

Anti-Corruption Report for Norwegian Church Aid 2014

Norwegian Church Aid (NCA) works with long-term development, advocacy and political processes as well as in emergency situations. NCA works with national and international partner organisations, and the annual budget in 2014 was NOK 1.121 million.

We believe that financial malpractices and their consequences undermine rights holders' opportunities to improve their already challenging and vulnerable lives. Therefore NCA has zero tolerance on corruption as one of our core principles.

In line with our transparency principles, NCA publishes an annual report which highlights our efforts in combating corruption within all our work. The report, which is publicly available, includes all cases related to combating corruption, both those which are still on-going and those which have been finalised. These processes also form an important basis for internal learning with regard to our core principle of combating corruption. The names of persons or organisations involved in these cases remain anonymous for legal reasons.

While it is NCA's ultimate goal that all assistance will reach our rights holders, in some unfortunate situations the recovery of mismanaged funds can be difficult or sometimes impossible. In the latter, NCA always refunds our donors from our capital reserves. These reserves have been built up from gains on our financial investments.

NCA has asked its partners for consolidated financial statements when reporting to NCA since 2009. This reporting principle clarifies the use of donor funds in their totality and is an important tool in ensuring that funds are used for their correct purpose and that there are no double payments for activities. NCA is working to strengthen our partner's capacity on Finance Management. This is also part of our anti-corruption work. An anti-corruption online course is also obligatory for all NCA staff as part of the strategy to strengthen awareness and capacity on this within the organisation.

A: Cases concluded in 2014

Ethiopia:

In spring 2014 NCA received allegations of possible fraud at the NCA office, involving specific members of staff. Investigations were carried out during the summer of 2014 which indicated mismanagement of funds. The findings and possible follow up actions were discussed with NCA's national lawyer, and seen in relation to the Ethiopian legal framework. As a follow up and based on legal advice, two members of the NCA Ethiopia office were informed that their contracts were terminated. NCA's donors were kept informed throughout the process and have been compensated for the loss of funds.

Democratic Republic of Congo (DRC):

In DRC two cases have been investigated. One case concerned the distribution of goods to project sites, and fraud was suspected. When investigating the matter, it became clear that there had been no fraud or embezzlement, but internal routines needed to be improved. The case was solved locally, and resulted in improved routines regarding stock control.

The other case involved a partner. Because of missing documentation on a minor amount booked in the accounts, fraud was suspected. However, investigation done locally showed that the case merely involved insufficient accounting capacity with the partner. The case was solved locally.

Guatemala:

One of NCA's partners was investigated with regard to fraud. A local investigation was performed, and a sample of vouchers was checked. In addition the partner was audited by an external auditor. The investigation showed that Norwegian funds had been handled properly, and the donors were informed accordingly. The case was closed in 2014.

General comment:

Through the year, NCA receives several notifications about suspected fraud both within the organisation and with our local partners. These notifications are always taken seriously and followed up by NCA. In some cases there are irregularities, and sometimes criminal actions are detected, which this report shows. But there are also accusations which NCA finds groundless after a closer investigation. During 2014, we worked with five such cases.

B: Cases from 2014 not yet finalised**Malawi:**

The funding to the NCA Malawi office has increased considerably over the last few years and the capacity of the office to manage these funds adequately has been questioned. As a way of ensuring and improving this, an initial audit performed by an external local auditor as well as an internal audit showed irregularities in financial control functions, but no proof of mismanagement of funds has been found. The local auditor will finalise this work early in 2015, assisted by NCA's Norwegian auditors.

Haiti:

After dialogue with NCA and a visit to Haiti, the Ministry of Foreign Affairs decided to conduct a special audit of funds granted to one of NCA's partners in Haiti. The special audit revealed suspicions of misappropriation of funds and a number of accounting irregularities. NCA does no longer have any contract with this partner. The Ministry of Foreign Affairs will make a formal decision on how to proceed early in 2015.

Zambia:

A draft special audit of one partner indicated mismanagement, possibly fraud. The final report from the auditor will be finished early in 2015, when the audit is finalised.

A special audit of another partner pointed out weak financial routines in the organisation. A process is under way with this partner to recover funds used for other purposes than intended/outside the agreed budget.

C: Conclusion:

NCA works in countries rated as high risk when it comes to corruption, in countries where capacities and competence related to financial management is low and in countries affected by war and conflict, where it at times can be difficult to carry out monitoring and financial control in the project areas.

Because of the high risk environment NCA operates in, we view it as a high priority to reduce the risk of corruption through the implementation of strict control systems. Through cooperating with other humanitarian organisations and donors, we can fight financial crime together.

Oslo, 2.2.2015