



NORWEGIAN CHURCH AID
actalliance

2015 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 29 countries. These countries are classified as least developed and often also fragile states. Our primary method of operation is to channel funds through local faith-based partners.

In 2015, NCA had an annual turnover of approximately NOK 950 million. The total loss as a result of fraud (theft, mismanagement, embezzlement) was NOK 411,451 which is 0.04% of the turnover.

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. To ensure that this principle is applied in all of our global operations, an anti-corruption online course that is mandatory for all staff members has been introduced by NCA during the past 3 years. A code of conduct has been 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, reports 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 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 us to see the totality of the partner organisation's finances and is an important tool in avoiding double coverage of expenses from different donors. We allocate resources for capacity building on financial management for partners annually, and consider this activity a vital part of our anti-corruption work.

A: Cases concluded in 2015

Botswana:

During one of our monitoring visits to a partner in Botswana it was discovered that substantial expenses did not have proper supporting documentation. Based on these findings, NCA decided to initiate a special audit of the project in question. In response to this, the partner requested a meeting to present documentation that could not be obtained at the time of the verification visit. The documentation that was handed over

by the Executive Director to NCA was reviewed and found to be sufficient to explain the findings during the verification visit. Based on this, NCA concluded that the financial documentation and reporting met the necessary standard and that a special audit of the partner is no longer necessary. The case was closed in 2015.

Malawi:

In 2015, five of NCA's partners were subject to special financial reviews/special audits due to their weak financial capacity and suspicions of exploitation of these financial weaknesses. All reviews were initiated by NCA and revealed inadequate documentation of expenses. The funds that were inadequately documented were requested to be repaid to NCA, and NCA has refunded its back donors. These partners' financial management will be closely monitored by NCA in the future.

Financial irregularities were also revealed at another partner during a review. This was brought to the attention of the partner's management and one person employed at the partner organisation was found responsible for the fraud, was reported to the police and arrested. The misappropriated funds have been requested paid back to NCA and the partnership has been terminated.

Zambia:

After receiving weak financial reports from one of our partners in 2014, a special audit was initiated by NCA. The main finding from the audit was mismanagement of funds in form of unauthorized expenditures in the project. The findings were presented to the partner who acknowledged that indeed there had been misappropriation of funds. The partner also agreed to pay back the funds to NCA and the case was closed in 2015. The cooperation with this partner has since been terminated.

B: Cases from 2015 not yet finalized

Burundi:

One of our partners in Burundi had funds transferred to two of its employee's private bank accounts. The case has been followed up and investigated by NCA's own staff and we have strong indications that the partner falsified vendor invoices by increasing these invoices' amount. There are good reasons to assume that the gains from the falsified invoices were transferred to the above-mentioned private accounts. NCA has involved its lawyer and auditor in Burundi to investigate the case further and try to get the embezzled funds back from the partner. This investigation is in process and will continue into 2016. NCA's cooperation with this partner ended immediately after the fraud was discovered.

Haiti:

This ongoing case regarding a special audit of funds granted to a partner revealed suspicions of misappropriation of funds and a number of accounting irregularities. The legal assessment of the case that was initiated by the Foreign Service Control Unit in 2014 is still not fully concluded.

India:

A partner to NCA was in 2012 found guilty in misusing funds from its donors to buy an apartment which the Director of the organisation lived in. The purchase was never approved by NCA or any of the other donors, and was not discovered before long after it was accomplished. This abuse of funds did not come to NCA's attention before 2015.

These funds were repaid to the Norwegian Agency for Development Cooperation in early January 2016.

South Africa:

One of our staff members diverted project finances to their private bank account. Our bank in South Africa had, on request from the unauthorized employee at NCA, changed the permissions and access to our internet banking, making the theft possible. Upon discovery of the theft the access to internet banking and a debit card was immediately terminated. The case was reported to the police and a labour law lawyer and a criminal lawyer were engaged. The employee has admitted the theft in writing and was formally suspended from their position. So far NCA has been able to reclaim more than 50% of the embezzled funds and the claim process will continue in 2016.

Zambia:

Two partners in Zambia were subject to special audits; one initiated by NCA after weak financial reporting from the partner, and the other as a result of findings from monitoring visits conducted by NCA. The main finding in both special audits was the mismanagement of funds. NCA has demanded the full refund of mismanaged funds and terminated the partnerships. Follow up of these claims will continue in 2016.

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.

C: Lessons learned

The cases that we have dealt with in 2015 underscore the importance of working in close collaboration with other implementing agencies and donors in areas where we share common interests. In retrospect, time and resources would have been saved in some of the above cases, if NCA had collaborated with our partners other donors. We have also learnt that a revision is necessary in internet banking routines as processing banks at country level can at times be susceptible to human error and/or malpractice. In 2016 we will strive to implement these lessons.

D: 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