including drugs, non-drugs consumables, Capital items, services and Constructional works.

At Koforidua Central Hospital, all the three (3) respondents said that the Hospital Management uses both single and selected tendering system. According to the respondents, the Hospital Management use single tendering when buying under emergency situation, or when the hospital is buying on credit. Respondent from the Holy Family Hospital said that the Hospitals uses both single and selected tendering system. The Selected/Limited tendering system is adopted when the hospital is buying constructional works. In the normal purchase of consumables, drugs and detergents they use single tendering system.

A.G.C. Hospital adopts both Single tendering and Selected tendering system. According to the respondents, Single tendering is used when buying under emergencies. Selected/Limited tendering is used during normal purchases of drugs, hospital items, consumables and detergents.

The use of Single tendering system only by the Management of Kibi District Hospital is serious and can give room for all sort of abuses and financial malfeasance. Sometimes the hospital can procure items worth about Twenty Million Cedis (¢20m) when justified the use of selected/Limited tendering to ensure transparency and competition which can lead to lower purchase cost. Using single tendering for purchases both goods and services, for reasons other than the factors that favour single tendering is worrying. Buying under emergency as the reason why single tendering is used by all the hospitals is unacceptable because if the Stock Control System is working very well and stock levels are monitored well, and without any tragedy, there wouldn't be the need to buy items under emergency. The items should be replenished as soon as it reaches re-order level; hence there will be no need to buy under emergency, the hospitals are not doing well on this criterion. The worse offender is Kibi District Hospital. Using Selected/Limited or Public tendering system do not always lead to low purchase but studies have been shown that Selected/Limited or Public tendering system most of the times achieves low purchase cost because it helps to in stills competition, which helps to achieve good value for money.

The table below throws more light on the method of buying adopted by the selected hospitals.

Table 4.8: Method of buying

Hospitals	What method of buying does your organization employs				Total
	Single Tendering	Limited Tendering	Global Tendering	Public/ Open Tendering	
Koforidua Central Hosp.	3	3			6
AGC Hospital	3	3			6
Kibi Dist. Hospital	3				3
Holy Family Hosp.	3	3			6
Total	12	9			21

4.2.5. COMPUTERIZATION OF PURCHASING SYSTEM

Now we are in information age. Many purchasing soft wares have been developed to make the function efficient and effective through speed, accuracy and timely information on the function from the initiation of the purchase to certification of invoices for payment. Now progressive organizations like Volta Aluminium Company uses what is called paperless purchasing system. From purchase request to certification of invoice for payment, every process is computerised.

Responses obtained on the question “Is your purchasing system computerised”? indicates that only Ashanti Goldfields Company Hospital has a computerized purchasing system. The rest of the selected hospitals are handling the function manually. Ashanti Goldfields Company Hospital is meeting the new developments as far as information technology is concerned. With the advent of Electronic–Commerce, Electronic–Purchasing and Electronic–Market, having your purchasing system computerized and having access to internet will enable your organization to take part in the Electronic–business.

The table below throws more light on the extent of computerization of the purchasing systems of the selected hospitals

Table 4.9. Computerization of Purchasing System

	Is your organization Purchasing System computerised?		
	Yes	No	Total
K.CH.		3	3
AGC Hosp.	3		3
K.D.H		3	3
H.F.H.		3	3
Totals	3	9	12

4.2.6 **PROBLEMS HINDERING SMOOTH PURCHASING FUNCTION**

In response to the question what specific issues hinder the smooth purchasing operations in your organization, the respondents identified a number of issues.

Respondents at Kibi District Hospital identified the absence of a professional purchasing officer, inadequate stores space and conflict of interest between the Accountant, Medical Superintendent and the Storekeeper as the problems militating against the smooth purchasing function. Respondents at Koforidua Central Hospital mentioned lack of purchasing professional, lack of office facilities, late release of funds and inadequate storage facilities as some of the problems hindering smooth purchasing operations. Respondents at Holy family Hospital also identified inadequate staff, lack of clear cut roles between the Administrator, Purchasing Officer and the Accountant in the area of procurement. What runs through the problems identified by the public hospitals at Kibi and Koforidua are the absence of professionally trained purchasing officer and inadequate storage facilities. Respondents at Ashanti Goldfields Company Hospital did not make mention of any problem militating against the purchasing function.

4.3. **STORES MANAGEMENT**

The control of inventories and the management of supplies have, in common with the other major branches of commercial and industrial work, become specialist activities (Jessop and Morrison, 1994).

The stores in most organizations is where all kinds of materials needed for production, distribution, maintenance, packaging etc. are stored, received and issued. The stores function is therefore basically concerned with holding of stocks. However, stores

management covers a great deal more than just these aspects, and includes the following activities:

- a. Holding, controlling and issuing stocks
- b. Control of all storehouse, stockyards and outside storage
- c. Materials handling functions
- d. Quality control activities
- e. Training of stores staff
- f. Clerical administration of stores operations⁴

4.3.1. Basic functions of Stores

The modern stores has a wide variety of functions that it has to perform as efficiently as possible. The way in which stores management carries out these tasks will be reflected in the overall efficiency of the organization. These functions include the following:

- a. To store and supply all the materials and related services to ensure continuation of the operation;
- b. To store, control and issue all work in progress and part completed items;
- c. To store, control and issue all tools, equipment and spare parts needed by the operations of the organization;
- d. To receive, store, control and salvage all scrap and excess materials produced by the organization;
- e. To ensure that adequate health and safety precautions are taken in relation to the whole stores operations, in conjunction with the safety officer;
- f. To control (in cooperation with the training department) all training and staff development within the stores areas.

4.3.2. **STORES DEPARTMENT**

The ability of the stores personnel to perform their functions as outlined above in effective and efficient manner to affect the operations of the organization depends on a lot of factors including availability of storehouse or Stores department. The study of the four hospitals revealed that all of them had stores departments and the head of stores reported to the Hospital Administrator. This is a common practice of all the studied hospitals. At Ashanti Goldfields Company Hospital, the stores officer reports to the Hospital Administrator and at the same time the head of stores of Ashanti Goldfields Company Limited. All the hospitals operate centralized stores function. All the items brought are received and stored at the stores and they are issued to operating or user department upon submission of requisition forms duly endorsed by the designated officers

4.3.3. **STORAGE FACILITIES**

Storage facilities such as shelves, racks, ladder, cold rooms, etc. are needed to ensure that the items brought to stores are properly arranged and stored to facilitate easy identification and also to protect the items from getting rotten. A study of the four hospitals revealed that all of them had some sort of storage equipment and facilities. Kibi District Hospital has storehouse, shelves, ladder and containers to store liquid items. I observed that the shelves were inadequate because some of the items were lying on the floor. Also, arrangement of the items leaves much to be desired. Koforidua Central Hospital has a storehouse, shelves, containers and ladder. The storehouse of the hospital is so small that the stores are congested. Given the volume of items that the hospital receives, new premises have to be found to accommodate the volume of stores-items. Holy Family Hospital has a very spacious storehouse with shelves, ladder and cold room. The cold room is used for storing drugs,

laboratory reagents and surgical items. Ashanti Goldfields Company Hospital has very big storehouse with facilities like shelves, ladder, racks, pallets which facilitate the work of stores personnel. Ashanti Goldfields Company and Holy Family Hospitals have the best of storage facilities followed by Kibi District Hospital and Koforidua Central Hospital in that order.

4.3.4. **PHYSICAL ADDRESS**

To facilitate easy identification of items, all stores items must be given numbers or letters which are unique and must be for that particular item alone. The letters and figures can also be combined in alpha numeric form. The common term used for this type of exercise is called coding.

There are two main methods of coding. These are sequential coding and significant coding. Sequential coding is the giving of numbers to items as it occurs. This system makes recognition of items from their code number difficult, and as the range of items increases the system becomes very cumbersome. The significant coding is where each character or digit in the code number conveys some information about the item. Significant in this context means meaningful. Significant codes are rather longer than sequential ones because redundancy has to be built in, so that items not yet coded can be accommodated.

Responses received from the respondents of the study hospitals indicates that the two public hospitals Kibi and Koforidua Central Hospitals and Holy Family Hospital use sequential coding. All the three respondents from all these hospitals answered that sequential coding system was in place. Ashanti Goldfields Company Hospital is however using the significant coding system. Ashanti Goldfields Company Hospital system of coding is in line with Professional standards as it makes it easy to identify all the items by using unique numbers for each item.

4.3.5. **MATERIALS HANDLING EQUIPMENT**

Materials handling has been defined in many ways, but the activity is rather neatly summarized by the British Standards Institutions as techniques employed to move, transport, store or distribute materials with or without the aid of mechanical appliances: Handling materials, which is a major activity in storehouses and stockyards, is a costly operation and therefore the methods and equipment must be efficient. The kind of stock carried and the size of the accommodation will determine the handling method. In small storerooms dealing with comparatively light materials, all handling may in fact be done by hand. At the other end of the scale, in a large storehouse catering for a wide range of mixed goods, there would be some manual handling as well as mechanical equipment for moving the heavy items and this equipment will be of more than one type. There are broadly two main types of handling equipment. These are hand-operated equipment and power driven equipment. Examples of hand operated equipment include hand truck, wheelbarrow, selector trucks, pallet trucks, pulley blocks, hand stackers, stillage trucks. Examples of power driven equipment include forklift trucks – counterbalance trucks, reach trucks, turret trucks, cranes, order pickers, platform trucks, tractors, and powered conveyors. The availability of any of these kinds of materials handling equipment enhances the work of stores personnel. The study at A.G.C. Hospital revealed that the following equipment were in use

1. Forklift trucks
2. Cranes
3. Pallet trucks
4. Wheelbarrows.

Most of these handling equipment are kept at the Central Stores and are occasionally released to the departmental stores when the need arises.

Kibi District Hospital does not have any handling equipment. All material handling are done by hands. Koforidua Central Hospital does not also have any handling equipment. Holy Family Hospital also does not have any material handling equipment. All material handling at the stores is by hand. The respondents explained that most of the items at the stores are not heavy and as such do not require any handling equipment.

4.3.6. **AVAILABILITY OF TRAINED STORES STAFF**

The contributions that properly trained stores staff can make to the efficiency and effectiveness of stores operations are enormous. Stores management like other functional areas has developed into full profession and hence there is the need for properly trained staff to handle the function. The study which seek to assess whether the selected hospitals have competent personnel to man the function reveals that for the public hospitals, the storekeepers had Middle School Leaving Certificates. They were appointed and trained on the job as storekeepers. The situation was not different at Holy Family hospital. The hospital has three stores staff; two of them are holders of Middle School Leaving Certificate and the other has Ordinary Level Certificate holder.

The situation at Ashanti Goldfields Company Hospital is a bit better. The head of stores is a full Member of the Chartered Institute of Purchasing and Supply (MCIPS). The officer in charge of the hospital stores is a holder of 'A' Levels who is also a studying member of the Chartered Institute of Purchasing and Supply (CIPS) U.K.

4.3.7. **PROCEDURE FOR ACCEPTING GOODS INTO STORES**

In every organization, there is a laid down procedure for accepting goods into stores. No matter the system in place, the underlying principle is that there should be transparency in the process. Some organizations adopt the team approach to inspection and acceptance of goods. The team normally consists of officers from internal audit unit, security section, stores, accounts and sometimes technical experts where laboratory test is involved. Dery (1996) revealed that at the University of Ghana, the inspection and acceptance team consists of personnel from stores, security, accounts and internal audit. The team approach helps to avoid a situation where the stores personnel collude with the suppliers to under supply the items involved and the stores personnel take kick-back from the supplier. During the inspection, the quantities on the order letters and invoices are checked and if the quality and price corresponds with specification, the inspection team signs the Stores Received Advice. The Stores Received Advice, the Order letter and the invoice are used to prepare payment voucher upon which the supplier is paid.

At Ashanti Goldfields Company Hospital, the team approach is in place. When the goods are delivered to the central stores they are forwarded to the hospital's stores. The Hospital Administrator, Stores Officer and the officer who requested for the item jointly inspect and check the quality of the items. If the requisitioner is satisfied with the quality he advises the Administrator and the Storekeeper to take delivery of the items. At Kibi District Hospital, the items are inspected and accepted by the storekeeper alone. The storekeeper compares the quantities on the invoice and the local purchase order and if the quantities agree then he prepares Stores Received Advice, which is forwarded to the accountant for payment. This practice is very dangerous because the storekeeper can easily collude with the supplier to under

supply. At Koforidua Central Hospital, the Hospital Administrator and storekeeper inspect and accept goods into stores. This procedure is also transparent because the Administrator is a neutral person. At Holy Family Hospital, the Administrator, Matron and the Stores Personnel together count, check and test the items where necessary before Stores Received Advice is filled and signed by all the team members. The system at Holy Family Hospital is also transparent and guards against fraud and other forms of malfeasance.

4.3.8. **PROCEDURE FOR STOCK WITHDRAWAL**

In most organizations, financial regulation documents and stores procedure manual specifies the procedure for stock withdrawal. The procedure usually requires the user to fill stores requisition forms, which must be authorized by a designated person within the organization before the requisition is sent to stores for issues to be made.

The requisition form is divided into so many columns. One column is for the quantity of the item, one for description of the item, one for quantity of the items in word and there is a portion to be signed by the requisitioner. The significance of the stores requisition forms is that it transfers the responsibility of accounting for the goods to the requisitioner. At the two public hospitals at Kibi and Koforidua they have a system which is similar to the one described above. Stores Requisition forms must be filled by the officer in charge of the ward or department and is approved by the Hospital Administrator or Hospital Matron depending on the item. The requisition form is filled in triplicate and one is retained in the book, and one each returned by the storekeeper and the requisitioner. The practice at Ashanti Goldfields Company Hospital is just like the public hospitals. The head of the user department fills stores requisition and this is approved by the Hospital Administrator or Matron depending on the item. Consumables are normally approved by the Hospital Matron while the

Administrator approves non consumables. After the approval, the requisition is sent to stores for issue. The practice at Holy Family Hospital is a bit different. Requisition forms must be filled by the user department and approved by the head of department before it is sent to stores for issue. The Hospital Administrator and Matron do not have to sign unless the requisition is emanating from their own offices.

4.3.9. **SEGREGATION OF DUTIES**

One of the auditing guidelines of internal control is segregation of duties. A fundamental concept of accounting control is that no one person should handle all aspects of a transaction from the beginning to the end. It is important to separate those responsibilities or duties that would, if combined, enable one individual to record and process a complete transaction. Segregation of duties reduces the risk of intentional manipulation or error and increases the element of checking. Functions, which are separated, include those of authorization, execution, custody, recording and in the case of computer based accounting system, system development and daily operations. Optimum segregation of duties exists only when nothing other than acts of collusion could circumvent the system of accounting control. In the same vein, stores operations are to be segregated to ensure that no one person is responsible for two or more operation. In this direction, stores department should have separate people responsible for these activities; Identification or vocabulary system, Standardization section, Storehouse section, Stockyard section, Stock control section, Records section and Accounts section.

Responses obtained from all the respondents from three of the study hospitals at Kibi, Koforidua and Nkawkaw indicated that due to inadequate staff, the above mentioned and duties are not segregated and that one person is responsible for more than one operation or activity. This practice is contrary to the principle of internal control and

can give room for financial malpractices. At Ashanti Goldfields Company Hospital on the other hand, all the activities mentioned above are segregated. One person is responsible for only one activity. This is consistent with the principles of internal controls and helps to reduce the risk of fraud and other malfeasance.

4.3.10. **STOCK MANAGEMENT TECHNIQUES**

Sound stock management and control are dependent on quantitative measurement of stock changes and interpretation of the data as the basis for the manager's decision. This may be to order further supplies, to instruct the supplier to speed up delivery, to reduce or increase the stock safety level, to expand storage facilities, to acquire new handling equipment, the promotion of special sales, or to clear out dead stock.

Some of the techniques and tools that can be used for this purpose are:

1. **A.B.C. Stock Analysis** – Is the means of identifying the company's dominant stocks which accounts for the heaviest investment of funds. In fact a small percentage of the number of items usually stocked accounts for large percentage of the total stock value. This finding is expressed in the ²⁰/₈₀ law, which states that 20% of the items stocked accounts for on the average for 80% of the total stock value. The high value stock is placed in category (A), the remaining is divided between category B & C. The stores manager must give priority attention to category 'A' products while not neglecting category B & C because a category 'C' items whose stock value is small may be a key item in production and sales. The A.B.C analysis should be taken of least once a year.

2. **STOCK TURN OVER RATE (S.T.R.)**

This is an indicator that enables the manager to assess the speed at which stocks are run down. The S.T.R. is the ratio of aggregate withdrawal for

consumption in stated period (year , half year or quarterly) to the average value of stock during that period.

3. **STOCK COVERAGE RATE (S.C.R.)**

This is an indicator enabling the manager to measure the physical availability of stock. The Stock coverage rate is expressed in months is obtained by dividing the stock at the end of the month by the average monthly consumption.

4. **STOCK OUT RATE (S.O.R.)**

1. This indicator permits measurement of number of stockout in a given period. The stock out rate expresses the number of unfulfilled request as a percentage of total number of withdrawals (consumption during the period).

5. **STOCK SAFETY LEVEL (S.S.L.)** – The safety stock level is a means of maintaining a regular flow of supplies to users or consumers in the event of :

- a. A sudden upsurge of production as result of increase in sales
- b. Delay in delivery due to negligence on the part of the supplier
- c. Unforeseen events (force majeure)

The above-mentioned tools are useful tools which enhance the effectiveness of stores personnel. Responses received from Holy Family and Kibi District Hospital indicates that none of the above mentioned tools is used at the hospitals. All the tools/techniques are in use at Ashanti Goldfields Company Hospital stores. Koforidua Central Hospital is however using two of the techniques in their stores. These are Stock Out Rate and Re-order point.

4.3.11. **MONITORING OF SUPPLIES**

Supplies issued to user departments must be monitored till their usage. This area has been identified in stores management as the area of waste. In most institutions no efforts are made to monitor the usage of the items after they have been issued to the

user departments. The items issued are misused or stolen by the users. To guide against theft and misuse there should be proper monitoring system to ensure that items meant for patient care are not misused. When the user department heads are going to collect stores items, they must be made to account for the items they collected on their previous requisition.

Responses obtained from three of the study hospitals - Kibi District, Koforidua Central and Holy Family Hospitals indicate that they do not have any formal system in place to monitor the usage of the items. The heads of the user department go to the stores to collect issues on weekly basis and the storekeepers uses their discretion to decide on the quantity of items to be issued to the departments but not based on the quantity stated on the requisition form. Even though at the Kibi District and Koforidua Central hospitals, in patient treatment and costing sheets are in place but they are used purposely for billing and not for monitoring supplies. Ashanti Goldfields Company Hospital has a computer programme that monitors the use of all consumables. As soon as items are used on a patient it is entered into the computer and it is charged against the patient. The heads of user department or ward in charge are made to account for the items they collect on the previous visit. This practice helps to keep the misuse of stores items at a minimum.

4.3.12. **STOCKTAKING**

Jessop and Morrison (1994), defined stocktaking as the complete process of verifying the quantity balances of the entire range of items held in stock. The person responsible for the care and custody of stock should be clearly designated; it is normally the storekeeper in charge of the storehouse. No stocktaking or stock checking should take place without the storekeeper's knowledge, and no

discrepancies should be declared unless an opportunity has been given to explain the position.

Ideally stocktaking should be undertaken four times in a year to enable the organization know the amount of investment in stock.

PURPOSES OF STOCKTAKING

Physical stocktaking is the process of counting, weighing or otherwise measuring all items in stock and recording the results. The reasons for doing this are as follows:

1. To verify the accuracy of stock records
2. To support the value of stock shown in the balance sheet by physical verification
3. To disclose the possibility of fraud, theft or loss
4. To reveal any weakness in the system for the custody and control of stock.

The size and number of surpluses and deficiencies revealed by the stocktaking is a good criterion of the efficiency of storekeeping methods, control and procedure generally. If discrepancies and surpluses are declared after stocktaking, depending on the magnitude of the amount involved, it is investigated. Normally an officer who is independent of stores does the stocktaking.

Methods of Stocktaking

There are two main methods of stocktaking. These are periodic stocktaking and continuous stocktaking.

Periodic stocktaking – By the periodic method of stocktaking, the whole of the stock is covered at the same time at the end of a given period, usually the end of the financial year. Theoretically, stock should be taken at the close of business on the balance sheet date.

Continuous stocktaking – Is the method whereby stock is taken continuously throughout the year in accordance with a predetermined programme so that each item is physically verified at least once in the course of the year, or more frequently if required. It can only be done if complete detailed stock records are kept showing receipts, issues and balance on hand (ie. if there is a perpetual inventory).

Ashanti Goldfields Company Hospital is using continuous stocktaking method and this method is made possible because all the stores records are computerized. The stocktaking at Ashanti Goldfields Company Hospital is done by officers from the stores, department concerned and internal audit unit. The officers investigate all discrepancies after the storekeeper's attention has been drawn to it. At Holy Family Hospital, periodic stocktaking methods is in place and the respondents explained it is due to lack of staff and the irregular nature of the material flow that is why they are using periodic stocktaking. Also the stores records are not computerized. The stocktaking is done at least twice in a year and is done by the Hospital Administrator. If discrepancies are detected the storekeeper is made to account for them. Kibi District and Koforidua Central Hospital also adopts periodic method of stocktaking and the reasons given for that method in place are lack of staff. Also the Ministry of Health requires that stocktaking should be done once a year. The Hospital Administrator and representatives from Accounts Unit do the stocktaking in the public hospitals. At Kibi District Hospital when discrepancies are detected the storekeeper is made to account for the difference but at Koforidua Central Hospital, all discrepancies are reported to Stores Inspectorate Division for investigations to be launched.

4.3.13. **IDENTIFICATION AND DISPOSAL OF SCRAPS, OBSOLETE AND REDUNDANT ITEMS**

4.3.14.

The general principle is that in every organization there should be procedures for the periodic review of stock to identify slow moving, redundant and obsolete items. This procedure helps to ensure that decision is taken on slow moving and redundant items before they become obsolete. Disposal of obsolete and redundant items by sale also serves a good source of revenue for organizations. The study conducted revealed that Kibi District, Koforidua Central and Holy Family Hospitals have no procedures for identifying slow moving and redundant items. Ashanti Goldfields Company Hospital has a computer-based programme for doing this. When items are received their expire dates are entered into the computer and the computer flags the items when they are about to be expired.

On disposal of obsolete, redundant and scraps items, Holy Family Hospital disposed of these items by donating them to small hospitals, given their staff to motivate them or sometimes the items are sold to generate revenue. At Ashanti Goldfields Company Hospital, expired drugs and consumables are burnt and buried but the obsolete equipment are sold to private users or as scraps to scrap dealers. The situation is a bit different at the public hospitals. At Kibi District Hospital and Koforidua Central Hospital, a list of expired, obsolete and redundant items is prepared and submitted to Regional Stores Inspectorate and Audit Service for them to come and inspect and dispose of the items. This normally takes years to be done; so at the two Public hospitals, large volumes of obsolete and scraps were found occupying substantial portions of their respective stores. Some of the items in the open are left at the mercy of the weather. According to the respondents at the public hospitals the Hospital Management prefer the items to rot rather than to go through the bureaucratic process of getting the items auctioned.

4.3.14. **SAFETY PRECAUTION MEASURES AGAINST FIRE, LOSS AND THEFT**

Stock must be protected from the risk of fire, loss and theft. Special precautions must be taken against fire taking into accounts the characteristics of the items stored, for example petroleum products. Special precautions should also to be taken in the case of dangerous inflammable or explosive materials. Fire extinguishers should be provided and regularly serviced. Dustbin with sand should be provided at the main exit. Every storage facility should have at least two exist. Precautions should also be taken to prevent possible water damage. If the enterprise has refrigerated storage for perishable items representing a substantial investment, it is advisable to instal one or two generator sets to provide electricity in the event of power cut of any length.

A security service should be set up and should make a continuous inspection rounds. Insurance policies should be taken to provide cover against civil liability, theft, water and fire damages.

At the selected hospitals the researcher asked the respondents the precautionary measures that their institutions have taken against the risk of fire, loss and theft. Ashanti Goldfields Company Hospital stores and the central stores have Closed Circuit Television (CCTV) which monitors every activity of the store. In addition they have fire extinguishers which are serviced regularly alarm systems, security patrol which runs 24 hours a day. There is a security lighting system and the store has been fenced with a high wall with barbed wire fencing. Insurance cover has also been taken to cover all stocks. The situation is different at Kibi District Hospital. The hospital has only one fire extinguisher at the stores. There is no security patrols during the night. There is no burglar proofing or insurance cover. There is even no fire extinguisher at the place where petrol is stored at the (generator house).

The Koforidua Central Hospital has a store that is burglar proofed and there is

24 hours security patrol. There are security lighting systems but they do not have fire extinguishers. There is also no insurance coverage to protect the stocks against risk of fire, theft and water. At Holy Family Hospital, the stores premise is burglar proofed, there is security alarm system, and there is fire extinguisher and 24 hours patrol by security men. The store is also fenced with barbed wire.

Ashanti Goldfields Company Hospital precautionary measures are the best followed by Holy Family Hospital, and Koforidua Central Hospital and Kibi District Hospital in that order.

All the hospitals provide their stores personnel with goggles, gloves and other protective clothing to protect the staff against injury.

Ashanti Goldfields Company Hospital stores staffs have insurance cover but the other hospital staffs do not have.

4.3.15. **ASSESSMENT OF STORES EFFICIENCY**

There are many approaches to, and systems for, the measurement of efficiency in stores. Most of these involve the analysis of records of activities over a period of time, and the application of a formula or a ratio analysis, designed to highlight any changes in efficiency. The following list gives some of the figures commonly used in efficiency measurement schemes:

1. Average stock levels (E)
2. Number of issues per year
3. Average number of stores employees (yearly)
4. Annual operating cost of stores function
5. Proportion of stock which is slow moving
6. Damage, loss or deterioration of goods in stock
7. Incidence of discrepancies between records and stock levels when stocktaking

8. Number of items requiring identification
9. Rate of turn over of stock (stock turn)
10. Service level
11. Surplus stocks. The quantity and value of stocks which are not needed.

Holy Family Hospital uses indicators 2,7 and 10 in assessing the efficiency of store functions. Ashanti Goldfields Company Hospital uses all the above indicators in assessing the efficiency of stores performance. Kibi District Hospital uses none of the above indicators and Koforidua Central Hospital uses indicators 2, 5 and 7 in their efficiency measurement.

4.3.16. **STORES PROCEDURE MANUAL**

To operate any storehouse, some discipline and routine is inevitable and instructions must be given about procedures. Verbal instructions have obvious limitations and a certain amount of written guidance is a necessity. The bigger the organization, the more important and numerous written procedures are likely to be and, at some stage, it becomes desirable to revise, extend, standardizes and arrange all the existing instructions to produce one comprehensive document, which is called a stores manual. It is also a common practice for all stores forms to be reviewed, redesigned and standardized, and for specimen forms to be produced either as part of the manual or as an appendix.

Procedures are instructions and rules on how the work of the stores function is to be carried out. Procedures must be written based on standard methods of work in a logical sequence:

- How to do it
- What to do
- What documents, tools, etc are required.

From procedures, ie. Working instructions, job specifications can be developed.

With the exception of Ashanti Goldfields Company Hospital, none of the selected hospitals has a stores procedural Manual.

4.3.17. COMPUTERIZATION OF STORES FUNCTION

Many computer software have been developed for stores operations. From receipt of goods to the issue, the activities involved can be computerized. Store records, stock control, stocktaking, standardization, store accounts and many other activities can be computerized. The advantages of computerization are many. Firstly, it enhances the efficiency and effectiveness of stores operation. Secondly, it speeds up stores data processing. Additionally, it reduces labour cost – because one person can do two or three persons work when the stores operations are computerized. The major disadvantage is the initial cost computerization is sometimes prohibitive. With the exception of AGC Hospital, the rest of the hospitals have not computerized their stores functions. All the stores activities are done manually.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter is the last and final of this study. It is made up of three parts. The first part gives a brief summary of the study by recapping the main events and activities covered, and examining the findings emanating from the field research. The second part gives comprehensive recommendations that need to be implemented. The last part gives brief notes to conclude the project.

SUMMARY

This comparative study sought to examine the purchasing and stores management practices of some selected public and private hospitals to see whether they are consistent with the professionally accepted standard of practice.

The study also had some other objectives as stated below:

- a. To assess the status of purchasing and stores management in public and private hospitals.
- b. To find out whether the public and private hospital have the requisite staff to manage the purchasing and stores management.
- c. To find out problems facing the public hospitals in the area by purchasing and stores management.
- d. To observe measures put in place at the storehouses of these hospitals to protect stores against the risk of theft, fire and other hazards.
- e. To find out training and development programmes available for purchasing and stores management staff.

The core of the study focused on the examination of

A: Purchasing

B: Stores Management

Areas examined under purchasing were: procurement process, availability of trained personnel, training and development programmes for purchasing and stores staff, availability of purchasing and stores departments, supplier evaluation criteria, method of buying, purchasing contract drafting. Areas examined under stores management included procedure for accepting goods into stores, segregation of duties at the stores, stock management techniques, stocktaking measures put in place to protect stock against the risks and many others.

Information for the study was gathered from both primary and secondary sources. Data from the primary source was collected through two main data collection methods – interview using questionnaire as a guide and direct observation. The interviews were conducted face to face with the underlisted officers at each hospital.

1. Hospital Administrator
2. Accountant
3. Supplying Officer or Purchasing Officer or Procurement Officer or Storekeeper as the position may be called in different hospitals.

The main method of data collection was the personal interview using the questionnaire as a guide and direct observation as complimentary methods. Content and descriptive analytical methods were employed. Descriptive analytical method was used to analyse the questions which demanded 'yes' or 'no' answers.

The content analysis was used for the open-ended questions. The responses were manually coded. Content and descriptive analyses were done on the computer using S.P.S.S. programme.

Chapter one of the study covers the introduction, problem statement, the purpose of the study, objectives of the study, significance of the study, research question, feasibility of doing the study and organisation of the study and. In Chapter Two, there was a review of relevant literature and theoretical perspective. Issues considered included definition of terms, the relationship between good procurement practice and efficiency and profitability, relationship between stores and other departments in an organization, good procurement practices as a means of fraud prevention and what Ministry of Health is doing to reform the purchasing and stores function.

In Chapter Three, the researcher outlined the methodology for the research. The issues considered include the sample design, methods of data collection and administration, methods of analysis, indicators of the study and background information of all the study hospitals.

Chapter Four, covers the presentation and analysis of the data. The researcher started the discussions by outlining the professionally accepted practices in both the purchasing and stores management and comparing the practices of each hospital to the standard to determine whether they are consistent or not. The responses or data were presented in tables where necessary. The differences between the hospitals and the lapses identified with each of the hospital were raised.

In this chapter, the researcher offered various recommendations for implementing all in an attempt to improve the present system of purchasing and stores management specifically at the study hospitals and generally for private and public hospitals.

MAJOR FINDINGS

During the analysis of the data from the selected hospitals, the following major findings were revealed.

1. Purchasing Department

The study revealed that of all the hospitals selected only Ashanti Goldfields Company Hospital had a purchasing department separate from stores. Kibi District Hospital and Koforidua Central hospital did not have purchasing departments. Holy Family Hospital has a Purchasing department but the head of the purchasing department is at the same time the head of stores. This is inconsistent with the auditing principles of internal control, which calls for the segregation of duties.

2. Availability of Qualified Purchasing Personnel

Kibi District and Koforidua Central Hospitals do not have qualified procurement officers. At the Kibi District Hospital, either the Medical Superintendent or the Accountant in the case of non-drug items performs the procurement function. The pharmacist in charge procures all drugs and drug related items. At Koforidua Central Hospital the procurement function is performed by the Hospital Procurement Committee consisting of the Medical Superintendent, the Hospital Administrator, Stores Officer, the Deputy Director of Nursing Services, the Accountant, the Pharmacist and One Senior Medical Officer. A similar committee is supposed to be in place at Kibi Hospital but it is non-functioning. Holy Family Hospital has a Purchasing Officer who possesses RSA Stage III but has not been trained as a purchasing officer. She is occupying the position in the absence of properly trained Purchasing Officer.

Well-qualified Purchasing officer heads Ashanti Goldfields Company Hospital purchasing/supplies department. He possesses first degree and he is also a full member of the Chartered Institute of Purchasing and Supply (MCIPS), U.K.

3. **Training and Development Programme**

Kibi District and Koforidua Central Hospitals do not have any training and development programme for purchasing and stores staff even though training sessions, seminars and workshops are organized for other categories of health professionals. Holy Family Hospital organizes in service training for purchasing and stores staff but does not have any development programme for the aforementioned staff. Ashanti Goldfields Company Hospital management organizes refresher courses for purchasing and stores staff. As part of their development programmes, they encourage the supply chain staff to take the

Chartered Institute of Purchasing and Supply (C.I.P.S.) examinations. The company also assists the staff to pay their subscription and examination fees.

4. **Centralisation of Procurement**

All the hospitals included in the study operate centralised procurement function. All the purchases in all the hospitals are made at one centralised office. With the exception of small value items where purchases are made from imprest the user departments submit all purchase requests to central office where bulk purchases are made. Ashanti Goldfields Company Hospital system of centralised procurement is unique and must be highlighted. The purchasing department at Ashanti Goldfields Company is at the mines site and all request for purchases emanating from all the departments within the hospital are collated and submitted to the supplies department by the Hospital Administrator from where all the purchases will be made.

5. **Method of Buying**

It was also revealed that, with the exception of Kibi district Hospital, the rest of the hospitals use both single and selected tendering. Ashanti Goldfields Company Hospital uses single tender procedure when buying under emergency or when there is only one supplier for the item. Holy Family Hospital uses selected tendering when buying constructional or maintenance works. For procurement of goods, the hospital usually use single tendering. Also when the amount involved in the purchase is quite substantial and there is time, selected tendering is used. Koforidua Central Hospital uses selected tendering when there is enough time and the amount involved is quite substantial. Single tendering is used when the hospital is buying under emergency or when buying on credit.

6. **Approval of Purchases**

At Kibi District Hospital, all purchases are approved by the Medical Superintendent because he is the spending officer. At Koforidua Central Hospital, the procurement committee approves all purchases. The Hospital Administrator, the Matron or the Chief Accountant approves purchases at Holy Family Hospital depending on the item in question. Ashanti Goldfields Company Hospital operates what is known as expenditure limit system. The Purchasing Manager, the Supplies Manager, the Chief Finance Officer and the Managing Director are the officially designated officers who approve purchases depending on the expenditure involved. If the amount involved is \$1000 or below the Purchasing Manager can authorise purchases. If the amount is equal to or less than \$2500, \$4000 and \$5000 the Supplies Manager, the Chief Finance Officer and Managing Director respectively have to authorise purchases.

7. **Stocktaking**

Ashanti Goldfields Company Hospital is using continuous stocktaking method and this has been made possible through the perpetual inventory system through the computer. The rest of the study hospitals use periodic stocktaking method and stocktaking are done in the hospitals once a year. The normal practice is that stocktaking must be undertaken once every quarter to enable the management of these institutions know the amount of their institution's investment in stock.

8. **Disposal of Obsolete Items**

The two public hospitals – Kibi District Hospital and Koforidua Central Hospital do not have clear-cut procedure for the disposal of obsolete items.

As a result of this, about one third of their respective storehouses are occupied by obsolete items which could be disposed of by sale to make room place available for other items. This will also generate revenue for the respective hospitals. At Ashanti Goldfields Company hospital, obsolete items are disposed of by sale to scrap dealers. In the case of expired drugs and consumables, they are burnt buried. Holy Family Hospital disposes of obsolete items by donating them to other small health institutions or giving them to staff as incentives or selling the items to generate revenue for the hospital.

9. Segregation of Duties at Stores

As a result of inadequate number of stores staff at Kibi, Koforidua and Holy Family Hospitals the three most important duties of stores, namely authorization, issue and record keeping are not segregated. One person performs more than one function. This is not a healthy practice. Duties must be arranged so as to be complementary. The work of one must be automatically subjected to check by the work of another. Errors are bound to occur and the probability of fraud cannot be ruled out. At Kibi District Hospital, for instance, there is only one storekeeper. Koforidua Central Hospital has three storekeepers but they are not enough given the volume of stores functions.

10. Monitoring of Supplies

Kibi District Hospital, Holy Family Hospital and Koforidua Central Hospital have no means of monitoring the use of supplies after they have been issued to

wards and other departments. This gives room for abuse in the use of these scarce resources.

11. Computerization of Purchasing and Stores Functions

With the exception of Ashanti Goldfields Company Hospital, which has computerized its stores and procurement functions, the rest of the study hospitals have not computerized their functions.

12. Measures to Protect Stock Against Fire, Theft and Loss

It was revealed during the study that Holy Family Hospital, Kibi District Hospital and Koforidua Central Hospital did not have insurance policy for their stores. Ashanti Goldfields Company Hospital has insured all the stores and stores officer against the risk of fire, theft and loss. Kibi District Hospital storehouse has no burglar proofing and security personnel. The doors are not properly fixed and they do not have cold storage facilities to store sensitive items, which needs twenty four-hour cold storage.

13. Problems

Kibi District Hospital Management identified the absence of trained purchasing officer, conflict of interest and late release of government quarterly allocation as some of the problems militating against smooth procurement function. Koforidua Central Hospital also complained about the lack of purchasing officer and lack of standardized procurement practices. At Holy Family Hospital, the respondents complained about lack of clear-cut roles and responsibilities between the Hospital Administrator, the Chief Accountant and the Purchasing Officer.

Ashanti Goldfields Company Hospital Management also complained about cash flow problem, which has affected their ability to pay all their suppliers up front.

HOW DOES THESE REVELATIONS AFFECT THE EFFECTIVE AND EFFICIENT MANAGEMENT OF HOSPITALS

1. Availability of Qualified Personnel

The absence of qualified purchasing officers at the Kibi District Hospital and Koforidua Central Hospital implies that non-professionals are performing the procurement functions. At the Kibi District Hospital either Medical Superintendent or the Accountant is performing the functions. At Koforidua Central Hospital, the procurement committee performs the procurement function. The Medical Superintendent and Accountant at Kibi District Hospital and the members of procurement committee at Koforidua Central Hospital belongs to different professions within the hospitals and they practice fully as such and that they consider the procurement function as part time and therefore do not devote much to it. Also, the procurement committee members have not been trained in procurement for them to exhibit procurement skills in the area of negotiation, sourcing, contract drafting, outsourcing and others to achieve procurement objective of ensuring continuous availability of goods and services at lower prices. This can affect the efficiency and effectiveness in the running of these hospitals since the availability of required goods and services at competitive prices enhances effective health care delivery.

2. Training and Development Programme

The absence of training and development programmes for purchasing and stores staff implies these officers are not exposed to new development and

concepts in the field of purchasing and supply. Purchasing and Supply, like other professions is very dynamic especially with the advent of information technology. Until quite recently, concepts and terms like outsourcing, global sourcing, partnership sourcing, co-marketing and electronic commerce were not common. Exposing purchasing and stores staff to new technologies, concepts, and new developments will enable them to sharpen their skills to perform their functions effectively and efficiently to affect the smooth running of their respective hospitals.

3. **Method of Buying**

All the study hospitals with the exception of Kibi District Hospital uses both selected tendering and single tendering procedure. Kibi District Hospital uses only single tender procedure in all its purchase. The implication of using single tender procedure is that the buyer do not have the opportunity of comparing prices and other conditions of purchases and selecting the best. The effect is that buyers are not likely to obtain competitive prices in single tender procedures. This can affect the cost structure of hospitals, which can be passed on to patients who visit these hospitals.

4. **Approval of Purchases**

At Kibi District Hospital the medical superintendent must approve all purchases exceeding One Hundred Thousand Cedis (¢100,000). The purchasing committee approves all purchases at Koforidua Central Hospital. The implication of having one authority approving all purchases is that in his absence no purchases can be made no matter how urgent the item may be needed to facilitate the operations of the organisation. This can lead to emergency purchases, which can result in high purchase prices. The

expenditure limit system, which is in practice at the Ashanti Goldfields Company Hospital, and the system at Holy Family Hospital is very ideal as it cut down delays and excessive concentration of authority in the hands one officer or committee.

5. **Disposal of Obsolete Items**

During the study it was revealed that the two public hospitals – Kibi District Hospital and Koforidua Central Hospital did not have clear cut policy and procedure for the disposal of obsolete items. As a result of this part of their storehouse are occupied by obsolete item. The implication of this situation on the management of these hospitals is that substantial portion of their operating capital is invested in ‘dead stock’ which can affect their fund flow situation. In addition, storage costs which include electricity, lighting, security, labour and others are spread over items which are not of value to the organisation. This is one source of waste in public hospitals. Part of the storehouses of these hospitals are occupied by obsolete items which implies that additional storage area must be hired if the volume of store items increase in future. This can affect the efficiency at which these hospitals are run.

6. **Segregation of Duties at Stores**

As a result of inadequate number of stores staff at Kibi, Koforidua and Holy Family Hospital the three most important duties of stores, namely authorisation, issue and record keeping are not segregated. The implication of this unhealthy practice is that it gives room for manipulation of documents by stores personnel with the intention of embezzling scarce resources meant for health care delivery. Many of such cases have been reported in most of the public hospitals including Korle-Bu Teaching Hospital.

7. **Monitoring of Supplies**

The study also revealed that Kibi District Hospital, Holy Family Hospital and Koforidua Central Hospital have no means of monitoring the use of supplies after they have been issued to wards and other departments. The implication of this practice is that most of the supplies issued to wards find their way in the private homes of ward managers and other health professionals. The hospitals are not able to sell these items to recoup the amount spent in acquiring these items. Efficiency suffers in this direction.

8. **Stocktaking**

The study also revealed that with the exception of Ashanti Goldfields Company Hospital the rest of the hospitals use periodic stocktaking method and stocktaking are done in the hospitals once a year. The normal practice is that stocktaking must be done once every quarter to enable managers of these hospitals know the amount of hospital capital represented by stock. If stocktaking are not done quarterly for managers to know the amount of investment in stock it can lead to a situation where about sixty percent of the hospital capital is invested in stock which can affect the liquidity position of the hospital. This will make less resource available for other expenditures that may require equal attention.

9. **Computerisation of Stores and Purchasing Function**

Kibi District Hospital, Koforidua Central Hospital and Holy Family Hospital have not computerised their stores and purchasing functions as a result of all the activities that comes under stores and purchasing are carried out manually. The manual system of record keeping is not able to generate information as

quickly as possible to assist managers in making sound decisions as to quantity of items to be purchased and delivery dates based on stock levels.

PUBLIC AND PRIVATE HOSPITALS

DIFFERENCES

1. **Purchasing Department** – The two public hospitals of Kibi District and Koforidua Central hospitals do not have a purchasing departments separate from stores. Purchasing department is not on the hospitals organogram. Ashanti Goldfields Company Hospital and Holy Family Hospital have purchasing departments but in the case of Holy Family Hospital, the head of purchasing is also the head of stores and she reports to the Hospital Administrator. Having a separate department dealing with procurement is a sign of good procurement practice.
2. **Availability of Qualified Purchasing Personnel**
The public hospitals of Kibi District Hospital and Koforidua Central Hospital do not have qualified procurement officers. In the case of Kibi District Hospital, either the Accountant or the medical superintendent performs the procurement function. In the case of Koforidua Central Hospital it is the procurement committee which performs the procurement function. Ashanti Goldfields Company hospital has a procurement officer who is a degree holder and he is also a full member of the Chartered Institute of Purchasing and Supply (MCIPS) U.K. Holy Family Hospital has a procurement officer who possesses RSA Stage III who has also been trained in purchasing and supply. The private hospitals are being professional in this direction.
3. **Training and Development Programme**

The public hospitals of Kibi District Hospital and Koforidua Central Hospital do not have any training and development programme for purchasing and stores staff even though training sessions are organised for other health professionals. Holy Family Hospital organises in-service training programmes for purchasing and stores staff. Ashanti Goldfields Company Hospital also organises refresher courses for purchasing and stores staff. The Hospital also encourages purchasing staff who are not members of the Chartered Institute of Purchasing and Supply to register and write their exams as part of their development programmes.

4. **Approval of Purchases**

The public hospitals have one designated officer or authority that approves purchases exceeding One Hundred Thousand Cedis (¢100.00). In the case of Kibi District Hospital the Medical Superintendent is the designated person who approves all purchases. At Koforidua Central Hospital it is the Purchasing Committee which approves all purchases. At the private hospitals the situation is a bit different. At Ashanti Goldfields Company Hospital for instance, expenditure limit system is in place. Depending on the amount of expenditure involved the Purchasing Manager, the Supplies Manager, Chief Finance Officer and the Managing Director can approve of purchases. Holy Family Hospital system is not like that of Ashanti Goldfields Company Hospital but depending on the item involved the Hospital Administrator, the Matron and the Chief Accountant are the officially designated officers who approves of purchases. The practices at the private hospitals are consistent with professional standard.

5. **Disposal of Obsolete Items**

It was also revealed during the study that the two public hospitals – Kibi District Hospital and Koforidua Central Hospital did not have any clear-cut procedure for the disposal of obsolete items. The private hospitals on the other hand had clear-cut procedure for disposing of obsolete items. Obsolete items are sold as scraps or donated to other health institutions or given to staff as incentives.

SIMILIARITIES

1. Method of Buying

Both the private and public hospitals selected for the study uses both single tendering procedure and selected tendering system.

2. Centralisation of Procurement

Both the public and the private hospitals selected for the study operates centralised procurement function. All the purchases in all the hospitals are made at one centralised office. With the exception of small value items where purchases are made from imprest the user departments submit all purchase requests to central office where bulk purchases are made.

3. Procurement Initiation

In all the private and public hospitals selected for the study, procurement process is initiated when purchase request is submitted to the central procurement office by either the storekeeper or heads of user departments.

4. Availability of Stores Departments

All the selected public and private hospitals have stores department and the head of stores reports to the Hospital Administrator.

In general, private hospitals especially those owned by companies like Ashanti Goldfields Company Limited, purchasing and stores management practices are

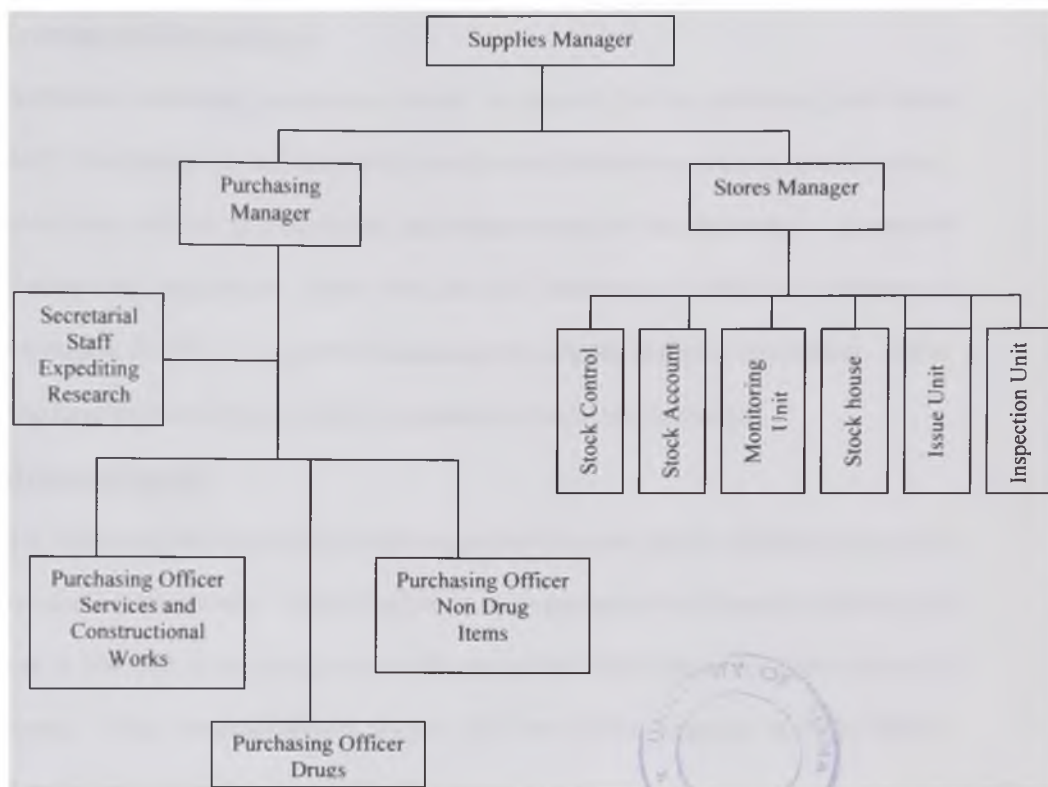
consistent with professional standard of practice than private hospitals owned by Church Missions like Holy family Hospital. On a whole, as far as this study is concerned, private hospitals standards of purchasing and stores management are far better than that of their public counterparts.

5.2. **RECOMMENDATIONS**

With regards to the findings generated from the analysis of data in chapter four, the researcher has the following significant points to recommend to Kibi District Hospital, Koforidua Central Hospital and Holy Family Hospital to improve their purchasing and stores management practices.

1. Separate purchasing department should be established at Koforidua Central Hospital and Kibi District to deal with the procurement function. It is recommended that these hospitals should adopt the supplies management concept. Supplies Management concept is used when the head of purchasing is in charge of buying function as well as stores management function. This will help to achieve better co-ordination between the purchasing and stores function, which helps to achieve efficiency in both functions.

The structure below is recommended:



PROPOSED STRUCTURE FOR THE SUPPLIES DEPARTMENT.

2. Staffing

Supplies Managers should be appointed for all public hospitals. These officers should be well qualified. At least Higher National Diploma in Purchasing and Supply certificate holders or Health Services Administrators who are inclined towards supply management should be appointed to manage the function. When Health Services Administrators are appointed as Supplies Managers they should cease to function as Administrators. In addition, qualified personnel should be appointed to assist the

supplies manager as shown on the structure overleaf. The storekeepers and purchasing clerks helping the clerical duties can do the receipts, issues and recordings.

3. **Training and Development**

Continuous education programme should be planned for the purchasing and stores staff. The purchasing and store staff should attend refresher courses to get new ideas, which can enhance the efficiency and effectiveness of the personnel. As part of development programme, those who are not members of Chartered Institute of Purchasing (CIPS) U.K. should be encouraged to register and take their exams. Those who have interest to pursue MBA Programmes should be encouraged.

4. **Method of buying**

It is recommended that selected tendering method be used where conditions favouring its adoption are present. Even though there is no guarantee that selected tendering can lead to low cost, it has been proven to be one of the major means to achieve value for money. This recommendation goes to the two Public hospitals at Kibi District Hospital and Koforidua Central Hospital.

5. **Expenditure Limit System**

It is also recommended that the expenditure limit system as it exists at Ashanti Goldfields Company Hospital should be implemented at the public hospitals. In this direction, the Hospital Administrator, Supplies Manager, Accountant and the Medical Superintendent can be made to authorize purchases within certain limits. This will help to reduce to some extent the power concentration in the hands of Medical Superintendents who are most of the times occupied with clinical work.

6. **Computerization of Procurement and Stores operations**

It is recommended to Kibi District Hospital, Koforidua Central Hospital and Holy family Hospital that they should try and computerised the stores and procurement

operations to enhance storage and retrieval of information. It is believed that when this is done, the time spent on order processing, lead-time and other procedures will be much quicker and simplified.

7. **Purchasing contract**

It is recommended to Kibi District, Koforidua Central and Holy Family Hospitals that purchasing contract should be drawn after the best supplier is awarded the contract. This will help to reduce conflicts with regards to purchases. The contract must contain the following:

1. All rights and obligations of both parties
2. all terms and conditions applying to the contract
3. Price and method of packing
4. Quantity (Order Size)
5. Quality
6. Delivery dates/terms.

8. **List of Suppliers**

All the hospital must have a list of registered suppliers who can be called to submit bids when necessary. The performance of these suppliers must be assessed on regular basis and those who are performing below standard may be asked to improve on their performance. This recommendation goes to the two public hospitals and Holy Family Hospital.

10. **Identification and disposal of obsolete and scraps**

The procedure for identification and disposal of obsolete and scraps should be streamlined in the public hospitals. Used tyres, spare parts and other obsolete items occupy substantial portion of Kibi District Hospital and Koforidua Central Hospital

stores. Disposing these items by sale will create more space available for other important items. Also it can generate revenue for these institutions.

11. **Insurance Policy**

Kibi District Hospital, Koforidua Central Hospital and Holy Family Hospital must as a matter of urgency insure all their stocks against the risk of fire, theft and loss. This will help to reduce losses to the hospitals if the event occurs. Also the hospitals must strengthen the security system by fencing the storehouse, intensifying night patrols, burglar proofing all the stores premises and providing a well serviced fire extinguisher.

12. **Monitoring of Supplies**

The monitoring unit as shown on the proposed organogram should be able to go to all the wards to monitor the use of items collected by the ward in charges. This area has been identified as one of the means through which hospitals lose revenue. Most of the items collected from the stores go into private homes.

13. **Segregation of Duties**

To guard against fraud and financial malfeasance, the stores functions must be segregated. The authorization, storehouse, issues and recording functions must be segregated to ensure that no one person performs more than one of these functions. More stores personnel should therefore be recruited and posted to all the public hospitals to ensure that this recommendation is implemented.

5.3. **CONCLUSION**

As has been stated already, the main objective of this study is to examine the purchasing and stores management of private and public hospitals to ascertain whether they are consistent with professionally accepted practices. The researcher selected Kibi District Hospital and Koforidua Central Hospitals as public hospitals

and Ashanti Goldfields Company Hospital and Holy Family Hospitals as the private hospitals. From the responses obtained from the field and the analysis and benchmarking done, Ashanti Goldfields Company Hospital met professional standards on most of the indicators used as outlined in the methodology and the interview questionnaire. The second in that order is Holy Family Hospital followed by Koforidua Central Hospital. Kibi District Hospital is the worse of all. The gap between Ashanti Goldfields Company Hospital Standards and Holy Family Hospital is very wide but between the two public hospitals and Holy Family Hospital it is not all that wide. Ashanti Goldfields Company Hospital Stores and Purchasing Management system meet standards by all indicators. It is the hope of the researcher that in addition to the recommendations outlined above, the entire procurement and stores management system of Ashanti Goldfields Company Hospital will be adopted by Ministry of Health for implementation at all the Regional and District Hospitals to ensure efficiency and value for money as being preached by the Finance Minister.

On a more serious note, the Medical Superintendents and Accountants of all public hospitals should not be allowed to perform the procurement function. Purchasing and Supply has come of age and is now regarded as a profession and therefore professional players that are professional procurement officers must play the game. Selfish interest of Medical Superintendents and Accountants should not be allowed in the field of purchasing and supply.

UNIVERSITY OF GHANA
SCHOOL OF ADMINISTRATION
INTERVIEW QUESTIONNAIRE

A COMPARATIVE STUDY OF PURCHASING AND STORES MANAGEMENT IN
PUBLIC AND PRIVATE HOSPITALS

This questionnaire is designed to seek information on the above subject, which will be used purposely for my research work. Every information you may provide will be treated confidentially.

Please complete every item as frankly as possible and make comments
Wherever necessary

GENERAL (A)

PLEASE TICK OR STATE WHERE APPLICABLE

AGE:

GENDER: **MASCULINE** **FEMINE**

RANK/POSITION: **NAME OF HOSPITAL:**

PURCHASING

(i) List 5 major items you use to facilitate your work at your department

- | | |
|-----------|----------|
| i. | iv. |
| ii. | v. |
| iii. | vi. |

(2) How do you obtain these items

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.....

(3) How is procurement initiated in your organisation?

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.....
.....

(4) What is the sequence of operations in purchasing in your organisation?

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.....

(5) How does your organisation view procurement

- a. A mere reactive buying activity
- b. A highly professional activity aiming at best value.

(6)

a. Does your organisation have a centralised or decentralised procurement function

Please State

b. Why is this so

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.....
.....

(7) Does your organisation have a Purchasing Officer?

- a. Yes
- b. No

(8) If Yes, what qualification(s) does the purchasing officer has?

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.....
.....

(9) If No, then who procures for your hospital?

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.....

(10) Who does the purchasing officer reports to and why?

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.....
.....

(11) What functions are performed by the purchasing officer?

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.....
.....

(12) Does your organisation has a purchasing department separate from stores

a. Yes b. No

(13) Who authorizes purchases in your organisation and why?

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.....

(14) What specific problems hinder the smooth administration of the purchasing and stores activities in your organisation?

Please State

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(15) What kind of training and/or development program exist for the procurement staff

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(16) How does your organisation approach sourcing in a new buy situation?

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(17) How does your organisation approach sourcing in a new buy situation

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ii. What factors are taken into consideration in the supplier evaluation

a. c.
b. d.

(18) What method of buying does your organisation employ

- a. Single tendering
- b. Public or Open tendering
- c. Global tendering
- d. Selected tendering

(ii) Give reasons(s) for your answer in No.18

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(19) Under what circumstances do you use in any of the above methods of buying

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.....

(20) Does the Purchasing officer identify all possible sources of supply before selection is made?

- a. Yes
- b. No

(ii) If no, why is this the case?

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(21) Does your organisation keep a list of approved vendors (suppliers) for both routine and non-routine items that have not been purchased before?

- a. Yes
- b. No

(22) Does your organisation purchasing staff select suppliers based on existing relationship between both parties?

- a. Yes
- b. No

(23) a. Do the Purchasing staff issue request for quotation to more than one supplier?

- i. Yes
- ii. No

b. Under what circumstances do they issue a request for quotation?

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(24) How do you determine the right price?

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(25) Do you use negotiation in arriving at the right price?

- (i) Yes (ii) No

(26) Under what circumstances do you use negotiation?

Please State

(27) How do you issue purchase orders?

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.....

(28) How are duplicate purchase orders handled?

.....
.....

(29) Do the procurement staff draw a contract after the most suitable supplier is selected?

- a. Yes b. No

(ii) If Yes what records are contained in the contract? You can tick more than one:

- a. All rights and obligation of both parties
- b. All terms and conditions applying to the contract
- c. Price and method of packing
- d. Quantity (orders size)
- e. Quantity
- f. Delivery

(30) i. Do you do any expediting liaison activity?

- a. Yes b. No

ii. Under what circumstances do you do this?

(39) What procedure does your organisation follow in accepting goods into store?

- 1
- 2
- 3
- 4

- 5
- 6

(40) Who does the inspection and the quantity checks of stocks received?

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.....

(41) What storage facilities/equipment does your organisation have?

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(42) What material handling equipment are available in your organisation's stores?

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(43) What method of coding does your organisation employ?

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(44) What safety precautions have been taken by your organisation to protect stocks against fire, loss and theft?

(45) i. Does your organisation have adequate storekeeping procedures with regards to stock withdrawals.

- a. Yes
- b. No

ii. If yes, please state the procedures:

.....

(46) i. What stock control system do you have in your stores?

.....

ii. Give reasons for the system in place

.....

(46) As part of administration aspect of stock management there should be a set of forms to record

and provide proof of all stock movement and their resulting situation with regard to both value and quantity. Mention some of these forms that are in use in your organisation.

.....

(47) Which of the underlisted stock management techniques and tools are in use in your organisation?

- | | | | |
|-----|-------------------------------|-------|------|
| (a) | A.B.C. Stock Analysis | (Yes) | (No) |
| (b) | Stock Turnover Rate (STR) | (Yes) | (No) |
| (c) | Stock Coverage Rate (SCR) | (Yes) | (No) |
| (d) | Stock Out Rate (SCR) | (Yes) | (No) |
| (e) | Stock Safety Level (SSL) | (Yes) | (No) |
| (f) | Re-Order Point (ROP) | (Yes) | (No) |
| (g) | Economic Order Quantity (EOQ) | (Yes) | (No) |

(49) i. Which of the underlisted methods does your organisation use in valuing stock?

- (a) Cost Price
- (b) Average Price
- © Market Price
- (d) Standard Price

ii. If cost price, does your organisation use (LIFO) or (FILO) and why?

iii. If average price, which of the average prices

- (a) Simple Average
- (b) Weighted Average
- © Periodic Average
- (d) Moving Average

iv. If market price, how do you determine it?.....

v. If standard price, how do you determine it?

(50) i. What method of stocktaking is in place?

- (a) Periodic Stocktaking
- (b) Continuous Stocktaking

ii. Why?

iii. How often is the stock taking done within a year.

iv. Who does the stocktaking?

v. How are discrepancies handled and investigated?

(51) i. Does your organisation have procedures for the periodic review of stock to identify slow moving items, redundant items, obsolete items etc.?

(a) Yes (b) No

ii. If Yes, elaborate on the procedure

- 1.
- 2.
- 3.
- 4.

(52) How does your organisation deal with obsolete, scrap and redundant items?

- 1.
- 2.
- 3.

(53) How do you ensure that the materials are not misused after they have been issued to the user departments?

- 1.
- 2.
- 3.

(54) What health and safety measures are put in place to protect stores personnel from injury?

- 1.
- 2.

(55) How does your organisation handle materials that are injurious to health?

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(56) Does your organisation have store procedural manual?

(a) Yes (b) No

(57) What type of stock house location system do you have and why?

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(58) Which of the underlisted indicators do your organisation use in assessing or measuring stores efficiency? You can tick more than one.

- (1) Average Stock Levels
- (2) Number of issues per year
- (3) Average number of stores employees yearly

- (4) Annual operating cost of stores function
 - (5) Preparation of stock which is slow moving
 - (6) Damage, loss or deterioration of goods in stock
 - (7) Incidence of discrepancy between records and stock level when stocktaking
 - (8) Number of items requiring identification
 - (9) Rate of turnover of stock (stock turn)
 - (10) Service Level
 - (11) Surplus stock, the value and quantity of stocks, which are not needed
 - (12) None of the above.
- (59) Do you have any of your stores functions computerized.
- (a) Yes
 - (b) No

COMMENTS

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THANK YOU FOR YOUR TIME

ACRONYMS

1. MOH	-	Ministry of Health
2. PU	-	Procurement Unit
3. SSDM	-	Supply Stores and Drug Management
4. HASS	-	Health Administration and Support Services
5. PPME	-	Policy Planning Monitoring and Evaluation
6. UN	-	United Nations
7. BMC	-	Budget and Management Centre
8. A.T.F	-	Accounting, Treasury and Financial Regulations
9. CMS	-	Central Medical Stores
10. SBD	-	Standard Bidding Document
11. HRDD	-	Human Resources Development Division
12. MTHS	-	Medium Term Health Strategy
13. HND	-	Higher National Diploma
14. G.D.P	-	Gross Domestic Product
15. VRA	-	Volta River Authority
16. AGC	-	Ashanti Goldfields Company Limited
17. M.R.P	-	Materials Requirement Planning
18. UNCTAD	-	United Nations Commission on Trade and Development

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