



NORWEGIAN CHURCH AID
actalliance

2016 Anti-Corruption Report for Norwegian Church Aid

Norwegian Church Aid (NCA) is involved in emergency response projects, long-term development programmes and advocacy activities in 43 countries. Most of these countries are classified as least developed and often fragile states. Our primary method of operation is to channel funds through local faith-based partners.

In 2016, NCA had an annual expenditure of approximately NOK 956 million. The total loss on discovered fraud cases (theft, mismanagement, embezzlement) was NOK 1 213 000 which is 0.13% of total expenses.

NCA endeavours to continuously improve the management of our projects and finances with the sole objective of improving rights holders' opportunities and securing real change in their lives. NCA acknowledges the harm that corruption can cause in these efforts and it is for that reason that zero tolerance on corruption is one of the guiding principles in our work. A Code of Conduct was signed by all staff and has been revised to reflect more strongly the same organisational attitude.

NCA normally receives information regarding fraud and/or resource mismanagement through rigorous control of financial reports, monitoring made by staff at our country offices or partners' offices and from anonymous contacts in the communities where NCA works. This report includes cases that have been concluded and cases where an investigation is still ongoing.

It is our ultimate goal that all assistance will reach the rightful beneficiaries. However, in a few cases of fraud, NCA must refund a donor from our capital reserves which are accumulated from gains on our financial investments.

NCA requires all partners to provide consolidated financial statements and not simply a financial statement that only covers the NCA-funded project. This enables NCA to see the totality of the partner organisation's finances and is an important tool in avoiding double coverage of expenses from different donors. NCA allocate resources for capacity building on financial management for partners annually, and consider this activity a vital part of our anti-corruption work.

A: Older cases concluded in 2016

Burundi:

Employees at a partner organization embezzled NOK 128 000. NCA ended the relationship with the partner. The amount has not been returned to NCA and is considered a loss.

Ethiopia

Two partners in Ethiopia did not have sufficient documentation to support the reported expenses. A total of NOK 450 000 was returned to MFA.

Haiti:

A special audit revealed accounting irregularities and suspicions of misappropriation of funds. The partner has agreed to return NOK 1 080 488. NCA did not incur any losses in this case.

India:

A partner used NCA funding for purchases not approved by NCA. NOK 95 936 was repaid to Norad. The partner has not returned the funds to NCA and it is considered a loss.

South Africa:

An NCA employee stole approximately NOK 600 000 from NCA. The employee was terminated from his position, and later sentenced to jail. Some funds have been returned and a total of NOK 377 000 were booked as a loss in 2016.

B: New cases in 2016, concluded in 2016**Ethiopia**

In early 2016 we received an alert from a donor that one of our joint partners in Ethiopia was not using funds to the intended purpose. NCA initiated an investigation and found that some reported expenses were lacking proper documentation and a general lack of financial routines and procedures. Misuse of funds was not confirmed. Nevertheless NCA has decided to terminate the relationship with the partner

Haiti:

In October 2016 a truck containing Hygiene items were looted. No persons were injured during the looting. The total worth of the looted items were USD 13 207. NCA has reviewed and improved security procedures after the occurrence.

Norway:

During summer 2016 USD 34.060 disappeared from a safe at NCA Oslo. The case has been reported to the police however the case was soon dismissed due to lack of evidence. Although NCA is still following up the case, it is unlikely that the amount will be recovered

Syria/Turkey:

A partner of NCA implemented an internal investigation of its procurement department. The investigation focused on funding from other donors than NCA and showed that severe financial irregularities had taken place. As a result, NCA implemented a separate investigation with focus on activities funded by NCA. The investigation pointed at a few irregularities, however the main picture showed that the partner's system, routines and documentation are of high standard. NCA continued the relationship with the partner and no financial losses were incurred.

C: Cases from 2016 not yet finalized

Sudan:

In late 2016 NCA's finance manager in Sudan discovered that an employee of a partner was embezzling fund. The employee was responsible for paying salaries in cash to project workers. The project workers received less salary than the employee reported as being paid. The employee has paid back the amount in question, approx. NOK 9 500 and was eventually discharged from his/her position.

D: General comments:

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, as this report shows. However, there are also accusations which NCA finds groundless after a closer investigation.

Anti-corruption measures

NCA has revised and improved the incident report system. We expect more cases to be reported and that reported cases will be treated more efficiently.

NCA has increased the focus on procurement processes in 2016. We focused specifically on procurement training of partner's programme, finance and logistics staff.

Lessons learned

In 2016 we saw fewer corruption cases than we would normally expect. There could be many reasons for this. One possible reason is that persons that have information about corrupt behaviour refrain from reporting to NCA. 2017 will be a year where we focus on improving and spreading information about our whistle-blowing and complaint mechanisms. The expectation is that more corruption cases which would otherwise go undetected will be reported.

E: Conclusion

NCA will continue to work in countries with a high risk of corruption, in countries where capacities and competence related to financial management is low, and in countries affected by war and conflict, where monitoring and financial control in project areas can at times be difficult to carry out.

We therefore consider the continued focus on project and financial management essential to reduce risk as much as possible through internal focus, cooperation with other humanitarian organisations and close contact with our donors.

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Oslo, Norway