

## Norwegian Church Aid Report on Corruption and Assets Misappropriation 2017

Norwegian Church Aid's (NCA) global activities span from emergency response projects and long-term development programmes to advocacy activities in 37 countries. Most of these are classified as least developed countries, and are in addition often fragile states. Our primary method of operation is to channel funds through local faith-based partners.

In 2017, NCA had an annual expenditure of approximately NOK 970 million. Corruption is widespread in many of the countries in which NCA works. Examples of these are:

Country	CPI rank from 1 to 180	NCA funds 2017 (NOK mill)
Afghanistan	177	49
Angola	167	42
DR Congo	161	38
Middle east (Syria/Iraq)	178/169	111
Somalia	180	70
South Sudan	179	63
Sudan	175	40

CPI: Transparency International's Corruption Perception Index 2017

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 and has zero tolerance on corruption as a key guiding principle. In 2017, NCA improved our alert systems while at the same time actively informing and urging NCA staff to submit their alerts. We expect the increased focus on fraud and corruption and the improved access to alert mechanisms to result in a higher number of reported cases in 2018 compared to previous years.

NCA performs monitor visits to our partners each year. 2017 has shown that one cannot underestimate the effect of physically visiting partners to verify their use of funds. Such visits are effective both in deterring as well as discovering fraud and corruption. Six of the cases below were discovered as a result of NCA initiated visits.

It is our ambition and responsibility that all funds are applied honestly and efficiently in order to reach the rightful beneficiaries. However, in a few cases of fraud, NCA must refund a donor. This will normally be financed from our capital reserves accumulated from gains on our financial investments.

NCA requires all partners to provide consolidated financial statements and not simply a financial statement covering NCA-funds only. This enables NCA to see the totality of a

partner organisation's finances and is an important tool in avoiding double coverage of expenses from different donors. NCA allocates annually resources for capacity building in financial management, and considers this activity a vital part of our anti-corruption work.

## **A: Older cases concluded in 2017**

### **Sudan (CPI 175 of 180)**

In late 2016 NCA's finance manager in Sudan discovered that an employee in a partner organisation 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.

## **B: New cases in 2017, concluded in 2017**

### **Ethiopia (CPI 107 of 180):**

Cash cards worth ETB 12 494/NOK 4 650 intended for refugees were misused by NCA staff. Unfortunately, it was not possible to identify the person(s) who misused the cards. Weaknesses in the system that opened up for misuse have now been corrected and all employees responsible for handling cash cards have received more training, enforcing their sense of responsibility.

### **Iraq (CPI 169 of 180):**

A verification visit by NCA to a partner in Iraq showed anomalies in payslips. NCA later initiated an investigation that revealed that some employees had not received their full salary, while at the same time the full salary was reported to NCA as paid. The difference of USD 9 512 (about NOK 73 000) was kept by the partner. NCA ended the relationship with the partner and the partner covered the loss.

## **C: Cases not yet finalized**

### **Ethiopia (CPI 107 of 180):**

We found irregularities in the reporting from a partner when comparing the descriptions of the project and the reported figures in the narrative report, the financial report and the NCA implemented monitoring report. NCA has initiated a special audit of the project to get the facts correct. It will be finalized in 2018.

### **Malawi (CPI 122 of 180):**

A verification visit by NCA to a partner showed that the partner had charged the project with per diem and fuel for activities that either did not take place, or belonged to a project not related to NCA. The following investigation showed that a total of MWK 22 310 246/NOK 236 000 was misused. NCA is currently negotiating the terms with the partner for a possible continued relationship.

### **Mali (CPI 122 of 180):**

A partner reported that their staff were stopped by assailants while travelling by car. The assailants took off with the car and valuables like cell phones and cash. No physical harm was done to the team. We are working on establishing the value of the items stolen.

### **Pakistan (CPI 117 of 180):**

During verification visits to multiple partners in Pakistan, NCA discovered anomalies in the accounts of three of the partners. NCA has initiated investigations of all three partners. Two of the investigations show that the two partners in question were diverting funds from the NCA projects in a systematic manner. The third investigation is not yet finalized.

### **South Sudan (CPI 179 of 180):**

A partner reported that an armed group looted their office. The group destroyed most of the furniture and got away with the cash in the safe. A total of SSP 1 046 830/ NOK 630 000 of NCA project funds were stolen.

### **Sudan (CPI 175 of 180)**

During verification visit of a distribution of non-food items, it was discovered that the beneficiaries had not received the correct number of items. A partner of NCA was responsible for the distribution and we are currently implementing a special audit to clarify possible flaws in the distribution.

## **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 that, after closer investigation, are found to be groundless.

In 2017, NCA investigated 4 cases where no traces of corruption or fraud were found.

### **Anti-corruption measures**

In 2017, the Transparency International e-learning course in anti-corruption was made mandatory for NCA employees. While NCA has had another internal mandatory course, TI's course was found to be more user friendly and up to date.

### **Lessons learned**

A lesson that cannot be learned too often is that you need to be on the ground to discover fraud and corruption. Physical visits to partners have again proven that such visits are necessary both to prevent and to discover corruption. In 2018 we will strengthen our focus on detecting corruption by increasing our control and visits to both NCAs own offices as well as partners.

### **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 improved project and financial management essential to reduce risk as much as possible, through internal efforts, by cooperating with other humanitarian organisations and in close contact with our donors.