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Small-scale fraud found in training activities and meetings related to a Global Fund TB grant to Kenya

An investigation by the Office of the Inspector General (OIG) into a TB grant to Kenya has identified \$62,557 in non-compliant expenditures. A [report](#) on the investigation was released on 9 February 2017.

The principal recipient for Grant [KEN-T-TNT](#) was the National Treasury, but the implementing agency was the National TB, Leprosy and Lung Disease Program (NTLDP), part of the Ministry of Health (MOH).

The implementation period for this grant was 1 October 2015 to 31 December 2017. The value of the grant was \$93.9 million, of which the Global Fund has disbursed \$47.9 million. At the time of the audit, the Global Fund had five other active grants in Kenya.

In October 2016, the OIG received an allegation regarding misuse of funds from an external source. In February 2017, a local fund agent (LFA) review of 2016 training expenditures, requested by the OIG and the Secretariat, also suggested potential fraud. As a result, the OIG launched an investigation.

The non-compliant expenditures stem from irregularities related to training events and other meetings. Specifically:

- the OIG was unable to find evidence that a number of people (120) participated in these events; and
- the OIG found evidence that a number of people (17) had received per diems although they had not attended any activities.

The investigation identified two employees of the NTLDP whose signatures were on the payment schedules for the above activities. The two employees were “imprest holders” (i.e. cash account

managers).

OF THE 120 people whose attendance could not be confirmed, 88 identified themselves as MOH staff on the activity registration or payment sheets. However, the OIG said, none of them are included in the MOH staff database.

With respect to one particular training event and a quarterly review meeting, the NTLDP did not provide expenditure records despite multiple requests, the OIG reported.

In response to the investigation findings, the National Treasury, the MOH and the NTLDP agreed to impose disciplinary measures on the two employees and to recover funds from them. Up to the time the investigation report was prepared, \$11,932 had been recovered.

Actions taken or promised

Since October 2016, when the OIG received the allegations of misuse, the Secretariat instructed the National Treasury and the NTLDP to implement appropriate measures to address the risks relating to the use of an imprest system to pay cash advances. The National Treasury seconded a senior accountant and appointed an additional internal auditor. In addition, county coordinators are required to submit in advance the names of their nominees to attend training events and meetings.

The OIG reported that the use of imprests has been reduced. As of May 2017, over 70% of payments of per diems and transport allowances are made using electronic funds transfer.

As well, the Secretariat facilitated an in-country workshop to further sensitize program staff on risk identification and mitigation.

In response to the findings of the investigation, the Secretariat said that it and the National Treasury would ensure compliance by the NTLDP on internal controls, including ensuring that program activities are attended by the right participants.

Earlier allegations

During its assessment of the allegation received in October 2016, the OIG learned that the Secretariat had received a report in June 2016 from the LFA identifying signs of fraud in various 2015 NTLDP activities. The Secretariat sought an explanation from the National Treasury and the NTLDP regarding these concerns, which prompted the NTLDP to conduct its own investigation. In September 2016, the NTLDP sought disciplinary action from the MOH against the individuals involved in the misappropriation of funds. The individuals refunded most of the amounts to the TB program.

Given the corrective actions taken by the Secretariat and the subsequent remedial actions

implemented by the National Treasury and the NTLDP, the OIG did not include these activities in the scope of this investigation. Nevertheless, the OIG noted that it was not consulted or informed by the Secretariat about these signs of fraud in a timely manner “and thus requests the Secretariat, without prejudice to other actions it undertakes, to immediately inform the OIG of any issues concerning fraud when they arise.”

Subject responses

On 14 October 2017, the OIG provided the National Treasury and the NTLDP with a copy of its

statements of findings from the investigation. Both parties responded to the OIG's findings within the agreed timeframes. The OIG said that it duly considered all points made by the respondents and that appropriate revisions were made to its findings in this final report.

The OIG reported that according to the NTLDP, one person changed the answer provided to OIG of "no attendance" and subsequently confirmed attendance of the activity in question. However, the OIG maintains that this person did not attend the activity given his initial answer and the fact that the relevant county coordinator told the OIG that the person had not received an invitation for the activity.

None of the other OIG findings were disputed.

Aidsplan invited the National Treasury to comment on a draft of this article and on the OIG audit itself. We had not received a response by the time we went to press.

New grant

On 1 December 2017, the Board approved a TB grant for Kenya from the 2017–2019 allocations in the amount of \$30.0 million, with the National Treasury as PR. The Board also approved five other grant to Kenya, including an HIV grant and a malaria grant with the National Treasury as PR.

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