

NCA Anti-Corruption Report 2013

NCA's annual anti-corruption report for 2013, published for the first time this year also in English, for better transparency.

Norwegian Church Aid (NCA) works in long-term development, advocacy and political processes as well as emergency operations. NCA works with national and international partner organisations, and the annual budget in 2013 was NOK 770 million.

We believe that financial malpractices and their subsequent consequences rob rights holders of the opportunity to improve their already difficult and vulnerable situation. It is for this reason therefore that NCA has zero tolerance on corruption as one of its core principles, and works fervently to maintain high levels of transparency.

In line with our transparency principles, NCA publishes an annual report which highlights the organisation's efforts in combating corruption within its operations. The report is publicly available and details all reported cases, organised into three categories: detected cases; detected and investigated cases where investigations are on-going; and cases that have been concluded.

In 2013, a number of financial malpractices were reported. Below are cases that were detected, investigated and/or concluded in the same financial year. The report also provides the processes employed to arrive at the various conclusions. The processes also form an important basis for internal learning purposes in our objective of combating corruption within our operations.

For legal reasons, the names of persons or organisations involved remain anonymous.

While it is NCA's ultimate goal that all assistance reaches the rights holders, in some unfortunate cases the recovery of mismanaged funds can be arduous and sometimes impossible. In the event of the latter, NCA as a principle will refund the donor(s) using funds from the organisation's capital reserves. These reserves have been built up from gain on financial investments.

A: Cases concluded in 2013 where financial malpractices were detected:

Angola:

In June 2013 allegations were reported of possible fraud at the NCA office related to undocumented foreign exchange fluctuations between a bank account in USD and a cash box in Kwanza. The case was followed up by a thorough review by an NCA employee from another office, and later a special audit was done by an external audit firm. The auditors did not find legally convincing proof of embezzlement or fraud, but they found serious irregularities and neglect in financial control functions. NCA Angola has implemented a series of new routines and procedures upon recommendation from our auditors in order to prevent such irregularities in the future.

B: Cases from 2013 not yet concluded:

South Africa:

A partner organization in South Africa discovered that the employee responsible for calculating and paying salaries had increased his/her own salary without written agreement with the management. The employee had also paid salary to family members with no employment contract with the partner organization. The employee responded by accusing the partner organization of severe misuse of donor funds, including paying for services that had not happened and general lack of management. Before releasing any more funds, NCA and other donors demanded that a systems audit of the partner organization should be implemented. The systems audit showed no evidence of misuse of funds. However, it showed that the partner was lacking proper financial routines and did not have adequate administrative and financial skills to manage donor funding. The steering committee of the partner developed a comprehensive plan on how to improve their internal routines. After implementation of the first steps in this plan, NCA agreed to release more funds to the partner. The employee accused of paying extra salary to him/herself and a family member was discharged. The case against the employee has not yet been settled, it is now being investigated by the local police.

Zambia:

In September 2013, our representation in Zambia uncovered possible irregularities linked to the construction of a school in North West Province. A staff member of a local church working as a contractor is suspected of having presented falsified receipts to increase the reported cost. The case is under investigation and NCA Zambia has visited the school in order to review the project implementation and procurement process including verification of the submitted documentation. NCA's team also interviewed relevant people including local authorities, and a follow-up action plan has been agreed upon.

C: Cases investigated by the organisation, but where no fraud or embezzlement was detected:

Zambia:

In late 2013 NCA Zambia ordered a transfer of NOK 500 000 to one of NCA's partners. However, the bank details given for the transfer were not the ones of the partner. The transfer was approved by NCA Head Office but later stopped before it was paid to the partner. Investigation by NCA Zambia management showed that the bank details belonged to another

of NCA's partners. Further investigation revealed that the order of transfer from NZA Zambia and the subsequent approval from NCA HO were based on human errors rather than deliberate actions. Actions were taken towards the involved individuals to make sure that internal routines are followed properly in the future.

Tanzania:

During 2013 NCA Tanzania received a 2012 annual financial statement (AFS) from a partner where ingoing balances were not the same as the outgoing balances in 2011. The reported expenses in 2011 were different from what the ingoing balances in 2012 indicated. Investigation by NCA Tanzania showed that the ingoing balances in the 2012 AFS were not based on the latest revision of the 2011 AFS. The partner's auditor later acknowledged that they had based their 2012 audit on an old version of the 2011 AFS. The 2012 AFS was amended and submitted to the partner and NCA. After this episode, the partner decided to change auditors for 2013.

Western Sahara:

When controlling accounting and physical vouchers of a partner organization, weaknesses in their administrative and financial routines were revealed. Further, vouchers amounting to NOK 550 000 had been handwritten by the buyer himself. NCA HO paid a visit to the partner organization in Western Sahara for the purpose of capacity building and verification of the vouchers in the local accounts. No indication of misappropriation of funds was discovered. The handwritten receipts were checked with the respective salesmen and the purchases were found to be legitimate. The partner organization was given training and advice on how to improve their administrative and financial routines.

D: Other notifications of suspected fraud:

NCA receives throughout the year several notifications about suspected fraud both within the organisation and within our local partners. These notifications are always taken seriously and followed up by the organisation. In some cases irregularities, sometimes criminal actions are detected, which this report shows. But there are also accusations which we after a closer investigation find to be groundless. During 2013, we have worked with four such cases.

E: Conclusion:

NCA works in areas situated in some of the world's most corrupt countries and areas of war and conflict make it difficult to perform on-site monitoring and financial control.

Therefore NCA has a high priority to reduce risks through implementation of stringent control systems. It is also important to fight financial crime through cooperation between humanitarian organisations and their donors towards the same goals.

Oslo, 11 April 2014