

PROCEDURES FOR

PREVENTING
AND DEALING WITH
FRAUD AND
CORRUPTION

in the International Activities
of the



Norwegian **Red Cross**

UPDATED: 12.06.2020

Contents

Preamble	3
1 POLICY STATEMENT	4
2 DEFINITIONS AND SCOPE	5
3 ROLES AND RESPONSIBILITIES	6
3.1 Auditing	8
3.2 Human Resources Management	9
3.3 Security	9
4 WHAT SHOULD BE REPORTED	9
5 HANDLING SUSPICIONS AND/OR ALLEGATIONS	11
6 Red Cross & Red Crescent MOVEMENT PARTNERS - ICRC & IFRC	15

Preamble

Norwegian Red Cross' (NorCross) international operations and supported activities are delivered in extremely challenging environments where fraud and corruption (including cronyism and nepotism) can be commonplace and can be additional challenging factors.

NorCross adheres to a principle of zero tolerance to fraud and corruption. This means that NorCross does not accept any form of fraud and corruption in its international operations, nor does it tolerate any form of fraud and corruption committed against NorCross interests by its partners. NorCross works actively to achieve a zero-tolerance mind-set throughout the organisation and supports its partner National Societies in this shared pursuit. An important element of these efforts is to work with Red Cross and Red Crescent Movement partners to prepare new and improve existing internal controls with the primary goal of preventing fraud and corruption while maintaining organisational efficiencies and effectiveness.

If fraud and/or corruption is discovered, NorCross will take immediate action and expects its partners to do likewise. The zero-tolerance principle requires the reporting of any conduct or suspicion that may indicate fraud and/or corruption.

This document:

- is for the use and reference of all NorCross' personnel involved in its international operations and activities irrespective of their location or role. Moreover, it aims to provide to partners clarity as to what is Norcross' position on, and approach to, preventing and dealing with instances of fraud and/or corruption.
- has been drawn and is based on the existing documents, contemporary global standards and procedures as well as those documents specific to the Red Cross and Red Crescent Movement components namely the International Committee of the Red Cross (ICRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC).

Fraud and corruption prevention are not a separate activity and as such needs to be incorporated and integrated into all aspects of NorCross' international operations and activities.

All NorCross' personnel, partners, contractors or suppliers are considered equally responsible for fraud and corruption prevention and as such need to be aware of NorCross' policy framework to ensure its adherence which is a requirement and expectation.

1 POLICY STATEMENT

Norwegian Red Cross (NorCross) has a zero-tolerance approach towards fraud and corruption, as defined in its policy. This applies to all personnel involved in NorCross' international activities everywhere as well as to partners, contractors, or third-party service providers.

NorCross defines Fraud and corruption as follows:

- **Fraud:** Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.
- **Corruption:** Corruption is the abuse of entrusted power for private gain, including bribery.
- Fraud and corruption do not necessarily imply immediate financial benefits for the individual(s) committing fraud or corruption but as an act that **may cause financial or reputational damages to NorCross.**

A non-exhaustive list of examples of fraud and corruption include:

- Misuse of NorCross' assets
- Misappropriation of funds
- Altering documents
- Falsifying signatures
- Providing false information
- Unauthorised disclosure of confidential information
- Theft of programme funds or assets
- Nepotism and/or Cronyism

NorCross is committed to protecting the trust, money and property provided by the Norwegian people, government, corporate donors, and other private donors from fraud and corruption.

To that effect, all NorCross personnel are required to undertake specific training in fraud and corruption awareness.

NorCross' international operations and supported activities are delivered in extremely challenging environments where fraud and corruption can be commonplace. To that effect, all possible measures to minimize risk need to be in place and regularly reviewed. Nonetheless instances of fraud and corruption may occur, and as such NorCross' personnel are required to immediately report all cases of suspected or committed fraud or corruption by contacting any of the following:

- their line manager or;
- via phone **+47 22054040** or via email: safecall@redcross.no

All reported cases are handled in a prompt and professional manner protecting the confidentiality of individuals involved.

2 DEFINITIONS AND SCOPE

This document has been prepared for NorCross to fulfil its legal obligations.

NorCross has a zero-tolerance stance on fraud and corruption; and is committed to minimizing the risks whilst ensuring the continuing organisational integrity and transparency in all of its activities consistent with its codes of conduct and the relevant codes of law.

NorCross is committed to preventing and dealing with fraud and corruption perpetrated by its personnel as well as that perpetrated against NorCross (including its interests and assets) by its partners, contractors or suppliers and any collusive practices among such parties. To that effect the following are the institutional definitions applicable:

- **Fraud:** Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.
- **Corruption:** Corruption is the abuse of entrusted power for private gain, including bribery.
- Fraud and corruption do not necessarily imply immediate financial benefits for the individual(s) committing fraud or corruption but as an act that **may cause financial or reputational damages to NorCross**.
- A **conflict of interest** is where an individual has private interests that may or do influence the decisions that are made as an employee or representative of an organisation.

In order to determine whether any of the above has taken place NorCross will use one of the two methodologies outlined below, depending on the context and circumstances surrounding the alleged incident or event.

- **An investigation:** Shall be used in instances of high institutional risk and can be led by an external entity. It will consist of a progression of activities/ steps whereby studying by close examination and systematic inquiry –will move from evidence gathering tasks, to information analysis, to theory development and validation, resulting in the formulation of a reasonable conclusion and recommendation.
- **An enquiry:** Shall be used in instances determined to be of a lower institutional risk and will consist of the examination into what are the facts or principles related to something that has happened. The result will be a report stating the facts as best ascertained and conclusions reached with a recommendation presented.

These procedures are complementary to the *Employee Guidelines for reporting misconduct and case management in NorCross*.

2.1 Ethical standards

NorCross finds the following behaviours/actions to be in breach of its institutional values:

- Any breach of a Red Cross/Red Crescent policy.
- Any breach of any laws or regulations domestic or international.
- Any improper use of role/function/official position.
- The non-disclosure of a conflict of interest.
- Any form of violence or harassment (including a threat to commit such acts).
- Theft and misappropriation.
- Deliberate mismanagement of NorCross' resources.
- The intentional damage to NorCross' property.
- Improper behaviour relating to financial, audit or accounting requirements.
- Receiving and/or paying a bribe or kickback.
- Falsification or unauthorized destruction of documents or other institutional records.
- Deliberately or recklessly partaking in unsafe working practices.
- Wilful disregard for the safety of others in the workplace.
- Conduct substantially detrimental to the interests, or to the reputation, of NorCross.
- Retaliatory activity against a person who has disclosed unethical behaviour in good faith.

Unethical conduct may constitute a criminal or non-criminal offence. Unethical conduct may also occur without any offence having been committed.

Further, NorCross expects of all NorCross personnel the following:

- NorCross personnel must use the power of their assigned function/office solely for the purpose laid down by the institutional mandate, policy procedures and regulations, and act in accordance to the existing law.
- NorCross personnel must not use information gained from their assigned function/office to draw benefit to themselves or any other person with whom they are associated, or to cause detriment to the organisational or public interest or to third parties.

A person who holds more than one position must not allow a conflict to arise between the duties of those positions (a conflict of duty).

3 ROLES AND RESPONSIBILITIES

1. The **National Board** – as the highest governing mechanism in NorCross is responsible for ensuring that Anti-Fraud and Corruption practices are followed.
2. The **Secretary General**, as mandated by the National Board, oversees the institution-wide efforts to prevent and deal with instances of fraud and corruption, reporting to the National

Board as required. The Secretary General is responsible for ensuring that the necessary resources are in place to address the areas of concern under the Anti-Fraud and Corruption practices as well as the adherence by all NorCross personnel.

3. **Directors, Heads of Unit and Regional Representatives** are responsible for ensuring that their staff are aware of and support the Anti-Fraud and Corruption practices, and that all incidents of fraud and corruption are reported. They are also responsible for ensuring that all incidents of fraud and corruption in their respective area/region are managed and investigated in line with the relevant policy and procedures. They liaise with the Risk and Integrity Coordinator in doing so.
4. **Managers receiving reports** of fraud, and corruption are responsible for reporting them to the Risk and Integrity Coordinator and together agree on how to manage the case and who will be responsible for investigation/enquiry.
5. **All staff** are responsible for complying with the Anti-Fraud and Corruption policy and to follow the established procedures.
6. The **Risk and Integrity Coordinator** is responsible for managing the anti-fraud and corruption practices and framework documents as well as oversee and report on its implementation, coordinating institutional efforts such as reporting to donors. The coordinator is responsible for ensuring that cases are investigated proportionately and appropriately and reported as required to relevant parties. This function is also responsible for providing advice and training to staff on preventing, detecting, and investigating fraud. This includes supporting investigations where specialist input is required due to the complex nature of the case.

PREVENTIVE and COMPLEMENTARY MEASURES

To be able to prevent fraud and corruption in NorCross' international operations, the principle of zero tolerance must be accepted by donors, NorCross' partners, and NorCross itself. NorCross also does not accept mismanagement of funds by the recipients of humanitarian aid, and works to create awareness around the principles of community engagement and accountability (CEA) in the contexts where we work.

NorCross considers prevention to be a shared responsibility. NorCross assigned specific tasks and responsibilities to ensure its organisational needs are met:

- **Managerial commitment.** All managers in NorCross are required to promote a culture where zero tolerance towards corruption is practiced. Managers must ensure that all employees under their direction, and others who act on behalf of the organisation, are aware that fraud

and corruption are unacceptable, and that the principle of zero tolerance is reflected throughout NorCross.

Measures developed:

- **Regular Risk Assessment and Analysis (including partner assessments).** NorCross undertakes regular risk assessments to manage current and emerging internal and external integrity risks. Risk assessments are conducted periodically and followed-up with the relevant mitigating approaches.
- **Partnership agreements.** The Partnership Agreement seeks to formally assign responsibilities and provides a legal framework for the relationship between the National Societies. NorCross will monitor and document compliance with the terms and conditions set out in the partnership agreements and related project agreements.

3.1 Auditing

Regular internal control of accounts, spot checks and independent external audits contribute to prevention of fraud and corruption.

- Audits should be carried out by independent certified or state-authorised public accountants.
- The deadline for local audits is set at 31 March each year.
- If annual audits are not in place, NorCross will withhold funds until issues are settled.
- Local auditors should be regularly tendered for (tentatively every 5-6 years)
- The Norwegian MFA or Norad requires, through a clause in all grant agreements, that representatives of the donor or the Norwegian Auditor General may at any time carry out independent reviews, audits, field visits or evaluations or other control measures related to their funding.

If in doubt contact the Audit and Finance Coordinators in Oslo or your designated Programme Finance Coordinator who can provide advice and help.

NorCross requests an annual local audit of all NorCross supported projects/programmes. Annual audit instructions are issued by NorCross' auditor to the local auditors in December of each year. This is to ensure that local audits are carried out according to set standards and requirements— as per grant agreements. The local auditor reports directly to NorCross' auditor in Oslo. The local Audit report and Management Letter, as well as Plan of Actions on the previous year's Management Letter, are reviewed by NorCross' auditor in Oslo as part of the annual project audits when reporting to donors. In connection with the annual project audits of each Grant Agreement the auditors produce annual audit statements and Management Letters to the donors.

NorCross' regional offices are subject to interim and annual audits. These audit reports and corresponding Management Letters are also reviewed by NorCross' auditor in Oslo as part of the annual project audits in Oslo.

In addition, NorCross' auditor conduct system reviews of the organisation's accounts, administrative cycle, financial management systems, procurement procedures, assets management, and salary system. The auditors carry out random tests of selected activities and produce an annual audit statement, as published in NorCross' annual report.

3.2 Human Resources Management

All delegates and employees at the National Office in Oslo must sign the Ethical and Confidentiality Agreement for Employees in the Norwegian Red Cross (*Etikk og taushetserklæring for frivillige og ansatte i Røde Kors*). In addition, NorCross delegates are required to sign a series of documents including IFRC and/or ICRC Code of Conduct, as well as a number of policies and guidelines which set the framework for institutional expectations to which they shall be held accountable during their term of employment with NorCross.

3.3 Security

Fraud and corruption often result in increased security risks. In dialogue with the Security Coordinator in Oslo, Regional Representatives are responsible for assessing security continuously, and thus responsible for judging the need to move out of an area or situation in order to reduce the security risk. In close consultation with Oslo, field personnel are to agree whether it is necessary and possible to secure any evidence which may be relevant.

4 WHAT SHOULD BE REPORTED

Fraud and corruption may occur in a variety of situations, but there are some risk areas that stand out more than others. In Transparency International's (TI) pocket guide of good practices *Preventing Corruption in Humanitarian Operations* TI has diagnosed corruption risks specific to humanitarian operations and developed a set of good practices aimed at mitigating those risks.

According to TI the following areas are the ones most prone to fraud and corruption:

Human Resources (HR)

- Bias in recruitment, deployment, promotion or supervision
- Short-circuiting of HR controls in an emergency; without proper procedures, corrupt recruitment may occur, or people may be recruited who will go on to behave corruptly once employed
- Conflict of interest
- Extortion, intimidation and coercion of staff
- Behaviour conducive to corruption

Partners and local intermediaries

- Manipulated selection of local partner agencies
- Ineffectual partner monitoring
- Biased local relief committees

- Blocking or diversion of aid by “gatekeepers”, e.g. local officers, elites, traditional leaders, volunteers or militia who control access to resources or beneficiaries

Procurement

- Manipulated tender specifications / bidding documents
- Bid-rigging and insider information
- Biased supplier prequalification
- Manipulated bid evaluation, contract award, contract execution
- Surplus procurement; ordering more goods than necessary or paying too much
- Supply of sub-standard goods or services; invoice according to agreement, while the goods/services are not

Transport

- Payment for access to aid resources or beneficiaries
- Diversion during transportation; corrupt transporters may claim that they had to pay parts of the supplies as a bribe, or that goods diverted for sale were stolen or damaged
- Falsification of inventory documents
- Diversion during storage

Targeting and registering beneficiaries

- Bias in targeting criteria
- Corrupt exclusion or inclusion of beneficiaries
- Multiple or “ghost” registrations

Distribution and post-distribution

- Modification of entitlement size or composition
- Diversion of resources during distribution
- Post-distribution taxing or expropriation

Needs assessment / Resource allocation

- Biased project location or resource allocation, Inflated or distorted needs, costs or beneficiary numbers

Asset Management

- Unauthorised private use of vehicles
- Corruption in vehicle repairs and maintenance
- Diversion of fuel

Finance

- Operating in a cash environment; available cash may easily be stolen or embezzled by coerced/corrupt staff
- Issues in cash-based programming

- Transfers made on false reports
- Payroll fraud can accompany rapid staff turnover
- Exchange rate
- Financial fraud and embezzlement
- Improper accounting
- False or inflated invoices or receipts
- Manipulated audits
- Payroll and claims fraud
- Payment for local permits or access to public services
- Per diem /MSA/DSA/COLA

Programme monitoring and evaluation (M&E)

- False, exaggerated or incomplete reports
- Non-reporting on corruption

Commodities

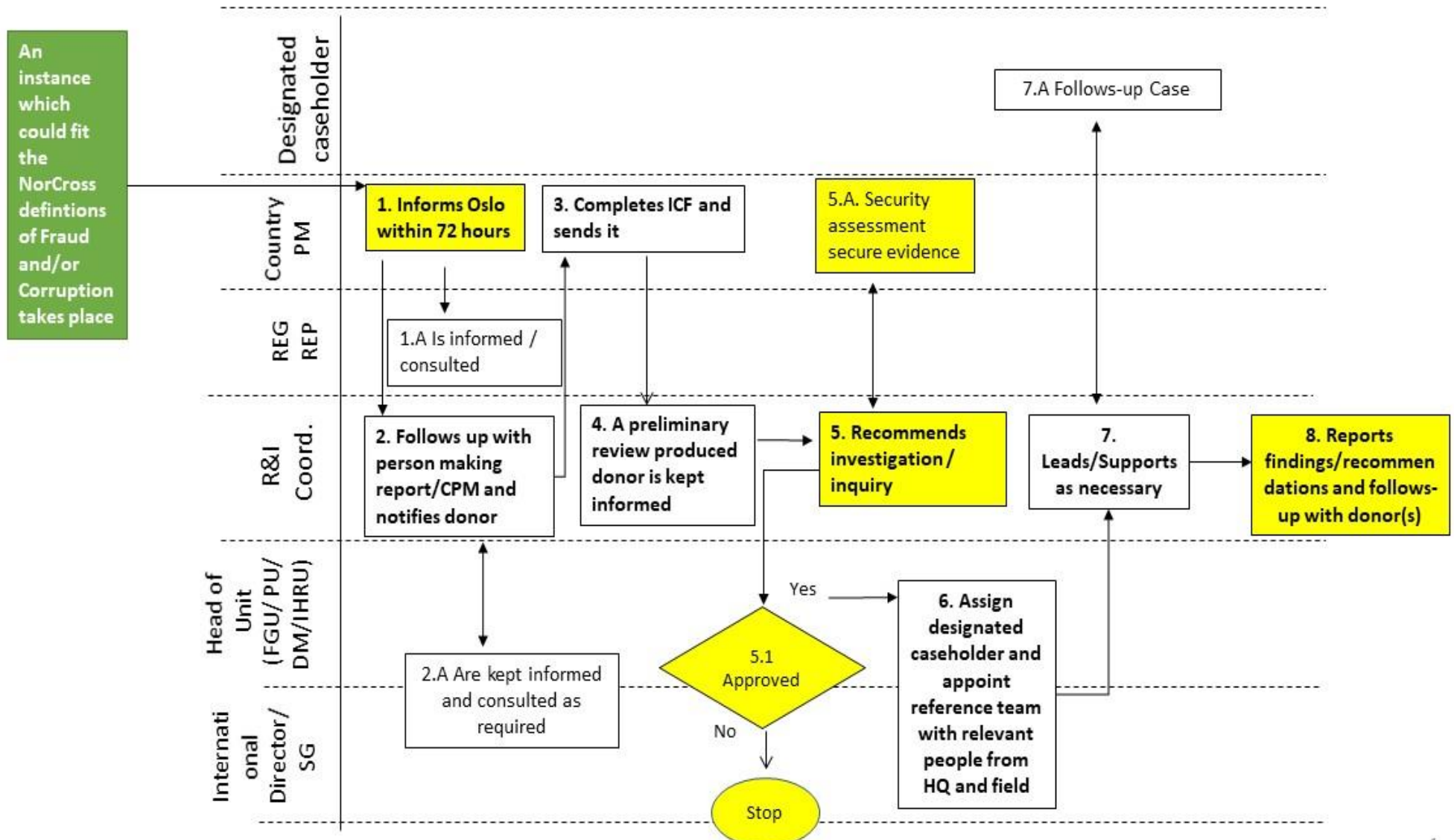
- Food aid; staff or partners may divert food for personal use or sale, falsified inventory list, delivery of poor-quality food or undersized quantities
- Gifts in kind (GIK); agencies receiving GIK have less control over product quantities and quality, making it harder to keep track of goods received

For more information about the risk areas, please consult the Transparency International handbook.

5. HANDLING SUSPICIONS AND/OR ALLEGATIONS

The following flow chart provides an outline of the expected case management process to be followed. This would be further complemented by the explanatory table in page 13 which further details how to handle Suspicions/Allegation of fraud and corruption through a staged approach.

Dealing with Instances of Fraud & Corruption with Partners:



At no stage is the suspect involved in the allegation to be confronted without the prior agreement from the Head of the Finance and Grants unit (FGU) in Oslo.

STAGE A

WHAT TO DO	
STEP 1	<ul style="list-style-type: none"> In order to comply with the current donor requirements NorCross is required to submit a report of a possible incident immediately after the organisation becomes aware of such instance. To do so, country managers and regional representatives are required to notify Oslo as soon as possible (within 4 days) after an incident has taken place or if there is a strong suspicion of an incident having occurred. The first step of notification can be informal (by way of an email or phone call). Upon receipt and review of the information in Oslo, the donor shall be informed regarding possible involvement of donor funds.
STEP 2	<ul style="list-style-type: none"> Having received the initial notification you will be contacted by the Risk and Integrity Coordinator who will proceed to ask you for further details which may require the use of the NorCross' Integrity Complaint Form to document in writing what you wish to bring to the attention of the organisation. Please note that you may not need to fill all the sections in the form. Try to provide as much information as you can. As much as possible describe what has happened or what you have learned or become aware of. Provide a timeframe (dates and times) where possible.
STEP 3	<ul style="list-style-type: none"> The Integrity Complaint Form is currently found in PIMS and can be attached to the deviation log notification tab available for each country. Once you have completed the form, please shared it as soon as possible with your line manager, and the Regional Representative as well as the Risk and Integrity Coordinator in Oslo by email: javier.barrera@redcross.no or phone +47 9161 5664. You may be contacted by the Risk and Integrity Coordinator to secure further information.
STEP 4	<ul style="list-style-type: none"> A preliminary review shall be produced by the Risk and Integrity Coordinator with recommendations on how to handle the case. When applicable, the donor is further informed regarding possible involvement of donor funds and planned future steps. The international director, relevant Unit Managers, Regional Representative and country office involved shall be kept abreast of developments by the Risk and Integrity Coordinator.

Stage B

WHAT TO DO

Step 5	<ul style="list-style-type: none"> • Once the initial report to Oslo has been completed you should proceed to: Country Manager/Regional Representative: <ul style="list-style-type: none"> ○ Alongside the Security Coordinator and Risk & Integrity Coordinator– you are to undertake an assessment of security implications (for employees, partners and others). ○ You are to undertake an assessment regarding the need to secure valuables and any available evidence (receipts, financial reports, petty cash, inventory lists, invoices, hard disks, etc.) If necessary and possible, lock relevant documentation in a safe place. 	
Step 6	<p>A pre-assessment of cases based on the allegations received is conducted by the Risk and Integrity Coordinator and depending on the nature and seriousness of the allegations and pre-assessment of the case a recommendation is made to either undertake a formal investigation or proceed with an enquiry.</p> <p>Investigations are conducted in situations which are considered to pose higher institutional risk; as such an investigation may be assigned to an outside entity in order to safeguard both the real and perceived independence of process.</p> <p>Allegations that are considered to pose a lower institutional risk will be pursued through “enquiries”.</p>	
	An Enquiry	An Investigation
	<ul style="list-style-type: none"> • A meeting/consultation is held involving the: Regional Representative, Risk and Integrity Coordinator, Regional Finance Manager (RFM), Program Finance Coordinator to produce a follow-up plan; • Any recommendations on specific findings and actions are forwarded to the Head of Department and following heads of Unit: Finance and Grants, Programs, and/or Disaster Risk Management. • Donor(s) is/are informed by the Risk and Integrity Coordinator regarding possible involvement of donor funds. 	<ul style="list-style-type: none"> • A meeting is held involving the: Regional Representative, Risk and Integrity Coordinator, Regional Finance Manager (RFM), Head of FGU, and Security Coordinator. <ul style="list-style-type: none"> ○ Follow-up plan is produced. ○ Security Manager will regularly assess the situation • The recommendations on specific findings and actions are forwarded to the International Director and following heads of Unit: International Human Resources, Programs, and/or Disaster Risk Management. • Where applicable the SG or appointee will be informed and decide how the case should be handled and whether or not a case merits an externally led process;

WHAT TO DO		
	<ul style="list-style-type: none"> The Risk and Integrity Coordinator will be responsible for managing the dialogue with the back-donor and may request additional information as relevant to answer further questions or requests. 	<ul style="list-style-type: none"> Donor(s) is/are informed by the Risk and Integrity Coordinator who will be responsible for managing the dialogue with the back-donor and may request additional information as relevant to answer further questions or requests.
Step 7	<ul style="list-style-type: none"> The Risk and Integrity Coordinator follows up on the case and ensures all stakeholders are kept up-to-date on the developments. <ul style="list-style-type: none"> Regular Reports are produced, distributed and filed. International Director and Secretary General are kept informed of progress as requested Donor(s) are kept abreast of developments 	
Step 8	<ul style="list-style-type: none"> In either case if the allegations received are substantiated through the fact-finding investigative process, a conclusion and recommendation report is prepared. The investigation report is sent to the manager two levels above the subject of the investigation whenever applicable. Final report with recommendations is presented to Secretary General or designated. Donor is informed of the findings and receives a copy of the report. Negotiations may arise to settle possible repayment of funds. 	
Step 9	<ul style="list-style-type: none"> Case is included in the tertial update to the senior management team. In addition, NorCross will every year (deadline 31st March) make public a description of its efforts to combat financial irregularities in its operations and of any closed cases from the previous year. Closed cases are archived in PIMS. 	

6. Red Cross & Red Crescent MOVEMENT PARTNERS - ICRC & IFRC

Fraud and corruption allegations are handled internally by both ICRC and IFRC, and despite the partnership, NorCross does not have full oversight in the process.

In order to maintain a focus on and awareness of anti-corruption work, zero tolerance is to be included as a point in partnership agreements with the IFRC and ICRC. Moreover, the continuous work on zero tolerance in relation to fraud and corruption must remain a point on the agenda at meetings at all levels.

If you become aware of an integrity issue pertaining to either the IFRC or ICRC, please contact the following:

IFRC



IFRC's independent, confidential **SafeCall** can be contacted via +44 207 696 5952 or by sending an email to ifrc@safecall.co.uk, or online at www.safecall.co.uk/file-a-report

ICRC

<https://icrc.integrityplatform.org/>

The **ICRC Integrity Line** is managed by EQS Integrity Line. You can report incidents that you believe in good faith violate applicable laws, ICRC's Code of Conduct or any ICRC policy or rule.

<https://icrc.integrityplatform.org/index.php?action=reportIncident&type=report>

7. ANNEXES

Integrity Complaint Form

- PRIVATE AND CONFIDENTIAL -

All information you will provide us with in this form shall be handled in accordance with all relevant Norwegian Red Cross policies and procedures as well as European privacy laws.

To further assist with the instance being reported could you please respond to the following questions:

Country and name of the project/agreement that this report refers to/involves	
When did the incident occur?	
When were you informed of the incident?	
Brief description of the incident?	
What measures have been taken if any?	
Suggested steps ahead	
If you can please provide documents/photos as attachments.	
Contact details: In order to the case to be investigated fully and adequately managed your contact details are important. Please provide the following information.	
<ul style="list-style-type: none">• <i>Your Name:</i>• <i>Your location:</i>• <i>Your email address:</i>• <i>Your telephone number:</i>	