

ANTI-CORRUPTION POLICY



Norwegian People's Aid

Norwegian People's Aid Anti-Corruption Policy 2012

Norwegian People's Aid's (NPA) Anti-Corruption Policy (ACP) was developed during the spring of 2012, by a work-group established to revise and develop NPA's existing Anti-Corruption Policy with the aim to be more aligned to the Norwegian Ministry of Foreign Affairs' (MFA) Anti-Corruption Guidelines; to better describe procedures for alert raising and handling of corruption; and, last but not least, to include risk management into the policy. The International Programme Department, Mines and Arms Department, Communications Department and Finance Department were represented in the work-group. In the finalisation of the document, during the autumn of 2012, the Personal Advisor from the Secretary General's secretariat and the Internal Auditor contributed.

The ACP is inspired by MFA's Anti-Corruption Guidelines ("Retningslinjer for håndtering av mistanke om økonomiske misligheter", MFA March 2011); Transparency International's (TI) Anti-Bribery Principles & Guidance for NGOs (Oct 2011) and U4's Developing an NGO Corruption Risk Management System: Considerations for Donors (Sep 2011). The work was also inspired by the dialogue that took place in 2011 among Norwegian NGOs participating in the anti-corruption network group organised by Bistandstorget (Faggruppe for Antikorrupsjon).

NPA's ACP consists of four individual but interlinked parts. Each part can be used separately and serves different purposes, but knowledge of all four parts enhances the understanding and usefulness of the tools and guidelines within the policy. The four parts are:

- 1) NPA Anti-Corruption Policy – background, responsibilities and definitions.
- 2) Corruption Risk Management – a description of how corruption risk management is part of NPA's handbooks, guidelines, procedures, managements systems and documents, and how to use these.
- 3) Alert Raising – what to do; where to report and how, if you have suspicions of or see corruption or mismanagement. NPA's whistle-blower policy.
- 4) Guidelines for handling corruption when detected.

NPA's Anti-Corruption Policy and its tools are all part of NPA's Quality Management System (QMS), and the ACP tools are interlinked with several other management documents and tools within NPA's QMS.

The policy will be revised annually, next revision will be January 2019.

We hope that the Anti-Corruption Policy will be a useful tool in our effort to combat corruption!

Oslo, December 2012

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1. Anti-Corruption Policy

Norwegian People's Aid (NPA) takes an active stance against all forms of corruption with a zero-tolerance position. This entails that NPA will work actively with the prevention and detection of corruption.

NPA expects all employees to strictly adhere to NPA's Anti-Corruption Policy (ACP) and established procedures, and expects all Managers, Country Directors/Programme Managers, and Heads of Departments, to make the ACP known among employees and to ensure that the policy and its tools are implemented. NPA expects all employees to acknowledge that it is a corrupt act not to report suspicions of corruption, and all managers to acknowledge that it is a corrupt act not to act with sufficient measures upon such incident reports.

The vision of NPA throughout all our work is "Solidarity in action". NPA's cooperation and solidarity with people in post war situations; in countries in the process of democratisation; with societies; and organisations still developing their capacities, means a vulnerability to corruption and other forms of mismanagement. The need for comprehensive corruption risk management tools for NGOs working with development and democratisation in fragile environments is indisputable.

1.1 Definitions

In order to be able to detect and react adequately to all possible cases of corrupt practises, it is necessary to establish clear definitions of corruption. A broad and simplified definition of corruption is;

"Misuse of entrusted power or funds for one's own private benefit or for the benefit of family or friends."

Corruption occurs in many forms, for example:

- Bribery: The offering, promising, giving, accepting or soliciting of money, gifts or other advantage as an inducement to do something that is illegal or a breach of trust in the course of carrying out an organisation's activities.
- Kickback: A form of bribery, where someone involved in a purchasing process is getting a reward from the supplier for placing an order of goods or services.
- Embezzlement: Theft of resources for personal benefit.
- Extortion: The act of obtaining something by force, threats or undue demands.
- Favouritism: The unfair favouring of one person or a group at the expense of others, includes nepotism which is favouritism shown to relatives.
- Fraud: The deceit or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage.
- Maladministration: Mismanagement or financial misconduct in handling or reporting of money, financial transactions or other assets.
- Trading in influence (influence peddling): A form of bribery, when a person promises to exert an improper influence over a decision-making process in return for an

undue advantage, 'influence' traded for money or an undue advantage.

Perceptions of what constitutes corruption may vary within and across cultural boundaries, and are often limited to financial mismanagement and fraud. Other 'non-financial corruption', such as nepotism, beneficiary favourism, sexual exploitation and the diversion of aid resources to non-target groups, are less often understood as corrupt practices in some cultures. General poverty amongst the members of the community wherein NPA works could create a situation where NPA's local employees are vulnerable to undue pressure from people outside NPA, to obtain confidential information, e.g. about tender procedures or applications for funds. Partner organisations could also be a target for undue influence from NPA employees misusing their power as managers of funds. Such incidents are not always seen as corrupt practises, neither by the exploiter nor by the victims.

According to this policy and its tools and guidelines, within NPA's organisation and in our cooperation with partner organisations the misuse of power to gain non-financial benefits will always constitute a corrupt act, and should be reacted on.

With the definition and examples above in mind, NPA acknowledge that there are situations and contexts where it is hard to determine whether the suspected incident or practice is a result of lack of capacity and/or competence, or if it is deliberate misuse of power and/or funds. This policy and its guidelines, with procedures for reporting, investigating and reacting should when appropriate be used in a capacity building manner, rather than as a reaction to reported incidents only.

1.2 Zero-tolerance

Respecting the principles of the zero-tolerance mandate, NPA will aim at planning responses to corruption, keeping in mind its broader development objectives and the context of the societies in which NPA operates. All detected incidents, or suspicions of incidents will be reacted upon, and the action taken will be in accordance with our policy and regulations, local legislation, and the context and nature of the incident.

1.3 Risk management and sharing of responsibility

NPA believes that when working in cooperation with partners in developing countries and post conflict areas, the costs of proper corruption risk management, as well as the costs of handling corruption incidents, should be shared among stakeholders in a way that would not harm the recipient community. When operating in challenging and complex contexts with high levels of corruption and weak judicial and law enforcement capacity, leaving the responsibilities and the costs of corruption risks management to the partner and/or recipient would be demotivating for any

actor engaging in a corruption-prone context. NPA believes the sharing of responsibilities among the stakeholders, from donor to implementing actor, would give better access to such difficult contexts and, furthermore, encourage innovative anticorruption practice.

1.4 Anti-Corruption Policy tools

NPA's Anti-Corruption Policy entails three tools:

- Corruption Risk Management System (CRMS) - tools for preventing corruption
- Alert raising procedure - procedure for reporting corrupt practices when detected, and whistle-blower policy
- Handling cases of corruption – guidelines and procedures for detecting, communication, reporting, investigating, reacting, and closing

These tools within the Anti-Corruption Policy, that follow below, can be used as separate documents.

The CRMS describes necessary procedures and list documents, that will be part of NPA's system for administration and project managements, and how these systems entails measures to reduce corruption risk, and subsequently incidents.

The Alert raising procedure comes to work when someone suspects corruption, with forms for reporting, addresses to use, guidelines for reporting etc.

Finally, when an incident has occurred, the Guidelines for handling corruption take you through the whole process from detecting an incident until the case is closed.

Below are the NPA Anti-Corruption tools.

2. Corruption Risk Management System

A Corruption Risk Management System (CRMS) consists of the organisation's guidelines, procedures and recommendations on corruption risk management measures, and the measures required to implement them efficiently.

Norwegian People's Aid (NPA) acknowledges that both preventative mechanisms and sanctions are required in the fight against corruption. On the preventative stage our External Offices (EO) play a major part with analysis of prevalence and perceptions, as well as with implementation of procedures and routines within administration and program management.

Corruption risk should not solely be addressed through project management measures, but also through a (corruption-)focused understanding and analysis of the environment in which NPA operates; from the broad country context to the sectors of engagement/operations, to the partners' records and practice, as well as within NPA's own management, in Norway and internationally.

NPA Head Office (HO) is responsible for maintaining up-to-

date guidelines on how to handle and react upon corruption. This includes detecting and reporting, and possible sanctions. It is the responsibility of all staff to adhere to these. Below are the NPA tools for corruption risk management.

2.1 Measures that identify corruption risks

An important step in combating corruption is awareness of where and how it may occur. All NPA departments; offices; and programmes. must undertake an analysis of the corruption risk within their fields of operation. Programme departments shall make risk assessments prior to launching new activities or partnerships. Likewise, before entering a new country, a thorough analysis of the risks must be completed. Management and support functions, such as accounting and finance; logistics and procurement; and administration, should be aware of the settings and areas where corruption is more likely to occur.

NPA's Quality Management System (the QMS) consists of comprehensive guidelines for financial, logistics, and personnel management. Lack of adherence to the Handbooks and Guidelines constitutes a high corruption risk for the organisation.

NPA's country/programme risk analysis documents should be regularly updated with status for prevalence as well as perceptions of corruption. The information should be collected by the relevant NPA Manager, and integrated in country/programme information, and propose relevant measures for identifying corruption risks in each setting.

Country and Sectors Analysis - A thorough qualitative analysis of the specific corruption situation is necessary, particularly if NPA contemplates a longer-term engagement. This should give the NPA Manager a clear idea of the level of practice and acceptance of corruption in the country of operation; rather than a management tool it should be an awareness tool. Individuals performing such assessments are encouraged to use available external resources, such as Transparency International's Corruption Perception Index and the World Bank Worldwide Governance Indicators, in order to begin building a corruption risk profile that could inform a range of in-country activities. NPA's templates for country and sector analysis have sections especially addressing corruption risks. This document can be found in the QMS under 'NPA03 Areas of Activity'.

Partner Analysis – The selection of reliable and reputable partners is recognised as one of the most important processes in achieving programme impact. NPA's Partner Analysis tool has sections especially addressing corruption risks and assessment of opportunities for corruption, mainly concerning the local organisation's administrative structure. The aim is to make the NPA manager able to identify, monitor, and intervene on vulnerable points. This document can be found in the QMS under 'NPA03 Areas of Activity'.

Administrative Handbooks and Guidelines – NPA's comprehensive Quality Management System (QMS) is available on the NPA Intranet. The QMS contains:

- Handbooks for finance, logistics, personnel and ICT, all with description of procedures
- Key documents such as strategies, policies, code of conducts and value basis
- General guidelines for project management, and
- Templates and forms

The QMS, especially the Handbooks with requirements and descriptions of procedures, constitutes NPA's core tools for detecting corruption risks in our own organisation, as any problems to comply with these requirements implies a weak link in the management system, which could be a potential corruption risk. See the QMS for more details.

to follow up accordingly in line with the requirements, as well as NPA guidelines.

2.2 Measures that reduce the corruption risks (opportunities for corruption)

NPA have guidelines and structures in place to deter employees and partners from engaging in unethical behaviour. It is the distinct responsibility of the Country Director/ Programme Manager (in programmes where the PM is the senior manager), and Heads of Departments at Head Office, that the guidelines and procedures in the QMS are followed throughout projects and the programmes.

Recruitment procedures: NPA's policy on Recruitment, hiring and contractual relation states that all vacancies, permanent or temporarily, must as a minimum be announced internally. Only qualified candidates should be called in for an interview. The panel sitting through the interview should between them decide who will be offered the job, but no job offer must be made until the process is concluded. See full guidelines in the QMS Personnel Handbook.

Financial management (handbooks and requirements): Adherence to NPA's QMS and its handbooks, as mentioned above, assures transparency and efficiency within the accounts and the financial management systems. Special attention should be given to timely cash and bank reconciliations, segregation of duties, and monthly checklist.

Logistic and procurement procedures: Both our Ethical standards in Procurement and The Guidelines on Logistics

– procurement outline the ethical standards staff must adhere to, including in business-related matters. The guidelines state that for contracts above USD 200.000,- an international tender notice must be published. See full guidelines in the QMS Logistics Handbook.

Contracts: NPA's Procedure on Quality Control of Legal Aspect of Contracts states that it is "extremely important to put points of agreement in writing before, during and after the negotiation and implementation of the agreement." (...) "Equal importance should be given to the follow-up of a contract implementation as the amount of resource is utilized during the negotiation of a contract". See full guidelines in the QMS. Donors often have specific conditions and requirements related to corrupt practices. It is the responsibility of all Country Directors and/or Programme Managers to be aware of such terms and conditions, and

Project documents: Programme/project plans and proposals should always outline NPA's corruption risk mitigation efforts as part of the description of risks and assumptions for the achievement of the programme/project objectives.

Programme monitoring routines: During regular programme follow-up visits to projects and programmes, globally and in Norway, NPA Head Office representatives should discuss corruption risk mitigation. This should be included in the Terms of Reference for visits, and progress meeting agendas. Corruption risk may also be part of more targeted formal monitoring missions. Discussions, status, and agreed action points should be outlined in the travel report /monitoring/progress report.

Regular Audits and Special Audits: NPA's guidelines on finance and audit states that "all entities in NPA should make proper preparations for audits according to Audit instructions and donor requirements." See full guidelines in the QMS.

Sanctions: As stated in NPA Guidelines for handling corruption, paragraph 4.5.1 (below), any NPA employee suspected of corruption should be suspended with all authorities and accesses. If the allegations are directed at an NPA partner immediate reaction will imply freezing of funds while the investigation takes place. NPA will also report corrupt practice to relevant judiciary body.

Anti-corruption training to partners and staff: All NPA employees must receive anti-corruption awareness training as part of their induction, and refresher courses, preferably annually. NPA should also offer our partners similar training.

2.3 Measures to detect corruption

Reporting and whistle-blowers: All NPA employees are obliged to report any unethical behaviour they may come across in relations to the programme, including incidents of corruption. It is a corrupt act not to report suspicions of corruption, and for managers it is a corrupt act not to act upon such reports.

NPA also encourages partners and other members of the public to report incidents of corruption. NPA staff should report incidents to their line manager, or may go directly to the Internal Auditor, the Head of Finance/Chief Financial officer or the Secretary General. They may report anonymously, but are encouraged to make their identity known to ease the investigation. More information on how to report can be found on the intranet and on the NPA webpages.

Partners and members of the public may also report to a relevant NPA manager or directly to the Head Office. There is also a form on the NPA website which allows anonymous reporting. NPA should not disclose the identity of any whistle-blower, whether the person has made the allegation anonymously or the identity is known to NPA, unless the organisation obtains the whistle-blower's consent.

Monitoring, and evaluations may, as well as being a method in reducing corruption risk, be a tool in uncovering it.

As outlined above all NPA programmes should undertake regular monitoring and evaluations, and NPA's tools and templates are developed to include measures for detecting corruption risks in projects.

Audits: NPA's external offices will be audited every year. Visits from Head Office, both for project reviews and for internal reviews, will be used as an additional tool. This may include surprise visits.

Areas of concern: See point 2.5 for list of situations that could give reasons for alert.

2.4 Implementation

All NPA staff should receive an anti-corruption briefing as part of their induction. Anti-corruption training templates will at all times be available from HO. To get the best effect of the implementation of the CRMS, training should focus on the areas relevant to the participants, and the documents and procedures used in their work. Corruption risks and opportunities differ between programmes and work settings, and it is important to tailor the trainings accordingly.

NPA will have an open and innovative approach to corruption risk management and anti-corruption work. Detected cases of corruption and irregularities will be disclosed to the public. NPA's annual result report will report on all detected incidents, as well as general efforts to fight corruption.

2.5 Potential reasons for alert

2.5.1 Accounting / Procurement

- Long-lasting problems of keeping financial records up to date
- Bank or cash accounts reconciliations have outdated open postings
- Bank or cash reconciliations missing supporting documents or signatures from management
- Bidding procedure not followed
- Vouchers look suspicious
- Payments lack supporting documents
- Suppliers terms seem over-priced
- Payments to agents or other indirect payments made
- Use of nominees for procurements
- Costs are out of proportion
- Suppliers not willing to sign procurement contracts with anti-corruption clauses
- Payments through companies in tax havens
- Large cash payments
- Suspicious requests from suppliers, e.g. backdating of vouchers, use of foreign bank accounts.

2.5.2 Payroll, allowances and benefits

- Extended use of travels and per diems, e.g. for training
- Payments of medical costs out of proportions
- Frequent use of salary advances
- Pension schemes paid through nominees or according to "home-made" systems
- Mix of different currencies in the payroll system

2.5.3 Partner cooperation

- Agreed reports and meetings are not being followed
- Reports received are not adequate and lack necessary documentation
- Audit reports and/or management letters from auditors shows reasons for concern
- Lack of progress of project activities
- Occurrences in the project accounts that are hard to explain
- Change of auditor without explanation
- Dubious management system, lack of internal control routines
 - Lack of segregation of duties
 - Individual dispositions/access rights of accounts
 - Lack of separate project accounts for easy identification of grants
- Bank reconciliations do not match the accounts
- Annual statement and audited statement differs
- Actual salaries differs from budget, specifically when concerning managers
- Lack of signatories on the annual statements of accounts

2.5.4 Other areas that should trigger alert

- Anonymous reports – whistle-blowers
- Articles in the press indicating corruption
- Employees who never take holiday
- Engagements and contracts given to close contacts or family members or friends
- Employees show sudden changes in lifestyle, i.e. new car, expensive clothes, travels, etc.

3. Alert raising

React and report – NPA encourages all employees and partners to react to and report corrupt practises. To be able to do so it is of vital importance to have an easy accessible procedure to follow upon suspicion, or detection of possible misuse of power or funds, or irregularities.

3.1 Filing a report

Any person, whether employed by NPA or not, may report allegations of corruption. Allegations may be reported anonymously.

Employees are encouraged to report through the line manager, unless the supervisor is involved, in which case one should report to the next in line. However, one may report directly to NPA Head Office management, if preferred.

Persons not employed by NPA may report to the supervisor they regard suitable, or directly to NPA HO, Internal Auditor or Secretary General.

Anyone filing a report should include as much relevant information as possible that may help shed light on the allegations. However, the whistle-blower is not the investigator and should not attempt to gather evidence that are not easily at hand, nor, under any circumstances, break the law to obtain such evidence.

It is encouraged that reports are made in writing, but they may be made orally.

Detailed and up-to-date instructions on how to report can be found on the front page of NPA's intranet as well as on the website. The information on the website includes phone numbers, e-mail addresses and postal addresses for where to report. There is also a form for anonymous reporting.

The website and the intranet also provides information on processes including links to all relevant documents, policies and guidelines, such as: The NPA Anti-Corruption Policy (Policy, Corruption Risk Management System, Alert Raising; and Guidelines for Handling Corruption); The Ethical Guidelines /Code of Personal Conduct; The Gift Policy; and Whistle-blowers' duties.

3.2 Whistle-blowers

A whistle-blower is any person who reports allegations of corruption or other misuse of power or funds. A whistle-blower may make their own identity known to NPA when filing the report, or report anonymously.

NPA should not disclose the identity of any whistle-blower, whether the person has made the allegation anonymously or the identity is known to NPA, unless the organisation obtains the whistle-blower's permission to do so. Harassment for reporting allegations of corruption will not be tolerated. NPA's zero tolerance to corruption implies reaction to corruption, but to limit the impact to those directly involved, and to avoid unnecessary damage to innocent parties. Still, the risk that projects could close is inevitable, and a potential whistle-blower might be reluctant to report due to the risk of losing his/her employment. NPA reiterates the importance of detecting irregularities early, to be able to rectify before major damage is done, and thus reducing the risk of closing of programmes and projects.

NPA will assess the allegation and consider whether to launch an investigation. A whistle-blower should be told within two weeks of reporting an incident whether an investigation will be launched.

The identity of the subject who is the focus of the investigation should be confidential. He or she does, however, have the right to be informed about the allegations.

Anyone called in to give evidence in the investigations must cooperate. They should refrain from disclosing the investigation or their testimony to anyone not connected to the investigation.

3.3 False reports

Anyone reporting an allegation of corruption should do so in good faith. If an allegation is found to have been made with malicious intent, NPA may report the incident to the relevant judiciary body.

4. Handling cases of corruption

The guidelines follow a six step procedure for handling detected cases of corruption:

- 1) Detecting corruption
- 2) Information and communication about the incident
- 3) Reporting the incident
- 4) Investigating the incident
- 5) React appropriately
- 6) Closing the case

4.1 Detecting

Corruption can be detected within any area of Norwegian People's Aid's (NPA) operation – in the field or in Head Office (HO) management. Point 2.5 above lists situations that could give reasons for alert. The list is not exhaustive, but gives some indications of areas where corruption is more likely to emerge.

When someone in NPA, at HO or at an External Office (EO) suspects corrupt practice, or receives a report of a suspected irregularity, the suspicion must be reported to NPA management. According to the Anti-Corruption Policy, and NPA's ethical guidelines/The Code of conduct signed by all NPA employees, it is acknowledged that it is in fact a corrupt act not to report suspicions, and all managers acknowledge that it is a corrupt act not to act upon such reports or allegations. Detecting consists of finding out the severity of the matter, and plan for further reporting, or closing. If it is evident that the allegations do not hold substance, there is no need for further investigation. Nevertheless, it is still important to be aware of who has received information, who is involved, what damage could have been made, and how to act accordingly. A note to file should always be made.

If the reported case is considered to hold substance, further action should be taken immediately. First, before involving others, within NPA or externally, it is important to limit information to the 'need to know', and avoid the 'nice to know', both concerning actual information about

the specific case and number of persons to involve. A general guideline is to report to NPA Internal Auditor and NPA Chief Financial Officer (CFO/Head of Finance) at this stage. In addition, the head of affected department and/or External Office and the Head of Communication Department must be notified.

Secondly, the receiver of the report should determine which donors are possibly involved. This is important in order to decide who to report to next. When it is determined if donor funds are affected it is possible to identify the applicable provisions and requirements that will have to be followed in the following phases.

Finally, all information and actions taken should be properly logged.

4.2 Information and communication

Head of Communications, or her/his representative, must be notified instantly when an allegation of corruption or other incidents of misuse of trust has been received by NPA. NPA staff should be informed about the incident prior to public disclosure, preferably once an investigation has been launched. It is vital that the employees feel included and informed about their workplace.

The preferred strategy for communication is public disclosure of the incidents at NPA's own initiative as soon as the case is concluded. Having a corruption case independently "discovered" by the media creates impression of concealment and dishonesty, which ultimately cause far more harm in the long term. There will be incidents where public disclosure is not preferred, but this will be considered by the Communications Department in each case.

4.3 Reporting

It is important to distinguish between "Detecting" and "Reporting" in this context, the latter being reporting the matter to NPA management and subsequently to donor(s). This is the action taken after "Detecting", the action taken by the supervisor or manager receiving the alert from an employee or a partner

If relevant donors involved are not identified already, this should be done now, and the correct way to report the matter, according to relevant donor requirements, should be established. Norwegian Ministry of Foreign Affairs (MFA) and Norad, requires that any suspicion of corrupt practise is reported without undue delay. This means that any suspicion found to be worth following up should be reported immediately. Other donors' requirements are not always similarly specific. How and when to report have to be decided in each case, based on the requirements in the relevant agreement. Some donors (e.g. Norad and MFA), have special forms to fill in when reporting corruption.

Reporting to donors should always be done by the HO management, preferably by the Chief Financial Officer

(Head of Finance Dep.) or the Internal Auditor, or by the Head of department involved. Desk officers, Programme Department Managers or Country Directors shall not report suspected corruption to donors. In some cases there might have been more or less informal contact between a country office and the donor representative. However, the formal reporting should always be done by NPA HO in Oslo. Some donors (e.g. MFA) have special report formats to be used. All information, notes on action taken, reports, correspondence and minutes from meetings should be properly logged.

4.4 Investigating

It is recommended that a task force or work group to investigate the matter be established, but this depends on the capacity of the office involved. Some country offices have such mechanisms in place, with established members. The group should be small and be able to work fast. If a set-up with fixed members is established, it is important to make sure solutions for substitutes are in place, to avoid delays of action due to absence of members. Anti-corruption groups would usually consist of three to four members. At least one member should be from management and/or finance, and both local and expat staff should be represented if possible. In some complex cases the Head Office could assist an External Office and if necessary provide a team of experienced staff to conduct the investigation.

If the incident is considered severe, and there is a risk of escalation into a critical situation, e.g., if the amount involved is significantly affecting the country programme, or if there are risks of violent or threatening reactions from the suspect(s), the NPA Crisis Management Plan should be consulted. The Crisis Management Plan can be found on the QMS.

When the group is established, being an established function or an ad-hoc work group, it is important to first confirm or disprove the suspicion/accusation. The investigation should be carried out in a way minimising the risk of compromising evidence. In some cases it is necessary to make sure not to pass/fail deadlines for reporting incidents to the police or other authorities. If relevant, cooperation with other affected donors or NGOs should be considered. When the group has an informed opinion on what has taken place, hiring of an external firm to do the investigation, or parts of it, should be decided. Often a forensic audit will be necessary. If possible, sharing of costs of the investigation/audit with other NGO's and/or donors involved, should be considered and tried out before entering into an agreement with an audit firm or other investigating firm.

When relevant the Terms of References (ToRs) for the report from the investigation should include provisions for recommendations to appropriate reactions. However, some audit firms might think this is out of their scope of work, and it will be necessary to seek additional advice from a law firm or other qualified entities, such as anti-corruption bureaus/commissions, or consultants.

Hiring of an audit firm or consultant to do the investigation should follow NPA's procurement policy. The ToRs should be developed with assistance from HO, usually Finance

Department or the Internal Auditor, and the relevant desk officer. In most cases a local/regional firm will be contracted, but it is also possible to use a Norwegian firm.

If it is decided not to conduct an external forensic audit, an internal audit should be done. In such situations it is possible to involve our contracted auditor to take part and give advice.

The investigation, external or internal, should be initiated immediately, with a tight time frame, not compromising the quality. It should always conclude with a written report with recommendations. In addition to the formal report it is important that all minutes, correspondence and negotiations and any documentation of findings, are properly logged.

4.5 Reacting and acting

When detecting a matter certain reaction will take place at once. Depending on whom the suspect is, the initial reactions will differ.

4.5.1 Immediate reactions

NPA Employees

An NPA employee suspected of corruption should be suspended with all authorities and accesses withdrawn immediately. This includes access to offices (keys, alarm codes), NPA computers/laptops, passwords to IT-systems (servers, agrid, mail, etc.), work phones/cell phones.

Confiscated equipment should be kept by the Country Director, and made available in the event of a forensic audit/investigation. Salary and benefits will also usually be stopped. Some benefits and/or allowances, such as housing allowance or school fees, can be continued during investigation if stopping these will seriously harm the suspect's family members. If in doubt, please seek advice from HO.

NPA Partner organisation

An immediate reaction towards a partner organisation will imply the freezing of funds while the investigation takes place. Freezing of funds should not necessarily take place if the irregularity concerns only one or a few identified employees within the organisation, and when the partner's management takes responsibility to suspend the involved persons immediately.

Furthermore, if it is evident that freezing of funds would affect payment of salaries to innocent employees and seriously harm their families, or if distribution of emergency items, such as food or pharmaceuticals, would be affected, or other serious consequences of freezing of funds are evident, then other solutions should be elaborated. In such cases it is necessary to look to the management structure as well as statutes, by-laws or other strategic documents of the partner organisation, to identify who to approach. This could be a chair person or the board of directors. The aim is to find the best way to react without harming the

organisation or its employees and/or the project objectives more than necessary. At the initial phase the most important is to make sure evidence is not lost, and that further irregularities will not take place.

If there is doubt about what would be an appropriate immediate reaction, please seek advice from HO.

4.5.2 Reactions based on documentation/ investigation

A formal complaint to the police or an anti-corruption authority would usually not take place until after the investigation. The investigation will document the facts, and give recommendations on how to react, or indicate an appropriate reaction. A decision to report incidents to the police should always take the present country context into consideration. The general guideline is to report documented corruption to the police. Still, some of the countries where NPA works have weak or even corrupted legal systems, and where fair and transparent prosecutions and trials are not likely to take place. In such contexts reporting incidents to the police may not be advisable, and other measures should be sought. If in doubt advice should be sought from HO.

Reactions should be proportional to the severity of the incident. An element of claims for pay-back is usually part of the reaction. Pay-back arrangements should be made in accordance with national legislation, and take the ability to re-pay and other social and economic factors into consideration. Below are different ways of action to be considered.

4.5.3 Reimbursement

A claim for reimbursement should be made if misuse of funds is documented, regardless of the reason for misuse. In most cases funds are to be reimbursed back to the donor.

The documentation has to show clearly that there is a misuse of funds, in one of the following ways:

- A criminal case is established
- a civil action case is established
- there is an unconditional right to claim reimbursement in a contract or agreement with the counterpart / partner
- the incident is admitted by the responsible part
- the misuse is considered highly probable and well documented in the investigation

If the other party contests NPA's right to claim reimbursement, taking legal steps to recover the funds should be considered. The decision to take legal steps shall be consulted with HO. Legal actions must be considered on the basis of the specific case, the type of non-compliance, the amount involved, the wording of the agreement, the likelihood of recovering the funds in relation to the costs involved, etc.

Claims for reimbursements must be put forward within a reasonable period of time. Remember to adhere to local legislation and rules on limitation periods.

4.5.4 Civil action

Civil proceedings to claim reimbursement and, if appropriate, compensation could be instituted when the partner concerned refuses to settle.

The steps to be taken must be considered on a case-to-case basis, depending on the type of non-compliance, the amount involved, the wording of the agreement and the likelihood of recovering the funds. The decision to proceed with a civil action should always be done in agreement with HO.

4.5.5 Cancellation of claims

If there are not sufficient funds available to reimburse the misused amount, the claim could be cancelled. Still, the back donor will usually claim reimbursement from NPA.

For instance, in Norwegian MFA the threshold for cancelling claims is very high. Therefore, if cancelling claims NPA should be prepared to bear the costs with own funds.

4.5.6 Compensation claims

There are various factors that may give rise to a compensation claim. The agreement may provide grounds for a claim, or this may follow from the general non-statutory rules on compensation outside contracts, and an assessment must be made on a case-to-case basis. In some cases, it may also be appropriate to claim compensation for expenses incurred in documenting financial irregularities. In cases where it can be established that NPA has suffered a loss, a claim for compensation should be filed against the partner or counterparty. A compensation claim may be filed in addition to a claim for reimbursement of misused funds. The decision to file a compensation claim should always be consulted with HO.

4.5.7 Criminal proceedings

Once the occurrence of financial irregularities has been documented with a sufficient degree of probability, NPA should consider reporting the case to the relevant prosecuting authority. The relevant prosecuting authority (police, anti-corruption bureau, or other relevant entities/ ministries), and the country in which the matter should be reported must be considered in each individual case.

In deciding whether or not to initiate a prosecution a close assessment of the legal system in the country where the judicial proceedings would take place must always be made, to determine whether or not the legal system functions in accordance with fundamental principles of due process. It is important to assess whether judicial proceedings could lead to forms of punishment not accepted in Norway (torture, death penalty), how long the process could take, and the costs involved in such a process.

4.5.8 NPA Employees

For NPA employees disciplinary measures may be called for. All employees sign the NPA Code of Conduct, and its provisions clearly states that disregard of its provisions may have contractual consequences and dismissal. Furthermore, all NPA employees are liable for any losses caused by their mismanagement of NPA's properties, and NPA shall have access to legal redress in the event of contravention of the code of conduct.

4.5.9 NPA Partner organisations

Cooperation with partner organisations must be terminated if it has been confirmed that the partner has failed to comply with the terms of the agreement and to show the necessary willingness and ability to rectify the matter. If it is clearly documented that there has been a fundamental change in the partner's attitude and practices with regard to financial irregularities and that the necessary control systems are now in place, resuming cooperation could be considered.

In many cases, the activity that has generated suspicion will concern only part of a partner organisation, and NPA should assess the causes of what went wrong before deciding whether or not to continue the partner cooperation. Before resuming full cooperation NPA should make sure that everything possible has been done to rectify the reasons why there were financial irregularities and ensure that they will not occur again. Rectifying corruption risks should take precedence over the need to continue the activity.

4.5.10 Non-financial irregularities

Corruption will not always imply financial irregularities. Misuse of trusted power, such as nepotism or patronage, could have financial aspects, but the actual amount involved is not easy to determine. In such cases the reaction will not entail pay-back, but could include claim to cover damages. However, it is not recommended to enter into arrangements to cover such damages without proper legal advice.

4.6 Closing

All documents relevant to the case should be filed in accordance with the NPA archive procedures. This includes documents with proper logging of all actions and decisions throughout the process, from detecting an incident to closing the case. Records should usually be maintained both at the country office and NPA HO. There are cases where filing only at NPA Head Office is advisable, e.g. if the contents of the file could imply a security risk to staff or partners.

All files should be handled as confidential. NPA's principle of openness about corruption should not jeopardise people's right to privacy or expose information that could lead to threatening situations, harassment or stalking. Following the closing of a case the relevant NPA management and administrative procedures should be reviewed for possible amendments with the aim of minimising the risk of future incidents, drawing on the lessons learned from a specific incident.

Through NPA's cooperation with the Norwegian Ministry of Foreign Affairs and Norad, we are obligated to report all cases of corruption and irregularities to MFA annually. The list will be included in MFA's global list of all reported incidents within the MFA and cooperating partners.

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