

Corruption Report 2009

1.8: Loss of USD 10.000 due to procedure error, DanChurchAid

Content of the complaint: The complaint is about a missing amount of \$ 10.000 and it involves two staff members in DCA.

What did we do: We investigated the case by interviewing relevant staff. The conclusion was that the money was lost because of a procedural error that made it possible for an employee to embezzle the funds. The case has had disciplinary consequences for the staff involved. The back donor has been informed and due to security risks, the case was not raised with the local police.

Lessons learnt: Internal procedures can unfortunately sometimes be neglected by staff with severe consequences.

1.9: Suspicion of corruption rejected, DanChurchAid

Content of the complaint: Documentation seems to be missing for \$ 15.000 in a regional office.

What did we do: We investigated the case and found that there was no fraud, but simply an accounting error.

Lessons learnt: That not all irregularities are corruption or fraud and that *substantial* suspicion of corruption must be the fundament for an investigation. Not all problems or irregularities should be reported into the system, but simply solved in the daily handling of problems and irregularities.

1.10: Partner organisation in Southern Africa under investigation

Content of the complaint: In the beginning of 2009 DCA and our sister organisation Norwegian Church Aid (NCA) reacted toward irregularities in a partner organisation in Southern Africa. The partner had not been able to submit a financial audit without qualifications.

What did we do: DCA is now in cooperation with other donor agencies further investigating the organisation. The managing director was fired, because of the first suspicion. Our back-donor Danida has been notified.

Lessons learnt (so far): Generally investigation of irregularities and suspicion of corruption in a partner organisation takes a long time. Due to the complexity of the cases a long process is needed to draw the final and correct conclusions, the process (normally) includes: initial investigation including e.g. spot checks and field monitoring (verification of the complaint), meetings with other donors of the partner organisation, formulate Terms of Reference for an auditor investigation, tender process to find the auditor, final report writing etc.

1.11: Partner organisation in Africa under investigation for corruption and mismanagement

Content of the complaint: A partner organisation in Africa is under investigation for mismanagement and fraud. The management in the partner organisation found irregularities in a sub-office. The partner contacted DCA immediately and the manager of the partner's sub-office was dismissed. Weaknesses were found in four major areas (management performance

aspect, compliance to administrative rules and procedures, financial and procurement procedures and store and property handling and management).

What did we do: We notified the donor of the project, Danida, and immediately regional staff of DCA made a visit to the sub-office. This visit resulted in a decision to further investigation the case by involving a third party and an auditor has conducted a detailed investigation. The conclusion was that no fraud revealed. The auditors came up with a list of recommendations to strengthen the organisation and procedures. The recommendations are now being implemented in the partner organisation.

Lessons learnt: The term 'substantial suspicion of corruption' was tested in this case. Because when are we talking about corruption? The first phases of the case did not show any sign of fraud or corruption. A weak organisation and incompetent managers is not corruption in itself.

1.12: Partner organisation in Central America not able to document expenses

Content of the complaint: A partner organisation in Central America did not meet DCA and donor requirements in terms of documenting expenses and loans between projects

What did we do: We started out by making our own initial investigation and in cooperation with the organisations auditor we are now investigating whether the breach of contract has resulted in fraud.

Lessons learnt: same as case 1.10

1.13: Personal security threatened for DCA employee, USD 300 lost

Content of the case: In June 2009 a DCA employee was faced with the dilemmas of 1) going to detention and get deported out of an African country or 2) to pay a bribe of USD 300, due to problems with a visa. Management agreed that it would under no circumstances be acceptable to take the security risk and therefore the payment was paid by DCA own funds.

Lessons learnt: The phrase "*Personal safety or security should never be compromised to live up to this policy*" in our anti-corruption policy is of extreme importance in conflict and post-conflict countries or countries.

1.14: False invoices in a Regional Office, USD 160 (paid back)

Content of the complaint: A double check with a supplier revealed that an employee had made false invoices. As the case involves DCA staff, no further information on country and personal identity will be published.

What did we do: Talked to the involved person, who admitted, apologised and paid back the amount around USD 160/DKK 800. The incident was revealed after the employee had left DanChurchAid to take up another job.

What did we learn: Despite that we have strict rules for accounting and documentation, it is possible to cheat. We therefore also learned that spot checks and double checks are effective in detecting fraud.

1.15: Investigation of partner organisation in Africa

Content of the complaint: A partner organisation in Africa is under suspicion of possible misuse of funds. Assessment showed that the problem mainly is one of management and management systems.

What did we do: We entered a dialogue with the partner on how to proceed with the suspicion and discussed the management problems. Key persons in management positions has been changed. We decided to conduct an extraordinary audit, which has not yet been finalized. Based on the conclusion from the audit we will determine the next steps. Our back donor (Danida) has been notified.

Lessons learnt: See complaint 1.10 above and a cooperation with the partner organisation in the process of investigation is very important.

1.17 Investigation of partner organisation in East Africa

Content of the complaint: DCA staff reacted toward irregularities in documentation and reporting from a partner organisation in East Africa. Suspicion of project funds spent for private purpose and not following procedures for procurement, led to further investigation. As there is no proven corruption or fraud at this stage no further specific details will be published,

What did we do: We notified our donors about the case and started an investigation of the partner and an external audit is now taking place. DCA staff have been involved the initial investigation.