

NORWEGIAN CHURCH AID REPORT 2018 ON CORRUPTION AND ASSETS MISAPPROPRIATION

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Norwegian Church Aid 2018 Anti-Corruption Report

Norwegian Church Aid (NCA) celebrated 70 years of service to the poor and vulnerable in 2017. It was also a point to look back and review the changes that NCA as an organization has undergone over the years as well as our work in emergency response, long-term development and advocacy programmes. The challenges of operating in conflict, post-conflict and fragile states remain but the characterization does change. It is with this notion in our operations that we have been able to meet these challenges, learn from them and ultimately adjust the way we work.

In 2018, NCA had an annual budget of approximately MNOK 1000, partly implemented by circa 270 partners globally in 1000 projects. Most of these projects are implemented in the countries below, which form the lowest end of the Corruption Index 2018.

CPI Rank	Country	Region	NCA Country portfolio (MNOK)
180	Somalia	Sub-Saharan Africa	47,5
178	South Sudan	Sub-Saharan Africa	54.8
178	Syria	Middle East	43.2
172	Afghanistan	Asia	48.4
172	Sudan	Sub-Saharan Africa	49
170	Burundi	Sub-Saharan Africa	15

CPI: Transparency International's Corruption Perception Index 2018

Given the areas of operations and the type of projects NCA implements, critical analysis of contexts are at the core of informing us on how to shape our internal control in order to achieve our main objective; that the funds entrusted to NCA are solely used to drive the organizational vision of a just world by improving and securing opportunities for the right holders so as to secure real change in their lives.

In 2018, NCA received alerts on corrupt practices through our whistleblowing channels as well as through routinely follow up by NCA, staff disputing audit reports from the partners, conducting own review of operations and discovering practices of

misappropriations. Given the number of cases discovered, the current initiative of proactive rather than reactive follow-up and monitoring will be heightened.

In 2018, the Head Office Global Finance Division conducted assessment of nearly all NCA country offices. The exercise objectives were among others to form a baseline of country offices adherence to routines and guidelines and thereby identifying critical areas that need strengthening and improvement. The initiative also aims at increasing learnings between country offices, as well as increasing head office's understanding of the challenges at country office level. The findings from the assessment will largely inform the different departments at Head Office on how resources will be best allocated in order to meet the challenges identified in the assessments.

SPECIFIC CASES

In 2018, the following cases were either received, handled and/or concluded. Going forth, NCA will continue to pursue abuse of resources more rigorously, more investment in capacity building at Head Office and Country office teams and creating more awareness among our stakeholders of our zero tolerance to corruption and fraud.

Previous years' cases closed in 2018

Ethiopia

An alert involving NCA partner involving a suspected case of nepotism was investigated. The allegation could not be substantiated.

Mali

One of NCA's partners in Mali reported a carjacking incident whereby some money was lost. No injuries were reported on the staff.

Cases opened and closed in 2018

Bangladesh

An alert involving one of NCA's partner involved in Rohingya refugee assistance indicated that salary reports to NCA were higher than the actuals received by employees. The case was investigated and found no evidence to support the alert.

Afghanistan

During a routine compliance audit, a team of internal and external expertise discovered transactions with unsatisfactory supporting documentations and cases of violations of

procurement procedures. A total of NOK 2.3 MNOK was classified as ineligible costs. To prevent similar situations in the future, we have strengthened internal procedures, control and capacity.

Pakistan

In November 2018 NCA Pakistan finance staff visited some of our partners. The team found signs of falsified invoices and inflated expenses as well as nepotism/favoritism in hiring of staff and selection of vendors. NCA Pakistan ordered an external investigation which revealed that some NOK182 000 could not be properly accounted for.

Investigation is closed, but negotiations are still on-going between NCA and the partners with the objective of recovering the funds.

On-going cases

These are cases not yet concluded, but at different stages of processing. In some cases, fact finding investigations are finalized, but final decisions, being on measures to take or in the dialogue with back- donors, are still to be taken. In other cases, preliminary actions are taken with investigations on-going or pending. The amounts involved, and measures taken will be presented when cases are closed. All on-going cases are being follow-up in 2019.

Norway

In 2017 and 2018, an external fundraising consultant falsified invoices to former NCA donors and thereby wrongfully received commissions from NCA. When this was discovered and investigated, several attempts were made to get in touch with the consultant, without success. The case was filed to the police for further investigation and reclaiming of the amount received.

Malawi

During a financial monitoring visit to one of NCA's partner, spot checks detected various anomalies in the financial accounts. NCA staff discovered fraudulent activities involving daily allowances, fuel and transport costs. The partnership was stopped and NCA is in dialogue with the partner in order to recover the amount. The alternative to pursue legal steps towards the organization in question is also being considered.

Malawi

A contractor sent an alert to NCA indicating possible collusion between a supplier and NCA staff to increase the price of procured epoxy. The case was investigated, and the

contracts of staff involved were terminated. The report has been forwarded to the Director of Prosecution's office in Malawi for further follow-up.

Malawi

A financial team from NCA visiting one of the partners, discovered suspected fraudulent transactions involving travel costs and fuel purchases. A claim was lodged to the partner for the repayment of the amount in question.

South Sudan

An alert indicated a collusion between NCA staff and a supplier in the awarding of tenders to drill boreholes. NCA has initiated a technical audit to verify deliverables by the supplier as well as establish the tender awarding procedures that were followed.

Iraq

An NCA financial team on a verification visit to one of NCA'S partner in the Kurdish self-governing area discovered anomalies in the supporting documentations provided by the partner. The current security concerns have limited the access of the investigation team to the field office thus hampering progress in the case. However, efforts are being made to conclude the case.

Sudan

One of NCA's partners in Sudan was tasked with distributing non-food items to displaced communities around White Nile. Subsequent verification processes showed that the beneficiaries had received less than they were entitled to.

Pakistan

Three of our NCA Pakistan partners were reviewed by Ernst & Young Audit firm after reports of irregularities identified during financial verification visits by NCA teams. Final report was received early 2019, conclusions are pending.

Norwegian Church Aid initiatives to counter corruption

In 2018, NCA repaid to donors a total amount of NOK 2,5 million being funds that were either defrauded, transactions that had unsatisfactory or no supporting documentations or where guidelines were violated within NCA or partner operations.

The reality in countries and regions that NCA implements its projects is a principle that guides how we tailor our internal control strategies, manage our partnerships and the communication we have with our donors. By sharing the roles and responsibilities of fighting corruption, NCA has over the years managed to build capacities within the

organization as well as in the communities that we operate in. As an organization, we are cognizant to the fact that the fight against corruption is an everyday task and we strive to keep it on our daily agenda.

In the last year, NCA has incorporated the following initiatives in order to strengthen our capacities of fighting against corruption. These are:

1. An assessment covering all NCA global operations and Country offices; including Head Office, was conducted in 2018. The exercise covered all aspects of our operational management including finance and partnership management. The assessments pointed to various challenges in the partnership management and procurement management in our operations. The sharing of findings within the management lines and across the disciplines will ensure that adequate attention is paid to the weak areas identified as well as promoting synergies between finance and programme departments. The primary objective of the assessment to interrogate NCA's policies, guidelines and operational management so as to map strengths, weakness, opportunities and threats was achieved. It is envisaged that the discussions emanating from the assessments will guide the organization in charting its way to a "fit-for-purpose" level.
2. By making anti-corruption a key theme in the NCA Global Community of Practices meetings, with finance directors and logistics responsables from all our country offices present, the global teams are able to share good practices in preventions and investigations of suspected cases.
3. A Nordic communique in Nov 2018 in Uppsala between NCA sister organization opened for mutual exchange of investigative resources and information with the objective of among others, building internal capacities and sharing lessons learnt.
4. A more emphasis will continue to be laid on staff taking anti-corruption courses and by extension, ensuring that partners have anti corruption policies and guidelines within their operations.
5. The Senior Management Team at NCA Head office approved for more resources to be dedicated to proactive anti corruption initiatives and a reorganization of NCA Global complaint-handling mechanism.

Going forth, NCA will continue to invest in its capacities to discover, intercept and investigate cases of fraud and misuse of resources. Given that making success in the fight against corruption will require being on the ground, NCA is also cognizant to the security risks that these efforts bring to our projects and staff. Reviewing corruption fighting efforts against the security backdrop in the countries that NCA operates in, will

be a duty to care aspect that will be reviewed as often as alerts and suspicions are reported. Equipping our staff with skills to detect corruption both as a deterrent and as a means to share responsibility is an emphasis that NCA will continue to lay in the current year going forth.