

# ANTI-CORRUPTION

ANNUAL REPORT

2021



**NORWEGIAN CHURCH AID**

actalliance

## NORWEGIAN CHURCH AID REPORT ON ANTI-CORRUPTION

Norwegian Church Aid has throughout 2021 continued to experience a high number of corruption complaint cases on a global basis. The complaints have been received from a multitude of sources: NCA country offices, NCA financial staff, local partners, auditors, whistle-blowers, anonymously and from international donors. The fundamental principle of zero-tolerance for corruption is making global impacts throughout our work.

### 1. Major Achievements👍

Two major achievements were made in 2021:

- 66% of all corruption complaints were detected and reported by Country offices  
This is record-high and proves the Country Office good commitment to anti-corruption.
- 67% of donor required repayments were repaid not to the back donor but to the NCA projects.  
This because it is the grant recipient itself that has detected the financial irregularities, the grant recipient has a strong internal control and is not to be blamed for the detected corruption having occurred.

### 2. New corruption complaint cases 2021

NCA received 15 new corruption cases in 2021. The cases are listed below. They are distributed per country and sorted by the corruption rank of Transparency International. (Corruption Perceptions Index 2021).

T. I. Rank <sup>1</sup>	Country	Complaints
178	Somalia	Procurement/kickbacks
178	Somalia	Theft, embezzlement
177	Venezuela	Bribe-issue
174	Afghanistan	Procurement/kickbacks
174	Afghanistan	Nepotism/procurement
174	Afghanistan	Ineligible funds
174	Afghanistan	Nepotism/Conflict of interest
169	Burundi	Procurement/insufficient documentation
154	Nigeria	Currency fraud
136	Angola	Procurement/Nepotism
136	Mali	Fraud/misuse of funds
136	Mali	Fraud
117	Zambia	Fraud
110	Malawi	Fraud and embezzlement
110	Malawi	Fraud
<b>Total</b>		<b>15 cases</b>

Norwegian Church Aid worked in 26 countries, through 220 partners and with over 700 projects. Most of the 26 countries in which NCA works are rated as high risk of corruption as per the T. I. Rank. The challenges of working in such contexts are numerous and complex. NCA meets these challenges with strict controls, financial procedures, close follow-up, and frequent monitoring. Because of the continued Covid-19 situation, as a risk mitigation in 2021 NCA undertook two anti-corruption reviews, in Ethiopia and Mali. These were done using internal head office staff.

**Learning** and **transparency** are vital parts of the fight against corruption. We don't want to repeat mistakes and strive to ensure that once a weakness is identified it becomes a basis for improved practice. Therefore, each closed corruption case is published on the NCA web site, with a description of learning of each case. Please note that only **closed** alert cases are published. Our pre-alert cases are not published but they are listed in this report.

<sup>1</sup> T. I. Rank refers to the Transparency International Corruption Perception Index where 180 is the most corrupt score a country can have.

We continue to have an open positive dialogue and follow-up with our back-donors on the cases and investigations.

### 3. Closed corruption complaint cases in 2021 (Cases from 2019-2021).

NCA closed a total of 15 cases in 2021 with a repayment to back-donors of NOK 2 300 295. The equivalent amount in 2020 was NOK 1 834 369. Of the repaid amount of NOK 2 300 295, NCA fulfilled the criteria for repayment to the project in two cases. The total repaid amount is thus divided as follows: NOK 1 551 431 to the projects and NOK 748 864 to the back-donors. It is positive to note that NCA for the first time in two cases has qualified for repayment to the project. (Norad and MFA).

#### 3.1 TANZANIA

**What happened:** NCA Tanzania has a core partner under the Economic Empowerment and Resource Governance Programs. Two staff members at the core partner were found guilty of taking advantage of the exchange rate gain by using it for their own benefits.

**What did we do:** Suspicions of financial irregularities we uncovered during a follow up visit to the partner by the NCA grants team. The partner took the matter very seriously and worked together with NCA with governance structures, to document the fraud, and on correct follow up. Funding was suspended to give room for investigation. A swift and thorough investigation was then completed. The partner's management were finally requested to prepare Foreign Exchange Risk Management Policy and strengthen its internal control by ensuring proper segregation of duties. There was a financial loss of NOK 31 161 which has been repaid to the project.

**What did we learn:** Partners should include exchange rate risk in their Risk Management Matrix. Proper segregation of duties is required to management funds.

#### 3.2 SYRIA/LEBANON

**What happened:** NCA received a complaint on a procurement process through our complaint mechanism. MFA was alerted.

**What did we do:** In cooperation with the country director, we undertook a thorough review of relevant procurement files. Everything was found to be in order and MFA closed the case.

**What did we learn:** Every complaint received must be considered seriously. In this case we were positively impressed by the quality of procurement files and system at this country office.

#### 3.3 PAKISTAN

**What happened:** At the country office in Pakistan forged vouchers were discovered during an internal control routine.

**What did we do:** A internal review was done, and falsifications were found amounting to NOK 5 662. The funds have been repaid to the back-donor.

**What did we learn:** The case reinforced the importance of segregation of duties, and of acting on a first suspicion. The Country office acted fast and was able to stop further loss.

### 3.4 PAKISTAN

**What happened:** NCA's Head office received in 2020 a complaint with allegations of ethnic discrimination and favoritism, of a local NCA partner in a project area.

**What did we do:** As a result of the COVID-19 situation and consequent travel restrictions, NCA team was unable to immediately visit the project site for a formal investigation of the complaint. The follow up on this complaint was initially done remotely. The Country director, Program Manager and Finance Manager coordinated the examination of the documents and reports of the partner in question.

The NCA country office presented an initial report to NCA head office in May/June 2020 addressing most of the concerns raised in the complaint. It was subsequently agreed that the few points that needed confirmation from the field level would be clarified once the COVID-19 situation allowed travel. As travel restrictions lifted the NCA Country office management investigated the issue during a visit to the project area in the second week of October 2020. After a thorough investigation of documentation, reports, interviews, and the field visit NCA country office has confirmed that proper procedures and systems are in place and followed at the accused partner. The matters raised in the complaint have been investigated fully and the management of NCA in Pakistan believe that there is no cause for concerns about the operations of the partner and their staff. The allegations in the complaint were therefore found without basis.

**What did we learn:** The case displayed clearly for us that the more thorough an investigation is done, even if it takes time, especially during covid-times, WILL find the facts and reached an informed and correct conclusion. It also important that NCA Pakistan continue to highlight with partners the need to follow policies/practices in relation to tenders etc. and that NCA provides opportunities to reinforce the capacity within partner staff dealing with such matters/procedures.

### 3.5 ETHIOPIA

**What happened:** Theft from a NCA local warehouse was discovered.

**What did we do:** This was taken as a very serious issue by NCA management. An investigation plan was made, and immediate measures were taken for the situation. The report was sent to the back-donor (Echo), approved, and the case was closed.

**What did we learn:** Learning in this case is to stay in close dialogue with eh back-donors so suspicions of corruption can be resolved quickly.

### 3.6 ANGOLA

**What happened:** A break-in at NCA's local office resulted in theft of values.

**What did we do:** NCA Angola reported the incident to the police and to Norad. Valuables for NOK 21 231 were lost, and the amount is repaid to Norad.

**What did we learn:** The incident led us to strengthen our surveillance system at the office.

### 3.7 MALAWI

**What happened:** Through an investigation of the partner's board in December 2018, it was established that two people in the management of a local partner had deceived the organization over several years. Violations of internal control procedures, forgeries and fictitious acquisitions were found.

**What did we do:** In consultation with Norad, NCA chose to initiate further investigation of the partners' handling and especially of the two key people in the management's actions. In total, two forensic audits were conducted by a partner. Serious findings were uncovered and a summary of these found that NOK 472,906 had been defaulted. The defaulted amount has been repaid to Norad and the partnership has been terminated.

**What did we learn:** This incident showed us how one or two strong leaders in an organization can do great harm to a local partner. A good and accountable internal control as well as an active board is of great importance.

### 3.8 SUDAN

**What happened:** An incident in Darfur, Sudan resulted in solar cell panels as well as some cash being stolen.

**What did we do:** NCA reported the incident to the police and to the Ministry of Foreign Affairs. Values for USD 920 were proven lost. NCA has repaid this amount to the Ministry of Foreign Affairs.

**What did we learn:** The guarding system has been strengthened and the localization of the solar panels is under reconsideration.

### 3.9 ZAMBIA

**What happened:** SAC (Send-a-cow) is an international NGO based in the UK which provide community development assistance focusing on sustainable crop and livestock farm management, social inclusion as well as enterprise development in sub-Saharan Africa. Two representatives for this NGO purported to be senior management staff including the country director of SAC and signed an agreement with NCA on SAC's behalf. A false bank account was also given.

The SAC management had no knowledge of the agreement. SAC informed the NCA country office that they, SAC, had been misrepresented when entering into the agreement with NCA.

**What did we do:** Despite the misrepresentation in entering into the agreement, SAC did implement the project by providing the agreed number of goats to the agreed communities. Some goats were of compromised quality, but SAC undertook to rectify the situation by arranging for the compromised goats to be replaced and to ensure that para vets were trained and provided with the items needed to assist in their communities.

The two false representatives for SAC's management were immediately suspended and the matter reported to the police. They were subsequently dismissed following an internal disciplinary process. SAC recovered part of the funds.

**What did we learn:** The following control issues were *reemphasized* through this case: The IDs of persons pertaining to represent partners / NGO's must always be required documentation, the bank accounts must be verified, the official documents must be checked, company registration documents must be checked, and the signature rights of the NGO/partner must be verified by the NCA Country office before entering into any agreement.

### 3.10 VENEZUELA

**What happened:** NCA was informed by our multilateral partner, the Lutheran World Federation (LWF), that they had received an anonymous complaint regarding one of their implementing partners in Venezuela. LWF receives funds from NCA through our MFA agreement. The complaint suggested that payments have been made to non-government armed groups. (NSAG). The complaint further claimed irregular and incomplete payments to workers.

**What did we do:** LWF sent a team to visit the accused partner to establish the facts and investigate the complaint. During the visit, it was established by the investigation team that a payment of Columbian Peso (COP) 5,000,000, approximately NOK 10,800, had been made to a non-state armed group (NSAG).

The report describes these types of payments as "collaboration" payments levied by NSAGs on individuals and organizations who have received payments through banks. The NSAGs have informants

within the banks who inform the NSAGs when payments are received. It is assumed that non-payment would result in retaliatory action being taken by the NSAGs against the organizations in question. The NSAGs even issue receipts for the collaboration payments to show the payment has been made and will not be claimed again by another NSAG. The partner admitted that the payment had been made, but it had not been charged against project funds, but absorbed by the local partner.

During the visit, it was agreed that workers who had not received their full salaries would receive the additional payment, to be covered by project funds. The lack of adequate conditions in the safe spaces was explained in the report. It appears there is a lack of communication between the partner and the church resulting in funds not being made available for purchases. The visit prompted a meeting between the parties where it was agreed that adequate conditions would be made available.

**What did we learn:** We have improved our routines on engagement with INGOs who implement through local partners, ensuring that relevant partner assessments are addenda to the partner agreements.

### 3.11 AFGHANISTAN

**What happened:** A local partner and NCA disagreed over some potentially ineligible costs relating to some distribution items.

**What did we do:** NCA hired a third-party monitoring company and agreed together with the partner that the results of the third-party monitoring examination would be respected by both parts. The monitoring was completed and the concluded ineligible funds of USD 33 334 was subtracted from the last transfer to the partner. The back-donor has closed the case.

**What did we learn:** Sometimes partner and NCA will disagree on costs and budgets. This case showed us the importance of engaging as third-party monitoring to resolve the dispute.

### 3.12 DRC

**What happened:** NCA staff detected irregularities related to warehouse management during control and follow-up visits during the months of January and February 2020.

**What did we do:** Based on these observations as well as the organization's internal rules and regulations, the NCA's Country Director in the DRC ordered an internal investigation. Two fact-finding visits were carried out by senior NCA officials to the project site in, South Kivu province. Several interviews with relevant stakeholders were conducted during these visits. Total losses were estimated at 4. 350 USD and have been repaid to the back-donor. (UNICEF).

**What did we learn:** It is important to organize regular meetings with all relevant stakeholders the project area (health zone, daily workers, communities, and beneficiaries) to inform them about the functioning of NCA, what is acceptable behavior for NCA staff and what is not. This was done at the beginning of the project but needs to be repeated on a regular basis throughout the entire implementation of the project.

Ensure financial and logistic monitoring are done regularly, and at least twice per year. This case reinforced the importance of an *early monitoring in the year*, such that breaches can be discovered and stopped before more damage occurs.

### 3.13 SOMALIA



**What happened:** NCA head office received in December 2019 two complaint concerning one of our local partners in Somalia. The main allegations were procurement issues, conflict of interest, nepotism, as well as claiming that the partner had not completed work according to plans.

**What did we do:** Covid-19 as well as serious security issues led to restrictions for travelling the spring of 2020. The NCA Regional Security Advisor did travel to the region to investigate the claims but was unable to access the specific project location due to high insecurity in the area. He did meet with representatives of the partner.

However, due to the insecurity, it took several months for NCA or senior partner personnel to undertake monitoring visits or to verify whether the complaints are genuine. In November 2020 a third-party monitoring team was sent in. The team was able to verify that most project activities had in fact been implemented.

NCA has, however, not renewed the partnership agreement with this partner for continued projects and does not intend to re-engage with them in the future. (Terminated the partnership in 31.12.2019).

**What did we learn:** An important learning in this case was of course the complexity of running a project in an area with such high risk, monitoring hardly accessible for NCA and for the local partner. The village where the project was implemented was the only safe island in a larger area of Al-Shabab domination and recruitment. Security situations can change fast making it challenging for local partners and NCA. Much can change in six months.

### 3.14. Tanzania

**What happened:** NCA Tanzania carried out financial monitoring visits to a local partner in Tanzania. During the visit several transactions were reviewed, and irregularities observed and documented.

**What did we do:** A proper investigation was conducted on the matter. Responses were collected from the partner and transactions amounting to NOK 234 507 remained undocumented and were treated as disallowed costs. The partnership was terminated, and disallowed costs were repaid to NORAD.

**What did we learn:** Close follow up and regular monitoring of partners is required to ensure proper documentation and compliance with donor requirements.

### 3.15 Malawi

**What happened:** During the consolidation of the financial reports from all the local partner's, NCA noticed a suspicious transaction which upon closer look turned out to be false.

**What did we do:** Based on this initial case of financial misuse, the Embassy in Malawi and MFA in Oslo were alerted. NCA furthermore suspended the partner and initiated an external full-scale investigation. As the investigation proceeded it became very clear that this was a large case of financial mismanagement. The conclusion of the investigation was serious fraud, embezzlement and funds not spent in line with the purpose for the project. The amount of NOK 1 521 270 was found misused. The amount has been requested repaid from the partner.

**What did we learn:** We primarily learnt that it is important to act on initial suspicion when analyzing financial reports. In this case, one transaction led to a large series of findings and uncovered serious fraud throughout the partner organization.

## 4. Ongoing corruption complaints per 31.12.2021

Country	Corruption type	Donor	Start date	Status
Angola	Procurement	Norad	04.06.21	Waiting response from Norad
Ethiopia	Non-compliance	Norad	23.09.21	Under investigation
Burundi	Nepotism/procurement	Norad	03.03.20	Report sent Norad

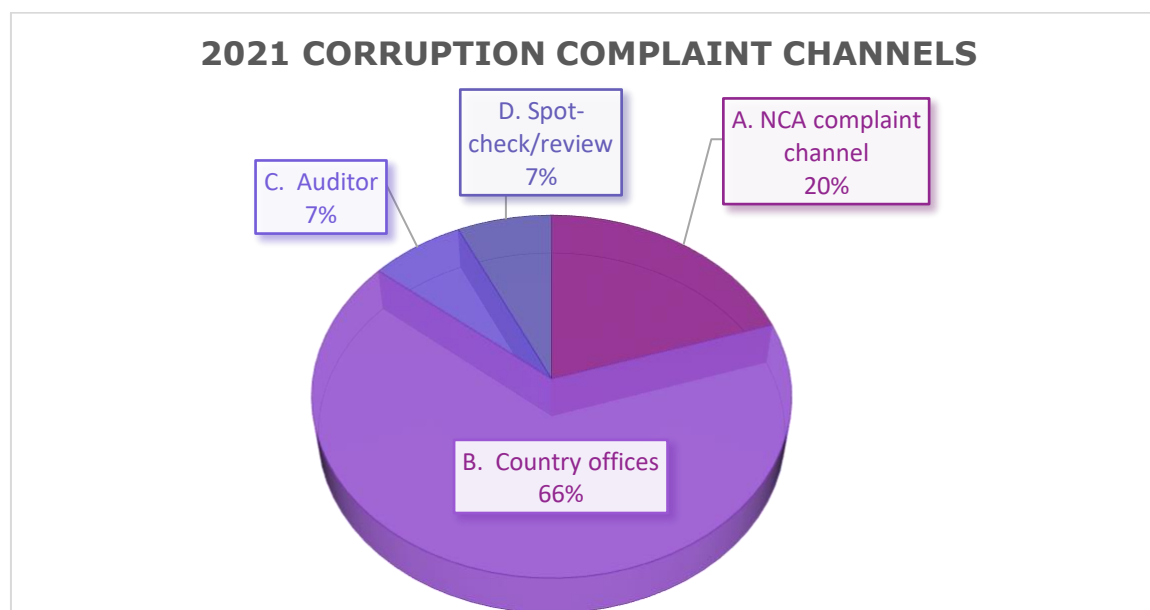
Burundi	Fraud/insufficient doc.	Norad	31.01.21	NCA to send final report
Nigeria	Currency fraud	MFA	04.03.21	NCA to send final report
Somalia	Theft, embezzlement	Winorg	08.03.21	Under investigation
Somalia	Procurement/Bribery	Norad	04.06.21	Under investigation
Afghanistan	Nepotism	Norad	04.06.21	NCA to send final report
Afghanistan	Procurement/kickbacks	Norad	07.06.21	Waiting response from Norad
Mali	Falsifications	Norad/MFA	13.09.21	Under investigation
Mali	Fraud and embezzlement	Norad/MFA	28.11.21	Under investigation
Malawi	Fraud	MFA	15.12.21	Under investigation
Mali	Lack of documentation	Dutch Emb.	06.03.20	Under investigation
Malawi	Contract dispute	DCA/Bilka	12.12.19	In the Malawian court system
Angola	Ineligible funds	EuropeAid	01.08.20	Under investigation
Mali	Fraud	Dutch Emb.	14.10.20	Under investigation
Malawi	Fraud	Action Aid	01.04.20	Awaiting response from donor

In addition, we have 4 cases from 2019 and 2020 for which our final report has been sent to the back-donor and we await the donor response.

## 5. 2021 corruption complaint channels

In 2021 NCA received corruption complains through the following channels:

- A. Country offices: 66%
- B. NCA complaint channel: 20%
- C. NCA anti-corruption reviews: 7%
- D. Auditor: 7%



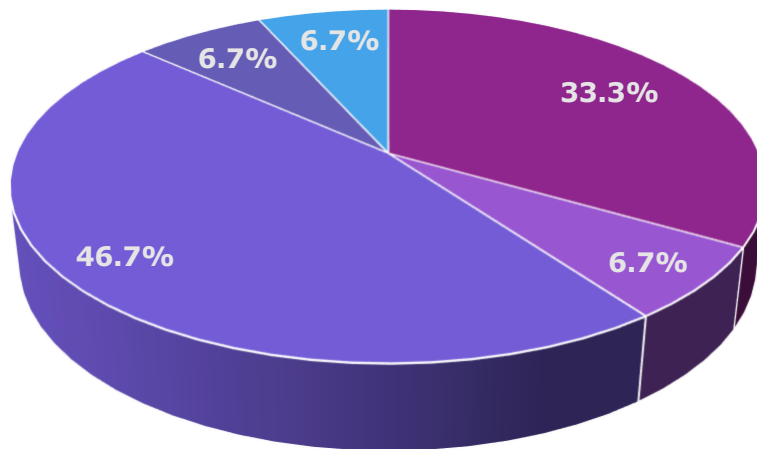
## 6. 2021 types of corruption

The corruption complaints received by NCA in 2021 are divided into the following categories:

- A. Fraud /bribery: 33,3%
- B. Theft /embezzlement: 6,7%
- C. Insufficient documentation : 6,7%
- D. Procurement/kickbacks : 46,7%
- E. Currency fraud : 6,7%



## 2021 TYPES OF CORRUPTION



- Fraud/bribery
- Theft/Embezzlement
- Procurement/Kickbacks
- Insufficient documentation
- Currency fraud

**A big thank you to all staff for your integrity and hard work on fighting corruption throughout the NCA funding chain!**