

# Annual report Anti - corruption and Fraud 2018

June 2019

## Introduction

The Red Cross in Norway is part of the International Red Cross and Red Crescent Movement, which works to uncover, prevent and alleviate human distress and suffering. The Movement has a high ethical framework which guides and delineates our activities and operations, and which has put an increased focus on preventing and dealing with corruption, fraud, abuse, waste and unethical behavior. The Red Cross in Norway has zero tolerance for corruption, fraud and abuse.

In 2018, the Norwegian Red Cross spent NOK 1,718 million on humanitarian work nationally and internationally. In addition to self-financing and fundraising from business and private sector, its international activities are supported with funds from the Ministry of Foreign Affairs, NORAD and the EU among others. These donors also set clear requirements for zero tolerance for fraud and corruption and openness about fraud cases that are identified. This report provides an overview of reported cases related to fraud and corruption in 2018. Some of the cases are still open. The report focuses on international work only.

## New cases identified in 2018

### **Burundi:**

Inconsistencies were uncovered in Burundi. Upon notification to NORAD's fraud and integrity unit, the funds were frozen, a comprehensive external audit was carried out. The audit revealed failing routines and lack of financial documentation, but it concluded that corruption had not taken place. These results have been notified to NORAD, which has lifted the freezing of funds. Norad is still assessing if they will ask for repayment of parts of the funds, the case is still open.

### **South Sudan:**

Inflated pricing was identified as part of procurement processes. Upon notification to NORAD's fraud and integrity Unit, the funds were frozen, and a comprehensive external audit was carried out. The audit has confirmed 3 isolated events of default. NORAD has lifted the freeze of the funds, but the case remains open as NORAD is assessing possible repayment of costs.

### **CAR:**

The ICRC notified of a case of fraud in connection with purchasing processes. Following an investigation, the supplier of jet fuel was asked to replace the misappropriate funds.

The supplier accepted responsibility and accepted to return the funding through a discount-arrangement in future purchases of jet fuel. This has been notified to the Ministry of Foreign Affairs (MFA) central control unit, nevertheless the MFA has requested the repayment of the MFA share of the defaulted funds, arguing that the repayment scheme was not appropriate, and that ICRC were partially to blame due to failing procedures. NorCross accepted to pay back the requested funds, a total of 28.045 CHF (approx 260.000 NOK).

**Kenya:**

The Norwegian Red Cross has notified the Ministry of Foreign Affairs' central control unit of possible violations of the rules for financial management. After investigations and reviews with our external auditor BDO and the Kenya Red Cross' auditor, this has now been clarified. The Ministry's central control unit is still considering the case for repayment. The case remains open.

**Madagascar:**

Through a forensic audit Norwegian Red Cross uncovered a range of serious breaches of procedures in Madagascar which led to the termination of the partnership agreement with the Malagasy RC and thereafter to the referral of the case to the anti-fraud and corruption body of Madagascar, Bianco. Norwegian Red Cross withdrew its personnel from the country and has retained legal representation to be informed about the trial case. The trial pursuant to the case is ongoing. Norad requested the repayment of approximately 2,7 million NOK for mismanaged and undocumented costs. Other donors have not requested repayment. The Madagascar Red Cross now has a new President and Secretary General, and is being supported by the Federation to establish a well-functioning national society.

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