

NORWEGIAN CHURCH AID REPORT ON ANTI-CORRUPTION 2019

Norwegian Church Aid has throughout 2019 significantly reinforced and strengthened the organizational structure and resources within the area of anti-corruption. The fundamental principle defining our work is zero-tolerance for corruption. Accountability, transparency and learning are key values and integrated focus areas in our anti-corruption.

NCA has in 2019 experienced a substantial increase in the number of corruption complaint cases and received a total number of 22 complaints compared to only 10 cases in 2018. This is a good and expected development and reflects our increased focus and resources designated to this work throughout the organization.

1. New corruption complaint cases 2019

The cases are distributed per country and sorted by how corrupt the country is perceived to be;

T.I. Rank	Country	Number of cases
180	Somalia	1
173	Sudan	1
173	Afghanistan	3
168	DRC	1
162	Iraq	1
146	Nigeria	1
130	Mali	5
123	Malawi	2
120	Pakistan	3
113	Zambia	1
96	Tanzania	2
96	Ethiopia	1
	Total	22

“T. I. Rank” refers to Transparency International Corruption Perception Index where rank 180 is the most corrupt score a country can have. Countries with equal points will have the same rank.

Norwegian Church Aid worked in 24 countries, through 225 partners and with altogether 787 projects.¹ Most of the 24 countries in which Norwegian Church Aid works are rated as high risk for corruption as per the T.I. rank.²

The challenges of working in such contexts are many and complex. NCA meets these challenges with strict controls and financial procedures, frequent monitoring and close follow up.

¹ Including multilateral projects through LWF, WCC and ACT.

² www.transparency.no

The learning component has received increased focus in 2019. NCA considers the learning potential in every corruption case. Learning and transparency are important parts of the fight against corruption. We do not wish to repeat mistakes and strive to ensure that once a weakness is identified it becomes the basis for improved practise. This encourages learning widely throughout the development chain contributing to developing common standards in the anti-corruption work.

We have a constructive and open communication with our back-donors on the cases and investigations and have received good feedback on the organizational strengthening implemented in 2019.

2. Closed corruption complaint cases in 2019 (cases from 2017-2019)

We closed a total of 12 cases in 2019 with a total repayment to back-donors of NOK 3,1 mill in 6 cases. This represents 0,4% of the total international grants. The amount in 2018 was NOK 3,8 mill in 4 cases.

2.1 Mali: A theft incident at one of NCA's local partners

What happened: A car belonging to one local partner was hijacked and money stolen.

What we did: NCA investigated the incident in close dialogue with the partner. NCA repaid to the donor the amount of the theft: NOK 16. 895.

What we learned: We knew the area was high risk and will take stronger preventive measures in the future.

2.2 Pakistan: Systematic fraud and undocumented costs at one of NCA's local partners

What happened: Systematic fraud at one local partner.

What we did: NCA engaged a forensic audit through an external audit company to investigate suspicions of fraud. Systemic fraud was found during the investigations. This resulted in a repayment to the donors of NOK 2 533 153.

What did we learn: The financial monitoring and control of the local partners must be done on a regular basis in order to be able to catch fraud as early as possible. Secondly, HO shall immediately forward to the back-donor significant documentation related to the case.

2.3 Malawi: Procurement fraud at a local partner

What happened: Fraud in a procurement process at a local partner.

What we did: The accusations were investigated and found true. The partnership with the local partner was terminated and NOK 312 000 was repaid to the donor.

What did we learn: Procurement is a vulnerable area to corruption. Stricter control, more competence building and closer follow up of local partners is already in place.

2.4 Sudan: Emergency equipment kits did not reach all beneficiaries

What happened: A local partner was responsible for distribution of emergency relief packages to local communities in the White-Nile area. It was discovered that several packages were missing.

What we did: NCA discovered the discrepancy by internal monitoring. The local partners auditor was contacted and did an investigation. The auditor's investigation discovered that the local partners storage, transportation and distribution of the emergency kits had not been properly handled nor documented. It was estimated that 778 of 2200 kits were missing. NCA has repaid the value of the missing kits to the donor: NOK 41 804.

What we learned: The local partner has strengthened staff, routines and controls and is working harder to ensure that procedures for internal control are followed.

2.5 Iraq: Irregularities in a procurement process at a local partner

What happened: One local NCA partner undertook a purchase without a proper documentation process. Some of the supporting documentation was found not to be authentic.

What did we do: The local auditor did an Agreed upon Procedure financial report to investigate the issue and to validate the documentation. The investigation concluded that the amount of NOK 232 066 was illegitimate. The amount has been repaid to the donor.

What did we learn: Frequent and regular controls of documentation related to procurement processes at local partners must be undertaken by NCA country offices.

2.6 Syria: Bombing incident destroyed a hospital at project site in Syria

What happened: May 5, 2019 a bombing raid targeted a hospital which had been constructed by a NCA local partner.

What did we do: NCA immediately informed MFA of the incident. The requested documentation was provided without delay and the case was concluded with *Force Majeure*..

What did we learn: This was an unpredictable event- no exact learning resulted.

2.7 Nigeria: Suspicion of kickbacks at the NCA country office in Nigeria

What happened: NCA internal control found suspicions regarding possible kickbacks in a vendor process.

What did we do: NCA undertook an internal investigation. The investigation found the kickback suspicions to be legitimate. The local employee was resigned. The frauded amount of NOK 12 023 has been repaid to the donor.

What did we learn: The most important learning was to appreciate that our staff are aware of and attentive to our risks and act according to our internal policies and procedures.

2.8 South Sudan: Allegations of kickbacks

What happened: NCA received an anonymous alert which concerned allegations of kickbacks in a vendor process.

What did we do: NCA undertook a thorough internal investigation concerning the kick-backs allegations and found no basis for the allegations.

What did we learn: We learnt that it is very hard to follow up an anonymous complaint, as there can be many motives for such allegations. The time lag from alert to report was too long, and the case served as a reminder of how the process should be more efficient.

2.9 Tanzania: Allegations of insufficient governance in one of our projects

What happened: NCA received allegations from a consultant of insufficient governance in one of our projects.

What did we do: The allegations were evaluated in close dialogue with the country office, the head office's geographical section and with the donor. The conclusion was that there was no basis for the allegations and the case was closed.

What did we learn: It is always important to verify the validity of a complaint.

2.10 Malawi: Fraud case at a local partner

What happened: NCA country office of suspected fraud at one local partner in Malawi.

What did we do: NCA investigated the suspicion and examined relevant documentation. There was close dialogue with the local partner during the process and the embezzled amount of NOK 106 359 was recovered and repaid to donor. The partnership has been terminated.

What did we learn: The case took too long to investigate and we must strive for a more efficient process.

2.11 DRC- Allegations of fraud and kickbacks (2 cases)

What happened: NCA received allegations of fraud at one local partner through our compliant channel. Allegations of kickbacks were also received.

What did we do: NCA investigated the claims through interviews and the documentation. The investigations of the case concluded with a repayment of NOK 155 329 the donor.

What did we learn: There can be several motivations behind a complaint and it is therefore very important to do a solid initial analysis of claims before deciding on further actions.

2.12 Mali- Audit reservations for certain lack of documentation

What happened: The Audit opinion of the audited financial statement of a local partner had reservations regarding some lacks in documentation.

What did we do: The NCA country office was able to verify that the work had been delivered, and that documentation for these was correct.

What did we learn: The learning in this case is that there must be a close coordination between the local external auditor, the country office, and partner during the audit process.

3. Ongoing corruption complaint cases 2019 (per 31.12.19)

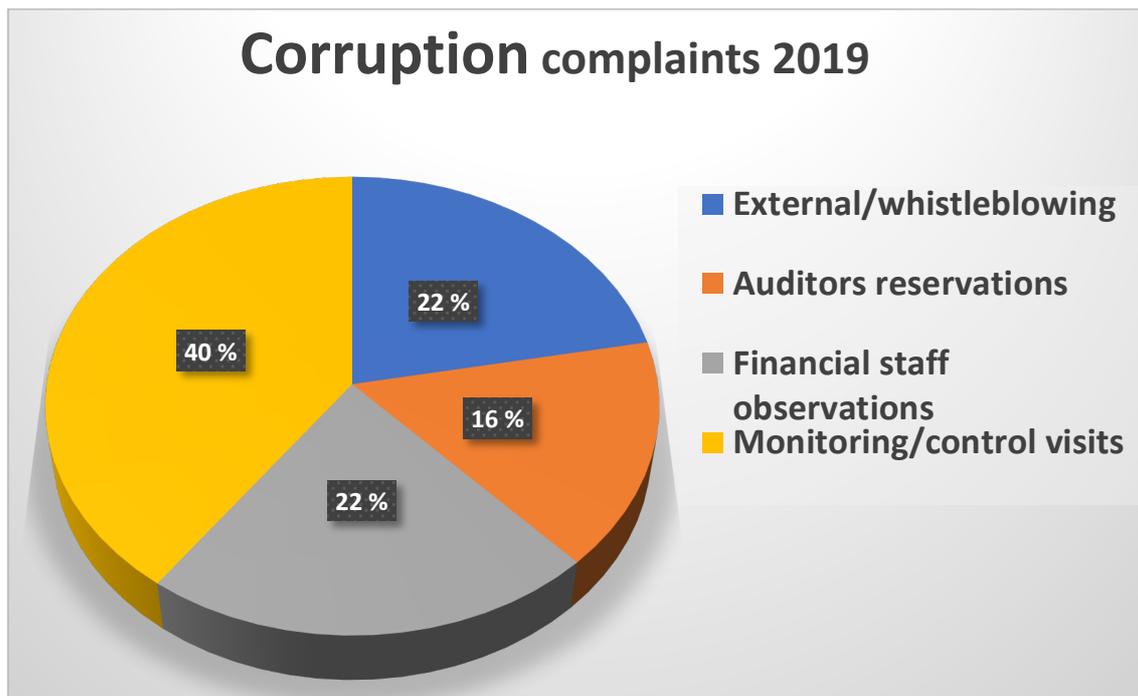
Country	Issue-type of corruption	Donor	Start date	Status
Malawi	Fraud	Norad	2017	Forensic audit completed
Malawi	Fraud	Norad	2019	Special audit in process
Pakistan	Fraud	Norad	2018	Report sent donor
Mali- 2/5	Audit reservations	Norad	28.06.2019	Documentation received
Mali- 3/5	Audit reservations	Norad	28.06.2019	Documentation received
Mali-4/5	Audit reservations	Norad	28.06.2019	Documentation received
Mali-5/5	Audit reservations	Norad	28.06.2019	Documentation received
Afghanistan	Fraud	Norad	15.06.2019	Waiting for external report
Tanzania	Missing documentation	Norad/own funds	26.07.2019	Documentation received
Pakistan	Fraud	MFA and Norad	08.08.2019	Documentation received
Pakistan	Fraud	Norad	22.08.2019	Report sent donor
Ethiopia	Fraud	Norad	23.09.2019	Investigation to be undertaken in March 2020

Zambia	Missing documentation	Norad	23.09.2019	Documentation received
Afghanistan	Nepotism	Norad	13.09.2019	Waiting for external report
Tanzania	Fraud	Norad	23.10.2019	Under investigation
Somalia	Procurement	Norad	01.01.2020	Under investigation
Pakistan	Procurement	Norad	23.11.2019	Under investigation
Afghanistan	Nepotism	Norad	09.12.2019	Under investigation
Malawi	Procurement	DCA	01.12.2019	Under investigation

4. 2019 corruption complaint channels

In 2019 NCA received corruption complaints through the following channels:

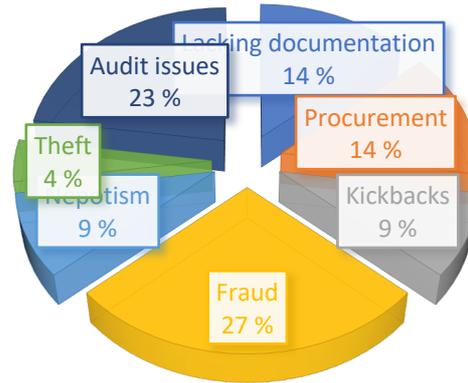
- A. External whistleblowing channel
- B. Auditors
- C. Financial staff at the head office and at the country offices
- D. Monitoring and control visits



5. Types of corruption

The corruption complaints received by NCA in 2019 are divided into the following categories:

CORRUPTION COMPLAINTS 2019



6. Plan for 2020

- A. Considering the contexts in which NCA staff and partners operate we believe there is a possibility of underreporting. We will in 2020 give particular focus to the countries with no cases reported in 2019. The table below displays these;

TI RANK	COUNTRY
178/180	Syria
168/180	Haiti
165/180	Burundi
146/180	Angola
146/180	Guatemala
137/180	Lebanon
130/180	Myanmar
96/180	Vietnam
70/180	Romania
Not scored	Palestine

- B. Focus on timely reporting. According to the conditions in our donor agreements with Norad and MFA we have the ***Duty to report upon indication of financial irregularities.***
- C. Continued focus on anti-corruption trainings in 2020; The anti-corruption course “Preventing Corruption in Humanitarian Aid” will be mandatory for all employees, the “Zero-tolerance to corruption” training will be implemented and donor agreement obligations will be reviewed.

- D. Continued focus on transparency and visibility. Closed corruption cases including learning points will be published regularly on our website and our intranet.
- E. Continued work and focus on the causes and risks of corruption.