Report on anti-corruption
Digni 2018-2023

Digni has substantially increased the focus on anti-corruption in the agreement period. This report gives an overview of the number of cases handled, reactions, and learning.

February 2024

Overview

Digni, member organisations, and their partners, have worked strategically to reduce risks and improve financial integrity through the agreement period 2018-2023. Implementing about 115 projects with 70 partners in more than 30 of the world's most corrupt and less transparent countries nevertheless implies taking risk. Since 2018, Digni has worked targeted to strengthen focus on anti-corruption, and all parts of the Digni chain have enhanced their efforts to prevent corruption and financial irregularities.

A new anti-corruption policy was developed in 2022, stating Digni's vision of zero corruption and financial irregularities. While "financial integrity" focuses on the importance of member and partners adhering to agreements and guidelines to ensure funds are reaching the projects' needs, "fighting corruption" is about providing resources for reducing corruption in our partners' local contexts.

Prevention

Through the agreement period, Digni has worked systematically to reduce the risk of corruption and financial irregularities. Below some highlights from this work:

Risk reduction in crisis
In the first weeks of the Covid-19 pandemic, Digni developed a manual for "Risk reduction in crisis". Based on learning from former unforeseen emergencies, crisis and situations, recommendations for reducing risks of mismanagement and corruption were shared with all members and partners.

Partner Assessment tool
In advance of the agreement period entered in 2018, every partner was assessed through the Partner Capacity Assessment Index (PCAI). In 2022, Digni developed a new and more comprehensive tool for partner assessments. The Partner Assessment tool identifies risks on a broad range of categories and serves as a tool to develop partners' capacity as well as strengthen member organisations monitoring. The tool has improved Digni's efforts to work more targeted through spending resources on mitigating the highest risks, and developing capacity and competence where needed.

Spot checks
From 2019 onwards, Digni started to use spot checks as a part of the preventive work. Spot checks are done in different parts of the financial management cycle, such as budgeting, reporting, and regular monitoring. Each year one partner/project is selected for a physical or digital spot check of the financial management. Selection is based on either risk-based approach, reported irregularities, or suspicion of mismanagement.

Detection and reporting

Digni believes that the increased focus on anti-corruption has led to strengthened financial management in the chain. However, it has also resulted in more cases reported. Through the period, Digni handled 55 cases of financial mismanagement and SEAH[1] related issues in 21 countries. 40 of the cases were concluded with repayment of mismanaged funds.

The steep increase in number of cases from 2018 to 2020 can be due to more mismanagement taking place, but more likely it is a result of a stricter follow up of the zero-tolerance policy. This has led to more focus on anti-corruption, and in turn strengthened financial management that detects irregularities and encourages partners to reporting them. One can also read that Digni, members, and partner organisations, have strengthened their competence and capacity on financial management and integrity to reduce mismanagement. It could be noted that we didn't see an increase in number of cases during, or after, the Covid-19 pandemic.

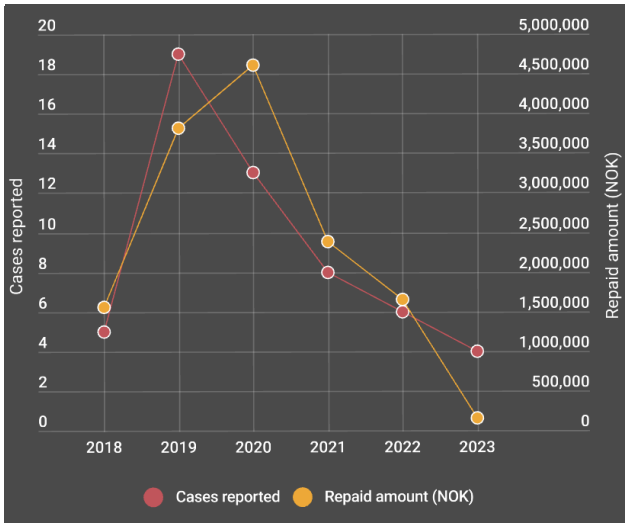

Table 1: Cases reported and reactions (repaid amount)

Reported mismanagement comes from all levels to all levels. In some cases, from partner staff directly to Norad, in other cases Digni's monitoring detect mismanagement. However, cases are normally detected by member's internal control, or they are reported from partner (internal/external whistle-blow) through member to Digni.

That said, as long as Digni's partners operate in high-risk areas to leave no one behind, we believe that there will always be cases to handle. At the same time, there are reasons to suppose that irregularities and corruption goes unreported. Put together, still focusing on anti-corruption, and having zero tolerance for financial irregularities, where reactions are a part of the follow-up, is significant to transparency and accountability.

Repayment of mismanaged funds

According to Digni's agreement with Norad, mismanaged funds must be repaid when the mismanagement is considered to be material. The conclusion of the materiality is made by Norad's Internal Audit, often in line with Digni's calculations and recommendations.

Mismanaged funds repaid relate to all kind of financial irregularities, such as thefts, inflated prices, and fraud, but also material breaches of the Agreement, such as weak documentation, lack of compliance, and spending not budgeted for. Procurement processes not according to procedures are repeating issues.

In the agreement period, mismanaged funds amounting to NOK 14,179,148 have been repaid. This equals 1.44 % of the total grant to Digni[2]. The lowest amount handled, was NOK 251 repaid to a project in Cambodia. The incidence related to transactions where questions were raised to signatures for purchase of water, fruit, mobile cards, etc. The highest amount repaid to Norad was NOK 4,247,229. In this case, a local organisation in Liberia systematically misused funds over several years, by, among others, inflated prices, and fictive documentation.

All in all, four cases amounted to more than NOK 1,400,000 and 16 cases amounted to less than NOK 10,000.

[1] Sexual Exploitation, Abuse, and Harassment

[2] Total grant to Digni 2018-2023: NOK 983,892,821

Repayment to the project[3]

In 2018, guidelines for repayment of mismanaged funds were updated to also include repayment to the project. The guidelines open for repayment of funds to the project if certain conditions are met.

Repayment can be done to the project, if:

1. **The grant recipient has detected the incidence**
2. **The grant recipient has immediately reported to Digni/Norad**
3. **The grant recipient has established good internal controls for management**
4. **The (Norwegian) state is held unharmed**
5. **The conditions making the incidence possible is cleared up**
6. **The grant recipient has reported the matter to the police, where this is realistic**

Out of the 41 cases where mismanaged funds had to be repaid, 19 cases were concluded with repayment to the project (NOK 840,066). Two larger cases (NOK 419,087 and NOK 150,436) were concluded with repayment to the project, and the rest were cases below NOK 80,000. In some cases, especially during the Covid-19 pandemic, technical assets (laptops, printers, etc.) were stolen. Norad's Internal Audit concluded that the assets should be replaced with funds not originating from Norad. This has been counted as repayment to the project.

Handling

Learning

Handling cases of different sizes and levels of severity has taken a lot of time for Digni, members, and partner organisations. However, it has also given us learning through better understanding of challenges and knowledge of what could be hidden under the surface. In 2022, Digni conducted an internal project that included a report were a consultant analysed all Digni's mismanagement cases from 2018 to 2020.

One recommendation was to spend more time to consider content and substantiality of information received. This was implemented, and more informed decisions have been taken relating to investigation and freezing of funds. An increasing number of cases has been examined with internal resources, where either Digni, member, or partner organisation, investigates suspected mismanagement. This often saves time and costs and keeps possible tension at a minimum. Investigating cases internally also increases learning in the Digni chain. In addition, Digni has seen that case management is most effective when there is good coordination between Digni, Norad's Internal Audit, and the member, and where relevant also with other donors.

After each case has been concluded by Norad, a short learning note is written by Digni. This summarises the case briefly and highlights learning points both on how the handling worked, and how future mismanagement can be prevented and detected. Learning from cases, how they were detected, what kind of mismanagement took place, and how it can be prevented, is shared with Digni's members. Findings from cases has been included in Digni's tools for anti-corruption, such as the Partner Assessment and other resources for financial integrity.

Work in the civil society anti-corruption network

The Norwegian NGOs have a network for anti-corruption, where until 2020, Digni had the leader. Digni regards this network as an important arena to discuss anti-corruption, share knowledge and resources, and to challenge the government on a more appropriate implementation of the zero-tolerance policy. From 2023 Digni again coordinates the network.

Digni wants to thank all cooperating partners for the important work against corruption!

[3] https://www.norad.no/aktuelt/varslingstjeneste/tilbakebetaling-av-misligholdte-bistandsmidler/